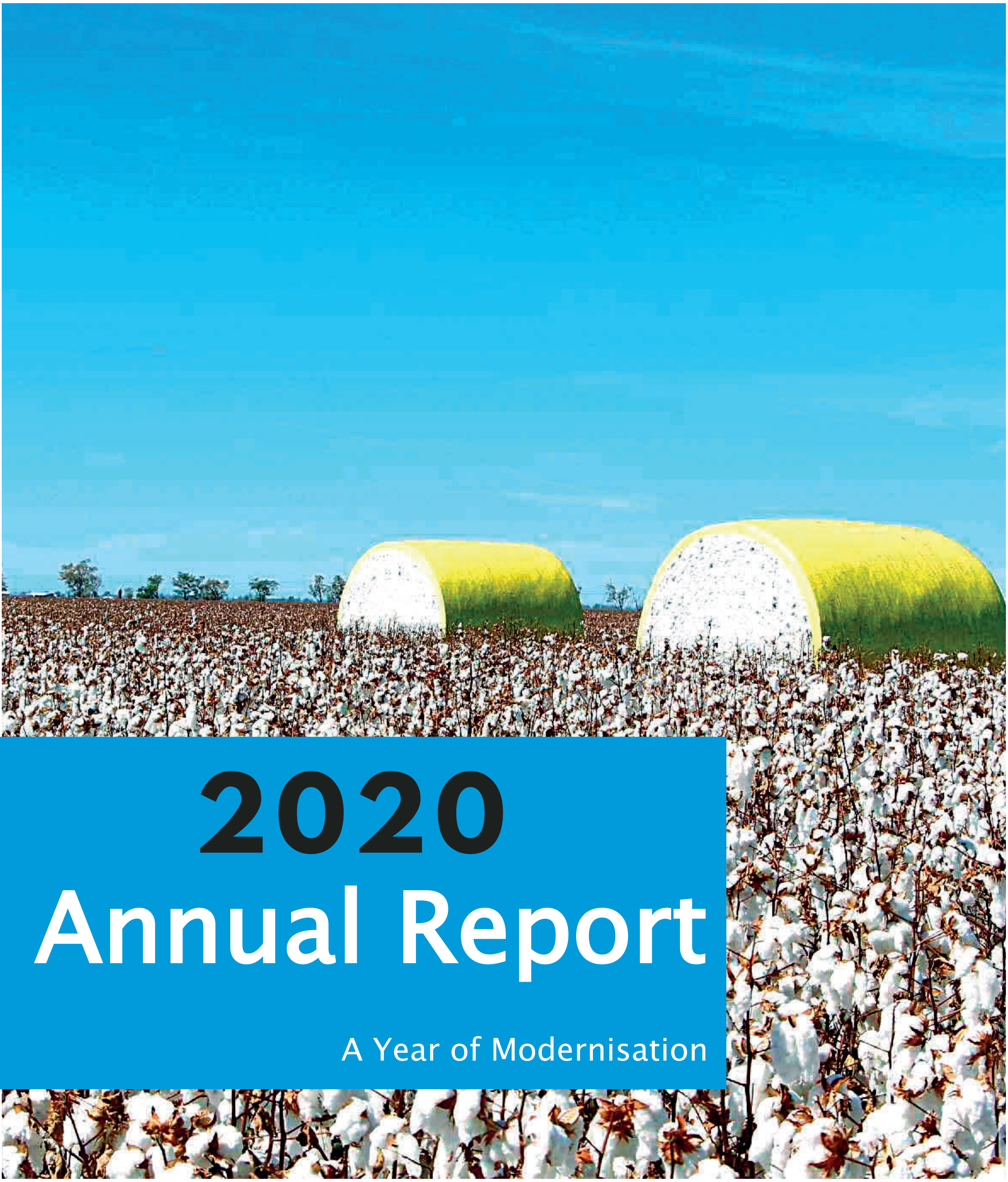

2020 Annual Report

A Year of Modernisation

Namoi Cotton Limited

ABN 76 010 485 588

07 4631 6100 | www.namoicotton.com.au | 1B Kitchener St, Toowoomba

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Namoi Cotton Boggabri Gin

OUR PROFILE

Namoi Cotton is Australia's largest and leading cotton processing and marketing organisation. Namoi Cotton has an extensive network of origination, ginning, marketing and logistics operations throughout the Cotton growing regions of Southern Queensland and New South Wales.
As part of its business operations Namoi Cotton is a participant in the Namoi Cotton Alliance joint venture, which markets cotton globally and owns and operates warehouse and commodity facilities in Goondiwindi, Wee Waa and Warren.
Namoi Cotton has an integrated business model with strengths in cotton ginning, logistics and handling of cotton and other grain based commodities (through NCA), the marketing of cotton internationally (through NCA) and the trading of cotton seed domestically and internationally.

CORE VALUES

Integrity – We act honestly, fairly and with integrity in all our dealings, both internally and externally. We deal honestly and fairly with suppliers and customers. We commit to only dealing with business partners who demonstrate similar ethical and responsible business practices.

Respect – We respect the human rights of all people, their ideas and cultures and our words and actions must reflect this respect, treating fellow directors, senior executives and employees with respect and not engage in bullying, harassment or discrimination

Safety – We are committed to providing and maintaining a safe and non-discriminatory working environment to safeguard the health and safety of our employees, consultants, contractors, customers, suppliers and other persons who visit our workplace, or who we work with, as required by law.

Community Standards – We act in a manner that aims to preserve and protect the Company's reputation consistent with reasonable expectations of our investors and the broader community in which we operate, acting ethically and responsibly and complying with all laws and regulations that apply to the entity and its operations.

Environment – We are committed to act responsibly towards the environment and comply with legislation in respect of licenses held as part of the Company's operations.

OUR FINANCIAL YEAR IN REVIEW

HIGHLIGHTS

from a severely drought affected year

REVENUE AND TRADING

margin per bale up 22%

EBITDA* PER BALE

down 13%

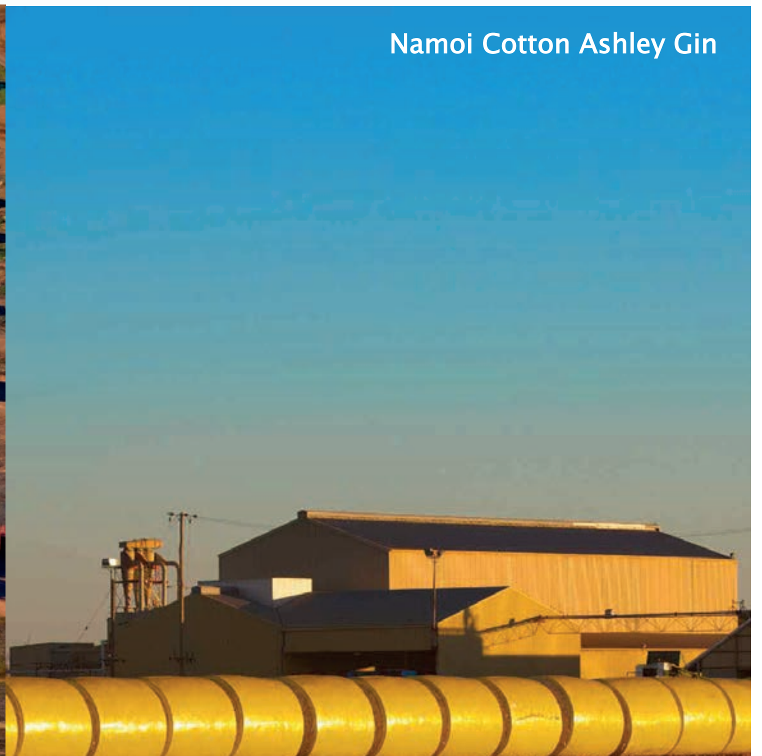
*excluding associates and joint ventures and impairment charges

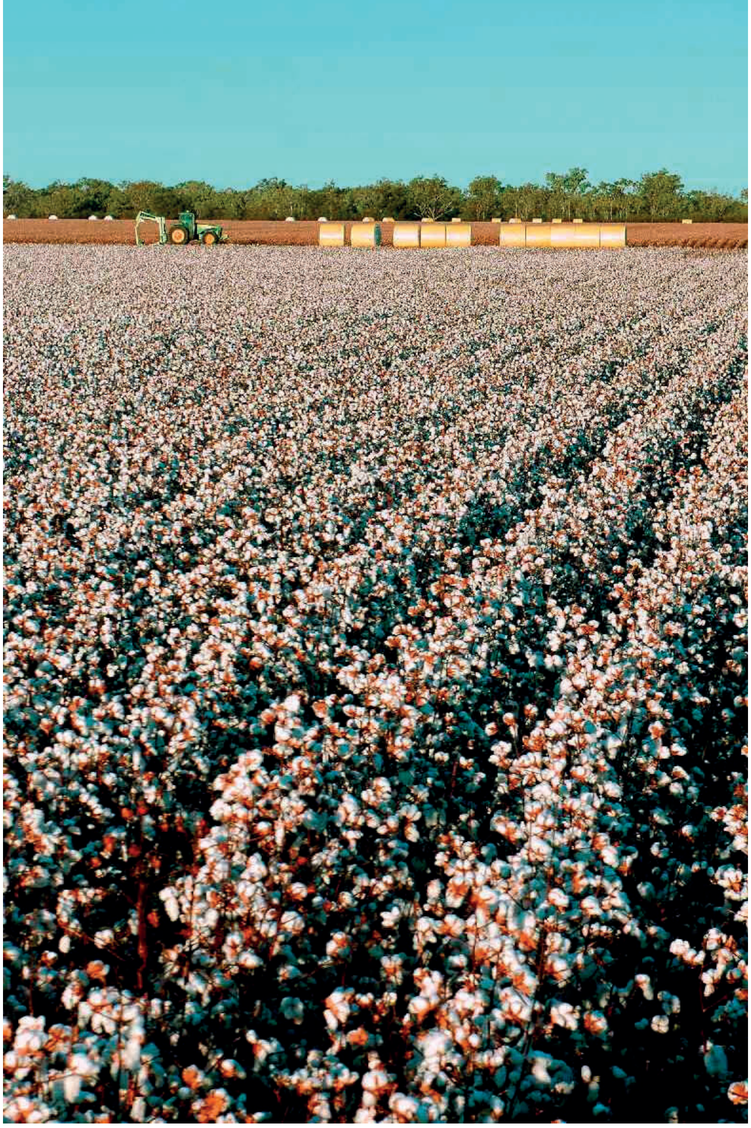
2020 GINNED BALES

down 63%

total number of bales ginned = 449,913


Namoi Cotton Goondiwindi Gin


Namoi Cotton Ashley Gin



LETTER FROM THE CHAIRMAN

Dear Shareholder,

On behalf of the Namoi Cotton Board of directors I am pleased to present the FY20 annual report. To say the least, the unprecedented continuation of the drought has presented some enormous financial and emotional challenges for our growers, our communities and subsequently your company Namoi Cotton. Our team is focused on providing the best possible ginning services to the limited number of growers that were able to grow cotton whilst minimising the financial impact to Namoi Cotton. Despite the extreme drought conditions Namoi Cotton ginned 21% of the reduced Australian cotton crop. This is in line with our previous year's market share of the Australian crop.

SAFETY

Safety continues to be a focus at Namoi Cotton and the Board has maintained its commitment to improving safety as the Company's number one priority.
I am pleased to report a significant reduction in our LTIFR (Lost Time Injury Frequency Ratio) across the Company, falling from 20 to 13.

FINANCE

FY20 was a very challenging year and Namoi Cotton was impacted by many factors including the worst drought in recent history, subsequent reduction in ginning volumes, and volatile market conditions which have challenged all aspects of our business. In spite of these challenges, we are pleased to deliver a break even operating cash flow before interest for Namoi Cotton Limited for FY20 whilst earnings before interest and cash (excluding impairment and other non-cash charges) was a positive $4.3million.
Unfortunately, due to the difficult seasonal conditions, impacting on our financial results, Namoi Cotton was unable to pay a dividend in FY20. We are focused on driving costs out of the business and right sizing it for when we return to normal growing seasons. We are also focused on reducing the risk to earnings and ultimately being able to deliver returns to all our valued stakeholders and shareholders.

CHANGE AND CONSOLIDATION

FY20 has been a year of significant change and subsequent consolidation. The Board recognized that for the company to have a sustainable future, it needed to undertake a significant restructure of its operations. When we return to normal growing seasons, Namoi Cotton will be in a stronger position to deliver greater value to our customers and shareholders. This began in September 2019 with the appointment of our new CEO Michael Renehan.

Namoi Cotton had undertaken a strategic and cultural review during the year that Michael was able to utilise in implementing his modernisation project. The modernisation process took advantage of Namoi Cotton's ginning operations and resources and has focused on empowering the workforce, providing standardised and safe ginning capabilities, and a customer orientated process. Unfortunately, this restructure saw a number of people exit the business. These decisions are always difficult, however, they were necessary to ensure the long term viability of Namoi Cotton.

JOINT VENTURES

We are pleased to report that the legal dispute with our joint venture partner Cargill Australia Limited was resolved in October 2019. The outcome is that Namoi Cotton has been able to maintain a strong working relationship with Cargill Australia Limited. In November 2019 we instigated a review of the Namoi Cotton Alliance (NCA) joint venture with our partner Louis Dreyfus Company. Understanding the disappointing results, the NCA has delivered over the last number of years, shareholders can be assured that both partners are committed to refining the joint venture into a profitable business, that delivers our individual objectives going forward. These discussions are ongoing.

CORPORATE GOVERNANCE AND RISK COMPLIANCE

Our goal is to have modern corporate governance practices that are tailored to Namoi Cotton's specific needs. To that end we successfully changed the constitution in January 2020 with your support to enable Namoi Cotton to operate with a smaller Board. It is our intention to maintain the current six (6) member Board, which we feel is more befitting a company of Namoi Cotton's size, whilst also reducing costs in these difficult times.

FY20 saw the retirement of director Richard Anderson and also the resignation of our long serving grower director Stuart Boydell.

Stuart joined the Board of Namoi Cotton Co-Operative in 1994 and was chair from 1995-2018. Under his leadership the Co-Operative was stabilised, successfully defended takeovers, survived numerous droughts and raised capital.

In 2012 the gobal cotton trading market encountered an unprecedented Black Swan trading situation. This was financially and emotionally devastating to the Co-Operative however the Board at the time under Stuart's leadership was able to continue trading and successfully stabilise the business.

Namoi Cotton honoured all growers' contracts through this period when other merchants didn't.

We would not have the Namoi Cotton we have today if it hadn't been for Stuart and the Board's steady hand's that led Namoi Cotton through that extremely difficult period in 2012.

In 2017 Stuart led the Co-Operative through a successful restructure to become Namoi Cotton Limited.
He did this, understanding it was in the best interests of the business, but always continuing to maintain the focus on our growers needs. These actions give Namoi Cotton Limited the strength and integrity that it is today.
On behalf of Namoi Cotton, I would like to take this opportunity to thank Stuart for his tireless work over many years of service.
Your board is focused on maintaining the appropriate balance of skills, knowledge, experience and renewal to take Namoi Cotton forward. As Chairman, I would like to thank my fellow directors for their support and commitment to Namoi Cotton.

OUTLOOK FY21

Already we know that FY21 will be a tough year for cotton farmers and this will no doubt translate into a challenging business environment for Namoi Cotton.
Widespread rain in all our growing areas in early 2020 has been extremely positive. Whilst this has not translated into large cotton planting intentions, it has enabled our growers to plant a significant area of winter crop. This will inject much needed cash into our rural economies and presents a much more optimistic forward-looking outlook. The Bureau Of Meteorology first quarter climate forecast is also positive regards returning to more normal seasons. Our catchment areas for all our river systems are primed and FY21 certainly looks much more optimistic than FY20.

LOOKING FORWARD

The difficult cropping and market conditions we have experienced in FY20, highlighted the need for the Board to quickly and critically examine how our business needed to change to ensure its future success. This has enabled us to focus on what's important to the business, our shareholders and customers, and work to get our foundations right. Once we have consolidated these foundations, we will be looking to review our strategic plan with the objective of creating real future value for shareholders.
I would like to thank you our shareholders for your continued support.

Tim Watson
Chairman
Namoi Cotton


proudly ginned by
NAMOI
COTTON

CHIEF EXECUTIVE OFFICER'S REPORT

SAFETY AT NAMOI COTTON

The number one priority in our business is the safety and wellbeing of our people. We have seen a renewed focus on addressing the simple day-to-day tasks with our teams as well as initiating improved systems that make our workplace a safer working environment. Our Long-Term Injury Frequency Rate (LTIFR) has come down across the group from 20 to 13 which is still high. Our goal is an injury free workplace at Namoi Cotton, and we need to be under a LTIFR of 2 to be at best practice Australian industry standard. To reach this goal our teams are working together at daily toolbox talks, at our safety meetings and with company wide housekeeping audits, with the Board and the Executive providing strong support. Making Namoi Cotton a safer place to work is an ongoing commitment and will remain our key focus within the business.

FINANCIAL PERFORMANCE

This year has been challenging, with most of Namoi Cotton's footprint, in one of the most extended droughts in recent history. Ginning volumes have reduced by 63% from the previous year as well as similar reductions in cottonseed and cotton lint volumes all of which have translated through to essentially a break even operating cash flow before interest result. Earnings before interest and cash (excluding impairment and other non-cash charges) was a positive $4.3 million with significant cost reductions in the second half of FY20.

Key measures were taken in the following areas in H2 FY20:

- Planning and implementing a significant organisational restructure at Namoi with direct impact on approximately 50 employees. This will deliver annualised labour savings of more than $4.5 million and increased focus and accountability in the delivery of services to growers and customers.
- Settlement of the ongoing commercial dispute with Cargill Australia Limited.
- Increasing the focus on working capital efficiency and cash flow performance.

MODERNISATION

Namoi Cotton is working to modernise its organisation to leverage off its strong capability in ginning operations and take advantage of the economy of scale of its assets. It is investing considerable resources to empower our workforce to ensure that safety, customer service and financial performance are core principles. This change is critical to compete in a volatile environment with challenging market conditions where the volumes in FY21 continue to be further exacerbated by this most recent drought period. As a result of this modernisation, Namoi Cotton will be providing standardised and customer-orientated ginning capability that is safe, cost effective and ginning best practice. Our growers' success in competing in the international market will be supported by these changes in technology, logistics and capability. This modernisation will also create a workplace where employees feel valued, empowered to make pro-active decisions, and be accountable to deliver a customer experience that is best practice.

OUR PEOPLE

As part of its modernisation, Namoi Cotton has restructured its business to become more customer focused and efficient in the delivery of its ginning and other services. We have created the Customer Operations Team with a focus on each of the regional valleys and their specific grower requirements. Our gin staff are also included in this team and are working directly with growers to provide immediate support for their cotton production. A new Engineering and Technology Team has been established which is focusing on technology and information technology improvements to enhance the grower experience and to run a lean, efficient cotton ginning operation. Finally, we conducted a Fresh Start program where we initiated this new approach with all our staff in Goondiwindi earlier this year. We have a great team at Namoi who are proud members of their regional communities and we stand behind them to deliver great service to our growers.

OUR GROWERS

Our growers have seen significant change across the Namoi Cotton business with upgrades in our portal, the restructure of our grower facing team to form the Customer Operations team.

This team will combine our gins and our account managers into valley-based service groups that will be responsive to the immediate needs of growers. This team will be supported by the newly created Commercial Development team.

OUR CUSTOMERS

Namoi Cotton's ginning customers not only utilise our services for the toll processing of their raw cotton fibre but to facilitate marketing and logistical alternatives for their cottonseed, either by offering a range of cottonseed procurement options or through utilising our extensive cottonseed storage and handling supply chain to bring their cottonseed to market. The Commercial Development Team will develop new products and services, and work with our customers on technology improvements and logistics solutions for their cotton crop. Our customers will see more improvements in our ability to develop and implement more real-time solutions in the future based on this change.

OUTLOOK

We know that FY21 will be a challenging year with the Australian crop just over a record low forecast of 600,000 bales.

Namoi Cotton has prepared itself for this volume by scaling back our ginning footprint in line with customer forecasts.

We have strong support from our banks and have put in place robust capital management processes to ensure our financial sustainability. Namoi Cotton will complete its modernisation over the coming months and be positioned to meet the requirements of our cotton industry.

COVID-19 UPDATE

COVID-19 has had an unprecedented impact on regional, national and international businesses all over the globe and we are yet to see the full effects of the virus. The business reacted quickly to the COVID-19 situation and implemented very strong protocols and practices at all of our regional facilities and offices.

Michael Renehan
CEO
Namoi Cotton Limited

MODERNISATION

In November of 2019, Namoi Cotton began the first step in the long journey of Modernisation. The company has moved through a number of changes that will continue to occur into FY21.

Management
Our People
Definition of Values
Effective Communication
Respected
New Empowerment
Integrity
Safety First
Accountability
Technological Advancement
Initiative
Our Customers
Namoi Cotton the Best Performing Cotton Ginning Company in Australia

FRESH START 2020

OPEN MIND

POSITIVE ATTITUDE

LEADERSHIP

TEAMWORK

NEED FOR CHANGE

Fresh Start was an opportunity for all staff to band together and to begin to make sense of the new environment that was Namoi Cotton Limited.

Fresh Start is about creating the Namoi Cotton of the future, this begins and continues with staff. An empowered and supported workforce has seen Namoi Cotton succeed for going on 60 years and employees are key to continuing to set the direction of the company for the next 60.

4 groups of up to 23 employees congregated in Goondiwindi to come together, from multiple levels and together found solutions, teamwork and team spirit to move the company forward using the 10 Principles that underpin the process of Modernisation:

Safety first and foremost
Decision at the point of action
Standardisation (not bespoke)
Customer orientation
Accountability Stable
operating window
Margin or profit focus
Change
Centralised vs decentralised
Leadership and teamwork

Where is Namoi Cotton Located?

Namoi Cotton Offices

Namoi Cotton Gins

Namoi Cotton Joint Venture Gins

NCA Warehouse Sites

NCA Commodities Packing Site

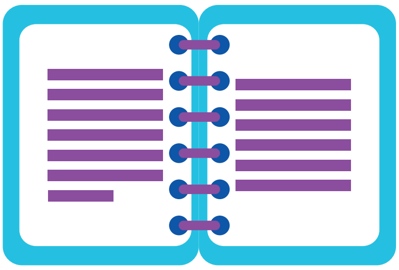
Public Irrigation Dams

GOVERNANCE

During the financial year ended 29 February 2020 and to the date of this report, the board has undertaken a thorough review of its governance charters and policies to strengthen and enhance the company's governance platform.

The Board Charter, Audit Risk and Compliance Charter, People and Culture Charter and Trading and Operating Risk Charter were all revised to improve Board and committee governance standards to achieve a higher standard of accountability, transparency and reporting in the company. The Board Charter was amended to state that directors have a maximum term of 12 years of continuous service, in addition to the retirement provisions contained in the Namoi Cotton Constitution and the ASX Listing Rules.

The board has also taken a proactive approach to revising its governance policies and procedures by reviewing and improving its Code of Conduct, Securities Trading Policy, Anti-bribery and Corruption Policy, Disclosure and Communication Policy, Diversity Policy as well as establishing a Whistleblower Policy and a company wide review of internal policies and procedures.



OUR BOARD OF DIRECTORS

Tim Watson
GAICD
Mr Watson was appointed to the Board in November 2014 and elected as Chairman in September 2018. He grows cotton in the Hillston area, and has been involved in the cotton industry since 2000.

Joseph Di Leo
M.Bus.Acct. & Fin., FAICD
Mr Di Leo was appointed to the Board in June 2018. He has an extensive career in agriculture in executive and non-executive roles.

Glen Price
B Rural Science (Hons), GAICD
Mr Price has been a Board member since July 2009. He has been involved in the cotton industry for 42 years.

Robert Green
B Bus (QAC), MAICD
Mr Green was appointed to the Board in May 2013. He has extensive knowledge and experience in the international agriculture industry.

Stuart Boydell
Mr Boydell joined the Board in June 1994 and was Chairman between December 1995 and August 2018. He is a cotton grower from the Moree area. He resigned in January 2020.

Juanita Hamparsum
B Bus (UTS), CA, FPCT, GAICD
Mrs Hamparsum was appointed to the Board in June 2018. She is a cotton grower from the Breeza area and has extensive experience in accounting and finance, agribusiness and risk management.

James Jackson
B.Com., FAICD
Mr Jackson was appointed to the Board in June 2018. He has more than 25 years experience in capital markets, corporate governance, agricultural supply chains, public company corporate governance, strategy implementation and financial risk management. He resigned on 13 May 2020.

Richard Anderson
OAM, B.Com, FCA, FCPA Mr Anderson joined the Board in July 2001. His experience extends to managing partner of PricewaterhouseCoopers, directorships of other ASX listed companies and his service to the Guide Dogs for the Blind Association. He retired on 30 July 2019.

INTRODUCING OUR EXECUTIVE TEAM

Michael Renehan – Chief Executive Officer

MBA, M. Eng (Chem), MAICD

Michael was appointed in September 2019. He has vast experience in engineering, manufacturing, management and grower relationships.

John Stevenson – Chief Financial Officer

FCA, GAICD, FGIA, BBus.

John was appointed in March 2020. He has extensive executive experience having been the CFO for Australian public companies as well as large private entities in the agribusiness sector.

Ernesto Mollica – EGM of Engineering and Technical

MEngSc(Man), PostGradDipIndEng, EEng

Ernesto has experience in manufacturing, engineering and management. Previously working for global mining company's, he brings a strong safety culture, excellent communication strategies, and the understanding to drive performance in the market.

Shane McGregor - EGM of Commercial Development

MBA, MPM, USDA Accredited Cotton Classifier

Shane has extensive knowledge of Namoi Cotton and the cotton industry. This role supports the current suite within Commercial Development as well as identify, develop and support key business, key account management, subsidiary businesses and future company growth and opportunity.

Prue Turnbull – EGM of Customer Operations

BBus., GradDipAppFin

Prue brings nearly a decade of experience across all aspects of customer management including account relationships, export management and logistics and trading. She has family connections in Mungindi and spent a number of years working in Northern NSW.

2020 Financial Report

Year ended 29 February 2020

NAMOI COTTON
Growing Together

Namoi Cotton Limited

ABN 76 010 485 588

Contents

The information contained in this report is for the full-year ended 29 February 2020 and the previous corresponding period, 28 February 2019.

RESULTS FOR ANNOUNCEMENT TO MARKET

	% Change		$'000
Revenues from ordinary activities	Down 41%	to	3,516
Profit/(Loss) from ordinary activities after tax attributable to members	Down 1,877%		(10,990)
Net profit/(loss) for the period attributable to members	Down 1,294%		(8,381)

Dividends (distributions)	Amount per Security	Unfranked Amount per Security
Final distribution - (Refer Note 5)	0.0 cent	0.0 cent
Interim distribution	-	-
Record date for determining entitlements to the final dividend	-	

For further explanation of the annual financial results please refer to the Review of Operations shown in Page 6 of this report.

Earnings per share	29 February 2020	28 February 2019
Basic earnings per ordinary security	(7.8 cents)	(0.4 cents)
Diluted earnings per ordinary security [1]	(7.8 cents)	(0.4 cents)

Net tangible assets per security	29 February 2020	28 February 2019
Net tangible asset backing per ordinary security	87 cents	93 cents

[1] Residual capital stock unconverted has not been included in the calculation of diluted earnings per share because they are antidilutive, refer to note 4.

Associates and joint ventures - refer to notes 10 and 11 of the financial statements.

The above specific requirements of Appendix 4E should be read in conjunction with the complete final report. This financial report has been audited.

DIRECTORS' REPORT

Financial report for the year ended 29 February 2020
Your directors present their report on the consolidated entity consisting of Namoi Cotton Limited ('Namoi') and the entities it controlled at the end of or during the year ended 29 February 2020 ('FY20').

Principal activities
Namoi is an Australian domiciled public company listed on the Australian Stock Exchange. The principal activities of the entities in the Namoi consolidated group in FY20 were the ginning and marketing of cotton including its by products such as cotton seed and moss/mote.

FY20 financial results
Namoi recorded an FY20 consolidated net loss after tax of $10.9 million, compared to a net loss after tax of $0.6 million for the year ended 28 February 2019 ('FY19'). On a pre-tax basis, Namoi recorded an FY20 net loss of $15.3 million (FY19: profit of $0.1 million).

Namoi's performance is impacted by seasonal conditions and volumes in relation to its recurring cost base (both fixed and variable), as well as market conditions which have a mostly non-cash impact on asset valuations. Major non-cash items impacting on Namoi results include Impairments and Fair Value adjustments totalling $9.2 million in FY20 (FY19: $5.6 million).

Despite the challenging seasonal conditions in FY20 Namoi managed to achieve a positive EBITDA (excluding associates and joint ventures and impairment charges) of $4.3 million (FY19: $23.0 million) as reconciled in the table below. Although total EBITDA reduced significantly in FY20, the conversion of EBITDA into operating cash flow before borrowing costs compares favourably with FY19 noting the fixed costs required to maintain future capacity. This reflects the benefits achieved from an organisational restructure as well as improved working capital management. FY20 EBITDA compares to an almost breakeven (i.e. -$0.01 million) net cash inflow from operating activities before borrowing costs (FY19: $18.9 million).

	Consolidated	
	$'000 29 Feb 2020	$'000 28 Feb 2019
Profit/(Loss) before Income Tax	(15,300)	124
Add back:		
Share of loss of associates and joint ventures	8,539	5,882
Depreciation	5,239	9,278
Fair value decrement - ginning assets	5,217	2,018
Impairment - joint venture	(2,438)	3,563
Impairment - goodwill/parent investment	961	-
Finance costs	2,082	2,180
	19,600	22,921
EBITDA (excluding impairment charges and associates and joint ventures) [1]	4,300	23,045

[1] EBITDA is a non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation, and amortisation and is presented prior to the impact of associates and joint ventures and impairment charges.

FY20 financial performance of the core ginning activities was negatively impacted by the 63% decrease in Namoi's ginning volumes compared to the prior comparative period ('pcp') as a result of the record-breaking drought in South Eastern Australia and its impact on the 2019 growing season. Namoi's cottonseed shipment volumes were similarly impacted with a 57% decrease on pcp. Namoi Cotton Alliance's (NCA) lint procurement volumes also decreased by 57% compared to pcp.

In line with cotton volume decreases, Namoi's ginning business recorded a lower FY20 contribution than in the pcp, however margins per bale were maintained as a result of underlying productivity gains.

Namoi's seed trading business shipped and handled 112,000Mt (2018 crop: 260,000Mt), with a strong positive contribution recorded.

Losses from NCA increased substantially in FY20 relative to pcp as a result of the volume decreases noted above and also shipping delays, contract renegotiations and a decline in the cotton futures market. Following on from the FY19 impairment charge of $3.56 million, the Board considered NCA's further losses in the first half of FY20 and determined that its future cash flows remained insufficient to support Namoi's NCA investment carrying value. Accordingly, a further $2.98 million impairment was booked in respect of Namoi's 51% interest in NCA in the first half of FY20. NCA impaired its intangible assets in the second half of FY20 by $10.62m (Namoi's share $5.42m) which resulted in a recoupment of impairments previously taken up by Namoi. As NCA's impairment flowed through the share of associates losses the write-back of the impairment in Namoi amounted to $2.44m for the full year FY20. This impairment results in Namoi's NCA investment carrying value equating to its share of NCA's tangible net assets.

On 6 February 2018 Namoi recognised $0.96 million of goodwill on its 100% acquisition of Australian Classing Services Pty Limited ('ACS'). As a result of the poor outlook for FY21 ACS classing sample volume given the severity of the drought, the Board has determined that the goodwill arising on acquisition is fully impaired. Accordingly, a $0.96 million non-cash, non-recurring impairment charge has been recognised in FY20.

In FY20, Namoi booked a $5.22 million non-cash charge to the Statement of Profit and Loss ('P&L') relating to a decrement in the fair value of ginning assets. This was driven primarily by valuation of the Ashley ginning site to a nil book value given a change in its service potential. This was in turn partially offset by the repositioning of bales to other sites and thus Namoi has booked a $3.73 million revaluation increment direct to the asset revaluation reserve. Accordingly, the net revaluation of the book value of ginning assets as at 29 February 2020 was a decrease of $1.49 million.

A $1.1 million non-recurring gain was made in relation to the settlement of the commercial dispute with Cargill Australia Limited ('CAL') and the associated disposal of Namoi's 15% interest in Cargill Processing Limited ('CPL') and dissolution of the Cargill Oilseeds Australia partnership ('COA').

In December 2019, Namoi announced that, in light of unprecedented drought conditions it had commenced a long ranging modernisation plan designed to deliver efficiencies and operational flexibility. This plan included a significant organisational restructure to streamline its recurring cost base to better align with production volume volatility, whilst at the same time it recognises the need for ongoing skills renewal in order to remain successful in a forever changing environment. The FY20 P&L includes $1.50 million of non-recurring costs associated with the organisational restructure, noting that statutory leave entitlements paid to these staff were already largely provided for prior to FY20.

In FY20, net cash outflows from operating activities were $2.1 million (FY19: net cash inflows of $21.0 million). While a disappointing outcome for the full year, Namoi achieved a strong second half cash flow result for FY20 with net cash inflows from operating activities of $9.4 million. This in turn reflected a solid outcome from the cotton seed and mote/moss marketing businesses and improved working capital management.

Net assets as at 29 February 2020 decreased on the pcp by $8.4 million or 6% to $121.4 million (2019: $129.8 million) representing a net asset backing of $0.87 per ordinary share (2019: $0.93 per ordinary share).

Dividends

The Board has announced that Namoi will not pay an FY20 final dividend (FY19: nil).

Review of operations
The overall 2019 Australian cotton crop production was 2.15 million bales (2018 crop: 4.54 million bales) representing a 53% decrease. Early season forecasts estimated the crop at 2.3 million bales, however the continued dry conditions almost completely decimated the dry land crop and also adversely impacted irrigated yields. The latter fell back to 10.0 bales per hectare in 2019 compared to 11.5 bales per hectare in 2018.

Namoi ginned 449,913 bales (including 100% of joint venture bales) of the 2019 crop (2018 crop: 1,202,000 bales) representing a 63% decrease on pcp. The dry weather conditions again facilitated a dry harvest resulting in seed cotton being delivered to gins with very low moisture content. Cotton quality was above average for the season, which increased throughputs, however, low volumes prima facie impacted processing efficiencies. In response to this several gin sites did not process cotton while others operated single shifts and five-day weeks. The impact on variable costs was mitigated by sharing permanent staff between sites and keeping electricity costs to a minimum by reducing peak period charges. Variable costs were up 2.8% per bale on 2018 crop.

Despite the extreme drought, Namoi continued to invest in its ginning network to improve service offerings. During FY20 Namoi successfully commissioned a new press at the Macintyre II gin and upgraded the press hydraulics and controls of the Trangie gin to increase pressing efficiency.

Namoi's commitment to workplace health and safety continued to bear fruit in FY20 as it achieved a lost time injury frequency rate ('LTIFR') of 13 (FY19: 15). This continued improvement can be attributed to greater staff engagement and the implementation of safety representatives and committee members being on the ground and increasing communication and consultation from all areas of the business.

Namoi's FY20 cotton seed trading margins increased on a per unit basis with effective risk and position management producing a strong outcome through maintenance of a controlled long position through a period of strong increases in cotton seed prices.

Joint Ventures and Associates
NCA's total cotton lint marketing volumes procured for the 2019 season were 350,000 bales (2018 season: 817,000 bales). This reflects a 57% decrease in volume traded which was again down essentially due to the drought conditions. In recent years lint marketing gross margins have been under pressure through competition to secure cotton and these adverse market forces were exacerbated by recognition of unrealised contract losses as a result of shipping delays, contract renegotiations and a decline in cotton futures. In addition, NCA's commodity packing business packed just 29,000Mt compared to 55,000Mt in the pcp; again, largely as a result of the drought. These factors combined to cause a loss after impairments in NCA in FY20, with Namoi's share being $8.59 million (FY19: $1.08 million loss).

Other
Namoi's finance costs have reduced by $0.1 million with the interest rate environment being even more favourable than the pcp. No term debt amortisations occurred during FY20 with $42 million of term debt carried throughout the financial year. Finance facilities were renewed with Commonwealth Bank of Australia ('CBA') in April 2020 with an extension to the maturity date of the $10 million working capital facility to 30 April 2021.

Mr Michael Renehan was appointed as Chief Executive Officer with effect from 1 September 2019. His immediate task was to ensure that Namoi was most favourably positioned to deal with the unprecedented drought conditions which were having a material adverse impact on financial performance. Key measures were taken in the following areas:

- Planning and implementing a significant organisational restructure at Namoi with direct impact on approximately 50 employees. This was executed in the last quarter of FY20 and will deliver annualised labour savings of more than $4.5 million and also increased focus and accountability in the delivery of services to growers and customers;
- Increasing the focus on working capital efficiency and cash flow performance. Enhanced procedures were instituted with positive outcomes in terms of working capital realisation into cash in the second half of FY20;

- Settlement of the ongoing commercial dispute with Cargill Australia Limited almost one year after court proceedings had been initiated;
- Ensuring Namoi maintained its funding facilities. This was achieved with CBA extending banking facilities to Namoi which now mature in April 2021.

COVID-19
As at the date of publishing this report, 29 April 2020, the novel coronavirus (COVID-19) pandemic has resulted in significant health, societal and economic impacts across the globe. This was an emerging issue as at reporting date, 29 February 2020, and remains so given that the situation has worsened since the reporting date up until the date of publishing this report.

Namoi's core competency and most of its assets are directly connected with the ginning of cotton cropped in South Eastern Australia. The crop that will be ginned in 2020 (i.e. FY21) had already been planted prior to the emergence of COVID-19. Any future impact of COVID-19 on the ultimate global demand for cotton products and the associated logistics and supply chains may have an impact on the size of cotton acreage planted in 2020 to be ginned in 2021 (i.e. FY22) and beyond. However, seasonal conditions and specifically the timing and availability of water in growing regions is likely to remain the key driver of crop size and quality and hence the subsequent ginning volumes, at least in the short term. To that end, Australia has had its most significant rain event in years, if not decades, and together with positive seasonal forecasts from the Bureau of Meteorolgy this will start to push crop sizes higher.

The global cotton industry is suffering impacts from COVID-19 as the reduction in demand resulting from market shutdowns and restrictions forces disruptions down the supply chain back to origins. Assets along the supply chain from production, logistics and storage, through to manufacturing and retail will respond and recover differently as markets re-emerge. Namoi is exposed to future cotton prices and customer execution risk through its share of losses from its associate, NCA. Nevertheless, while the global cotton industry will inevitably suffer impacts from COVID-19, potentially sudden shifts in consumer demand and logistical challenges, the underlying global demand still exists and will serve to underpin the industry as markets and behaviour return to normalcy.

Namoi remains committed to keeping its employees and families safe and to closely monitoring everyone's physical and mental well-being during this trying time. Staff are working from home or in shifts where possible. Gins being utilised are open and ready for the upcoming season having completed their maintenance programs as normal. New no-touch procedures, split teams, emergency backups and other such programs have been introduced in line with Government recommendations and regulations, and best practice.

For more detailed assessments on the impacts of COVID-19, including on Namoi's associate NCA, refer to Note 1: Summary of Significant Accounting Policies in the Consolidated final financial report, specifically to Significant accounting judgments, estimates and assumptions. Otherwise there have been no significant events after balance date other than as disclosed in Note 23 in this report.

Likely developments
2020 Season
The area finally planted to cotton for the 2020 season was approximately 62,000 hectares irrigated or semi-irrigated (2019: 201,000 hectares). With limited water availability for irrigation from public water storages and next to no water in on-farm storages, the crop will rely heavily on bore water availability. The 2020 dryland crop will be negligible (2019: 165,000 hectares planted). Considering all these factors, we estimate that the 2020 Australian cotton crop will produce approximately 0.6 million bales. Namoi also notes that the impact of drought upon water storage levels and associated allocations has had the greatest impact upon central growing regions where the majority of Namoi's ginning infrastructure is located.

Namoi anticipates that it will gin between 100,000 and 160,000 bales from the 2020 crop, including 100% of joint venture gins, representing a further reduction of between 64% and 78% of the already poor prior year crop volumes. To put the situation more clearly into context, FY21 ginning volumes are expected to be between 8% and 13% of the volumes processed in FY19; the last season not adversely impacted by drought.

Namoi expects that its cotton seed trading volumes will reduce proportionally in line with ginning volumes. However, there are already clear signs of weaker prices being paid for cotton seed following recent rainfall.

NCA's lint marketing volumes are estimated to fall to between 50,000 and 100,000 bales from the 2020 crop, representing a decrease of between 71% and 86% from the prior crop. The lower crop size has seen competition for marketing volumes and is anticipated to continue to pressure marketing gross margins in 2020. NCA's containerised commodity packing volumes are expected to bounce back to some degree in the latter half of FY21 given recent rainfall.

Namoi's FY21 operations and financial performance will be adversely impacted by the lower volumes predicted. However, the business has been 'right sized' and is focused on operating the network in the most efficient manner to deliver per unit labour utilisation and energy consumption savings despite sub-optimal volumes.

2021 Season

Public water storages from Queensland to Southern NSW are beginning to recover from the historical near zero levels. While it is far too early to declare the drought broken, considerable rainfall was recorded across the eastern states during March after a very wet February. The promising change in rainfall patterns since the beginning of 2020 has begun to relieve the pressure on the farming sector.

With a favourable rainfall outlook and continued competitive cotton prices, there is increasing confidence that the 2021 Australian cotton crop will return to meaningful levels. Current estimates are for a crop in the region of between 2.1 million to 2.5 million bales.

While the ICE #2 futures market fell by 24% from early February to the end of March 2020, A$/US$ weakness and strong basis have insulated this fall in Australia where prices have dipped by just 9% over the same period. Accordingly, Namoi expects that cotton will remain the summer crop of choice for farmers in 2020/21.

Significant changes in the state of affairs

There has been no significant change in the state of affairs of the consolidated entity during the year other than as disclosed elsewhere in this report.

Directors

The names, qualifications and experience of the company's directors that held office throughout the financial year and up to the date of this report, unless otherwise indicated, are as follows.

Tim Watson, Chair, Non-executive Director, 58, GAICD
Mr Watson was appointed as Chair for Namoi Cotton Limited from 29 August 2018. He was re- elected to the Board at the 2018 general meeting. Mr Watson grows cotton in the Hillston Region and has been involved in the cotton industry since 2000 and is a member of the Hillston District Irrigators Association and the Lachlan River Customer Service Committee. Currently he is also a representative of the Lachlan Valley Water Users Association. He brings with him extensive industry and commercial expertise for the cotton and general agricultural industry. He was also recognised by the cotton industry by being the recipient of the 2014 Australian Cotton Grower of the Year Award. Mr Watson is a member of the People and Culture Committee and the Safety Committee.

Glen Price, Non-executive Director, 64, B. Rural Science (Hons), GAICD
Mr Price joined the Namoi Cotton Board in July 2009 as a Grower Director. He was re-elected at the 2018 general meeting. Mr Price has previously grown cotton in the Mungindi region for 35 years and continues to grow cotton in the St George region and has done so for 24 years. Mr Price has been involved in the cotton industry since 1978. Mr Price is a past member of the Mungindi Cotton Growers and Water Users Association, as well as the Australian Cotton Grower's and Research Association and Border Rivers Food and Fibre and brings with him extensive industry and commercial expertise. Mr Price is a member of the Audit Committee, Trading and Operating Risk Committee and the Safety Committee.

Robert L Green, Non-executive Director, 63, B.Bus. (QAC), MAICD
Mr Green joined the Namoi Cotton Board in May 2013. He was re-elected at the 2016 general meeting. Mr Green has considerable board relevant experience working as a Senior Executive and General Manager in the Australian and International agricultural industry over many years. Key areas of experience include Business Management, Operations Management and Business Development. His most recent role was Chief executive Officer of Louis Dreyfus in Australia. Mr Green is Chair of the Trading and Operating Risk Committee and the Safety Committee and a member of the People and Culture Committee.

James Jackson, Non-executive Director, 57, B.Com., FAICD
Mr Jackson was appointed to the Board in June 2018 as a casual director appointment. He was elected at the 2018 general meeting. He has more than 25 years' experience in capital markets and agribusiness, both in Australia and overseas. He held a Senior Vice President role with investment bank SG Warburg (now part of UBS) in New York. He was a director of MSF Sugar Limited from 2004 to 2012 and was Chair from 2008 to 2012. He also served as the Deputy Chair of Elders Limited (ASX: ELD) from 2014 to 2017, and is currently Chair of Australian Rural Capital Limited, (ASX:ARC), an investment company focused on agriculture. Mr Jackson has experience and skills in capital markets, agricultural supply chains, financial risk management, the development and implementation of strategy and public company corporate governance. Mr Jackson is the Chair of the People and Culture Committee and a member of the Trading and Operating Risk Committee and the Safety Committee.

Juanita Hamparsum, Non-executive Director, 49, B.Bus. (UTS), CA, FPCT, GAICD
Mrs Hamparsum was appointed to the Board in June 2018 as a casual director appointment. She was elected at the 2018 general meeting. She grows cotton and grains in the Upper Namoi region and has been involved in the cotton industry since 1998. Mrs Hamparsum has extensive financial, agricultural and natural resource management experience. She is a chartered accountant and currently a director and chair of board audit committee of Cotton Seed Distributors Ltd and Chair of Great Artesian Basin Coordinating Committee. Her former positions include chair of Cotton Innovation Network, director of Cotton Research and Development Corporation and Deputy Chair of Namoi Catchment Management Authority. Mrs Hamparsum is chair of the Audit, Risk and Compliance Committee and a member of the Safety Committee.

Joseph Di Leo, Non-executive Director, 63, M.Bus.Acct. & Fin., FAICD
Mr Di Leo was appointed to the Board in June 2018 as a casual director appointment. He was elected at the 2018 general meeting. Mr Di Leo has an extensive career in agriculture and is a former Managing Director of Allied Mills Australia Pty Ltd. He is a former Chief Operating Officer of GrainCorp Limited, and previously held a number of senior roles in the rail freight sector. Mr Di Leo has also previously been a Non -Executive

Director of the Port Kembla Port Corporation and Teys Australia Pty Ltd. He is currently the Chair of LUCRF Super. Mr Di Leo is a member of the Audit Committee, the Trading and Operating Risk Committee and the Safety Committee.

Stuart C Boydell, Non-executive Director, 73 (resigned 20 January 2019)
Mr. Boydell joined the board of directors as a grower director in June 1994 and was Chair between December 1995 and August 2018. He was most recently re-elected at the 2017 general meeting. He has grown cotton on "Cooma" near Moree, NSW for over 20 years and was a member of the People and Culture Committee, the Audit Committee and the Safety Committee.

Richard Anderson, Non-executive Director, 74, OAM, B.Com., FCA, FCPA (retired 30 July 2019)
Mr Anderson joined the Namoi Cotton Board in July 2001. He was re-elected at the 2016 general meeting. Mr Anderson previously held the position of managing partner of PricewaterhouseCoopers in Queensland. During the past three years Mr Anderson has held ASX listed company directorships at Data#3 Limited (current) and Lindsay Australia Ltd (current). He is also currently president of the Guide Dogs for the Blind Association of Queensland. Mr Anderson was the Chair of the Audit Committee and a member of the Safety Committee.

Company secretary
Andrew Metcalfe, 55, CPA, FGIA, FCSA, GAICD
Mr Metcalfe was appointed company secretary on 15 November 2019. Mr Metcalfe is an experienced company secretary having worked with many ASX listed companies across a variety of industry sectors over the past 25 years. Mr Metcalfe is engaged under contract through a service provider and is not part of the KMP.

Bailey Garcha, 45, BLLB., BFA., Dip. Legal Studies, Dip. Legal Practice, ACIS, GAICDMr Garcha joined Namoi Cotton in July 2003 and has previously held legal and commercial positions with Minter Ellison Lawyers, Sparke Helmore Lawyers and NSW Treasury. Mr Garcha resigned on 15 November 2019.

Board & committee meeting attendance
Meetings held and attended by each of the directors during the financial year were as follows:

		Committee Meetings[1]			
	Directors' Meetings[1]	Audit, Risk and Compliance	Trading and Operational Risk	Safety	People and Culture
T Watson (Chairman)	16	-	-	1	7
G Price [2]	16	-	4	1	-
R Green	16	-	4	1	7
J Jackson	16	-	4	1	7
J Hamparsum	15	9	-	1	-
J Di Leo	16	9	4	1	-
RA Anderson (retired 30 July 2019)	8	3	2	1	-
SC Boydell (resigned 20 January 2020)	12	8	-	1	6
Total number of meetings held	16	9	4	1	7

[1] All board members were available to attend directors' meetings and relevant committee meetings. Prior to retiring RA Anderson was available to attend 8 meetings of 8 Directors' meetings held. Prior to resigning SC Boydell was available to attend 12 meetings of 14 Directors' meetings held.
[2] Appointed to the Audit, Risk and Compliance Committee on 26 February 2020.

Committee membership
As at the date of this report, the company had an Audit, Risk and Compliance Committee, Trading and Operating Risk Committee, Safety Committee and People and Culture Committee. Set out below is the representatives for the various Committees.

Notes:
- 26 February 2020 the Financial Risk Committee was changed its title to the Trading and Operating Risk Committee.
- 26 February 2020 the Audit Committee changed its title to the Audit, Risk and Compliance Committee.
- 26 February 2020 the Nominations and Remuneration Committee changed its title to the People and Culture Committee.

Members acting on the committees of the Board during the year were:

Audit, Risk and Compliance	**Trading and Operating Risk**	**People and Culture**	**Safety**
J Hamparsum (Chair)	R Green (Chair)	J Jackson (Chair)	R Green (Chair)
J Di Leo	J Jackson	T Watson	T Watson
G Price	G Price	R Green	J Hamparsum
	J Di Leo		G Price
RA Anderson		SC Boydell	J Jackson
SC Boydell	RA Anderson		J Di Leo
			RA Anderson
			SC Boydell

Notes:
Mr R Anderson retired from the Board and Committees effective 30 July 2019
Mr SC Boydell resigned from the Board and Committees effective 20 January 2020

Remuneration report (audited)
This remuneration report outlines the director and executive remuneration arrangements of the company and the consolidated entity in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the group are defined as those having the authority and responsibility either directly or indirectly for planning, directing and controlling the major activities of the company and the group, including any director of the company.

Changes to KMP
The following changes in KMP occurred in the year ended 29 February 2020.

Non-Executive Directors
Richard Anderson retired as a Non-Executive Director effective 30 July 2019.

Stuart Boydell resigned as a Non-Executive Director effective 20 January 2020

Senior Executives
Michael Renehan, Chief Executive Officer, was appointed 30 July 2019 effective 1 September 2019.

Michael Newbury was appointed to the position of Interim Acting CFO effective 13 December 2019.

Jeremy Callachor, Chief Executive Officer, ceased employment with Namoi Cotton effective 8 March 2019.

Bailey Garcha, Company Secretary, ceased employment with Namoi Cotton effective 15 November 2019.

Stuart Greenwood, Chief Financial Officer, was appointed to the position of Interim Acting CEO effective from close of business 8 March 2019 to 1 September 2019. Mr Greenwood ceased employment with Namoi Cotton effective 20 January 2020.

David Lindsay, General Manager – Grower Services and Marketing, ceased employment with Namoi Cotton effective 25 November 2019.

Alex Mehl, Chief Information Officer, ceased employment with Namoi Cotton effective 11 November 2019.

There has been one change to KMP in the period after reporting date and prior to the date when this financial report was authorised for issue.

John Stevenson, Chief Financial Officer, was appointed 27 March 2020 effective 30 March 2020.

Key Management Personnel for the 2020 Financial Year include the following persons:

Directors

Mr T J Watson	Chair, non-executive
Mr G Price	Director, non-executive
Mr R Green	Director, non-executive
Mr J Jackson	Director, non-executive
Ms J Hamparsum	Director, non-executive
Mr J Di Leo	Director, non-executive
Mr S C Boydell	Director, non-executive (resigned 20 January 2020)
Mr R A Anderson	Director, non-executive (retired 30 July 2019)

Executives

Mr M Renehan	Chief Executive Officer (appointed 30 July 2019 effective 1 September 2019)
Mr S McGregor	Business Development (formerly Chief Operations Officer)
Mr M Newbury	Group Financial Controller (Interim Acting CFO appointed 13 December 2019)
Mr J Stevenson	Chief Financial Officer (appointed 27 March 2020 effective 30 March 2020)
Mr J Callachor	Chief Executive Officer (resigned 8 March 2019)
Mr S Greenwood	Chief Financial Officer (and also appointed Interim Acting CEO 8 March 2019 to 1 September 2019, resigned 13 December 2019 effective 20 January 2020)
Mr D Lindsay	General Manager – Grower Services and Marketing (resigned 25 November 2019)
Mr B Garcha	General Counsel and Company Secretary (resigned 15 November 2019)
Mr A Mehl	Chief Information Officer (resigned 11 November 2019)

Compensation of KMP

Compensation Policy
For Namoi Cotton the following principles in its compensation framework apply:
- Provide market competitive remuneration;
- Link executive rewards to company performance and to align with the interests of shareholders; and
- A portion of executive compensation is 'at risk', dependent upon the financial performance of the company and the individual executive meeting pre-determined performance benchmarks (individual key performance indicators KPI's);

People and Culture Committee
The role and responsibility of the People and Culture Committee of the Board of directors of Namoi Cotton is to assist and advise the board of directors to fulfil its responsibilities to shareholders of the company on matters relating to:

- the composition, structure and operation of the board.
- senior executive selection and performance.
- the compensation, bonuses incentives and remuneration issues of the chief executive officer and senior executives (as defined by the board).

- policies relating to remuneration, incentives, superannuation, evaluation and termination, affecting all staff.
- remuneration of the directors of the board and Chair of the board

In considering the impact of the Group's performance on shareholder wealth, the Directors have regard to various factors including the table of metrics detailed on page 18 – Group financial performance and position.

Compensation Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Non-executive Director Compensation

Objective

The board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain directors with the appropriate qualifications, experience and skills and compensate directors for the time required to exercise its duties as a director.

Structure

The Constitution for Namoi Cotton Limited provides for aggregate directors' fees of up to $850,000 per annum to be paid to Directors. For the FY20 financial year the aggregate directors' fees paid was $605,445.

The amount of compensation and the manner in which it is apportioned amongst directors is reviewed annually. The board may consider advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Any Director in office at 10 October 2017 who had served two terms (6 years) is entitled to a retirement benefit equivalent to two year's remuneration based on their remuneration for the 2017-18 financial year. One incumbent Director is entitled to this benefit.

The compensation of non-executive directors for the period ending 29 February 2020 is detailed on page [17] of this report.

Executive Compensation

Objective

The company aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the company in order to:

- reward executives for performance against targets set by reference to appropriate benchmarks;
- align the interests, actions and behaviours of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company to drive long term sustainable growth; and
- ensure total compensation is competitive by market standards and aligned to impact and accountability.

Structure

Employment agreements have been agreed with the CEO and other KMP. Details of these contracts are provided on pages 13 and 14 of this report.

Each KMP agreement includes compensation which consists of the following key elements (where applicable):

- Fixed Compensation;
- Variable Compensation comprising Short Term Incentives (STI)
- Variable Compensation comprising Long Term Incentives (LTI)

The People and Culture Committee recommends to the Board the proportion of fixed and variable (potential STI and LTI) compensation for KMP.

Fixed Compensation

Objective
The People and Culture Committee reviews fixed compensation annually. The process consists of a review of company-wide, business unit and individual performance, relevant internal and market comparative compensation and, where appropriate, independent external remuneration data of equivalent industry sectors.

Effective from 8 March 2019 to 1 September 2019, the fixed remuneration for Mr Stuart Greenwood, for the period in which he acted as Interim Acting CEO for the Company, was increased by $109,500 per annum (pro-rata for lesser period) plus superannuation legislation requirements.

Structure
Executives are given the opportunity to receive their fixed remuneration in a variety of forms which in FY20 included cash, superannuation, motor vehicles and any associated fringe benefits. The form chosen will be optimal for the recipient without creating undue cost for the company.

Variable Compensation – STI

Objective
The objective of the STI program is to link the achievement of the company's operational and financial targets with the compensation received by the executives charged with meeting those targets.

Structure
Actual STI payments depend on the achievement of specific operating targets set at the beginning of the financial year. The operational targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance.

For FY19 the STI compensation included an 'at risk bonus' element which constitutes forty percent of the executives' overall available STI compensation linked to company financial performance. For FY20 no STI compensation was included.

The remaining sixty percent of each executive's STI compensation is dependent upon the achievement of financial and non-financial individual KPI's. The financial and non-financial KPI's include, but are not limited to, critical operational, profit, safety and developmental targets.

KMP STI payments are ultimately subject to the discretion of the Board after review by the People and Culture Committee. However, when taking into account this discretion, the Board considers the above criteria in determining the appropriate allocation.

For the 2020 financial year 0% (2019: 69% amounting to $252,500) of the STI compensation (both components) was accrued in the financial statements which amount to $Nil.

Variable Compensation – LTI

Objective
The objective of the LTI program is to link the achievement of the company's long-term performance targets with the compensation received by the executives charged with meeting those targets.

Structure
LTI compensation for the CEO is conditional upon board and shareholder approval which has not been received as at the date of this report and is to include options or performance rights on the following terms:

- For the period 1 September 2019 to 29 February 2020 with a face value of $100,000 converted into ordinary shares of the Company,
- For each financial year onward commencing 1 March 2020 and ending 28 February with a face value of $200,000 converted into ordinary shares of the Company,
- The vesting of these options or performance rights will be subject to achievement of company performance measures and other service conditions over a 3-year period,

- The Company has the right to review the LTI from time to time.

Contract for Services

Major provisions of KMP employment agreements are set out below.

Mr Michael Renehan, Chief Executive Officer (appointed 30 July 2019 effective 1 September 2019)
- Fixed compensation, inclusive of superannuation, for the year ended 29 February 2020 of $400,000 per annum on a pro-rata basis.
- Short Term Incentive (STI) compensation for the year ended 29 February 2020 of $Nil.
- Long Term Incentive (LTI) compensation including options or performance rights for the year ended 29 February 2020 of $100,000 conditional upon board and shareholder approval which had not been received as at the date of this report.
- Period of notice to be given by employee or employer – 3 months

Mr Michael Newbury, Group Financial Controller (and Acting Interim CFO from 13 December 2019 until 29 March 2020)
- Fixed compensation, inclusive of superannuation, for the year ended 29 February 2020 of $250,000 per annum on a pro-rata basis from 13 December 2019.
- Variable compensation, for the year ended 29 February 2020 of $Nil
- Period of notice to be given by employee or employer – 4 weeks

Mr Shane McGregor, Projects and Business Development (formerly Chief Operations Officer)
- Fixed compensation, inclusive of superannuation, for the year ended 29 February 2020 of $304,649 (28 February 2019: $304,610)
- Variable compensation, for the year ended 29 February 2020 of $Nil (28 February 2019: $50,000)
- Payment of a termination benefit on termination equal to 50% of annual fixed compensation
- Period of notice to be given by employee or employer – 4 weeks

Mr Jeremy Callachor, Chief Executive Officer (resigned 8 March 2019)
- Fixed compensation, inclusive of superannuation, for the year ended 29 February 2020 of $475,000 (28 February 2019: $475,000) on a pro-rata basis.
- Variable compensation, for the year ended 29 February 2020 of $Nil (28 February 2019: $75,000)
- As part of Mr Jeremy Callachor's resignation he was paid a severance payment of $578,470, which included statutory entitlements for annual leave, long service leave and termination benefits. This amount was paid on 8 March 2019.

Mr Stuart Greenwood, Chief Financial Officer (and Acting Interim CEO from 8 March 2019 to 1 September 2019, resigned 13 December 2019)
- Fixed compensation, inclusive of superannuation, for the year ended 29 February 2020 of $271,000 (28 February 2019: $271,000)
- Variable compensation, for the year ended 29 February 2020 of $Nil (28 February 2019: $38,500)
- For Mr Stuart Greenwood undertaking the role of Acting Interim CEO and Chief Financial Officer he was paid $109,500 per annum, plus superannuation, on a pro-rata basis in addition to his base salary from 8 March 2019 to 1 September 2019 during the interim period.
- As part of Mr Stuart Greenwood's resignation, he was paid a severance payment of $97,675, which included statutory entitlements for annual leave and long service leave. This amount was paid on 20 January 2020.

Mr Balhar Garcha, General Counsel and Company Secretary (resigned 15 November 2019)
- Fixed compensation, inclusive of superannuation, for the year ended 29 February 2020 of $276,000 (28 February 2019: $276,000)
- Variable compensation, for the year ended 29 February 2020 of $Nil (28 February 2019: $35,000)
- As part of Mr Balhar Garcha's resignation he was paid a severance payment of $316,045, which included statutory entitlements for annual leave, long service leave and termination benefits. This amount was paid on 25 November 2019.

Mr David Lindsay, General Manager - Grower Services and Marketing (resigned 25 November 2019)

- Fixed compensation, inclusive of superannuation, for the year ended 29 February 2020 of $297,000 (28 February 2019: $297,000)
- Variable compensation, for the year ended 29 February 2020 of $Nil (28 February 2019: $30,000)
- As part of Mr David Lindsay's resignation he was paid a severance payment of $163,983, which included statutory entitlements for annual leave and long service leave. This amount was paid on 25 November 2019.

Mr Alex Mehl, Chief Information Officer (resigned 11 November 2019)

- Fixed compensation, inclusive of superannuation, for the year ended 29 February 2020 of $260,00 (28 February 2019: $260,000)
- Variable compensation, for the year ended 29 February 2020 of $Nil (28 February 2019: $24,000 prorated from date of appointment)
- As part of Mr Alex Mehl's resignation he was paid a severance payment of $46,150, which included statutory entitlements for annual leave and termination benefits. This amount was paid on 11 November 2019.

The table below sets out the remuneration paid or payable to the Directors, CEO and Senior Executive KMP for the financial year ended 29 February 2020:

Compensation of Key Management Personnel for the Year Ended 29 February 2020

	Short-term Employee benefits		Post-employment Benefits		Long-term Benefits			
	Salary & Fees	Cash Bonus	Superannuation	Retirement Benefits [1]	Long Service Leave [2]	Termination Benefits	Total	% Performance Related [3]
Directors								
T Watson	110,423	-	10,490	-	-	-	**120,913**	-
RA Anderson [4]	149,077	-	2,762	(120,000)	-	-	**31,839**	-
SC Boydell [5]	62,071	-	5,897	-	-	-	**67,968**	-
G Price	70,269	-	6,676	-	-	-	**76,945**	-
R Green	70,269	-	6,676	-	-	-	**76,945**	-
J Jackson	70,269	-	6,676	-	-	-	**76,945**	-
J Hamparsum	70,269	-	6,676	-	-	-	**76,945**	-
J Di Leo	70,269	-	6,676	-	-	-	**76,945**	-
Executives								
M Renehan [6]	216,754	-	11,785	-	341	-	**228,880**	-
J Callachor [7]	133,736	-	805	-	(130,955)	399,651	**403,237**	-
D Lindsay [8]	216,225	-	14,709	-	(18,776)	148,500	**360,658**	-
B Garcha [9]	255,680	-	3,981	-	(75,099)	162,351	**346,913**	-
S Greenwood [10]	345,665	-	13,032	-	(61,978)	-	**296,719**	-
M Newbury [11]	50,704	-	4,817	-	-	-	**55,521**	-
S McGregor	275,760	-	21,481	-	3,601	-	**300,842**	-
A Mehl [12]	161,448	-	16,352	-	(345)	36,530	**213,985**	-
	2,328,888	**-**	**139,491**	**(120,000)**	**(283,211)**	**747,032**	**2,812,200**	

1. Payment on retirement of previously accrued entitlements.
2. Negatives relate to the taking of previously accrued leave within the period which is greater than the entitlements accrued for in the current the period.
3. The percentage that STI forms part of total remuneration.
4. Retired on 30 July 2019 and was paid previously accrued retirement benefits.
5. Resigned on 20 January 2020.
6. Appointed on 30 July 2019 effective 1 September 2019. Non-monetary benefits included in Salary & Fees for relocation expenses and initial rental assistance of $23,600.
7. Resigned on 8 March 2019.
8. Resigned on 25 November 2019.
9. Resigned on 15 November 2019.
10. Resigned on 13 December 2019 effective 20 January 2020.
11. Appointed acting Interim CFO from 13 December 2019.
12. Resigned on 11 November 2019.

Compensation of Key Management Personnel for the Year Ended 28 February 2019

	Short-term Employee benefits		Post-employment Benefits		Long-term Benefits			
	Salary & Fees	Cash Bonus	Superannuation	Retirement Benefits [1]	Long Service Leave [2]	Termination Benefits	Total	% Performance Related [3]
Directors								
T Watson	90,577	-	8,605	-	-	-	**99,182**	-
RA Anderson	70,269	-	6,676	-	-	-	**76,945**	-
SC Boydell	90,115	-	8,561	-	-	-	**98,676**	-
M Boyce [4]	105,500	-	997	(95,000)	-	-	**11,497**	-
G Price	70,269	-	6,676	-	-	-	**76,945**	-
R Green	70,269	-	6,676	-	-	-	**76,945**	-
J Jackson	51,154	-	4,860	-	-	-	**56,014**	-
J Hamparsum	51,154	-	4,860	-	-	-	**56,014**	-
J Di Leo	51,154	-	4,860	-	-	-	**56,014**	-
Executives								
J Callachor [5]	467,091	75,000	22,480	-	4,548	-	**569,119**	16.8%
D Lindsay [2]	276,252	30,000	17,951	-	(252)	-	**323,951**	9.3%
B Garcha	279,710	35,000	18,667	-	6,831	-	**340,208**	10.3%
S Greenwood	261,370	38,500	19,108	-	7,925	-	**326,903**	11.8%
S McGregor [2]	300,065	50,000	22,006	-	(8,412)	-	**363,659**	13.7%
A Mehl [6]	187,989	24,000	17,917	-	-	-	**229,906**	10.4%
	2,422,938	**252,500**	**170,900**	**(95,000)**	**10,640**	**-**	**2,761,978**	

1. Payment on retirement of previously accrued entitlements. During the current period the Board clarified that no further entitlements should be accrued and therefore the 2019 accruals were reversed.
2. Negatives relate to the taking of leave within the period greater than entitlements accrued during the period.
3. The percentage that STI forms part of total remuneration.
4. Resigned on 24 April 2018 and was paid previously accrued retirement benefits.
5. Resigned subsequent to year end on 8 March 2019.
6. Appointed 28 May 2019.

Shareholdings of KMP[1]

	Balance held 1 March 2019	Granted as Remuneration	On Exercise of Option	Net Change Other [2]	Balance held 29 February 2020
Year ended 29 February 2020	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**
Directors					
T Watson (Chairman)	707,629	-	-	976,202	1,683,831
SC Boydell	714,387	-	-	(714,387)	-
G Price	611,048	-	-	-	611,048
R Green	-	-	-	-	-
J Jackson	13,471,111	-	-	-	13,471,111
J Hamparsum	158,504	-	-	-	158,504
J Di Leo	-	-	-	-	-
Executives					
M Renehan	-	-	-	-	-
J Callachor	4,000	-	-	(4,000)	-
D Lindsay	25,000	-	-	(25,000)	-
S Greenwood	6,000	-	-	(6,000)	-
M Newbury	-	-	-	-	-
S McGregor	2,000	-	-	-	2,000
	15,699,679	**-**	**-**	**226,815**	**15,926,494**

1 Includes ordinary shares that are held directly, indirectly and beneficially by KMP.
2 Net Change Other includes shares held at appointment and retirement.

All shares above are held in the parent entity Namoi Cotton Limited.

All ordinary share transactions by the company with KMP are made through the ASX on normal commercial terms.

Loans to KMP

No loans remain outstanding from KMP as part of the Employee Incentive Scheme that was suspended in August 2004 (refer to note 19 to the financials). The amounts owed by KMP at year end were D. Lindsay $Nil (2019: $2,630).

Marketing and ginning transactions and balances with KMP

Transactions with directors and their related parties were in accordance with the eligibility criteria to be appointed as a Grower Director. Grower directors are required to:

- have ginned at least 1,500 cotton bales in aggregate per cotton season at a Namoi Cotton gin in at least three out of the last five cotton seasons; and
- sell at least 50% of their seed cotton production at any Namoi Cotton gin in at least three out of the last five cotton seasons; or
- sell at least 50% of their seed cotton production which is grown within 100km of any Namoi Cotton gin at a Namoi Cotton gin in at least three out of the last five cotton seasons; and
- is the registered owner or lessee of cotton farming property which annually can plant a minimum of 150 hectares of seed cotton and is capable of producing 1,500 cotton bales in aggregate per cotton season to be ginned at a Namoi Cotton gin.

In accordance with that rule, directors entered into marketing contracts and ginning contracts with Namoi Cotton. Amounts paid/received or payable/receivable from/to directors and their respective related parties were as follows:

	Consolidated and Parent entity							
	Cotton Purchases		**Freight Payments**		**Ginning Charges Levied**		**Grain & Seed**	
Name	**29 Feb 2020**	**28 Feb 2019**	**29 Feb 2020**	**28 Feb 2019**	**29 Feb 2020**	**28 Feb 2019**	**29 Feb 2020**	**28 Feb 2019**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Mr T Watson	-	2,142,079	-	-	605,529	930,783	247,275	200,000
Mr SC Boydell	1,359,217	3,136,449	-	-	138,397	336,209	311,393	338,768
Mr G Price	1,607,440	2,117,930	30,942	40,714	174,174	243,596	338,775	202,452
Ms J Hamparsum	-	235,264	29,237	-	41,397	139,896	68,105	128,614
	2,966,657	**7,631,722**	**60,179**	**40,714**	**959,497**	**1,650,484**	**965,548**	**869,834**

The nature of the terms and conditions of the above other transactions with directors and director related entities are consistent with the terms of Namoi Cotton's standard products, and are as follows:

- Marketing contracts require delivery of a quantity of lint cotton. The contract price per bale may be fixed in Australian or United States dollars, determined under a pool arrangement, set as a guaranteed minimum price or by way of basis fixations, cotton futures and foreign currency hedging. Price is adjusted for grade. Payment may be made by Namoi Cotton either within 14 days of ginning, or on a deferred schedule. The actual sales to spinning mills are made by the Namoi Cotton Alliance ("NCA") joint venture.
- Ginning contracts require the delivery of a quantity or acreage of seed cotton gin landed. The price is a fixed amount per bale. Payment is either effected by the grower as an offset against marketing proceeds, or collected from the marketing merchant in the case of contract ginning with Namoi Cotton.
- Seed contracts require the delivery of a quantity or acreage of seed gin landed. The price is a fixed amount per bale. Payment is either made by Namoi Cotton in conjunction with marketing proceeds, or in conjunction with ginning costs in the case of contract ginning with Namoi Cotton. Growers have the option of retaining their seed for a handling fee.

Other transactions with KMP

Directors and director related entities also entered into transactions with the economic entity which occurred within a normal customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in the same circumstances, which do not have the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the directors. These transactions include:

- Buybacks of marketing contracts as a result of production shortfalls;
- Currency, cotton futures, options and brokerage costs, losses and profits charged or credited directly to the account of the director;
- Purchase of grower supplies;
- Costs associated with the provision of crop finance;
- Cotton seed sales;
- Module relocation costs; and
- Travel expense reimbursements.

Compensation Options

Namoi Cotton is proposing to offer LTI compensation to executives in the form of options or performance rights over its shares. No options have either been granted or exercised during the period or are on offer at the end of the period.

Group financial performance and position
The following table highlights key components of the group's financial performance for the last 5 years.

	2020	2019	2018	2017	2016
Earnings per CCU (cents)	N/a	N/a	N/a	0.2	5.7
Distribution per CCU (cents) [1]	N/a	N/a	N/a	-	0.5
CCU/share price at year end (cents)	N/a	N/a	N/a	49.0	34.0
CCU buyback average (cents)	N/a	N/a	N/a	N/a	N/a
Earnings per Ordinary Share (diluted)	(7.8)	(0.4)	4.7	N/a	N/a
Dividend per Ordinary Share (cents/share) [1]	-	1.9	-	N/a	N/a
Share price at year end (cents)	30.0	40.0	53.0	N/a	N/a
Net assets ($m)	121.4	129.8	131.8	123.8	124.6
Net assets per CCU (cents)	N/a	N/a	N/a	112.7	112.5
Net assets per ordinary share (cents) - basic [2]	86.6	94.7	103.4	N/a	N/a
Net assets per ordinary share (cents) - diluted [3]	85.2	93.0	92.4	N/a	N/a

[1] Represents amounts paid during the financial year (refer note 5).
[2] Ordinary shares on issue at balance date.
[3] Diluted for conversion of residual capital stock to ordinary shares.

End of Remuneration Report

Directors' interests in ordinary shares of the company
As at the date of this report, the interest of the directors and their related parties in the ordinary shares of the company were as set out on page 18.

Environmental performance & regulation
The directors regularly review the business activities of the company to ensure it operates within the environmental laws established by regulatory authorities.

Indemnification and insurance of directors and officers
Under the Constitution, every person who is or has been a director of the company is indemnified, to the maximum extent permitted by law, out of the property of the company against any liability to another person (other than the company) as such a director unless the liability arises out of conduct involving any negligence, default, breach of duty or breach of trust of which that person may be guilty in relation to the company.

During the financial year, Namoi Cotton has paid a premium in respect of a contract providing insurance for every person who is or has been a director or officer against losses arising from any actual or alleged breach of duty, breach of trust, neglect, error, misstatement, misleading statement, omission, breach of warranty of authority, or other act done or wrongfully attempted, or any liability asserted against them solely because of their status as directors or officers of the economic entity. Disclosure of the premium paid is not permitted under the terms of the insurance contract.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Risk management

The board has established a Trading and Operating Risk Committee (formerly the Financial Risk Committee) which reviews the integrity of Namoi Cotton's trading operation risk limits and risk management systems, identifies and monitors the company's trading risk profile on a timely basis in addition to reviewing management of portfolio exposures. The Trading and Operating Risk Committee ensures Namoi Cotton's risk management policies are aligned to its corporate philosophies and principles. The Trading and Operating Risk Committee regularly reports to the full board on risk matters that may have a material impact on the company's operation and trading activities.

Given the nature of our business, Namoi Cotton has a potential exposure to a number of business risks, including movements in commodity and currency markets. To prudently manage these exposures, the Trading and Operations Risk Committee has developed comprehensive policies and procedures to monitor, assess and manage all our major business risks.

The purpose of the Trading and Operating Risk Committee is to:

- Review the integrity of Namoi Cotton's trading operation risk limits and risk management systems; and
- Obtain regular updates from Company management on risk matters that may have a material impact on the company's operation and trading activities.

The Audit, Risk and Compliance Committee oversees the audit function as well as compliance with financial and risk management policies of the company.

The purpose of the Audit, Risk and Compliance Committee is to:

- assist the Board by monitoring the implementation of Board policy and making recommendations to the Board in respect of matters for which it is responsible; and
- oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information. Review the management process for the identification of significant business risks and exposures (including fraud), and review and assess the adequacy of management information and internal control structures.

The Safety Committee is tasked with monitoring workplace health, safety and environment risks identified as part of the risk register.

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Namoi Cotton support and have complied with the principles of corporate governance. The company's corporate governance statement is to be published in the 2020 Annual Report due in June 2020 and is also available on Namoi Cotton's public website at www.namoicotton.com.au

Non-audit services

Non-audit services were provided by the entity's auditor, Ernst & Young, as described in Note 26 of the financial report. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Auditor's independence declaration
The auditor's independence declaration is included on page 22 of the financial report.

Rounding
The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars (where rounding is applicable) in accordance with ASIC Corporations (Rounding in Financial Directors Reports) Instrument 2016/191. The company is an entity to which this legislative instrument applies.

Signed in accordance with a resolution of the directors on behalf of the board.

On behalf of the board

T WATSON
Director
Brisbane
29 April 2020

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Auditor's independence declaration to the directors of Namoi Cotton Limited

As lead auditor for the audit of the financial report of Namoi Cotton Limited for the financial year ended 29 February 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Namoi Cotton Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
29 April 2020

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Independent auditor's report to the members of Namoi Cotton Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Namoi Cotton Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- the Group consolidated and Company balance sheets as at 29 February 2020;
- the Group consolidated and Company statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's and the Group's financial position as at 29 February 2020 and of their financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 auditor independence requirements of the *Corporations Act 2001* and 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Fair value of ginning assets

Why significant	How our audit addressed the key audit matter
The Company and the Group measure ginning infrastructure assets ("ginning assets") at fair value as disclosed in Note 1(p) to the financial statements. Ginning assets represent 64.1% of total assets of the Company and 63.2% of total assets of the Group. The Group uses an internally generated discounted cash flow model to determine the fair value of the ginning assets supported by periodic valuations conducted by external experts on a three-year rolling basis. The Group last commissioned an independent valuation of ginning assets to provide external support for the assessment of fair value as at 28 February 2019. The valuation of the ginning assets at fair value is highly dependent on estimates and assumptions, such as sustainable bales, discount rates, market knowledge, bale contributions and revenue growth rates. The assumptions relating to the valuations are disclosed in Note 14 and Policy Note 1(p). Given the quantum and complexity of the valuation of ginning assets and the level of the disclosures relating to the assumptions used in the valuation, this was determined to be a key audit matter.	Our audit procedures included the following: ▸ Evaluated the input assumptions and estimates made by the Group in applying its valuation methodology including sustainable bales and earnings against average production and earnings over the previous ten years (covering a broad spread of high and low production seasons) to take into account the seasonal variations and considered any changes or lack of changes in other assumptions or estimates since the prior year including growth rates and discount rates; ▸ Evaluated sensitivities performed by management relating to forecast crop assumptions including considering the impact of drought conditions on future cotton crops. We also considered the potential impact of COVID 19 restrictions on forecast assumptions; ▸ Considered the continuing appropriateness of independent valuations obtained by the Group in the prior financial year and performed sensitivity testing to understand the impact of changes in key assumptions to valuation; ▸ Involved our valuation specialists to assist in assessing the modelling used by the Group to

Why significant	How our audit addressed the key audit matter
	support its valuation, by evaluating the model calculation methodology and discount rates used; and ▸ Assessed the adequacy of the related financial report disclosures.

2. **Investment in Namoi Cotton Alliance Joint Venture**

Why significant	How our audit addressed the key audit matter
At 29 February 2020 the Group held a 51% stake in the Namoi Cotton Alliance joint venture ("NCA"). As explained in Note 1 to the financial statements, this investment was accounted for using the equity method of accounting in accordance with Australian Accounting Standards. An investment of $31.2m is recorded on the Group's consolidated balance sheet. This is reflected in the Company balance sheet in Trade and Other Receivables where a loan was made to a controlled entity which holds the interest in NCA. An equity accounted loss of $7.8m contributed to the financial performance of the Group. The Group also assesses the carrying amount of its equity accounted investment in NCA for impairment at balance date. The Group's impairment assessment is based on NCA's fair value less costs of disposal (FVLCD) and is determined with reference to the net tangible assets of the entity. The Group's impairment testing resulted in the recognition of an impairment loss of $2.9 million for the half year ended 31 August 2019. The impacts of COVID 19 on the results of NCA at 29 February 2020 and subsequent to year end impact the groups assessment of the carrying amount of its investment. The impacts relating to COVID 19 are disclosed in Note 1(a).	Our audit procedures related to the carrying value of Namoi Cotton's investment in NCA and the equity accounted result included the following: ▸ Audited the financial statements of NCA for the year ending 29 February 2020 and issued a separate audit report to the participants of the joint venture; ▸ In the context of the audit of the Company and the Group, we evaluated the scope of the NCA audit and the execution of audit procedures, significant areas of estimation and judgement and audit findings; ▸ Enquired of NCA management in relation to areas of judgement and movements in the balance sheet and income statement at year end and through to the date of this report; ▸ Considered the monthly results reported by NCA to the Group during the year; ▸ Recalculated the Group's share of the equity-accounted result with reference to the audited financial statements of NCA for the year ended 29 February 2020 and ensured these were correctly reflected in the carrying value of NCA; ▸ Involved our valuation specialists to test the mathematical accuracy of the NCA impairment model, evaluate the appropriateness of the methodology used to measure FVLCD and assess the discount rate used;

Why significant	How our audit addressed the key audit matter
The Group and its 49% joint venture participant in NCA are in negotiation to restructure NCA operations beyond 29 May 2020. The terms of the restructure may impact the availability of the Group's tax losses and related deferred tax asset recognition, which may impact the groups ongoing compliance with financial covenants. The terms of the restructure may also require the group to amend its finance facilities. The significance of the carrying amount of the Group's investment in NCA to its financial position, NCA's contribution to the Group's financial performance and judgements and estimates involved in impairment testing, mean this was a key audit matter. Details of the Group's investment in this joint venture are outlined in Note 10 to the financial statements.	► Assessed future cash flow assumptions through comparison with current trading performance, impact of new contractual arrangements, externally derived data (where applicable) and other evidence and enquiry with the Group in respect of key growth and trading assumptions; and ► Considered the impacts and potential impacts of COVID 19 on the forecast financial performance of NCA and the possible impact on the Group's carrying value assessment. ► Considered the possible impact of the proposed restructure of NCA and the consequential impacts on the availability of the Group's tax losses, related deferred tax assets recognition, ongoing compliance with financial covenants and the potential requirement for the group to amend its finance facilities. ► Assessed the adequacy of the related financial report disclosures.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 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.

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

Auditor's responsibilities 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit 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 Company's or the Group's internal control

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 11 to 19 of the directors' report for the year ended 29 February 2020.

In our opinion, the Remuneration Report of Namoi Cotton Limited for the year ended 29 February 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
29 April 2020

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Namoi Cotton Limited, I state that:

In the opinion of the directors:

a) the financial statement, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the company's and consolidated entity's financial position as at 29 February 2020 and of their performance for the year ended on that date; and

   ii) complying with Accounting Standards and *Corporations Regulations 2001*;

b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a);

c) 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 has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 29 February 2020.

On behalf of the board

T WATSON
Director
Brisbane
29 April 2020

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February 2020

		Consolidated $'000		Parent $'000	
	Note	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Revenue from customers	2a	3,166	5,350	2,136	3,089
Revenue - other	2a	350	598	350	610
Revenue		3,516	5,948	2,486	3,699
Trading margin gains	2a	39,367	83,534	39,367	83,534
Other income/(loss)	2b	1,125	-	2	-
Share of profit/(loss) of associates and joint ventures	10	(8,539)	(5,882)	-	-
Processing and distribution costs		(10,419)	(22,891)	(10,354)	(22,794)
Employee benefits expense	2c	(19,433)	(28,046)	(19,059)	(27,300)
Depreciation		(5,239)	(9,278)	(5,158)	(9,197)
Fair value decrement - ginning assets	14	(5,217)	(2,018)	(5,217)	(2,018)
Impairment - joint venture	10	2,438	(3,563)	-	-
Impairment - goodwill/parent investment	13	(961)	-	(8,396)	-
Finance costs	2d	(2,082)	(2,180)	(2,128)	(2,227)
Other expenses	2e	(9,856)	(15,500)	(9,408)	(14,802)
Profit/(loss) before income tax		**(15,300)**	**124**	**(17,865)**	**8,895**
Income tax (expense)/benefit	3	4,310	(680)	5,348	(2,692)
Profit/(loss) attributable to the members of Namoi Cotton Limited		**(10,990)**	**(556)**	**(12,517)**	**6,203**
Other comprehensive income items that will not be reclassified subsequently to profit and loss:					
Increment/(decrement) to asset revaluation reserve (net of tax)		2,609	1,258	2,609	1,258
Profit/(loss) and other comprehensive income attributable to the members of Namoi Cotton Limited		**(8,381)**	**702**	**(9,908)**	**7,461**

		Cents	
	Note	29 Feb 2020	28 Feb 2019
Earnings per ordinary share			
Basic earnings per share	4	(7.8)	(0.4)
Diluted earnings per share [1]	4	(7.8)	(0.4)

[1] Residual capital stock uncovered has not been included in the calculation of diluted earnings per share because they are antidilutive, refer to note 19.

The above statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEET

as at 29 February 2020

		Consolidated $'000		Parent $'000	
	Note	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Current assets					
Cash and cash equivalents	6	731	5,827	543	5,541
Trade and other receivables	7	3,531	3,974	4,057	4,757
Inventories	8	7,254	10,048	7,226	10,014
Prepayments		683	304	671	298
Derivative financial instruments	9	4,280	18,796	1,326	7,773
Total current assets		**16,479**	**38,949**	**13,823**	**28,383**
Non-current assets					
Trade and other receivables	7	-	-	34,376	41,820
Available-for-sale financial assets	24	-	-	428	1,380
Investments in associates and joint ventures	10	28,878	36,851	-	-
Intangibles	13	-	961	-	-
Property, plant and equipment	14	133,939	138,290	133,505	137,774
Total non-current assets		**162,817**	**176,102**	**168,309**	**180,974**
Total assets		**179,296**	**215,051**	**182,132**	**209,357**
Current liabilities					
Trade and other payables	16	4,184	13,226	19,002	23,091
Interest bearing liabilities	17	1,710	1,061	1,310	1,061
Provisions	18	1,524	2,964	1,521	2,961
Derivative financial instruments	9	3,024	18,261	70	7,238
Total current liabilities		**10,442**	**35,512**	**21,903**	**34,351**
Non-current liabilities					
Interest bearing liabilities	17	44,778	43,630	45,291	45,679
Provisions	18	571	831	571	822
Deferred tax liabilities (net)	3	2,067	5,259	2,553	6,783
Total non-current liabilities		**47,416**	**49,720**	**48,415**	**53,284**
Total liabilities		**57,858**	**85,232**	**70,318**	**87,635**
NET ASSETS		**121,438**	**129,819**	**111,814**	**121,722**
Equity					
Parent entity interest					
Contributed equity	19	37,639	37,639	37,639	37,639
Reserves	20	70,330	67,721	70,330	67,721
Retained earnings		13,469	24,459	3,845	16,362
Total parent entity interest in equity		**121,438**	**129,819**	**111,814**	**121,722**
TOTAL EQUITY		**121,438**	**129,819**	**111,814**	**121,722**

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

STATEMENT OF CASH FLOWS

for the year ended 29 February 2020

	Note	Consolidated $'000 29 Feb 2020	Consolidated $'000 28 Feb 2019	Parent $'000 29 Feb 2020	Parent $'000 28 Feb 2019
Cash flows from operating activities					
Receipts from customers		308,561	679,779	293,897	677,479
Currency derivative flows		(28)	(371)	(14)	(370)
Payments to suppliers and employees		(52,820)	(102,723)	(51,029)	(100,601)
Payments to growers		(255,733)	(553,524)	(242,715)	(553,464)
Interest received		9	44	8	56
Borrowing costs		(2,130)	(2,176)	(2,190)	(2,223)
Net cash (outflow)/inflow from operating activities	6b	**(2,141)**	**21,029**	**(2,043)**	**20,877**
Cash flows from investing activities					
Payments for property, plant and equipment		(1,123)	(7,611)	(1,123)	(7,604)
Proceeds from sale of property, plant and equipment		19	653	19	653
Loans advanced		(7)	(43)	(7)	(43)
Proceeds from loans receivable		25	61	25	61
Loan payments (partnership and JV)		(400)	-	(400)	-
Net cash (outflow)/inflow from investing activities		**(1,486)**	**(6,940)**	**(1,486)**	**(6,933)**
Cash flows from financing activities					
Proceeds from borrowings		13,543	5,557	13,543	5,557
Repayment of borrowings		(13,543)	(11,548)	(13,543)	(11,548)
Loans advanced to growers		(119)	(1,048)	119	(1,048)
Proceeds from repayment of grower loans		119	1,048	(119)	1,048
Repayment of equipment loans		(1,097)	(1,108)	(1,097)	(1,108)
Payment of principal portion of lease liabilities		(372)	-	(372)	-
Dividends paid		-	(2,638)	-	(2,638)
Net cash (outflow)/inflow from financing activities	6c	**(1,469)**	**(9,737)**	**(1,469)**	**(9,737)**
Net increase/(decrease) in cash		(5,096)	4,352	(4,998)	4,207
Add cash at the beginning of the financial year		5,827	1,475	5,541	1,334
Cash at end of the financial year	6a	**731**	**5,827**	**543**	**5,541**

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2020

Consolidated $'000	Issued Capital [1]	Asset Revaluation Reserve (Note 20)	Retained Earnings	Total Equity
Total equity at 1 March 2019	37,639	67,721	24,459	129,819
Net loss for the period	-	-	(10,990)	(10,990)
Other comprehensive income	-	2,609	-	2,609
	-	2,609	(10,990)	(8,381)
Equity dividends	-	-	-	-
Total equity at 29 February 2020	**37,639**	**70,330**	**13,469**	**121,438**

Parent $'000	Issued Capital [1]	Asset Revaluation Reserve (Note 20)	Retained Earnings	Total Equity
Total equity at 1 March 2019	37,639	67,721	16,362	121,722
Net loss for the period	-	-	(12,517)	(12,517)
Other comprehensive income	-	2,609	-	2,609
	-	2,609	(12,517)	(9,908)
Equity dividends	-	-	-	-
Total equity at 29 February 2020	**37,639**	**70,330**	**3,845**	**111,814**

Consolidated $'000	Issued Capital [1]	Asset Revaluation Reserve (Note 20)	Retained Earnings	Total Equity
Total equity at 1 March 2018	37,639	66,463	27,653	131,755
Net loss for the period	-	-	(556)	(556)
Other comprehensive income	-	1,258	-	1,258
	-	1,258	(556)	702
Equity dividends	-	-	(2,638)	(2,638)
Total equity at 28 February 2019	**37,639**	**67,721**	**24,459**	**129,819**

Parent $'000	Issued Capital [1]	Asset Revaluation Reserve (Note 20)	Retained Earnings	Total Equity
Total equity at 1 March 2018	37,639	66,463	12,797	116,899
Net profit for the period	-	-	6,203	6,203
Other comprehensive income	-	1,258	-	1,258
	-	1,258	6,203	7,461
Equity dividends	-	-	(2,638)	(2,638)
Total equity at 28 February 2019	**37,639**	**67,721**	**16,362**	**121,722**

[1] The shares of Namoi Cotton Limited have no par value.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Namoi Cotton Limited as an individual entity (under CO 10/654) and the consolidated entity consisting of Namoi Cotton Limited and its subsidiaries.

For the purposes of disclosure of events occurring after balance date the Directors have authorised this financial report for issue on 29 April 2020 in accordance with a resolution of the Board of Directors.

The nature of the operations and principal activities of the group are described in the Directors' Report.

a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with standards, other authoritative pronouncements of the Australian Accounting Standards Board and Corporations Act 2001.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for ginning assets, derivative financial instruments, and cotton seed inventory which are measured at fair value.

Deficiency of Current Assets to Current Liabilities
The Parent's current liabilities exceed current assets. The net current liability position is caused by loans from controlled entities (refer to note 16) which won't be called upon.

Statement of compliance
The financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board.

Significant accounting judgments, estimates and assumptions
The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements over the following primary areas:
- Determination of fair value on cotton seed inventory (refer to Note 1l and Note 27) and derivative financial instruments (refer to Note 1m and Note 9);
- Fair value of ginning assets (refer Note 1o and Note 15);
- Impairment testing of property plant and equipment (refer to Note 1o and Note 14);
- Classification of associates and joint ventures (refer to Note 1c and Note 11);
- Treatment of deferred tax balances including tax loss recognition (refer to Note 1h and Note 3); and
- Assessment of the useful lives of assets (refer to Note 1o)
- COVID-19 (refer to description below)

COVID-19
Subsequent to 29 February 2020, significant measures have been taken by governments and the private sector to respond to the outbreak of COVID-19. On 11 March 2020, the World Health Organisation characterised COVID-19 as a pandemic. In addition to health and societal issues, this has begun to cause disruptions to businesses and economic activity. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

The financial report has been prepared based upon conditions existing at 29 February 2020 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. At a Namoi Group level, the directors determined there was no financial impact to the group at 29 February 2020 as a result of COVID 19, other than through the Group's share of losses from its associate, NCA, which is discussed further below.

The current forecast is for COVID 19 to have limited impact on the upcoming cotton ginning season however, it is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

The financial report of NCA has been prepared based upon conditions existing at 29 February 2020 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. At an NCA level, the entity determined there was a negative impact of $2.01 million directly to NCA at 29 February 2020 as a result of COVID 19 impacts in the cotton futures market. Subsequent to year end for the month ended 31 March 2020, an additional negative impact of $4.61 million was recorded directly by NCA due to COVID 19. The negative impact to NCL is a 51% share of these amounts recorded through the share of associates profits/losses.

New accounting standards and interpretations

New standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 March 2019 have been adopted by the Group. The adoption of these standards had no material financial impact on the current period or any prior period and is not likely to affect future periods.

- AASB 16 Leases effective 1 March 2019 (Refer to Note 1j)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- AIP IFRS 3 Business Combination – Previously held Interests in a joint operation
- AIP IFRS 11 Joint Arrangements – Previously held interests in a joint operation
- AIP IAS 23 Borrowing Costs – Borrowing cost eligible for capitalization.

AASB 16 has been implemented from 1 March 2019 using the modified retrospective approach with right of use assets equal to lease liabilities on transition date and will not restate comparative amounts for the period ended 28 February 2019. The Group has availed itself of the exemptions within AASB 16 paragraph 5 relating to short-term leases and leases for which the underlying asset is low value. Refer to Note 1(j) and Note 15 for the adjustments as of 1 March 2019 in relation the adoption of AASB 16.

Certain new accounting standards and interpretations have been published that are not mandatory for 29 February 2020 reporting periods and have not yet been applied in the consolidated Financial Statements. These new Standards are as follows and where appropriate commentary as to their likely impact has been included:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 3: Definition of Business
- Amendments to IAS 1 and IAS 8 Definition of Material

b) Going Concern

The financial report has been prepared on the going concern basis that assumes the continuity of normal business activities and the realisation of assets and the discharge of liabilities as and when they fall due, in the ordinary course of business. The ability of the Group to continue as a going concern is impacted by the continuing availability of the Group's financing facilities as well as the continuing availability of the financing facilities of Namoi Cotton Alliance (NCA), its 51% owned joint venture.

Consistent with prior years, the Group's operations are funded by a working capital facility which has an annual renewal of 30 April each year.

Namoi announced on 6 April 2020 that it had renewed its $10 million working capital banking facility and that this facility together with the Company's $42 million term facility will mature on 30 April 2021. Considering the current disruptions to businesses and economic activity, the financial covenants associated with the working capital facility were adjusted to provide the Company with additional operational flexibility. Note 17 to the financial report summarises the details of all of the Group's banking facilities, including working capital, term debt and the amendments to financial covenants.

Namoi has embarked on a non-core assets sales program during 2020/21 and funds generated from that program will help fund the Company's debt servicing requirements and meet the renewed financing facility financial covenants.

Namoi owns a 51% interest in Namoi Cotton Alliance (NCA) joint venture (refer to Note 10 Investments in Associates and Joint Ventures using the equity method). NCA has a range of banking facilities with a syndicate of banks with a total drawn balance of $62.4 million as at 29 February 2020. These syndicated bank facilities expire as at 30 April 2020 and as at the date of this report NCA has executed an agreement with one bank to extend the existing facilities until 29 May 2020.

Namoi is in discussions with its joint venture partner in NCA around the best form of funding for the joint venture beyond 29 May 2020 and has signed a non-binding term sheet with its joint venture partner agreeing on an ongoing funding plan for NCA. The funding plan contemplates an extension of the existing or similar banking facilities for NCA or for one partner in NCA to provide funding to NCA beyond 29 May 2020 in the event certain milestones are reached. The partners in NCA will need to raise their own financing if the milestones are not met on or before 29 May 2020.

The joint venture partners in NCA are in discussion around a potential restructuring of NCA's operations to better align with its future funding requirements, as well as to ensure maximum value of NCA's presence in the marketplace. There is a risk that NCA's performance and structure, being impacted by the potential restructure as well as extreme market volatility, could result in the need for NCL to seek waivers and amendments to its existing banking agreements.

As a consequence of the above matters, a material uncertainty exists that may cast significant doubt as to whether Namoi will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts in this report. However, the Directors believe that there are reasonable grounds to believe that the use of the going concern basis remains appropriate as there is an expectation that the Group:

- will be able to extend existing finance facilities or establish new facilities; and
- will be able to raise sufficient amounts of either debt or equity or cash from asset sales.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities should the Group not be able to continue as a going concern.

The outbreak of COVID-19 has caused disruptions to businesses and economic activity as outlined in Note 1: Summary of Significant Accounting Policies in the Consolidated final financial report, specifically to Significant accounting judgments, estimates and assumptions. This was an emerging issue as at 29 February 2020, and remains so given that the impact in the community in general has worsened since the reporting date. The scale and duration of these developments remain uncertain as at the date of this report however they are likely to continue to have an impact on our earnings, cash flow and financial condition.

c) Seasonality of operations

Cotton Ginning, one of Namoi Cottons business segments, operates on a seasonal basis whereby ginning normally occurs between March to July each year. Accordingly, that segment traditionally generates profits in the first half year and incurs losses in the second half year during the ensuing maintenance period.

The ginning segment takes delivery of cottonseed from growers largely in the first half of the year between March and August. Under Namoi Cotton's accounting policies, profits on cottonseed are recognised when delivery occurs.

The lint cotton marketing business is undertaken by the Namoi Cotton Alliance (NCA) associate. Namoi continues to purchase bales from growers which it on-sells to NCA. NCA normally takes delivery of lint cotton from Namoi in the first half of the year and under NCA's accounting policies, profits from this activity arise on receipt of the lint cotton. Namoi equity accounts for its share of the NCA joint venture net result (refer Note 10) which is reflected in the share of profits from joint ventures and associates in the Statement of Profit and Loss and Other Comprehensive Income.

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Namoi and its subsidiaries as at 29 February 2020. Control is achieved when Namoi is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, Namoi controls an investee if and only if the group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When Namoi has less than a majority of the voting or similar rights of an investee, Namoi considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Namoi's voting rights and potential voting rights.

Namoi re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when Namoi obtains control over the subsidiary and ceases when Namoi loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date Namoi gains control until the date Namoi ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of Namoi and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Namoi's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Namoi are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If Namoi loses control over a subsidiary, it:
- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if Namoi had directly disposed of the related assets or liabilities.

Investment in associates and joint ventures
An associate is an entity over which Namoi has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed

sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. Namoi's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in Namoi's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects Namoi's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Namoi's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, Namoi recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between Namoi and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of Namoi's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss within share of profit/(loss) of associates and joint ventures and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as Namoi. When necessary, adjustments are made to bring the accounting policies in line with those of Namoi.

After application of the equity method, Namoi determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, Namoi determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, Namoi calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and it's carrying value, then recognises the loss as Impairment – joint venture in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, Namoi measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint operations
Namoi determines its interest in the assets and liabilities relating to each joint operation on the basis of its rights and obligations in a specified proportion in accordance with the contractual arrangement.

Namoi recognises the following as its share:
- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly.

Jointly controlled assets
Interests in jointly controlled assets have been incorporated in the financial statements under the appropriate headings.

e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

f) Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Namoi Cotton Limited's functional and presentation currency.

Transactions denominated in foreign currencies are initially recorded in the functional currency at the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities using rates of exchange applicable at balance date are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

g) Revenue from contracts with customers

The Group's core business is the provision of cotton ginning services to cotton farmers and participation in the marketing of the resultant cotton lint bales and cotton seed as products of the ginning process.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Group apportions the transaction price to the separate performance obligations. The Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer where relevant.

Contract Balances
Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

h) Revenue recognition

Revenue from customers
Sale of Byproducts
The performance obligation is satisfied upon transfer of control under the terms of sale. This is a combination of delivered container terminal and ex-gin. Payment is due 30 days end of week from shipping.

Classing Revenue
Classing is the process of mechanically and visually inspecting cotton to determine grade characteristics.

Classing is provided to both related (NCA joint venture) and non-related cotton merchants and has been treated as revenue from contracts with customers under AASB15. The Group recognises revenue from classing services at the point in time.

The performance obligation is satisfied upon provision of results to the lint marketer or customer. Payment is due within 30 days of the date of issue of the classing invoice.

Revenue - other
Interest revenue
Interest revenue is brought to account when entitlement to interest occurs using the effective interest method.

Dividend revenue
Dividend revenue is brought to account when the group's right to receive is established.

Rental revenue
Rental income is brought to account when received.

Trading margin
Ginning revenue
Ginning is the mechanical process of separating raw seed cotton into resultant lint cotton bales and cotton seed for cotton growers.

The Group provides ginning services that are bundled together with the purchase of cotton seed. As these contracts are accounted for under AASB 9 they are excluded from the treatment as a sale to a customer under AASB 15.

Sale of lint cotton
Sales revenue is brought to account when the terms of delivery under the sales contract have been satisfied. As lint sales between the Group and NCA (Associate) are accounted for under AASB 9 they are excluded from treatment as a sale to a customer under AASB 15.

There are no fair value adjustments required for forward lint cotton sales due to the contractual relationship between the Group and NCA.

Sale of cotton seed
Sales revenue is brought to account when the terms of delivery under the sales contract have been satisfied. As cotton seed sales (to feedlots, graziers, other traders and the COA Associate) are accounted for under AASB 9 they are not treated as a sale to a customer under AASB 15.

The fair value of forward cotton seed commodity sale contracts is determined with reference to prevailing prices at reporting date.

Derivatives
Derivatives including forward cotton seed commodity purchase and sale contracts and forward exchange contracts are stated at fair value with any gains or losses arising from changes in fair value taken directly to the statement of profit and loss and other comprehensive income.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

i) Taxes

Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based upon the prevailing income tax rate 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 as to available carried forward taxation losses.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax assets and deferred tax liabilities are offset only where such offset is enforceable and where the asset and liability relate to the same taxpaying entity and the same taxation authority.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Tax consolidation legislation

Namoi Cotton Limited is the head entity of the tax consolidated group comprising all wholly owned controlled entities. The group has applied the group allocation method in determining the appropriate amount of current and deferred taxes to allocate to the members of the tax consolidated group.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

j) Leases

The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is measured at cost less any accumulated depreciation and impairment and is depreciated on a straight-line basis over the lease term or the useful life of the leased asset.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
The lease payments are discounted using the lessee's incremental borrowing, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Adoption of AASB 16

AASB 16 supersedes AASB 117 Leases, and determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 did not have an impact for leases where the Group is the lessor.

The Group adopted AASB 16 using the modified retrospective method of adoption with right of use assets equal to lease liabilities with the date of initial application of 1 March 2019. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adopting AASB 16 is disclosed in Note 15.

k) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments readily convertible to cash within two working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

l) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment for any uncollectible debts. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. The recoverability of trade and grower loans is reviewed on an ongoing basis. An estimate for doubtful debts is made when collection of the full nominal amount is no longer probable. Bad debts are written off as incurred.

The simplified method is utilised to determine expected credit losses. In applying this method, the expected credit losses are calculated by reference to not only historical collection history but rely on forward estimations and the expected lifetime credit loss is recognised. The methodology applies to trade debtors, grower loans and certain intercompany balances which are eliminated within consolidated balances.

m) Inventories

Cotton seed

Cotton seed inventory is carried at fair value less costs to sell.

Fair value reflects the price at which an orderly transaction to settle same inventory in the principle (or most advantageous) market for that inventory would take place between market participants at the measurement date. Costs to sell incorporate anticipated future delivery costs, commissions and brokerage.

Fair value less costs to sell may be higher or lower than cost with any differences taken to the statement of comprehensive income.

Operating supplies and spares
Operating supplies and spares are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

n) Financial instruments

AASB 9 contains three principal classification categories for financial assets: Amortised Cost, Fair Value Through Other Comprehensive Income (FVOCI), and Fair Value Through Profit and Loss (FVTPL).

Debt financial instruments are subsequently measured at amortised cost, FVOCI or FVTPL. The classification is based upon two criteria:
- The Group's business model for managing the assets;
- Whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding ('the SPPI criterion').

The classification and measurement of the Group's financial assets are as follows:
- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold financial assets to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Cash and cash equivalents and Trade & other receivables.
- Financial assets at FVTPL comprise derivative instruments. This category would also include debt instruments whose cash flow characteristics fail SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. This category includes the Group's Foreign exchange contracts, interest rate derivatives and also forward commodity purchase and sales contracts.

The assessment of whether contractual cash flows on debt instruments met the SPPI criterion was made based on the facts and circumstances as at initial recognition of the assets.
The new classification requirements of the standard did not have any significant impact on the Group's existing financial assets, being cash and cash equivalents, trade and other receivables or derivative financial instruments.

At initial recognition, the Group measures a financial asset at its fair value. Measurement of cash and cash equivalents and trade and other receivables remain at amortised cost consistent with the comparative period. Purchases or sales of financial assets that require delivery of assets with a time frame established by regulation or market convention (regular trades) are recognised on the trade date i.e. the date that the group commits to purchase or sell the asset. AASB 9 requires financial liabilities to be measured with gains or losses on financial liabilities designated at inception to be measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

The Group recognises gains or losses on financial liabilities, designated at inception to be measured at fair value, in profit or loss. The Group has had no material change in the credit risk of these financial liabilities during the period.

Trade and other payables are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms.

o) Recoverable amounts of non-financial assets

At each reporting date, the group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

p) Property, plant and equipment

Cost and valuation
Gin, warehouse, other infrastructure and major equipment assets are measured at fair value (refer to Note 1n) less accumulated depreciation and any impairments recognised after the date of revaluation. Valuations are performed frequently to ensure that the fair value of revalued assets does not differ materially from its carrying value.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity (less the income tax effect), except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case, the increase is recognized in the statement of comprehensive income. A revaluation deficit is recognised in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Other assets are carried at cost less accumulated depreciation and any accumulated impairments in value.

Depreciation
Ginning infrastructure assets are depreciated on a units of production basis over their rolling estimated remaining useful lives of 20 years of sustainable bales (2019: 20 years). All other property, plant and equipment, other than freehold land, is depreciated on a straight-line basis at rates calculated to allocate the cost less estimated residual value at the end of the useful lives of the assets against revenue over their estimated useful lives.

Major depreciation rates are:

Ginning assets	20 years (2019: 20 years)
Other assets	3 to 44 years

Impairment
The recoverable amounts of plant and equipment are compared to carrying values when indicators of potential impairment exist. These indicators include but are not limited to significant industry, economic and agronomic events.

The recoverable amounts of plant and equipment are the greater of fair value less costs to sell and value in use. 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.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Disposal
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

q) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

r) Trade and other payables

Liabilities for trade creditors and accruals are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity.

s) Interest-bearing loans and borrowings

All interest-bearing liabilities are initially measured at fair value of the consideration received less attributable transaction costs and subsequently at amortised cost using the effective interest method. Interest is charged on non-related party borrowings as an expense as it accrues.

t) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

u) Share-based payment transactions

The group has provided benefits to permanent employees (not including directors) in the form of participation in the employee share plan after a qualifying period. Shares are issued under the plan at a 5% discount to the average market price of the five days preceding the offer. The plan was suspended in August 2004.

v) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to high quality corporate bonds that have terms to maturity approximating the terms of the related liability are used.

Employee benefits are recognised against profits when they are respectively paid or payable.

w) Finance costs

Finance costs are recognised as expenses in the periods in which they are incurred with the exception of interest rate derivatives recognised at fair value and the amortisation of ancillary costs incurred with the arrangement of borrowings, which are amortised over the period of the facility. Finance costs include:
- interest on bank overdrafts and short term and long-term borrowings using the effective interest method;
- fair value movements in interest rate derivatives.

x) Earnings per share

Basic earnings per share is determined by dividing the profit attributable to members, adjusted to exclude costs of servicing equity (other than distributions) by the weighted average number of shares.

Diluted earnings per share is determined by dividing the profit attributable to members, adjusted to exclude costs of servicing equity (other than distributions) by the weighted average number of shares and potential dilutive shares but not including any antidilutive shares.

y) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the CEO as the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management considered other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:
- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services; and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category "unallocated segment".

z) Fair value measurement

Namoi measures financial instruments, such as derivatives, at fair value at each balance sheet date and non-financial assets at revalued date.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to Namoi.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Namoi uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, Namoi determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Namoi's Directors determine the policies and procedures for both recurring fair value measurement, such as property, plant and equipment and derivatives, and for non-recurring measurement. External valuers are involved for valuation of significant assets, such as ginning assets and derivatives, and significant liabilities, such as derivatives. Involvement of external valuers is decided upon annually by the Directors after discussions with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Directors analyse the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per Namoi's accounting policies.

For this analysis, the Directors verify the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.
The Directors, in conjunction with reports from external valuers, also compares changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

The Directors present the valuation results to the Audit Committee and Namoi's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, Namoi has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

aa) Cash Dividends

Namoi recognises a liability when the dividends are declared, determined or publicly recommended on or before the reporting date

bb) Rounding of amounts

This financial report is presented in Australian dollars and all values have been rounded to the nearest thousand dollars (where rounding is applicable) in accordance with ASIC Corporations (Rounding in Financial

Directors Reports) Instrument 2016/191. The company is an entity to which this legislative instrument applies.

cc) Changes to comparatives

Changes to comparative figures are made where there is a conflict with the current-year accounts.

2. Revenue and Expenses

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
a) Revenue				
i) Revenue from customers				
By type of goods or service				
Sale of byproducts	207	568	-	-
Classing services	824	1,693	-	-
Moss	2,090	3,085	2,090	3,085
Other	45	4	46	4
	3,166	**5,350**	**2,136**	**3,089**
ii) Other revenue				
Rental revenue	106	154	106	154
Other service revenue	236	400	236	400
Finance revenue	8	44	8	56
	350	**598**	**350**	**610**
Total revenue	**3,516**	**5,948**	**2,486**	**3,699**
iii) Trading margin gains				
Ginning services and seed sales	39,184	83,124	39,184	83,124
Lint Handling	183	410	183	410
	39,367	**83,534**	**39,367**	**83,534**
b) Other income				
Net gain on disposal of property, plant and equipment	5	-	2	-
Net gain on disposal of investments	1,120	-	-	-
	1,125	**-**	**2**	**-**
c) Employee benefits expense				
Salaries, wages, on-costs and other employee benefits	18,203	26,464	17,857	25,764
Defined contribution benefits expense	1,230	1,582	1,202	1,536
	19,433	**28,046**	**19,059**	**27,300**
d) Finance costs				
Interest on bank loans and overdrafts	1,843	2,036	1,897	2,083
Interest expense - leases	29	-	29	-
Finance charges payable under equipment loans	94	106	86	106
Interest expense - interest rate derivatives	116	38	116	38
	2,082	**2,180**	**2,128**	**2,227**

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
e) Other expenses				
Maintenance	1,656	5,091	1,621	5,032
Net loss on disposal of property, plant and equipment	-	31	-	31
Insurance	1,046	910	1,003	876
Motor vehicle related	814	1,766	809	1,763
Consulting fees	1,704	1,159	1,657	1,114
Audit fees	408	292	406	291
Business travel	595	692	593	692
Strategic restructuring-consulting [1]	4	454	4	454
Other	3,629	5,105	3,315	4,549
	9,856	**15,500**	**9,408**	**14,802**

[1] Includes the engagement of external corporate, legal, accounting and taxation advisors in relation to the corporate restructure and fair value increment to grower member shares in the prior year (Refer Note 21).

3. Income Tax

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Statement of Comprehensive Income				
Accounting profit/(loss) from continuing operations before income tax expense	(15,300)	124	(17,865)	8,895
At the Group's statutory income tax rate of 30% (2018: 30%)	(4,590)	37	(5,359)	2,669
Non-allowable expenditure	100	613	11	23
Tax loss incurred - not recognised	243	191	-	-
Tax losses previously not recognised [1]	(63)	(161)	-	-
Income tax expense/(benefit) recorded in the statement of comprehensive income	**(4,310)**	**680**	**(5,348)**	**2,692**

[1] Tax losses previously unrecognised for individual entities outside the tax consolidated group.

	Balance Sheet				Statement of Profit and Loss and Other Comprehensive Income			
	Consolidated $'000		Parent $'000		Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Deferred Tax Liabilities								
Accelerated depreciation for tax purposes and revaluations	(26,577)	(25,664)	(26,577)	(26,733)	65	2,249	2,142	1,986
Timing of Joint Venture and Investments Income recognition	1,401	155	(78)	(291)	213	702	339	126
	(25,176)	(25,509)	(26,655)	(27,024)	278	2,951	2,481	2,112
Deferred Tax Assets								
Deferred costs	396	551	396	551	(154)	(98)	(153)	1
Provisions and accruals	1,204	1,786	1,204	1,786	(493)	131	75	657
Recognised losses available for offsetting against future taxable income [1,2]	21,509	17,913	22,502	17,904	(3,561)	4,205	(993)	9
	23,109	20,250	24,102	20,241	(4,208)	4,238	(1,071)	667
Net deferred tax assets/(liabilities)	(2,067)	(5,259)	(2,553)	(6,783)				
Deferred tax expense/(income)					(3,930)	7,189	1,410	2,779
Unrecognised deferred tax assets	-	-	-	-				
Unrecognised deferred tax liabilities	(39)	(44)	-	-				
Unrecognised tax losses	1,271	1,091	-	-				
Unrecognised net deferred tax assets	**1,232**	**1,047**	**-**	**-**				

	Consolidated $'000		Parent $'000	
Reconciliation of net deferred tax assets/(liabilities)	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Opening balance as of 1 March	**(5,259)**	**(4,040)**	**(6,783)**	**(3,552)**
Tax income/(expense) during the period recognised in profit or loss	4,310	(680)	5,348	(2,692)
Tax income/(expense) during the period recognised in other comprehensive income	(1,118)	(539)	(1,118)	(539)
Closing balance as at 28 February	**(2,067)**	**(5,259)**	**(2,553)**	**(6,783)**

[1] Tax losses recognised for individual entities in the tax consolidated group

[2] The benefits in respect of tax losses will only be obtained if:
a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax consolidated group and tax sharing arrangements
Namoi Cotton Limited is the head entity of the tax consolidated group comprising all wholly owned controlled entities. The group has applied the group allocation method in determining the appropriate amount of current and deferred taxes to allocate to the members of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in these financial statements in respect of this agreement on the basis that the possibility of default is remote.

4. Earnings per Share

Basic earnings per share is calculated by dividing the consolidated net profit after tax for the year by the number of ordinary shares at year end.

The following reflects the income and equity data used in the basic and diluted earnings per share computations below the profit/(loss):

	Consolidated $'000	
	29 Feb 2020	**28 Feb 2019**
Consolidated loss attributable to ordinary shares	(10,990)	(556)
	No.	No.
Earnings per share - basic (cents)	(7.8)	(0.4)
Earnings per share - diluted (cents) [1]	(7.8)	(0.4)
Weighted average number of ordinary shares for basic EPS	140,223,484	137,044,276
Weighted number unconverted residual capital stock	2,430,123	5,609,331
Weighted average number of ordinary shares adjusted for the effect of dilution	142,562,115	139,601,822

[1] Residual capital stock unconverted has not been included in the calculation of diluted earnings per share because they are antidilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

5. Distributions Paid or Provided on Ordinary Shares

	Consolidated $'000	
	29 Feb 2020	28 Feb 2019
Final distribution for the year ended 28 February 2019 of 0.0 cents per ordinary share (2018: 1.9 cents)	-	2,638
Net distributions during the year	**-**	**2,638**

6. Cash and Cash Equivalents

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
(a) Reconciliation to Statement of Cash Flows				
For the purposes of the Statement of Cash Flows, cash comprises the following items:				
Cash at bank and in hand	731	5,827	543	5,541
Bank Overdraft	-	-	-	-
	731	**5,827**	**543**	**5,541**
(b) Reconciliation of net cash provided by operating activities to operating profit after income tax.				
Operating profit/(loss) after income tax	(10,990)	(556)	(12,517)	6,203
Adjustments for non-cash items:				
Depreciation	5,239	9,279	5,158	9,197
(Gain)/loss on sale of property, plant and equipment	(5)	31	(2)	31
(Gain)/loss on sale of investments	(1,120)	-	-	-
Impairment	3,740	5,581	13,613	2,018
Foreign exchange (gain)/loss on finance leases	55	34	55	34
Provision for bad debts	-	(71)	-	(20)
Provision for employee benefits	(1,700)	189	(1,691)	211
Provision other	377	(60)	377	-
Share of associates (profits)/losses	8,539	5,883	-	-
	15,125	**20,866**	**17,510**	**11,471**
Changes in operating assets and liabilities				
(Increase)/decrease in accounts receivable	426	4	683	528
(Increase)/decrease in inventories	2,417	(528)	2,410	(507)
(Increase)/decrease in other assets	(378)	989	(375)	992
(Increase)/decrease in derivatives	(720)	(598)	(720)	(599)
Increase/(decrease) in creditors	(3,559)	(58)	(3,534)	(93)
Increase/(decrease) in other liabilities	(152)	190	(152)	190
Increase/(decrease) in deferred tax asset	(4,310)	720	(5,348)	2,692
Net cash inflow/(outflow) from operating activities	**(2,141)**	**21,029**	**(2,043)**	**20,877**

(c) Disclosure of financing activities

	1 March 2019	Cash flows	Foreign exchange movement	New leases	Other	28 February 2020
	$'000	$'000	$'000	$'000	$'000	$'000
Current interest-bearing loans	-	-	-	-	400	400
Current obligations under						
equipment loans	1,062	(954)	10	28	824	970
lease liabilities	-	(372)	-	372	340	340
Current other borrowings	41	(3)	-	-	-	38
Non-current interest bearing loans	42,000	-	-	-	1,535	43,535
Non-current obligations under						
equipment loans	1,630	(140)	41	62	(824)	769
lease liabilities	-	-	-	814	(340)	474
Dividends paid	-	-	-	-	-	-
	44,733	(1,469)	51	1,276	1,935	46,526

	1 March 2018	Cash flows	Foreign exchange movement	New leases	Other	28 February 2019
	$'000	$'000	$'000	$'000	$'000	$'000
Current interest-bearing loans	6,000	(6,000)	-	-	-	-
Current obligations under						
equipment loans	758	(1,108)	16	503	893	1,062
Current other borrowings	32	9	-	-	-	41
Non-current interest bearing loans	42,000	-	-	-	-	42,000
Non-current obligations under						
equipment loans	1,226	-	19	1,278	(893)	1,630
Dividends paid	-	(2,638)	-		2,638	-
	50,016	(9,737)	35	1,781	2,638	44,733

(d) Disclosure of non-cash financing and investing activities

(i) Equipment Finance Transactions
During the financial year, the consolidated entity acquired plant and equipment with an aggregate fair value of $90,561 (2019: $1,780,525) by means of equipment loans.

(ii) Distribution Reinvestment Plan
No distributions were paid via the issue of units/shares in 2020 (2019: nil). Refer note 5 and note 19.

(e) Fair Value

All cash balances are reflective of fair value based on observable market data.

7. Trade and Other Receivables

	Consolidated $'000		Parent $'000	
	29 Feb 2020	**28 Feb 2019**	**29 Feb 2020**	**28 Feb 2019**
Current				
Trade debtors[1]	3,212	3,012	3,165	2,967
Less: allowance for impairment loss	-	-	-	-
Trade debtors from an associate	97	930	97	930
	3,309	**3,942**	**3,262**	**3,897**
Loans to growers[2]	221	12	221	12
Less: allowance for impairment loss	-	-	-	-
	221	**12**	**221**	**12**
Loans to employees[3]	1	20	2	20
Loans to controlled entities[4]	-	-	572	828
	3,531	**3,974**	**4,057**	**4,757**
Non-current				
Loans to controlled entities[4]	-	-	34,376	41,820
	-	**-**	**34,376**	**41,820**

[1] Trade debtors arise from the following:
Domestic sales of white cotton seed, grain commodities and ginning by-products. These debtors are settled under a range of agreed payment terms. These debtors are non-interest bearing.

The group maintains trade credit insurance over non-related party domestic debtors to minimise credit risk.

[2] Grower loans represent buyback contracts payable by the grower. These debtors are settled under a range of agreed payment terms. These debtors are non-interest bearing.

[3] Loans to employees represent non-interest-bearing loans advanced under the Namoi Cotton employee incentive share plan (refer note 19) and other staff advances.

[4] Loans to controlled entities that are participants in joint ventures, are non-interest-bearing and are repayable from the proceeds generated by the joint venture. The fair value of these loans approximate their carry amounts due to the short-term maturities.

Expected Credit Losses
An impairment analysis is performed at each reporting date. The simplified method has been used to determine expected credit losses. In applying this method, the expected credit losses are calculated by reference to not only historical collection history but rely on forward estimations and the expected lifetime credit loss is recognised.

Individual receivables are written off only upon exhaustion of all means of recovery and only with Board approval. Expected credit losses are immaterial for the Group and Parent entity.

	Consolidated $'000		Parent $'000	
	29 Feb 2020	**28 Feb 2019**	**29 Feb 2020**	**28 Feb 2019**
At 1 March 2019	-	71	-	20
Charge for the year	-	-	-	-
Amounts written off	-	(71)	-	(20)
Recoveries	-	-	-	-
At 29 February 2020	**-**	**-**	**-**	**-**

At balance date the ageing analysis of trade and other receivables is as follows:

	Consolidated $'000		Parent $'000	
	29 Feb 2020	**28 Feb 2019**	**29 Feb 2020**	**28 Feb 2019**
Total outstanding	3,531	3,974	38,433	46,577
Unimpaired				
Within terms	3,223	3,783	38,166	46,425
Past Due 1 - 30 days	189	124	148	124
Past Due 31 - 60 days	87	48	87	9
Past Due 60+ days	32	19	32	19
Impaired				
Past Due 60+ days	-	-	-	-

Receivables past due but not considered impaired are: Group $307,324 (2019: $190,819); Parent $266,402 (2019: $151,664). Payment terms on these debts have not been renegotiated however discussions with the counterparties and/or receipts subsequent to reporting date reflect that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected these other balances will be received when due.

All receivables are carried at amortised cost. Details regarding foreign exchange and interest rate risk are disclosed in Note 27. The maximum exposure to credit risk is the carrying amount of the receivables less insurance recoverable.

8. Inventories

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Seed cotton and moss (at cost)	-	259	-	259
Cotton seed (at fair value less costs to sell)	102	326	102	326
Operating supplies and spares (at cost)	7,152	9,463	7,124	9,429
	7,254	**10,048**	**7,226**	**10,014**

Refer to Note 27 for further information relating to the valuation techniques for determining the fair value of Cotton Seed.

9. Derivative Financial Instruments

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Current assets				
Cotton seed sale contracts	695	-	695	-
Cotton seed purchase contracts	561	7,773	561	7,773
Lint Cotton purchase contracts	2,954	11,023	-	-
	4,210	**18,796**	**1,256**	**7,773**
Current liabilities				
Interest rate swap contracts	-	57	-	57
Cotton seed sale contracts	-	7,181	-	7,181
Lint Cotton sales contracts - NCA	2,954	11,023	-	-
	2,954	**18,261**	**-**	**7,238**

Derivatives are used by the group to manage trading and financial risks as detailed in note 27.

Fair value of foreign exchange contracts are determined by comparing the contracted rate to the market rates for contracts with the same term to maturity. All movements in fair value are recognised in the profit within the statement of comprehensive income in the period they occur. The net fair value loss on foreign exchange contracts at year end was $nil for the group (2019: nil) and $nil for the parent entity (2019: nil).

Cotton lint purchase contracts are forward dated and deliverable contracts from growers. The fair value of cotton lint commodity contracts is determined by reference to market prices and foreign exchange rates. The fair value of the open cotton lint purchase contracts at year end was a derivative asset (unrealised gain) of $2,953,926 for the group (2019: Gain $11,022,523) and lint sales contracts are a derivative liability (unrealised loss) of $2,953,926 for the group as back-to-back sales contracts with NCA.

Cotton seed sales contracts are forward dated and deliverable contracts with customers. The fair value of cotton seed commodity contracts is determined by reference to market prices and foreign exchange rates. The fair value of the open cotton seed sale contracts at year end was a derivative asset (unrealised gain) of $695,147 for the group (2019: Loss $7,181,065) and $695,147 for the parent entity (2019: Loss $7,181,065).

Cotton seed commodity purchase contracts are forward dated and deliverable contracts with cotton growers or brokers. The fair value of cotton seed commodity contracts is determined by reference to market prices and foreign exchange rates. The fair value of the open cotton seed purchase contracts at year end was a derivative asset (unrealised gain) of $560,594 for the group (2019: Gain $7,773,102) and $560,594 for the parent entity (2019: Gain $7,773,102).

Interest bearing loans of the group incurred a weighted average variable interest rate of 3.2% (2019: 3.2%). Swaps in place at the reporting date accounted for 0 % (2019: 47.6%) of the principal outstanding. The average fixed interest rates were 0% (2019: 2.1%) and the average variable rates were 0.96% (2019: 1.65%) at balance date. The net fair value loss on interest rate swaps was $0 (2019: $91,270).

10. Investments in Associates and Joint Ventures using the equity method

		Consolidated $'000		Parent $'000	
		29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Investment in associates (material)	10d	-	1,820	-	-
Investment in joint ventures (material)	10e	31,171	36,514	-	-
Investment in joint ventures (non material)	10f	(2,293)	(1,483)	-	-
		28,878	**36,851**	**-**	**-**

(a) Ownership interest

Name	**Balance Date**	**% Ownership interest held by consolidated entity**	
		29 Feb 2020	**28 Feb 2019**
Investments in Associates			
Cargill Oilseeds Australia Partnership (COA)	31 May	**0%**	15%
Cargill Processing Ltd (CPL) [1]	31 May	**0%**	15%
Investments in Joint Ventures			
Namoi Cotton Alliance (NCA)	29 February	**51%**	51%
NC Packing Services Pty Ltd (NCPS) [1]	29 February	**51%**	51%

[1] Incorporated in Australia

(b) The principal activities of the associates and joint ventures are:

- COA processes and markets cotton seed, canola and other oilseeds.
- CPL owns facilities used in the processing and marketing of cotton seed, canola and other oilseeds by COA.
- NCA markets Australian lint cotton and owns significant up-country warehousing and logistics facilities to support the marketing operations
- NCPS operates containerised commodity packing facilities primarily packing cottonseed, coarse grains and pulses.

COA and CPL were divested in November 2019 as part of the settlement of the commercial dispute with Cargill Australia Limited ('CAL') and the associated disposal of Namoi's 15% interest in Cargill Processing Limited ('CPL') and dissolution of the Cargill Oilseeds Australia partnership ('COA'). (Refer to Note 2b).

NCA and NCPS are 51% owned, however, the two entities are jointly controlled due to the joint venture agreement terms in relation to committee decision making etc.

(c) Significant influence

Significant influence exists over the Cargill associates, despite less than 20% ownership, due to the agreed one
third representation upon the Board of Directors and management committees. Namoi Cotton is also a significant supplier of the primary input product for the Narrabri cotton seed crushing facility.

	Consolidated $'000			
	29 Feb 2020		28 Feb 2019	
	COA	CPL	COA	CPL
(d) Material Investments in Associates				
(i) Associates results				
Revenue	7,661	142	257,525	17,327
Profit/(Loss)	192	156	(20,389)	(11,615)
Group share of associates profit/(loss)	**29**	**23**	**(3,058)**	**(1,742)**
(ii) Associates assets and liabilities:				
Current assets	25,080	1,310	30,619	1,339
Non-current assets	-	13,903	-	12,937
Current liabilities	(20,121)	(2,919)	(66,141)	(2,142)
Non-current liabilities	(564)	-	-	-
Associates net assets	**4,395**	**12,294**	**(35,522)**	**12,134**
Group share of associates net assets	**659**	**1,844**	**(5,328)**	**1,820**
(iii) Carrying amount of investments in associates:				
Balance at the beginning of the financial year	-	1,820	(2,270)	3,562
Distribution paid out of retained earnings	-	-	-	-
Share of associates profits/(losses) for the financial year	29	23	(3,058)	(1,742)
Carrying amount of investment in associates at the end of the financial year	**29**	**1,843**	**(5,328)**	**1,820**
Less asset transferred to interest bearing liabilities (Refer to Note 17)	(29)	-	5,328	-
Less cost transferred on sale of shares in CPL	-	(1,843)	-	-
	-	**-**	**-**	**1,820**
(iv) Share of contingent liabilities of associate:	**-**	**-**	**-**	**-**
(iv) Share of associates commitments:	**-**	**-**	**-**	**-**

	Consolidated $'000	
	29 Feb 2020	28 Feb 2019
(e) Material Investments in Joint Ventures: NCA		
(i) Joint Venture results		
Revenue	3,022	4,031
Depreciation and Amortisation	(2,611)	(2,547)
Interest Expense	(3,767)	(6,100)
Profit/(loss) before income tax expense	(15,257)	(869)
Income tax expense[(a)]	-	-
Joint Venture net profit/(loss)	**(15,257)**	**(869)**
[(a)] The Joint Venture is a partnership for tax purposes accordingly is not a taxable entity		
Group share of joint venture net profit/(loss)	**(7,781)**	**(444)**
(ii) Joint venture assets and liabilities:		
Current assets		
Cash and cash equivalents	6,095	9,309
Other	90,519	78,583
Non-current assets	45,657	56,008
Current liabilities		
Financial liabilities	(73,772)	(45,851)
Other	(4,440)	(17,203)
Non-current liabilities		
Financial liabilities	(423)	(1,068)
Other	(309)	(1,194)
Joint Venture net assets	**63,327**	**78,584**
Group share of joint venture net assets	**32,297**	**40,077**
Less impairment	**(1,126)**	**(3,563)**
	31,171	**36,514**
(iii) Carrying amount of investments in joint venture:		
Balance at the beginning of the financial year	36,514	40,521
Impairment of joint venture	2,438	(3,563)
Share of joint venture profits/(losses) for the financial year	(7,781)	(444)
Carrying amount of investments in joint venture at the end of the financial year	**31,171**	**36,514**
(iv) Share of contingent liabilities of joint venture:	-	-
(v) Share of joint venture commitments:	-	-
(f) Share of Non Material Investments in joint venture entities: NCPS		
(i) Carrying amount of non material investments in joint ventures:		
Balance at the beginning of the financial year	(1,483)	(844)
Non Material Joint Venture Results	(810)	(639)
Carrying amount of non material investments in joint ventures at the end of the financial year	**(2,293)**	**(1,483)**

Within the NCA joint venture, management performed an impairment test at period end on intangibles, which resulted in an impairment loss amounting to $10.62m (NCL 51% share $5.42m). The group has recorded its share of the impairment as part of its share in associates loss during the period. Given the impairment taken at the joint venture level some of the previous impairments taken by the group against its investment were able to be reversed. The above $2,438k net reversal represents the net of the half year

$2,979k impairment and the year end $5,417k reversal. Refer to significant judgments and estimates note (1a) for details of the impact of COVID 19 on NCA at year end and subsequent to year end.

11. Interest in Joint Operations

(a) Ownership interest

Name	Balance Date	% Ownership interest held by consolidated entity 29 Feb 2020	28 Feb 2019
Wathagar Ginning Company (WGC)	29 February	**50%**	50%
Moomin Ginning Company (MGC)	29 February	**75%**	75%

(b) Principal activities
The joint operations provide ginning services to cotton growers in the Gwydir valley located in NSW.

(c) Impairment
No assets employed in the jointly controlled operation were impaired during the year (2019: $nil).

(d) Accounting for joint operations
The joint operations have been accounted for using the share of rights to assets and obligations for liabilities method.

12. Interest in Jointly Controlled Assets

Namoi Cotton holds a 40% joint ownership interest in the white cotton seed handling and storage facilities at Mungindi, NSW with a book carrying value of $2.14m at 29 February 2020 (2019: $2.19m).

Namoi Cotton pays for its proportion of the operating costs of the facility. There were no material contingent liabilities or capital expenditure commitments in respect of jointly controlled assets at balance date.

13. Intangible Assets

	Consolidated $'000		Parent $'000	
	29 Feb 2020	**28 Feb 2019**	**29 Feb 2020**	**28 Feb 2019**
Goodwill				
Written down value	961	961	-	-
Impairment	(961)	-	-	-
Written down value	**-**	**961**	**-**	**-**

Goodwill on acquisition of Australian Classing Services Pty Ltd of $0.96 million was fully impaired during the year.

14. Property, Plant and Equipment

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Gin Assets				
Ginning infrastructure and major equipment				
at fair value	119,427	137,800	119,427	137,800
Provision for depreciation and impairment	(2,825)	(18,266)	(2,825)	(18,266)
	116,602	119,534	116,602	119,534
Revaluation to fair value	(1,561)	(914)	(1,561)	(914)
Closing written down value at fair value	115,041	118,620	115,041	118,620
Other ginning equipment				
Cost	10,977	9,878	10,977	9,878
Provision for depreciation and impairment	(5,734)	(5,151)	(5,734)	(5,151)
Closing written down value at cost	5,243	4,727	5,243	4,727
Net Gin Assets	**120,284**	**123,347**	**120,284**	**123,347**
Other Assets				
Other infrastructure and major equipment				
at fair value	6,430	6,402	6,430	6,402
Provision for depreciation and impairment	(175)	(739)	(175)	(739)
	6,255	5,663	6,255	5,663
Revaluation to fair value	80	692	80	692
Closing written down value at fair value	6,335	6,355	6,335	6,355
Other equipment				
Cost	12,812	12,051	11,694	10,917
Provision for depreciation and impairment	(7,096)	(9,004)	(6,412)	(8,381)
Closing written down value at cost	5,716	3,047	5,282	2,536
Net Other Assets	**12,051**	**9,402**	**11,617**	**8,891**
Capital work in progress ('CWIP') at cost	**802**	**5,541**	**802**	**5,536**
Total written down value at fair value	121,376	124,975	121,376	124,975
Total written down value at cost	11,761	13,315	11,327	12,799
Total written down value for property, plant & equipment	**133,137**	**138,290**	**132,703**	**137,774**
Right of Use Assets	1,186	-	1,186	-
Provision for depreciation and impairment	(384)	-	(384)	-
Closing written down value	**802**	**-**	**802**	**-**
Property, plant and equipment	**133,939**	**138,290**	**133,505**	**137,774**

If the above categories of assets were still measured using the cost model, the carrying amount (WDV) would be as follows:

	Consolidated and Parent $'000		$'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Ginning infrastructure and major equipment	67,648	63,825	67,648	63,825
Other infrastructure and major equipment	2,972	4,287	2,972	4,287
	70,620	**68,112**	**70,620**	**68,112**

Revaluation of Ginning Assets
Effective 29 February 2012, the group changed its accounting policy for the measurement of ginning assets from deemed cost to fair value.

The methodology used in determining the fair value of the relevant properties and assets was the Discounted Cash Flow (DCF) approach as the primary method and the Net Maintainable Earnings approach as the secondary method. The DCF method provides a valuation based on the formulation of projected future cash flows over a ten-year period (plus a terminal value), which was then discounted at an appropriate discount rate. The Net Maintainable Earnings approach was used to support the DCF method results.

Effective 28 February 2019 an independent valuation of the ginning assets was commissioned by the Group to provide external support for the Directors assessment of fair value for financial reporting purposes. CBRE Australia ("CBRE") were engaged for this purpose. The methodology applied by CBRE to value the ginning assets was an in-one-line discount rate of 14% (implied multiple of 7). Colliers (in 2016) utilised an earnings based multiple approach whereby a multiple of 6.5 was applied to the future maintainable EBITDA. An assessed sustainable EBITDA was multiplied by an appropriate earnings multiple derived from market sources. The 2019 external valuation obtained for the ginning assets was then used to support the results of a DCF model for the prior year. The directors continue to utilise this DCF method to determine the fair value of ginning assets. The internal valuation methodology applies a DCF methodology to a 10 year cash flow from earnings with a 6 year terminal yield. A discount rate of 15.4% resulted in the internal methodology and CBRE methodology producing the same result at that time. In 2020 the same internal methodology was used with the following adjustments to assumptions:

The fair value measurement of ginning assets outlined above uses significant unobservable inputs and are classified as level 3 in the financial reporting fair value measurement hierarchy. Significant unobservable valuation inputs as at 29 February 2020 included:

- Sustainable bales. The average annual sustainable ginning bales have been included following a grower by grower assessment of production areas, seasonal rotation, estimated yields and reliability of contracting. The measure is inclusive of Namoi's respective shares of throughputs of the joint venture cotton gins. The number being approximately a 29 % (2019: 29%) market share of an Australian sustainable crop size of 3.2 million bales (2019: 3.2 million bales) which also approximates the average number of bales achieved over the last 8 years, noting that individual seasons can fluctuate significantly dependent upon water availability;
- Growth rate - revenues 1.65% (2019 - 1.65%)
- Growth rate - expenses 2.20% (2019 - 2.20%)
- Pre-tax discount rate of 15.4% (2019 – 15.4 %)

Any significant increases/(decreases) in sustainable bales volumes, changes to EBITDA from ginning revenue per bale, or throughput rate (production cost impact) or changes to the discount rate, in isolation, would result in a significantly higher/(lower) fair value.

Based on the above fair value methodology there were a number of increments and decrements (reversals of previous increments) adjustments posted to the asset revaluation reserve at year end. In addition, where a decrement was not covered by a previous increment the excess was posted to the profit and loss statement as a fair value decrement - ginning assets.

Impairment of Assets at Cost

Impairment losses are determined with reference to the items recoverable amount calculated as the greater of fair value less costs to sell or its value in use. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying values exceed the estimated recoverable amount (refer to Note 1p), the assets or cash-generating units are written down to their recoverable amount.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

Year Ended 29 February 2020 ($'000)	**Gins**	**Other**	**CWIP**
Consolidated and parent entity			
Written down value - 1 March 2019	123,347	9,402	5,541
Additions and Transfer to/(from) CWIP	2,399	3,779	(4,726)
Disposals	(255)	(2)	(13)
Depreciation[1]	(3,647)	(1,208)	-
Revaluation increments/(decrements)	(1,560)	80	-
Written down value - 29 February 2020	**120,284**	**12,051**	**802**

Year Ended 28 February 2019 ($'000)	**Gins**	**Other**	**CWIP**
Consolidated and parent entity			
Written down value - 1 March 2018	127,529	8,261	3,292
Acquisition of subsidiary	-	-	-
Additions and Transfer to/(from) CWIP	5,409	1,734	2,249
Disposals	(675)	(9)	-
Depreciation	(8,002)	(1,276)	-
Revaluation increments/(decrements)	(914)	692	-
Written down value - 28 February 2019	**123,347**	**9,402**	**5,541**

[1] Ginning infrastructure assets are depreciated on a units of production basis over their rolling estimated remaining useful lives of 20 years of sustainable bales.

15. Changes in accounting policies

(a) Accounting standards and interpretations applied from 1 March 2019

Adjustments recognised on adoption of AASB 16
On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 March 2019 was 2.9%.

	Consolidated $'000
Operating lease commitments as at 28 February 2019	1,149
Discounted using the incremental borrowing rate	1,115
Less:	
Commitments relating to short-term lease	(86)
Add:	
Payments in optional extension periods not recognised as at 28 February 2019	140
Lease liabilities recognised as at 1 March 2019	**1,169**

The associated right-of-use assets for leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

(b) The Group's leasing activities and how these are accounted for

The Group leases property and operating equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Prior to 1 March 2019, leases of property and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the income statement, within rent expenses and equipment hire.

From 1 March 2019, the Group applied a single recognition and measurement approach for all leases of which it is the lessee, except for low-value assets. The Group recognised lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the lease term or the useful life of the leased asset.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the lessee's incremental borrowing, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.
Right-of-use assets are measured at cost comprising the following:

- the amount of the present value of lease liability
- adjusting previously recognised prepaid or accrued lease payments

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of office equipment.

(c) Right of Use Assets

	Consolidated $'000	
	29 Feb 2020	**28 Feb 2019**
Leased property		
Cost	961	-
Remeasurement adjustment	14	-
Accumulated deprecation	(284)	-
Net carrying amount	**691**	-
Leased operating equipment		
Cost	208	-
Remeasurement adjustment	3	-
Accumulated deprecation	(100)	-
Net carrying amount	**111**	-
Total right of use of assets		
Cost	1,169	-
Remeasurement adjustment	17	-
Accumulated deprecation	(384)	-
Net carrying amount	**802**	-

(d) Lease Liabilities

	Consolidated $'000	
	29 Feb 2020	**28 Feb 2019**
Current		
Lease property	284	-
Lease operating equipment	56	-
Total Current lease liabilities	**340**	**-**
Non-current		-
Lease property	417	-
Lease operating equipment	57	-
Total Non-Current lease liabilities	**474**	-

(e) Movements in Carrying Amounts of Right of Use Assets
Movements in carrying amounts for each right of use asset class of premises and equipment between the beginning and the end of the current financial year

	Consolidated $'000		
	Lease property	Lease operating equipment	Total
Balance at 1 March 2019 on adoption of AASB 16	961	208	1,169
Additions	-	-	-
Remeasurement adjustment	14	3	17
Disposal	-	-	-
Depreciation	(284)	(100)	(384)
Balance at 29 February 2020	**691**	**111**	**802**

(f) Movements in Carrying Amounts of Lease Liabilities
Movements in carrying amounts for each lease liability class of premises and equipment between the beginning and the end of the current financial year.

	Consolidated $'000		
	Lease property	Lease operating equipment	Total
Balance at 1 March 2019 on adoption of AASB 16	961	208	1,169
Additions	-	-	-
Remeasurement adjustment	14	3	17
Disposal	-	-	-
Interest expense	24	5	29
Repayments	(298)	(103)	(401)
Balance at 29 February 2020	**701**	**113**	**814**

(g) Maturity Analysis of Lease Liabilities
The table below sets out the expected maturity analysis for lease liabilities.

	$'000		
	Lease property	Lease operating equipment	Total
<1 year	284	56	340
1 to 2 years	293	37	331
2 to 3 years	124	20	144
3 to 4 years	-	-	-
4 to 5 years	-	-	-
> 5 years	-	-	-
Total Expected Maturity Lease Liability	701	113	815

(h) Qualitative Information
i) Nature of leasing activities
The Group leases property and operating equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
ii) Variable lease payments

Approximately $691 of premises lease liabilities relate to rental agreements which have a component of CPI or market increases.

iii) Extension options and termination options

Lease extension option of 4 years of premise lease has not been measured in the lease liability

iv) Leases not yet commenced to which the lessee is committed

There are no leases committed to which are yet to commence.

v) Restrictions or covenants imposed by leases

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

vi) Sale and leaseback transactions

No sale and leaseback transactions.

vii) Short-term leases or leases of low-value assets

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of office equipment.

16. Trade and Other Payables

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Current				
Trade creditors and accruals[1]	4,093	7,652	3,657	7,591
Grower deposits	38	41	38	41
Customer deposits	53	205	53	205
Liability for associate losses [2]	-	5,328	-	-
Loans from controlled entities	-	-	15,254	15,254
	4,184	**13,226**	**19,002**	**23,091**

[1] Trade and other payables are non-interest bearing and are settled under a variety of terms dependent upon the transaction arrangements and the counterparty. The carrying amount of trade and other payables approximates their fair value.

[2] The Cargill Oilseeds Australia Partnership Agreement provides for partners to contribute to partnership losses to the extent of our interest in the partnership (15%). The partnership was dissolved during the financial year and, therefore, no current liability for losses.

17. Interest Bearing Liabilities

Interest bearing liabilities at balance date were as follows:

	AUD $'000			
	Consolidated		**Parent**	
	29 Feb 2020	**28 Feb 2019**	**29 Feb 2020**	**28 Feb 2019**
Current				
Lease liabilities [1]	340	-	340	-
Equipment loans [2]	970	1,061	970	1,061
Cargill Australia Ltd [3]	400	-	-	-
	1,710	**1,061**	**1,310**	**1,061**
Non Current				
Loans from controlled entities	-	-	2,049	2,049
Term Debt [4]	42,000	42,000	42,000	42,000
Lease liabilities [1]	474	-	474	-
Equipment loans [2]	768	1,630	768	1,630
Cargill Australia Ltd [3]	1,536	-	-	-
	44,778	**43,630**	**45,291**	**45,679**
Total Current and Non-Current	**46,488**	**44,691**	**46,601**	**46,740**

[1] Lease liabilities include leases considered under AASB 16.
[2] Equipment loans have an average term of 1.5 years (2019: 2.0) with the average interest rate implicit in the contracts of 4.74% (2019: 4.8%).
[3] Cargill deferred settlement of $800,318.60 incurs interest of 6.5% pa in arrears. Cargill advance of $1,135,253.24 is the present value repayable over 5 years discounted at 6.5% pa.
[4] Term debt facilities remained fully drawn during FY20.

The following facilities were in place with Commonwealth Bank of Australia (‘CBA’) at balance date:

	Facility Limit - AUD $'000			
	Consolidated		**Parent**	
	29 Feb 2020	**28 Feb 2019**	**29 Feb 2020**	**28 Feb 2019**
AUD Facility Limit				
Uncommitted overdraft	2,500	2,500	2,500	2,500
Working capital [1]	10,000	10,000	10,000	10,000
Term - A [2]	35,000	35,000	35,000	35,000
Term - B [2]	7,000	7,000	7,000	7,000
	54,500	**54,500**	**54,500**	**54,500**

[1] Working capital facilities are committed, non-amortising lines utilised to fund day to day expenses of the business including specific funding needs for cotton seed inventory and debtors, ginning consumables and general working capital needs; and
[2] Term debt facilities are committed, non-amortising lines utilised to fund capital projects relating to the plant, property and equipment of the business.

Financing arrangements
A Deed of Amendment was executed by Namoi and CBA on 6 April 2020 extending the maturity date of the working capital facility to 30 April 2021 in line with the maturity date of the Term debt facilities.

Namoi and CBA have also agreed to certain financial covenants at what are considered appropriate levels to meet the needs of the business. Namoi expects the finance facilities outlined above will be sufficient to fund operations in FY21.

Namoi was in compliance with all financial covenants during FY20.

Details of interest rate risk, foreign exchange risk and liquidity risk are disclosed in Note 27.

18. Provisions

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Current				
Employee leave entitlements	1,524	2,511	1,521	2,508
Employee variable compensation	-	453	-	453
	1,524	**2,964**	**1,521**	**2,961**
Non-current				
Employee leave entitlements	571	831	571	822
	571	**831**	**571**	**822**

19. Contributed Equity

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Ordinary Shares	**37,639**	**37,639**	**37,639**	**37,639**

	Consolidated and Parent No. '000		$'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
1 cent Residual Capital Stock (fully paid)				
Residual capital stock at the beginning of the financial year	2,558	15,226	25	152
Residual capital stock converted to ordinary shares	(219)	(12,668)	(2)	(127)
Residual capital stock at the end of the financial year	**2,339**	**2,558**	**23**	**25**
Ordinary Shares (fully paid)				
Ordinary shares at the beginning of the financial year	140,096	127,427	1,401	1,274
Residual capital stock converted to ordinary shares	219	12,669	2	127
Ordinary shares at the end of the financial year	**140,315**	**140,096**	**1,403**	**1,401**

At balance date some 2.3 million Residual Capital Stock had not been converted to ordinary shares. Under the terms of the Restructure in October 2017 and the Constitution of Namoi Cotton Limited the redemption of Residual Capital Stock is permitted. The conditions of such redemption include that redemption cannot occur until the earlier of a minimum of 90% of Residual Capital Stock have being converted to Ordinary Shares or the 30th June 2018.

The number of residual capital stock available to redeem is expected to be immaterial given the redemption is at market price less a 10% discount, they are not entitled to any dividends, are non-transferrable and are not listed on the ASX. The Board has discretion in determining whether, and if so when, to redeem the outstanding residual capital stock.

Capital stock terms and conditions (previously):

- Capital stock holders are entitled to distributions as declared by the directors;
- Capital stock holders have no right to vote at any general meeting of Namoi Cotton;
- Matters relating to the appointment of the non-grower directors must be approved by capital stock holders prior to submission to a general meeting of Namoi Cotton for approval;
- On winding up, capital stock holders are entitled to the proceeds from surplus assets after payment of grower paid up share capital.

Ordinary shares terms and conditions:

- Ordinary shareholders are entitled to dividends as declared by the directors;
- Each ordinary shareholder is entitled to one vote per one share;
- On winding up, ordinary shareholders are entitled to the proceeds from surplus assets.

Namoi Cotton Employee Incentive Share Plan
The Employee Incentive Share Plan was suspended in August 2004. All full-time employees who were continuously employed by Namoi Cotton for a period of one year were eligible to participate in the plan after the finalisation of the full year results for the year ended 29 February 2004. The issue price was at a 5% discount to the average market price of Namoi capital stock over the 5 trading days preceding the offer date.

Under the terms of the plan, employees are provided with an interest free loan to finance the issue price of the units. A minimum of 75% of the amount of all distributions paid in relation to units issued under the plan must be applied as a repayment of the loan. In any event, the loan must be repaid on the earlier to occur of termination of employment and 10 years. At the end of the financial year employee loans totalled $650 (2019: $19,173).

Units issued under the plan are placed in escrow until the later to occur of three years from issue and when the employee loan has been fully repaid. At the end of the financial year there were 2,000 residual capital stock (2019: 97,000 units) under escrow.

Capital management
Namoi Cotton manages capital through the payment of dividends and participation in the buy back or issuance of ordinary shares. Decisions on capital management are made having regard to compliance with externally imposed capital requirements principally through maintaining a minimum level of net assets.

20. Nature and Purpose of Reserves

Asset revaluation reserve
The asset revaluation reserve is used to record increases in the fair value of ginning assets and decreases to the extent that such decreases relates to an increase on the same asset previously recognised in equity.

21. Segment Information

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer (the chief operating decision maker) with the executive management team in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold, whether retail or wholesale, and the nature of the services provided, the identity of service line manager and country of origin. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products sold and/or the services provided, as these are the sources of the group's major risks and have the most effect on the rates of return.

Types of products and services
Ginning
The ginning business operates 12 cotton gins (incorporating 2 joint venture gins, referred to in note 10) located in the key growing areas of NSW and Queensland. The ginning service provided to the growers during the production process includes the separation of lint cotton from seed and other foreign matter and the conversion of cotton in module form to bale form. Grower customers are also able to sell the white cotton seed by-product to Namoi Cotton or elect to retain their white cotton seed.

Marketing
The marketing business involves the purchase of lint cotton from Australian growers using a variety of forward contracts that offer differing combinations of price, delivery and risk characteristics. Subsequent to the formation of NCA, bales procured by Namoi from growers are on-sold to NCA with approximately 99% of NCA sales ultimately being to Asia. The NCA joint venture manages its marketing risks by utilising cotton futures and options and foreign currency contracts under strict risk management policies. The controlled entity ACS provides classing services for the NCA joint venture and other cotton merchants.

Commodities
The controlled entity Namoi Cotton Commodities Pty Ltd procures various grain and pulse crops from Australian growers and sells these into various domestic and international markets.

Accounting policies
The accounting policies used by the group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period.

The following items (or a portion thereof) of income and expenditure are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest Revenue;
- Rental Revenue;
- Share of profit from associate (other than NCA and Cargill);
- Finance costs;
- Corporate employee benefits expense;
- Corporate depreciation; and
- Other corporate administrative expenses.

A segment balance sheet and cashflow is not reported to the chief operating decision makers and are, therefore, not disclosed as part of this report.

Business Segments **Year ended 29 February 2020**	**Ginning** **$'000**	**Marketing** **$'000**	**Commodities** **$'000**	**Unallocated** **$'000**	**Consolidated** **$'000**
Revenue	2,342	824	-	-	**3,166**
Other revenues	236	-	-	-	**236**
Total consolidated revenue	**2,578**	**824**	**-**	**-**	**3,402**
Non-segment revenues					
Interest revenue	-	-	-	8	**8**
Rental revenue	-	-	-	106	**106**
Trading margin gains	39,184	183	-	-	39,367
Results					
Profit/(loss) before tax and finance costs	1,854	2,541	82	(9,157)	**(4,680)**
Finance costs	(2,114)	-	55	(22)	**(2,081)**
Share of profit from associates	52	(8,591)	-	-	**(8,539)**
Net Profit before tax	**(208)**	**(6,050)**	**137**	**(9,179)**	**(15,300)**
Other segment information					
Depreciation	(4,726)	(139)	(35)	(339)	**(5,239)**

Included in the unallocated results for the period are:

Interest Revenue	8
Rental Revenue	106
Total Unallocated Revenue	**114**
Employee benefits expense	(4,249)
Depreciation	(339)
Finance costs	(22)
Other corporate administrative expenses	(4,683)
Total Unallocated Result	**(9,179)**

Business Segments Year ended 28 February 2019	**Ginning $'000**	**Marketing $'000**	**Commodities $'000**	**Unallocated $'000**	**Consolidated $'000**
Revenue	3,656	1,693	-	-	**5,349**
Other revenues	400	-	-	-	**400**
Total consolidated revenue	**4,056**	**1,693**	**-**	**-**	**5,749**
Non-segment revenues					
Interest revenue	-	-	-	44	**44**
Rental revenue	-	-	-	154	**154**
Trading margin gains	83,124	410	-	-	**83,534**
Results					
Profit/(loss) before tax and finance costs	19,189	(2,200)	266	(9,069)	**8,186**
Finance costs	(2,204)	-	47	(23)	**(2,180)**
Share of profit from associates	(4,800)	(1,082)	-	-	**(5,882)**
Net Profit before tax	**12,185**	**(3,282)**	**313**	**(9,092)**	**124**
Other segment information					
Depreciation and decrement of ginning assets	(10,570)	(132)	(137)	(457)	**(11,296)**

Included in the unallocated results for the period are:

Interest Revenue	44
Rental Revenue	154
Total Unallocated Revenue	**198**
Share of profit/(loss) of associates	-
Employee benefits expense	(4,283)
Depreciation	(457)
Finance costs	(23)
Other corporate administrative expenses	(4,527)
Total Unallocated Result	**(9,092)**

Geographic Area
The economic entity operates in two separate geographic areas.

Namoi procures lint cotton and white cotton seed and provides cotton ginning activities to and from growers located solely within Australia. A portion of cotton seed sales are made to a variety of countries in Asia with similar trading terms and conditions and risk profiles. As such for the purposes of this note Namoi Cotton's geographic areas are considered to be Australia and Asia with consolidated revenues as follows:

Geographic Areas Year ended 29 February 2020	**Australia $'000**	**Asia $'000**	**Consolidated $'000**
Revenue			
Sales	1,076	2,090	**3,166**
Other revenues	236	-	**236**
Total consolidated revenue	**1,312**	**2,090**	**3,402**

Geographic Areas Year ended 28 February 2019	**Australia $'000**	**Asia $'000**	**Consolidated $'000**
Revenue			
Sales	2,265	3,085	**5,350**
Other revenues	400	-	**400**
Total consolidated revenue	**2,665**	**3,085**	**5,750**

22. Commitments and Contingencies

Commitments for capital expenditure

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Property, plant and equipment				
Estimated capital expenditure contracted for at balance date but not provided for:				
Payable within one year	1,263	1,414	1,263	1,414

Operating lease commitments receivable – group as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 29 February 2020 are as follows:

Operating lease commitments receivable - Group as lessor				
Not later than 1 year	7	11	7	11
Later than 1 year and not later than 5 years	-	-	-	-
	7	**11**	**7**	**11**

Equipment loans – group as lessee

The group has equipment loans for gin packaging and logistics supply chain equipment with a carrying value of $3,151,078 (2019: $3,484,187) for both the group and the company. The equipment is mainly presented in Gin Assets in Note 14. Property, Plant and Equipment.

Future minimum payments under equipment loans together with the present value of the net minimum loan payments are as follows:

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Within one year	1,014	1,145	1,014	1,145
After one year but within five years	815	1,728	815	1,728
After five years	-	-	-	-
Total minimum loan payments	**1,829**	**2,873**	**1,829**	**2,873**
Unexpired finance charges	(92)	(182)	(92)	(182)
Present value of minimum loan payments	**1,737**	**2,691**	**1,737**	**2,691**

The weighted average interest rate implicit in the contracts for both the group and parent is 4.7% (2019: 4.6%).

23. Significant Events after Balance Date

Refer to Note (1a) for details on impacts of COVID 19 subsequent to period end.

No further events of a material nature have occurred between balance date and the date of this report, other than as disclosed elsewhere in this report.

24. Related Party Disclosures

The consolidated financial statements include the financial statements of Namoi Cotton Limited and the subsidiaries listed in the following table. All subsidiaries were incorporated in Australia. Namoi Cotton Limited is the ultimate parent entity of the group.

Ownership and investment

	Equity Interest %		Investment $'000	
Name of entity	**29 Feb 2020**	**28 Feb 2019**	**29 Feb 2020**	**28 Feb 2019**
Australian Classing Services Pty Ltd [1]	100%	100%	428	1,380
Australian Raw Cotton Marketing Corp. Pty Ltd	100%	100%	-	-
Namcott Investments Pty Limited	100%	100%	-	-
Namoi Cotton Superannuation Pty Ltd	0%	100%	-	-
Namoi Cotton Pty Ltd	100%	100%	-	-
Namcott Marketing Pty Ltd	100%	100%	-	-
Namoi Cotton Commodities Pty Ltd	96%	96%	-	-
Namoi Cotton Finance Pty Ltd	100%	100%	-	-
Cotton Trading Corporation Pty Limited	100%	100%	1,830	1,830
			2,258	**3,210**
Investments held in controlled entities eliminated			(1,830)	(1,830)
			428	**1,380**

Principal activities:

- Namcott Investments Pty Ltd, a subsidiary of Namoi Cotton, was the beneficial owner of the interests in CPL and COA Partnership. Namoi Oilseeds Trust formerly held the interest in the partnership.
- Namoi Cotton Superannuation Pty Ltd is trustee of the company’s former superannuation fund, which was wound up in June 2000.
- Namoi Cotton Pty Ltd is a non-trading company.
- Namcott Marketing Pty Ltd, a subsidiary of Namoi Cotton, is the beneficial owner of the interests in NCPS shares and NCA Partnership.
- Namoi Cotton Finance Pty Ltd secures funding for the group.
- Namoi Cotton Commodities Pty Ltd has main trading activities of sale and logistics of plastic waste from ginning activities.
- Cotton Trading Corporation Pty Limited is controlled by Namcott Investments Pty Ltd.
- Australian Raw Cotton Marketing Corp Pty Ltd is a non-trading company.
- Australian Classing Services Pty Ltd trading activities are mainly the provision of classing services.

Transactions with subsidiaries
Transactions between members of the wholly owned group were minimal. Amounts receivable by and payable to the parent entity are included in the respective notes to this financial report.

Transactions with other related parties
ACS leased HVI machines from the parent during the period for $35,906 (2019: $35,906).

Sales of white cotton seed to the COA Partnership were $Nil (2019: $6,454,626) and purchases of white cotton seed from the COA Partnership were $Nil (2019: $1,085,579).

Transactions with NCA
Management fees received by Namoi for services provided to Namoi Cotton Alliance $2.5m (inclusive of bale handling fees) (2019: $2.5m).
Lint Cotton Sales from Namoi to Namoi Cotton Alliance $199.6m (2019: $455.9m).
Insurance on-charged by Namoi to Namoi Cotton Alliance $0.5m (2019: $0.6m).

25. Directors' and Executive Disclosure

Compensation by category of KMP

	Consolidated		Parent	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
	$	$	$	$
Short-term	2,328,888	2,675,438	2,328,888	2,675,438
Post Employment	19,491	75,900	19,491	75,900
Other Long-term	(283,211)	10,640	(283,211)	10,640
Termination Benefits	747,032	-	747,032	-
	2,812,200	**2,761,978**	**2,812,200**	**2,761,978**

Marketing and ginning transactions and balances with KMP

Transactions with directors and their related parties were in accordance with the eligibility criteria to be appointed as a Grower Director. Under the Constitution Grower Directors are required to:

- have ginned at least 1,500 cotton bales in aggregate per cotton season at a Namoi Cotton gin in at least three out of the last five cotton seasons; and
- at least 50% of their seed cotton production at any Namoi Cotton gin in at least three out of the last five cotton seasons; or
- at least 50% of their seed cotton production which is grown within 100km of any Namoi Cotton gin at a Namoi Cotton gin in at least three out of the last five cotton seasons; and
- is the registered owner or lessee of cotton farming property which annually can plant a minimum of 150 hectares of seed cotton and is capable of producing 1,500 cotton bales in aggregate per cotton season to be ginned at a Namoi Cotton gin.

In accordance with the rules, directors entered into marketing contracts and ginning contracts with Namoi Cotton. Amounts paid/received or payable/receivable from/to directors and their respective related parties were as follows:

Consolidated and Parent entity							
Cotton Purchases		Freight Payments		Ginning Charges Levied		Grain & Seed	
29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
$	$	$	$	$	$	$	$
2,966,657	**7,631,722**	**60,179**	**40,714**	**959,497**	**1,650,484**	**965,548**	**869,834**

The nature of the terms and conditions of the above other transactions with directors and director related entities are consistent with the terms of Namoi Cotton's standard products.

Refer to the Remuneration Report within the Directors' Report for more information.

26. Remuneration of Auditors

	Consolidated and Parent Entity	
	$	$
	29 Feb 2020	28 Feb 2019
Remuneration for the audit and review of the financial reports of the parent entity and the consolidated entity	383,970	280,000

27. Financial Risk Management Objectives and Policies

The nature of Namoi Cotton's business involves the potential exposure to a number of major financial and non-financial risks. The major financial market business risks exposed to by Namoi or later by the NCA joint venture are:

- Lint cotton, cotton seed and grains commodities price risk;
- Cotton basis risk;
- Cotton spread risk;
- Foreign exchange risk;
- Interest rate risk;
- Credit risk;
- Funding and liquidity risk.

Accordingly, Namoi Cotton conducts its business with a focus on risk management in order to ensure the alignment of returns achieved from its business activities for stakeholders with the risk capital applied to fund these activities. The key elements of Namoi Cotton's risk management policy that facilitate the management of these risks include various derivative financial instruments, physical risk position limits and techniques and Value at Risk modelling.

Namoi Cotton is exposed to price risks through entering commodity purchase and sale transactions. To limit potential impacts upon the trading margin achieved on those transactions Namoi Cotton and later NCA enters into derivative transactions, including principally cotton futures and options contracts and forward currency contracts. Where derivatives instruments do not exist for a particular commodity the risk management policy sets physical limits over trading positions.

Forward rate agreements and interest rate swaps are entered into to manage interest rate risks that exist in Namoi Cotton's financing activities.

The Financial Risk Committee ensures the effective management of each of these risks through the implementation and adherence to a risk management policy. The risk management policy of Namoi Cotton requires all risk to be managed at a crop (i.e. season) level. The key extracts from the risk management policy for managing Namoi Cotton's major financial market business risks are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each derivative financial instrument are disclosed in note 1n to the financial statements.

Risk Exposure and Responses

Price risk
Namoi Cotton is potentially exposed to movements in the price of lint cotton as a result of fixed price purchases and sales of lint cotton respectively in contracts with growers and mills principally through its investment in the NCA JV. The company is also exposed to movements to price of cotton seed through fixed price purchases and sale contracts.

Cotton seed price risk is managed principally through imposition of physical trading limits. It is a risk management requirement to utilise foreign currency derivatives to minimise the impact of USD/AUD fluctuations on fixed price sales contracts.

It is the risk management policy that no derivatives will be entered into until such time as a fixed price purchase or sale commitment exists.

	Consolidated $'000		Parent $'000	
	29 Feb 2020	**28 Feb 2019**	**29 Feb 2020**	**28 Feb 2019**
Financial Assets				
Derivatives	1,326	7,773	1,326	7,773
	1,326	**7,773**	**1,326**	**7,773**
Financial Liabilities				
Derivatives	(70)	(7,181)	(70)	(7,181)
	(70)	**(7,181)**	**(70)**	**(7,181)**
Net Exposure	**1,256**	**592**	**1,256**	**592**

Cotton seed price risk
Cotton seed price risk potentially arises when Namoi Cotton enters into a forward commitment to purchase or sell physical cotton seed without simultaneously entering into the opposing transaction. Namoi Cotton managed cotton seed price risk by adhering to physical limits in respect of its cotton seed open positions.

The following sensitivity analysis is based upon seed pricing that existed at 29 February 2020 and 28 February 2019, whereby if the cotton seed price had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity (excluding the effect of net profit) would have changed as follows:

	Post Tax Profit Higher/(Lower) $'000		Equity Higher/(Lower) $'000	
	29 Feb 2020	**28 Feb 2019**	**29 Feb 2020**	**28 Feb 2019**
Consolidated				
+$10/Mt (cotton seed)	(40)	100	-	-
-$5/Mt (cotton seed)	20	(50)	-	-
Parent entity				
+$10/Mt (cotton seed)	(40)	100	-	-
-$5/Mt (cotton seed)	20	(50)	-	-

Interest rate risk
At reporting date, the group had the following financial assets and liabilities exposed to Australian variable interest rate risk.

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Financial Assets				
Cash and cash equivalents	731	5,827	543	5,541
Trade and other receivables	273	51	273	51
	1,004	**5,878**	**816**	**5,592**
Financial Liabilities				
Interest bearing loans and borrowings	(44,556)	(44,692)	(46,606)	(44,692)
Derivatives	-	(57)	-	(57)
	(44,556)	**(44,749)**	**(46,606)**	**(44,749)**
Net Exposure	**(43,552)**	**(38,871)**	**(45,790)**	**(39,157)**

Interest rate swap contracts, with a fair value of $Nil (2019 -$91,270) at reporting date to both the group and parent, are exposed to value movements if interest rates change.

At reporting date, after taking into account the effect of interest rate swaps, 0% (2019: 47.6%) of the group's borrowings are at a fixed rate of interest nil% (2019: 2.1%). The group continually monitors its interest rate exposure with regard to existing and forecast working capital and term debt requirements.

The following sensitivity analysis is based upon interest rate exposures that existed at 29 February 2020 and 28 February 2019, whereby if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity (excluding the effect of net profit) would have changed as follows:

	Post Tax Profit Higher/(Lower) $'000		Equity Higher/(Lower) $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Consolidated				
+100 basis points	(419)	(189)	-	-
-50 basis points	210	95	-	-
Parent entity				
+100 basis points	(419)	(189)	-	-
-50 basis points	210	95	-	-

The movements in post-tax profit and equity are due to higher/lower finance costs from variable rate debt offset by fixed rate derivatives and interest-bearing financial assets.

Sensitivity analysis was performed by applying a 100-basis point movement in interest rates to all non-fixed interest-bearing assets and liabilities at reporting date. As a result of recent global market volatility, 100 basis points has been utilised in the absence of reliable data predicting reasonably possible movements of interest rates. Year end balances are not reflective of interest-bearing assets and liabilities throughout the year, due to the seasonal nature of the business.

Foreign exchange risk
Namoi Cotton has transactional currency exposures predominantly arising from some cotton seed sales being denominated in United States dollars (USD) as opposed to the group's functional Australian dollar (AUD) currency, which denominates all payments to growers. Potentially foreign currency denominated financial assets and liabilities may be adversely affected by a change in the value of foreign exchange rates.

Namoi Cotton requires all net foreign exchange exposures to be managed with either forward currency contracts or foreign exchange options contracts.

The group's policy is to enter into forward exchange contracts at the time it enters into a firm purchase commitment for lint cotton (through NCA) or a US dollar cotton seed sale commitment.

At reporting date, the group had the following exposure to USD foreign currency that is not designated as cash flow hedges:

	Consolidated $'000		Parent $'000	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Financial Assets				
Cash and cash equivalents	84	163	84	163
Trade and other receivables	3	-	3	-
Derivatives	-	-	-	-
	87	**163**	**87**	**163**
Financial Liabilities				
Trade and other payables	-	(1,575)	-	(1,575)
Interest bearing loans and borrowings	(433)	(523)	433	(523)
Derivatives	-	-	-	-
	(433)	**(2,098)**	**433**	**(2,098)**
Net Exposure	**(346)**	**(1,935)**	**520**	**(1,935)**

The group has USD denominated leasing contracts of USD $285,338 (2019: USD $373,533) over certain ginning equipment supplied from the United States. Foreign exchange contracts are subject to fair value movements through the statement of comprehensive income as foreign exchange rates move.

	Notional Amount AUD $'000		Average Exchange Rate	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Foreign exchange contracts held at balance date				
Group				
Sell US$/Buy AUD$ maturity 0-12 months	-	-	-	-
Buy US$/Sell AUD$ maturity 0-12 months	-	-	-	-
Parent				
Sell US$/Buy AUD$ maturity 0-12 months	-	-	-	-
Buy US$/Sell AUD$ maturity 0-12 months	-	-	-	-

Priced cotton seed sales contracts are treated as financial instruments under AASB 9. No FEC contracts were held at balance date due to no export sales contracts of cotton seed in place.

The following sensitivity analysis is based upon foreign currency exposures that existed at 29 February 2020 and 28 February 2019, whereby if the AUD had moved (relative to the USD), as illustrated in the table below, with all other variables held constant, post tax profit and equity (excluding the effect of net profit) would have changed as follows:

	Post Tax Profit Higher/(Lower) $'000		Equity Higher/(Lower) $'000	
	29 Feb 2020	**28 Feb 2019**	**29 Feb 2020**	**28 Feb 2019**
Consolidated				
AUD/USD +100 basis points	5	27	-	-
AUD/USD -50 basis points	(3)	(14)	-	-
Parent entity				
AUD/USD +100 basis points	5	28	-	-
AUD/USD -50 basis points	(3)	(14)	-	-

The sensitivity results in the table are considered immaterial to the group. It is the group's risk management policy to maintain foreign exchange contracts to a 95% to 105% band relative to exposures.

Management believe the reporting date risk exposures are representative of the risk exposure inherent in the financial instruments.

Sensitivity analysis was performed by taking the USD foreign exchange rate as at balance date, moving this rate by 100 basis points and then converting all USD denominated assets and liabilities. This calculation reflects the translation methodology undertaken by the group. As a result of recent global market volatility, 100 basis points has been utilised in the absence of reliable data predicting reasonably possible movements in foreign exchange rates.

Credit risk

Namoi Cotton and later NCA exports the majority of lint cotton and some cotton seed to international counterparties. These export sales are concluded under contract and the potential risk exists for a counterparty to default on its contractual obligations and expose Namoi Cotton (seed) or NCA (lint cotton) to a financial loss.

Trade receivables outstanding from international counterparties are settled through high-ranking credit instruments such as irrevocable letters of credit and cash against documents.

In respect of its cotton seed and grain commodity sales to major domestic counterparties, Namoi Cotton has trade credit indemnity insurance policies for non-related parties.

The group is normally entitled to recover loans to growers and deferred costs through an offset to lint cotton, seed proceeds and other credits to a growers account. Where a formal finance facility has been established, the exposures are typically covered by crop mortgage and in some cases by real estate mortgages and/or guarantee.

In addition, trade debtor balances are monitored frequently, minimising Namoi Cotton's exposure to bad debts.

Namoi Cotton's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of these assets as indicated in the balance sheet less relevant trade credit insurance recoverable.

The group utilises only recognised and creditworthy third parties in respect to derivative transactions. These parties are regularly reviewed by the Board.

Funding and liquidity risk

The group's objective in managing liquidity is to maintain a balance between continuity of funding, competitive pricing and flexibility so as to ensure sufficient liquidity exists to meet all short, medium and long term financial obligations. This is achieved through the utilisation of working capital facilities, term debt and bank overdrafts.

Year ended 29 February 2020	≤6 Months $'000	6-12 Months $'000	1-5 Years $'000	>5 Years $'000	Total $'000
Consolidated					
Financial Assets					
Cash and cash equivalents	731	-	-	-	**731**
Trade and other receivables	3,530	1	-	-	**3,531**
Derivatives[1]	4,012	268	-	-	**4,280**
	8,273	**269**	**-**	**-**	**8,542**
Financial Liabilities					
Trade and other payables	(4,153)	(31)	-	-	**(4,184)**
Interest bearing loans and borrowings[2]	(759)	(951)	(44,778)	-	**(46,488)**
Derivatives[1]	(3,024)	-	-	-	**(3,024)**
	(7,936)	**(982)**	**(44,778)**	**-**	**(53,696)**
Net Exposure	**337**	**(713)**	**(44,778)**	**-**	**(45,154)**

Year ended 28 February 2019	≤6 Months $'000	6-12 Months $'000	1-5 Years $'000	>5 Years $'000	Total $'000
Consolidated					
Financial Assets					
Cash and cash equivalents	5,827	-	-	-	**5,827**
Trade and other receivables	3,955	19	-	-	**3,974**
Derivatives[1]	18,796	-	-	-	**18,796**
	28,578	**19**	**-**	**-**	**28,597**
Financial Liabilities					
Trade and other payables	(12,902)	(324)	-	-	**(13,226)**
Interest bearing loans and borrowings[2]	(617)	(444)	(43,630)	-	**(44,691)**
Derivatives[1]	(15,748)	(2,513)	-	-	**(18,261)**
	(29,267)	**(3,281)**	**(43,630)**	**-**	**(76,178)**
Net Exposure	**(689)**	**(3,262)**	**(43,630)**	**-**	**(47,581)**

Year ended 29 February 2020	≤6 Months $'000	6-12 Months $'000	1-5 Years $'000	>5 Years $'000	Total $'000
Parent					
Financial Assets					
Cash and cash equivalents	543	-	-	-	**543**
Trade and other receivables	4,056	1	-	-	**4,057**
Derivatives[1]	1,058	268	-	-	**1,326**
	5,657	**269**	**-**	**-**	**5,926**
Financial Liabilities					
Trade and other payables	(3,717)	(15,285)	-	-	**(19,002)**
Interest bearing loans and borrowings[2]	(759)	(551)	(43,242)	(2,049)	**(46,601)**
Derivatives[1]	(45)	(25)	-	-	**(70)**
	(4,521)	**(15,861)**	**(43,242)**	**(2,049)**	**(65,673)**
Net Exposure	**1,136**	**(15,592)**	**(43,242)**	**(2,049)**	**(59,747)**

Year ended 28 February 2019	≤6 Months $'000	6-12 Months $'000	1-5 Years $'000	>5 Years $'000	Total $'000
Parent					
Financial Assets					
Cash and cash equivalents	5,541	-	-	-	**5,541**
Trade and other receivables	4,738	19	-	-	**4,757**
Derivatives[1]	7,773	-	-	-	**7,773**
	18,052	**19**	**-**	**-**	**18,071**
Financial Liabilities					
Trade and other payables	(7,814)	(15,277)	-	-	**(23,091)**
Interest bearing loans and borrowings[2]	(567)	(444)	(43,507)	(2,049)	**(46,567)**
Derivatives[1]	(4,724)	(2,513)	-	-	**(7,237)**
Co-operative grower member shares	-	-	-	-	**-**
	(13,105)	**(18,234)**	**(43,507)**	**(2,049)**	**(76,895)**
Net Exposure	**4,947**	**(18,215)**	**(43,507)**	**(2,049)**	**(58,824)**

[1] Derivatives reflect the actual cashflow and are net settled.
[2] In addition to the maturity profile of interest bearing loans and borrowings, there are actual cashflows in relation to interest for the 6-month period of $0.73 million (2019: $0.96 million), for the 6-12 month period of $0.72 million (2019: $0.94 million) and for the 1-5 year period $1.41 million (2019: $3.67 million).

Fair value hierarchy

The group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1

The fair value is calculated using quoted prices in active markets. Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

Level 2
The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). For financial instruments not quoted in active markets, the group uses various valuation techniques that compare to other similar instruments for which market observable prices exist and also other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Level 3
The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Application of fair value hierarchy to Namoi's financial statements
The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, and interest-bearing liabilities approximate their fair value.

The fair value of Cotton Seed Contracts (Purchase and Sale) and Cotton Seed Inventory (at fair value less cost to sell) is determined with reference to an observable market, reports and adjustments for freight premiums and discounts which are unobservable. During the period there has not been a change in unobservable inputs (i.e. freight premiums, discounts and cost to sell), accordingly no gains or losses have been recognised as a result in changes of unobservable inputs during the year. (2019: nil). The nature of the market used to determine the Cotton Seed Price is assessed as being illiquid given the low volume of transactions, accordingly the contracts are classified as level 3.

The fair value of unlisted debt securities is based on valuation techniques using market data that is not observable.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

Year ended 29 February 2020	Level 1 Quoted market prices $'000	Level 2 Market observable inputs $'000	Level 3 Non-market observable inputs $'000	Total $'000
Consolidated				
Current assets				
Foreign exchange contracts	-	-	-	**-**
Cotton seed sale contracts	-	-	765	**765**
Cotton seed purchase contracts	-	-	561	**561**
	-	**-**	**1,326**	**1,326**
Current liabilities				
Foreign exchange contracts	-	-	-	**-**
Interest rate swap contracts	-	-	-	**-**
Cotton seed sale contracts	-	-	(70)	**(70)**
	-	**-**	**(70)**	**(70)**

Year ended 29 February 2020	Level 1 Quoted market prices $'000	Level 2 Market observable inputs $'000	Level 3 Non-market observable inputs $'000	Total $'000
Parent				
Current assets				
Foreign exchange contracts	-	-	-	**-**
Cotton seed sale contracts	-	-	765	**765**
Cotton seed purchase contracts	-	-	561	**561**
	-	**-**	**1,326**	**1,326**
Current liabilities				
Foreign exchange contracts	-	-	-	**-**
Interest rate swap contracts	-	-	-	**-**
Cotton seed sale contracts	-	-	(70)	**(70)**
	-	**-**	**(70)**	**(70)**

Year ended 28 February 2019	Level 1 Quoted market prices $'000	Level 2 Market observable inputs $'000	Level 3 Non-market observable inputs $'000	Total $'000
Consolidated				
Current assets				
Foreign exchange contracts	-	-	-	**-**
Cotton seed sale contracts	-	-	-	**-**
Cotton seed purchase contracts	-	-	7,773	**7,773**
	-	**-**	**7,773**	**7,773**
Current liabilities				
Foreign exchange contracts	-	-	-	**-**
Interest rate swap contracts	-	(57)	-	**(57)**
Cotton seed sale contracts	-	-	7,181	**7,181**
	-	**(57)**	**7,181**	**7,124**

Year ended 28 February 2019	Level 1 Quoted market prices $'000	Level 2 Market observable inputs $'000	Level 3 Non-market observable inputs $'000	Total $'000
Parent				
Current assets				
Foreign exchange contracts	-	-	-	**-**
Cotton seed sale contracts	-	-	-	**-**
Cotton seed purchase contracts	-	-	7,773	**7,773**
	-	**-**	**7,773**	**7,773**
Current liabilities				
Foreign exchange contracts	-	-	-	**-**
Interest rate swap contracts	-	(57)	-	**(57)**
Cotton seed sale contracts	-	-	(7,181)	**(7,181)**
	-	**(57)**	**(7,181)**	**(7,238)**

28. Other Non-Financial Information

Namoi Cotton Limited
ABN 76 010 485 588

Registered Office
1b Kitchener Street
Toowoomba QLD 4350
Australia

Principal place of business
1b Kitchener Street
Toowoomba QLD 4350
Australia

Telephone: 61 7 4631 6100
Facsimile: 61 7 4631 6184
namoi@namoicotton.com.au
www.namoicotton.com.au

Share Registry
Computershare Investor Services Pty Ltd
GPO Box 7045
Sydney NSW 1115
Investor Inquiries: 1300 855 080
Facsimile: 61 2 8234 5050

Bankers
Commonwealth Bank of Australia

Auditors
Ernst & Young
Brisbane, Australia

ASX ADDITIONAL INFORMATION FOR THE YEAR ENDED 29 FEBRUARY 2020

The shareholder information set out below was applicable as at 31 May 2020.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding

Range	Total holders	Units	% of Issued Capital
1 - 1,000	70	34,389	0.02
1,001 - 5,000	313	962,466	0.69
5,001 - 10,000	183	1,480,290	1.05
10,001 - 100,000	386	13,871,850	9.89
100,001 - 9,999,999,999	316	123,974,981	88.35
Rounding			**0.00**
Total	**1,268**	**140,323,976**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.35 per unit	1429	96	65381

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

Rank	Name	Ordinary Shares held	% of total issued shares
1.	LOUIS DREYFUS COMPANY ASIA PTE LTD	14,327,384	10.21
2.	AUSTRALIAN RURAL CAPITAL LIMITED	13,471,111	9.60
3.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	12,400,786	8.84
4.	CITICORP NOMINEES PTY LIMITED	5,564,126	3.97
5.	JVH COTTON PTY LIMITED	4,110,353	2.93
6.	MR ROSS ALEXANDER MACPHERSON	1,490,500	1.06
7.	MR MARK JOSEPH PANIZZA + MRS SUSAN KATHLEEN PANIZZA <SUMA SUPER FUND A/C>	1,391,072	0.99
8.	MR ALBERT JOHN PANIZZA + MS KIM DIANNA BROADFOOT <ALKIRA SUPER FUND A/C>	1,063,089	0.76
9.	RATHVALE PTY LIMITED	1,059,885	0.76
10.	MR DAVID FOX <THOMAS JOHN BERESFORD WI A/>	1,009,386	0.72
11.	MCNEIL NOMINEES PTY LIMITED	1,000,000	0.71
12.	RED PEPPERCORNS PTY LTD <WATSON FAMILY A/C>	976,202	0.70
13.	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	840,929	0.60
14.	BRUCE CLYDE BAILEY + JANET BEATRICE SHAFIK BAILEY	820,122	0.58

15.	AVENUE 8 PTY LIMITED <GAN SUPER FUND A/C>	800,000	0.57
16.	ESTATE LATE PETER SINCLAIR GURNER <GIT A/C>	790,041	0.56
17.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	775,272	0.55
18.	GIBBS FAMILY SUPER PTY LTD <MICHAEL GIBBS FAMILY S/F A/C>	740,291	0.53
19.	MR FRANKLIN C HADLEY	642,605	0.46
20.	STILETTO INVESTMENTS PTY LTD	640,000	0.46
Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (TOTAL)		63,913,154	45.55
Total Remaining Holders Balance		76,410,822	54.45

Unquoted equity securities

The Company has 374 holders of 2,329,631 residual capital stock, representing shares held by co-operative shareholders
that has not been converted to ordinary shares

Substantial holders
The following are substantial holders in the Company.

	Ordinary Shares held	% of total issued shares
LOUIS DREYFUS COMPANY ASIA PTE LTD	14,327,384	10.21
AUSTRALIAN RURAL CAPITAL LIMITED	13,471,111	9.60
SAMUEL TERRY ASSET MANAGEMENT PTY LTD	11,829,909	8.4

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Corporate Directory

www.namoicotton.com.au

Corporate Office

1B Kitchener Street
Toowoomba QLD 4350
0746 316 100

Cotton Classing

Australian Classing Services
Pilliga Road
Wee Waa NSW 2388
0267 903 053

Namoi Cotton Alliance Joint Venture

MacIntyre Warehouse
Kildonan Road
Goondiwindi QLD 4390
0746 711 449

Wee Waa Warehouse
Pilliga Road
Wee Waa NSW 2388
0267 903 139

Namoi Cotton Gins

MacIntyre Cotton Gin
Kildonan Road
Goondiwindi QLD 4390
0746 712 277

Boggabri Cotton Gin
Blairmore Road
Boggabri NSW 2382
0267 434 084

Merah North Cotton Gin
Middle Route
Merah North NSW 2385
0267 955 124

Trangie Cotton Gin
Old Warren Road
Trangie NSW 2823
0268 889 729

Hillston Cotton Gin Roto Road
Hillston NSW 2675
0269 672 951

North Bourke Cotton Gin
Wanaaring Road
Bourke NSW 2380
0268 721 453

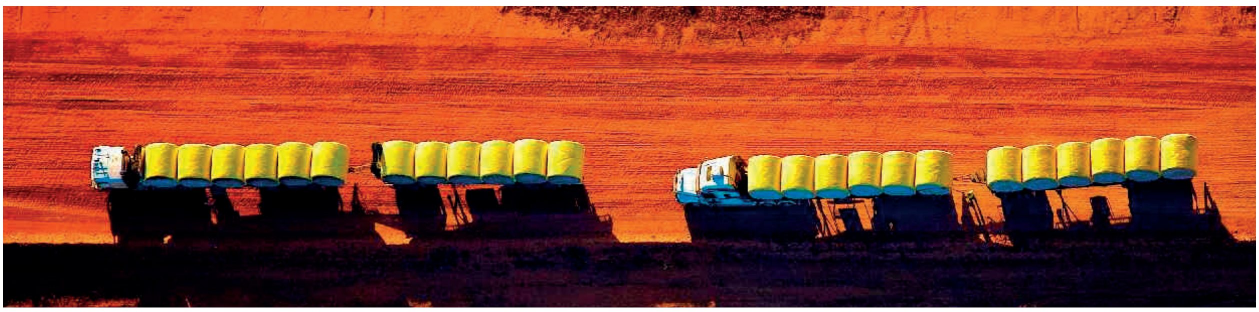
Yarraman Cotton Gin
Kamilaroi Highway
Wee Waa NSW 2388
0267 955 196

Ashley Cotton Gin
Mungindi Road
Ashley NSW 2400
0267 542 150

Mungindi Cotton Gin
Bruxner Road
Mungindi NSW 2406
0267 532 145

Joint Venture Gin Moomin Cotton Gin
(Namoi Cotton/Harris Joint Venture)
Merrywinebone
Via Rowena NSW 2387
0267 965 102

Joint Venture Gin Wathagar Cotton Gin
(Namoi Cotton/Sundown Pastoral Co Pty Ltd)
Collarenebri Road
Moree NSW 2400
0267 525 200



NAMOI COTTON
Growing Together