



Namoi Cotton Co-operative Ltd

ABN 76 010 485 588
www.namoicotton.com.au

Appendix 4D incorporating the Interim Financial Report

**For the Half-Year Ended
31 August 2016**



This is a half-year financial report. It is to be read in conjunction with the most recent annual financial report.

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APPENDIX 4D

The information contained in this report is for the half-year ended 31 August 2016 and the previous corresponding period, 31 August 2015.

RESULTS FOR ANNOUNCEMENT TO MARKET

	% Change	\$'000
Revenues from ordinary activities	Up 27%	to 299,316
Profit from ordinary activities after tax attributable to members	Up 82%	to 7,423
Net profit for the period attributable to members	Up 82%	to 7,423

Dividends (distributions)	Amount per Security	Franked Amount per Security
Final distribution - (Refer Note 5)	Nil	-
Interim distribution	Nil	-
Record date for determining entitlements to the interim dividend	N/A	

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

For further explanation of the half-year financial results please refer to the Review of Operations shown in Page 4 of this report.

Earnings per Share

	31 August 2016	31 August 2015
Basic earnings per ordinary security	6.8 cents	3.7 cents

Net tangible assets per security

	31 August 2016	31 August 2015
Net tangible asset backing per ordinary security	119 cents	117 cents

In compiling this half-year financial report Australian Accounting Standards have been utilised. The half-year financial report has been subject to review and is not subject to qualification.

DIRECTORS REPORT

Financial report for the half-year ended 31 August 2016

Your directors submit their report for the half-year ended 31 August 2016.

Directors

The names and qualifications of the Co-operative's directors that held office during the half-year and up to the date of this report, unless otherwise indicated, are as follows:

Stuart C Boydell, Chairman, Non-executive Director, 69

Richard Anderson, Non-executive Director, 70, OAM, B Com, FCA, FCPA

Michael Boyce, Non-executive Director, 73, FCA, FAICD, B Com, HDA

Ben Coulton, Non-executive Director, 61

Glen Price, Non-executive Director, 61, B Rural Science (Hons)

Robert Green, Non-executive Director, 59, B Bus (QAC) MAICD

Tim Watson, Non-executive Director, 55

2016-2017 half-year financial results

Namoi Cotton recorded a net profit after tax of \$7.4m for the half year ended 31 August 2016, compared with a net profit after tax of \$4.1m in the previous half year. A 17% increase in the 2016 Australian crop size was again underpinned by historically high yields for irrigated and dryland crops in most valleys. Namoi Cotton's ginning and cotton seed volumes along with Namoi Cotton Alliance's (NCA) lint procurement volumes all benefited from the increased crop size improving from the prior half year. Consistent ginning throughput rates and scaled work systems ensured effective maintenance of ginning variable costs. Ginning contribution per bale was marginally lower than the prior half-year due predominantly to significant competition for ginning bales in key central valleys. The impact of the lower unit ginning contribution was reduced by improved cotton seed margins. Whilst contribution from Namoi Cotton's investment in NCA improved from the prior half year, trading conditions for Australian cotton remain challenging with margins under competitive pressure. These factors all combined to deliver a \$9.2m improvement from the prior half year in net cash flow from operating activities. On the basis of this half-year result and the continued implementation of our operating plan, we expect our forecast full year net cash flows from operating activities to be within our previous market guidance range of between \$5m and \$8m.

The directors have elected not to declare an interim distribution (2015: 0 cents) per unit of Namoi Capital Stock. No Grower Member rebate has been recorded within the half-year financial results.

Review of operations

The 2016 Australian cotton crop is now expected to be 2.71m bales with some ginning still to be completed in the central west and southern NSW valleys. This represents a 17% increase from the previous year's crop of 2.32m bales. Whilst planting areas were in general again impacted by the lower availability of irrigation water, both irrigated and dryland cotton yield results were historically high as a function of excellent pre-crop preparation and favourable growing conditions. These yields in part offset the impact of the reduced planting area. The overall quality of the 2016 crop was marginally lower than the previous year.

Namoi Cotton completed ginning in early September 2016 having ginned 689,000 bales (including 100% of joint venture bales) of the 2016 crop (2015: 535,000 bales). The increased ginning volume largely reflects an aggressive market share campaign for irrigated cotton and access to increased dryland cotton production in our core areas. Our Boggabri gin in the upper Namoi cotton growing region provided the strongest support to our

ginning volumes, ginning its second highest annual level of bales in the last 15 years, largely reflecting the increased dryland crop planting. Consistent ginning throughput rates combined with scaled works systems to ensure effective maintenance of ginning variable costs. Significant competition for ginning bales in this lower overall production year impacted revenues and lowered ginning contribution on a per bale basis. Our Mungindi gin successfully commissioned a \$1m hydraulic press upgrade which was internally designed and constructed delivering greater reliability to ginning operations. We continued to invest in the latest ginning technology to underpin the delivery of quality ginning services to growers including installation of the Uster® Intelligin units at our Wathagar and MacIntyre II gin sites along with an automated bagging system at Wathagar.

Our cotton seed business shipped 140,000mt (2015: 113,000mt) in the first half of the year with profitability per tonne slightly improved on the preceding half year. Seed prices drifted from the 2015 crop levels, particularly in the lead up to ginning. Prices, however, remained above the longer term averages as a function of continuing strong domestic demand associated with the dry weather conditions. China who had been absent from the market throughout the 2015 crop re-entered the market in the early stages of ginning due to lower production in China and dairy related demand. This demand supported a small widening of margins.

Our investment in Cargill Oilseeds Australia has resulted in a loss of \$0.42m for the reporting period compared to a loss of \$0.04m in the previous period. Lower than sustainable volumes and the continuing high price for cottonseed relative to substitutable protein feeds and slower meal demand from both beef and dairy markets are the key drivers.

NCA has procured total marketing volumes for the 2016 crop of 507,000 bales (2015: 378,000 bales). This represented a 3% improvement in market share for NCA from the prior crop and was underpinned by effective basis position management. Namoi Cotton's contribution from the joint venture for the period was \$1.2m (2015: \$0.7m). Whilst basis for Australian cotton stabilized after the significant erosion in the prior financial year, it continued a downward trend throughout the first half of FY 2016/17. This, combined with healthy competitive pressure between merchants to secure cotton locally and ICE futures market volatility driven in part by Chinese speculative involvement created a challenging trading environment and pressured lint marketing margins, particularly for the 2016 crop. The joint venture's containerised packing operations have seen an increase in packing volumes by 61% period on period, underpinned by an increase in exported cottonseed, and favourably impacting the overall logistics utilisation for NCA. NCA has committed to a further capital enhancement of its containerized grain, pulse and oilseed packing, storage and handling capabilities that were significantly upgraded in the second half of last year. Despite recent wet weather events impacting yields, NCA forecasts an increase to packing volumes in the next six months, primarily through chickpeas, with strong demand to meet contract delivery to export windows.

Finance costs have remained consistent to the prior reporting period with interest bearing liabilities remaining largely unchanged between August 2016 at \$48.8m and August 2015 at \$49.1m. The prior period liability included the incremental drawing of \$2.5m in term funding for the acquisition of the North Bourke cotton ginning facility for part of that reporting period.

2017 season (2017-2018 financial year)

The period of wet weather that has existed generally since June 2016 has overflowed on farm and public storages in the southern valleys of the industry with central and northern areas now also having full on farm storages and increased allocations from public storages and some supplementary flows. This water position combined with excellent soil moisture profiles and the subdued price of alternative crops is supportive of increased 2017 crop production. Planting of the crop, particularly in the southern valleys has been hampered by the continuing wet weather conditions with ground preparation in particular being problematic. Planting of the 2017 crop as at the date of this report is approximately 50% complete. Our current forecast estimates the 2017 Australian crop will approximate 4.0m bales, up 48% from the 2016 crop.

Cotton futures generally continue to trade in the mid to high US60 cents per pound range, largely supported by Chinese reserve auction clearance rates. Chinese speculative interest has on recent cover months created futures volatility. Ex-gin basis for Australian cotton locally has drifted as the forecast 2017 crop production has increased, although it has now stabilized at 400 to 500on. The Australian dollar has remained above USD 70 cents primarily due to the weaker US dollar. These factors have combined to provide growers various opportunities to price cotton at or above AUD \$500/bale. To date it is estimated approximately 40% of the 2017 crop has been forward sold by growers to merchants.

NAMOI COTTON CO-OPERATIVE LTD

Namoi Cotton anticipates as a function of the increased 2017 crop production ginning and cotton seed volumes to improve significantly. Our current forecast ginning volumes are between 1.0m bales and 1.1m bales, including 100% of joint venture gins, representing an increase of between 45% and 60% from the 2016 crop. Cotton seed volumes are expected to increase proportionally in line with ginning volumes from the 2016 crop and margins are anticipated to improve through greater export volumes.

NCA is targeting to maintain its market share in cotton lint marketing volumes in what will be a much larger 2017 crop. NCA's containerized commodity packing volumes are anticipated to be consistent with the current year with a likely reduced pulse and coarse grains packing program offset by an improved cotton seed packing program underpinned by increased cotton seed export volumes.

In July 2016 the Board advised of the key elements of Namoi Cotton's strategic plan and provided an update on the work regarding the most suitable future corporate structure to support implementation of the strategic plan. The Board advised, after having received advice from its corporate, legal and taxation advisors on various potential corporate structures to facilitate the outcomes contemplated by the strategic plan, a single ASX listed class of share which recognizes growers (Structure) is considered the most suitable future corporate structure for Namoi Cotton. Any move to this Structure would be subject to Grower Members approval, CCU holder approval and regulatory approval. The Board is currently working through a consultative process through stakeholder briefing meetings with Grower Members and CCU holders.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 7 of the financial report.

Rounding

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Co-operative is an entity to which the Instrument applies.

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

On behalf of the board



S C BOYDELL
Director
Brisbane
25 October 2016



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Auditor's independence declaration to the directors of Namoi Cotton Co-Operative Ltd

As lead auditor for the review of Namoi Cotton Co-Operative Ltd for the half-year ended 31 August 2016, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Namoi Cotton Co-Operative Ltd and the entities it controlled during the period.

Ernst & Young

Paula McLuskie
Partner
25 October 2016

To the members of Namoi Cotton Co-Operative Ltd

Report on the interim financial report

We have reviewed the accompanying interim financial report of Namoi Cotton Co-Operative Ltd, which comprises the balance sheet as at 31 August 2016, the statement of profit and loss and other comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting and other explanatory information, and the directors' declaration of the consolidated entity comprising the co-operative and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 August 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Namoi Cotton Co-operative Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the co-operative a written auditor's independence declaration, a copy of which is included in the Directors' Report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim financial report of Namoi Cotton Co-operative Ltd is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 August 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

PMcLuskie

Paula McLuskie
Partner
Brisbane
25 October 2016

BALANCE SHEET

as at 31 August 2016

	Note	Consolidated \$'000		
		31 Aug 2016	29 Feb 2016	31 Aug 2015
Current assets				
Cash and cash equivalents	5	2,935	1,790	2,089
Trade and other receivables	6	40,435	4,561	29,979
Inventories	7	13,928	5,901	17,971
Prepayments		828	372	577
Derivative financial instruments	8	3,851	4,352	1,371
Total current assets		61,977	16,976	51,987
Non-current assets				
Investments in associates accounted for using the equity method	9	42,715	41,966	46,422
Property, plant and equipment	12	136,756	140,910	131,395
Total non-current assets		179,471	182,876	177,817
Total assets		241,448	199,852	229,804
Current liabilities				
Trade and other payables	13	44,369	5,022	29,688
Interest bearing liabilities	14	5,277	59,270	12,519
Provisions		2,273	2,062	3,260
Derivative financial instruments	8	3,899	5,463	1,693
Total current liabilities		55,818	71,817	47,160
Non-current liabilities				
Trade and other payables		-	456	-
Interest bearing liabilities	14	48,838	1,409	49,126
Provisions		823	799	796
Co-operative grower member shares		447	447	447
Deferred tax liability		4,555	1,379	3,597
Total non-current liabilities		54,663	4,490	53,966
Total liabilities		110,481	76,307	101,126
Net assets		130,967	123,545	128,678
Equity				
Parent entity interest:				
Contributed equity	15	1,098	1,098	1,098
Reserves	17	101,844	101,845	95,341
Retained earnings		28,025	20,602	32,239
Total parent entity interest in equity		130,967	123,545	128,678
Total equity		130,967	123,545	128,678

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

CASH FLOW STATEMENT

for the half-year ended 31 August 2016

	Consolidated \$'000	
	31 August 2016	31 August 2015
Cash flows from operating activities		
Receipts from customers	326,343	254,381
Commodity/currency derivative flows	142	(234)
Payments to suppliers and employees	(44,358)	(40,525)
Payments to growers	(271,691)	(212,831)
Interest received	2	-
Borrowing costs	(1,684)	(1,277)
Net cash inflow/(outflow) from operating activities	8,754	(486)
Cash flows from investing activities		
Payments for property, plant and equipment	(735)	(3,801)
Proceeds from sale of property, plant and equipment	64	163
Loans advanced	(22)	(2)
Proceeds from loans receivable	12	32
Joint venture distribution received	-	3,570
Net cash inflow/(outflow) from investing activities	(681)	(38)
Cash flows from financing activities		
Proceeds from issue of grower member shares	-	9
Payments for repurchases of grower member shares	-	(9)
Proceeds from borrowings	6,023	9,532
Repayment of borrowings	(10,503)	(7,010)
Loans advanced to growers	(2,287)	(5,360)
Proceeds from repayment of grower loans	2,287	5,360
Repayment of finance lease and hire purchase principle	(376)	(295)
Net cash inflow/(outflow) from financing activities	(4,856)	2,227
Net increase/(decrease) in cash	3,217	1,703
Add cash at the beginning of the financial year	(282)	(1,487)
Cash at end of period	2,935	216

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

STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 August 2016

Consolidated \$'000	Issued Capital	CCU	Asset	Retained Earnings	Total Equity
		Premium Reserve	Revaluation Reserve		
Total equity at 1 March 2016	1,098	35,381	66,463	20,602	123,544
Profit/(Loss) and total comprehensive income for the period	-	-	-	7,423	7,423
Total equity at 31 August 2016	1,098	35,381	66,463	28,025	130,967

Consolidated \$'000	Issued Capital	CCU	Asset	Retained Earnings	Total Equity
		Premium Reserve	Revaluation Reserve		
Total equity at 1 March 2015	1,098	35,381	59,959	28,160	124,599
Profit/(Loss) and total comprehensive income for the period	-	-	-	4,079	4,079
Total equity at 31 August 2015	1,098	35,381	59,959	32,239	128,678

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 half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Namoi Cotton Co-operative Ltd as at 29 February 2016. It is also recommended that the half-year financial report be considered together with any public pronouncements made by Namoi Cotton Co-operative Ltd and its controlled entities during the half-year ended 31 August 2016 in accordance with the Co-operatives National Law (NSW) and continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of accounting

This half-year financial report is a general purpose financial report, which has been prepared in accordance with applicable Accounting Standards including AASB 134 Interim Financial Reporting, other authoritative pronouncements of the Australian Accounting Standards Board, the Co-operatives National Law (NSW), the Corporations Act 2001 and Chapter 4 of the ASX Listing Rules.

It is prepared in accordance with the historical cost convention, except for ginning assets which are carried at fair value and derivative financial instruments and cotton inventory that are measured at fair value.

Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Certain comparative information has been restated to comply with the presentation adopted in the most recent annual financial report.

b) Significant accounting policies

This half-year consolidated financial report has been prepared by adopting identical accounting policies as those adopted in the annual financial statements for the year ended 29 February 2016. Some revisions to Australian Accounting Standards have occurred on or after 1 March 2016, however management have determined that none of the revisions have had a material impact on the financials.

c) Seasonality of operations

Cotton Ginning, one of Namoi Cottons business segments, operates on a seasonal basis whereby ginning normally occurs between March to August 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 recognized 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 9) which is reflected in the share of profits from joint ventures and associates in the Statement of Profit and Loss and Other Comprehensive Income.

The Balance Sheet and any associated Notes have been presented with three columns representing the prior half year end, the prior year end and current half year end balances. This additional information has been provided for the benefit of users in comparing the effects of the seasonal nature of the business arising between the half year and year end.

d) Depreciation

A change in the assessment of the remaining useful life of ginning assets (which is a change in estimate) was made at the start of the 2017 financial year. The change has increased the remaining useful life of the ginning assets with the effect of reducing depreciation for the half year from \$6.4m to \$5.3m.

Due to the fact that the Ginning operations predominantly occur during the first half of the year, refer to note 1 (c) above, and given that the depreciation is based on a units of production method, the impact for the financial year ended 28 February 2017 is not expected to be materially different to the impact for the half year ended 31 August 2016. Any impact in the next financial year will be dependent upon actual ginning volumes at the time.

2. Revenue and Expenses

	Consolidated \$'000	
	31 Aug 2016	31 Aug 2015
a) Revenue from continuing operations		
Sale of goods	259,968	205,208
Rendering of services	39,136	30,330
Rental revenue	106	95
Financial service provider revenue	104	119
Finance revenue	2	-
	299,316	235,752
<i>Breakdown of finance revenue:</i>		
Interest revenue from non-related entities	2	-
	2	-
b) Other income		
Net gain on disposal of property, plant and equipment	62	25
	62	25
c) Employee benefits expense		
Salaries, wages, on-costs and other employee benefits	11,068	9,390
Defined contribution benefits expense	686	591
	11,754	9,981
d) Finance costs		
Interest on bank loans and overdrafts	1,400	1,319
Interest expense - interest rate derivatives	24	30
	1,424	1,349
e) Other expenses		
Maintenance	1,649	1,621
Insurance	352	532
Motor vehicle related	542	472
Consulting fees	263	399
Audit fees	133	113
Business travel	233	229
Minimum operating lease payments	255	248
Other	1,879	1,162
	5,306	4,776

3. Income Tax

	Consolidated \$'000	
	31 Aug 2016	31 Aug 2015
Statement of Profit and Loss and Other Comprehensive Income		
Accounting profit from continuing operations before income tax expense	10,599	5,943
At the Group's statutory income tax rate of 30% (2015: 30%)	3,180	1,783
Non-assessable or non-deductible items	(4)	81
Income tax expense/(benefit) recorded in the statement of comprehensive income	3,176	1,864

4. Distributions Paid or Provided on Co-operative Capital Units

	Consolidated \$'000	
	31 Aug 2016	31 Aug 2015
<i>Distributions paid during the half-year (unfranked)</i>		
Final distribution for the year ended 29 February 2016 of Nil cents per unit of Capital Stock (2015: Nil cents)	-	-
<i>Distributions provided in the previous period</i>	-	-
Net distributions paid or provided during the period	-	-

	Cents per unit	
	31 Aug 2016	31 Aug 2015
Distributions paid or provided per capital stock unit		
In respect of the financial years ended:		
28 February 2017	Nil	
29 February 2016	Nil	
28 February 2015		Nil

5. Cash and Cash Equivalents

	Consolidated \$'000		
	31 Aug 2016	29 Feb 2016	31 Aug 2015
Reconciliation to Statement of Cash Flows			
For the purposes of the Statement of Cash Flows, cash comprises the following items:			
Cash at bank and on hand	2,935	1,790	2,089
Bank overdraft	-	(2,072)	(1,873)
	2,935	(282)	216

6. Trade and Other Receivables

	Consolidated \$'000		
	31 Aug 2016	29 Feb 2016	31 Aug 2015
<i>Current</i>			
Trade debtors from material joint venture ¹	31,951	29	20,983
Other trade debtors and receivables	8,489	4,986	9,536
Less: allowance for impairment loss	(5)	(454)	(540)
	40,435	4,561	29,979

¹Trade debtors from material joint venture represents funds due from Namoi Cotton Alliance in respect of lint cotton bale deliveries. Receipt of funds coincides with settlement of Namoi Cotton's lint payment obligations to growers, with the liability for those amounts reflected in trade creditors and accruals.

7. Inventories

	Consolidated \$'000		
	31 Aug 2016	29 Feb 2016	31 Aug 2015
Cotton seed (at fair value less costs to sell)	9,780	800	13,594
Moss and mote (at cost)	501	-	217
Operating supplies and spares (at cost)	3,647	5,101	4,160
	13,928	5,901	17,971

8. Derivative Financial Instruments

	Consolidated \$'000		
	31 Aug 2016	29 Feb 2016	31 Aug 2015
Current assets			
Foreign exchange contracts	-	22	-
Sale contracts (cottonseed)	3,851	4,330	1,371
	3,851	4,352	1,371
Current liabilities			
Foreign exchange contracts	209	-	179
Interest rate swap contracts	179	284	438
Sale contracts (cottonseed)	-	-	1
Purchase contracts (cottonseed)	3,511	5,179	1,075
	3,899	5,463	1,693

The fair value methodology for financial instruments is set out in Note 18.

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

	Consolidated \$'000		
	31 Aug 2016	29 Feb 2016	31 Aug 2015
Investment in associates (material)	3,049	3,473	3,750
Investment in joint ventures (material)	41,199	39,950	44,054
Investment in joint ventures (non material)	(1,533)	(1,457)	(1,382)
	42,715	41,966	46,422
Material investment in associates			
(i) <i>Share of associates results</i>			
Cargill Oilseeds Australia Partnership ('COA')	(462)	(378)	(71)
Cargill Processing Ltd ('CPL')	38	63	33
Group share of associates profit/(loss)	(424)	(315)	(38)
(ii) <i>Carrying amount of investments in associates</i>			
Cargill Oilseeds Australia Partnership ('COA')			
Balance at the beginning of the financial year	117	495	495
Distribution paid out of retained earnings	-	-	-
Share of associates profits/(losses) for the financial year	(462)	(378)	(71)
	(345)	117	424
Cargill Processing Ltd ('CPL')			
Balance at the beginning of the financial year	3,356	3,293	3,293
Share of associates profits/(losses) for the financial year	38	63	33
	3,394	3,356	3,326
Group carrying amount of investment in associates at the end of the financial period	3,049	3,473	3,750
Material investments in joint ventures: NCA			
(i) <i>Material joint venture results</i>			
Group share of joint venture profit/(loss)	1,249	(3,421)	683
(ii) <i>Carrying amount of investments in joint ventures</i>			
Balance at the beginning of the financial year	39,950	46,941	46,941
Distribution paid out of retained earnings	-	(3,570)	(3,570)
Share of associates profits/(losses) for the financial year	1,249	(3,421)	683
Group carrying amount of investment in associates at the end of the financial period	41,199	39,950	44,054
Share of non material investments in joint ventures: ACS and NCPS			
(i) <i>Non material joint venture results</i>			
Profits/(losses) and total comprehensive income from continuing operations	(76)	(402)	(326)
Share of profit/(loss) of associates and joint ventures	749	(4,138)	319
Ownership interest (%)			
Cargill Oilseeds Australia Partnership ('COA')	15%	15%	15%
Cargill Processing Ltd ('CPL')	15%	15%	15%
Australian Classing Services Pty Ltd ('ACS')	50%	50%	50%
Namoi Cotton Alliance ('NCA')	51%	51%	51%
NC Packing Services Pty Ltd ('NCPS')	51%	51%	51%

Principal activities

COA processes and markets cottonseed, canola and other oilseeds.

CPL owns facilities used in the processing and marketing of cottonseed, canola and other oilseeds by COA.

ACS provides independent classing services to the Australian cotton industry.

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, course grains and pulses.

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

10. Interest in Joint Operations

Name	Balance Date	Consolidated		
		31 Aug 2016	29 Feb 2016	31 Aug 2015
(a) Ownership interest (%)				
Wathagar Ginning Company ('WGC')	28 February	50%	50%	50%
Moomin Ginning Company ('MGC')	28 February	50%	50%	50%

(b) Principal activities

The joint ventures provide ginning services to cotton growers in the Gwydir valley located in NSW.

11. Interest in Jointly Controlled Assets

Namoi Cotton jointly owns the white cottonseed handling and storage facilities at Mungindi, NSW. Namoi Cotton holds a 40% ownership interest in these assets with a book carrying value of \$2,258,000 (Feb 2016: \$2,284,000).

12. Property, Plant and Equipment

a) Acquisitions and disposals

During the half-year ended 31 August 2016 the group acquired assets of \$735,000 (2015: \$3,801,000) and disposed of assets with a net carrying value \$1,900 (2015: \$162,100).

b) Impairment

No impairment losses have been recognised or reversed in the current or comparative half-year.

13. Trade and Other Payables

	Consolidated \$'000		
	31 Aug 2016	29 Feb 2016	31 Aug 2015
<i>Current</i>			
Trade creditors and accruals ¹	44,179	4,988	29,530
Grower deposits	55	34	59
Customer deposits	135	-	99
	44,369	5,022	29,688

¹Trade creditors include grower lint creditors which are seasonally higher at the half year end.

14. Interest Bearing Liabilities

Financing arrangements

The extent to which the economic entity's finance facilities provided by Commonwealth Bank of Australia (CBA) were available and utilised is listed below.

	Facility Limits - Consolidated AUD \$'000		
	31 Aug 2016	29 Feb 2016	31 Aug 2015
<i>AUD Facilities</i>			
Short term	2,500	2,500	2,500
Working capital finance ¹	10,000	10,000	10,000
Term debt ²	47,481	47,481	47,481
Equipment Finance ³	2,500	2,500	2,500
	62,481	62,481	62,481

	Facility Use - Consolidated		
	AUD \$'000		
	31 Aug 2016	29 Feb 2016	31 Aug 2015
Current			
<i>AUD Facility Use</i>			
Short term	-	2,072	1,873
Working capital finance ¹	4,500	9,000	10,000
Term debt ²	-	47,481	-
	4,500	58,553	11,873
<i>Other Liabilities</i>			
Lease liability - bank finance ³	691	598	552
Lease liability - other finance	86	119	94
	777	717	646
	5,277	59,270	12,519
Non Current			
<i>AUD Facility Use</i>			
Term debt ²	47,481	-	47,481
	47,481	-	47,481
<i>Other Liabilities</i>			
Lease liability - bank finance ³	1,357	1,393	1,559
Lease liability - other finance	-	16	86
	1,357	1,409	1,645
	48,838	1,409	49,126

Facility description and use

¹Working capital finance

Working capital lines are utilised to fund day to day expenses of the business including specific funding needs for operating consumables, cottonseed inventory and debtors.

Namoi Cotton has negotiated the following finance facility limits:

- Committed cotton seed and ginning consumables multi option working capital facility (non-amortising) - facility limit of AUD\$10 million (2015: AUD\$10 million).

²Term debt finance

- Namoi Cotton has negotiated the following finance facility limits:
- Committed term debt facility A (non-amortising) - facility limit of AUD\$25 million (2015: AUD\$25 million) with a facility end date of 28 February 2018;
- Committed term debt facility B (non-amortising) - facility limit of AUD\$10.5 million (2015: AUD\$10.5 million) with a facility end date of 28 February 2018; and
- Committed term debt facility C (non-amortising) - facility limit of AUD\$12.0 million (2015: AUD\$12.0 million) with a facility end date of 28 February 2018.

³Equipment finance

Equipment finance lease facilities were provided to facilitate the upgrade of mobile plant.

The current financing agreement with CBA was effected 26 April 2016 (and as amended) and contained a number of financial covenant compliance requirements. No breaches of financial covenants have occurred in the reporting period. At the date of this report, term facilities are due to expire on 28 February 2018, whilst the working capital facility has an end date of 17 March 2017.

The Directors expect the facilities will be renewed thereafter and at appropriate levels for Financial Year 2018 operations.

15. Contributed Equity

	No. 000's		\$ '000	
	31 Aug 2016	29 Feb 2016	31 Aug 2016	29 Feb 2016
Capital stock at the beginning of the financial year	109,843	109,843	1,098	1,098
Issued during the year	-	-	-	-
Redeemed through on-market buy-back	-	-	-	-
Capital stock at the end of the period	109,843	109,843	1,098	1,098

16. Segment Information

Business segments Half-year ended 31 August 2016	Ginning \$'000	Marketing ¹ \$'000	Commodities \$'000	Unallocated \$'000	Consolidated \$'000
Sales to external customers	96,254	202,905	50	107	299,316
Segment Result (Pre-tax)	12,176	1,505	52	(3,134)	10,599

Business segments Half-year ended 31 August 2015	Ginning \$'000	Marketing \$'000	Commodities \$'000	Unallocated \$'000	Consolidated \$'000
Sales to external customers	76,581	159,004	72	95	235,752
Segment Result (Pre-tax)	8,336	994	21	(3,408)	5,943

	Consolidated \$'000	
	31 Aug 2016	31 Aug 2015
Included in the unallocated results for the period are:		
Rental Revenue	106	95
Finance Revenue	2	0
Total Unallocated Revenue	107	95
Employee benefits expense	(1,703)	(1,833)
Depreciation	(166)	(180)
Finance costs	(29)	(23)
Other corporate administrative expenses	(1,343)	(1,468)
	(3,241)	(3,503)
Total Unallocated Result	(3,134)	(3,408)

¹ Marketing revenue remains inclusive of lint sales values upon transfer of bales from Namoi to NCA. The segment result represents the share of profits from the NCA joint venture plus the margin on sales from Namoi to NCA.

17. Reserves

Capital stock (CCU) premium reserve

By virtue of rule 15.2 of the co-operative rules, the capital stock premium reserve is used to record amounts received in respect of capital stock issued at a premium and are to be regarded as paid up capital of the co-operative.

The balance standing to the credit of this account may be applied in any one or more of the following ways:

- In the payment of dividends if those dividends are satisfied by the issue of shares to the members of the co-operative;
- In writing off the preliminary expenses of the co-operative; or
- In providing for the premium payable on redemption of shares, debentures or co-operative capital units.

Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of ginning and warehouse assets and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity. The reserve can only be used to pay dividends in limited circumstances.

18. Fair Value Measurement - Financial Instruments

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and interest bearing liabilities approximate their fair value.

Fair value on foreign exchange contracts are determined by comparing the contracted rate to the market rates for contracts of the same maturity. All movements in fair value are recognised in the statement of profit and loss and other comprehensive income in the period they occur.

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.

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 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.

The fair value of unlisted debt securities are based on valuation techniques using market data that is not observable (Level 3 in the fair value hierarchy). The grower shares are issued and can be redeemed for a fixed amount of \$2.70 per share.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, forward commodity contracts and foreign exchange contracts not traded on a recognised exchange.

All cotton seed derivative financial assets and liabilities stated at fair value are based on market observable inputs (Level 2 in fair value hierarchy) and the value of all derivatives are stated in note 8.

19. Contingent Assets, Liabilities and Commitments

Since the last annual reporting date, there has been no material change in any contingent assets, liabilities or commitments.

20. Significant Events after Balance Date

No other events of a material nature have occurred between 31 August 2016 and the date of this report which are not disclosed elsewhere within this half-year financial report.

21. Related Party Disclosures

Significant related party transactions entered into with other related parties during the six months ended 31 August 2016 and 2015:

ACS leased HVI machines from the parent during the period for \$17,953 (2015: \$72,025)

Sales of white cotton seed to the COA Partnership were \$18,002,024 (2015: \$17,990,763) and purchases of white cotton seed from the COA Partnership were \$NIL (2015: \$556,517).

Transactions with Namoi Cotton Alliance

Management fees received by Namoi for services provided to Namoi Cotton Alliance \$1.25m (inclusive of bale handling fees) (2015: \$1.25m).

Lint Cotton Sales from Namoi to Namoi Cotton Alliance \$206.3m (2015: \$164.3m).

22. Other Non-Financial Information

Namoi Cotton Co-operative Ltd
ABN 76 010 485 588
AFSL 267863

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Pilliga Road
Wee Waa NSW 2388

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Facsimile: +61 2 6790 3087

Share Register
Computershare Investor Services Pty Ltd
GPO Box 7045
Sydney NSW 1115

Investor Inquiries: 1300 855 080

Bankers
Commonwealth Bank of Australia

Auditors
Ernst & Young
Brisbane, Australia

DIRECTORS DECLARATION

Financial report for the half-year ended 31 August 2016

In accordance with a resolution of the directors of Namoi Cotton Co-operative Ltd, I state that:

In the opinion of the directors:

- a) the financial statements and notes of the consolidated entity are in accordance with the *Co-operatives National Law (NSW)* and the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 31 August 2016 and of its performance for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001; and

- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board



S C BOYDELL
Director
Brisbane
25 October 2016