Namoi Cotton Limited

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Appendix 4D
incorporating the
Interim Financial Report

For the Half-Year Ended
31 August 2018

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

Contents

APPENDIX 4D

The information contained in this report is for the half-year ended 31 August 2018 and the previous corresponding period, 31 August 2017.

RESULTS FOR ANNOUNCEMENT TO MARKET

	% Change		$'000
Revenues from ordinary activities	Up 25%	to	516,957
Profit from ordinary activities after tax attributable to members	Down 9%	to	14,293
Net profit for the period attributable to members	Down 9%	to	14,293

Dividends	Amount per Security	Franked Amount per Security
Final dividend - (Refer Note 4)	1.9 cents	20%
Interim dividend	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:

Namoi Cotton recorded a net profit after tax of $14.3m for the half year ended 31 August 2018, compared with a net profit after tax of $15.8m in the previous half year. A 20% increase in the 2018 Australian crop has contributed to Namoi Cotton's strong underlying financial performance with the impact of our 15% investment in the Cargill Oilseeds Australia partnership and Cargill Processing Limited negatively impacting the results by $3.1m. For further information on financial results and operations refer pages 4-6.

Earnings per Share

	31 August 2018	31 August 2017
Basic earnings per ordinary share	10.6 cents	12.4 cents*
Diluted earnings per ordinary share	10.3 cents	11.0 cents*

Net tangible assets per security

	31 August 2018	31 August 2017
Net tangible asset backing per ordinary share	103 cents	103 cents*

*Adjusted retrospectively for conversion of grower member shares and Namoi capital stock.

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 2018
Your directors submit their report for the half-year ended 31 August 2018.

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

Tim Watson, Chairman, Non-executive Director, 57, GAICD (Appointed as Chairman 28/08/2018)

Richard Anderson, Deputy Chairman, Non-executive Director, 72, OAM, B Com, FCA, FCPA

Stuart C Boydell, Non-executive Director, 71 (Resigned as Chairman 28/08/18)

Michael Boyce, Non-executive Director, 75, FCA, FAICD, B Com, HAD (Retired 24/04/2018)

Glen Price, Non-executive Director, 63, B Rural Science (Hons)

Robert Green, Non-executive Director, 61, B Bus (QAC) MAICD

Juanita Hamparsum, Non-executive Director, 47, B Bus (UTS), CA, FPCT, GAICD (Appointed 07/06/18)

James Jackson, Non-executive Director, 56, B Com, FAICD (Appointed 07/06/18)

Joseph Di Leo, Non-executive Director, 61, M Bus Acct & Fin, FAICD (Appointed 07/06/18)

2018-2019 half-year financial results

Namoi Cotton recorded a net profit after tax of $14.3m for the half year ended 31 August 2018, compared with a net profit after tax of $15.8m in the previous half year. A 20% increase in the 2018 Australian crop has contributed to Namoi Cotton's strong underlying financial performance with the impact of our 15% investment in the Cargill Oilseeds Australia partnership (COA) and Cargill Processing Limited (CPL) negatively impacting the results by $3.1m. 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. Improved ginning throughputs associated with better quality seed cotton delivered stronger ginning margins through reduced variable costs. Cotton seed trading margins were again a strong contributor to the financial results achieved through effective position and supply chain management. The contribution from Namoi Cotton's investment in NCA was broadly consistent with the prior half year with improved lint marketing volumes offset by lower commodity packing volumes, lower trading margins and increased finance costs. These factors all combined to deliver a $4.7m improvement from the prior half year in net cash flows from operating activities. Our forecast full year net cash flows from operating activities is expected to be within our previous market guidance range of between $18m and $21m.

Finance costs have reduced by 24% from the prior reporting period. In the prior period Namoi Cotton was carrying $47.5m of term debt that was amortised by $5.5m in August 2017 to now stand at $42m.

The directors have elected not to declare an interim dividend (2017: nil cents).

Review of operations

2018 Cotton Crop

The final cotton area planted was 371,000 hectares irrigated and 81,000 hectares dryland. Growing conditions for the 2018 crop were far more favourable than the 2017 crop with not as prolonged excessive heat periods although post planting the rainfall normally associated with La Niña conditions did not eventuate. Water shortages for irrigated cotton in some regions impacted overall production yields as irrigators conserved water supplies. The 2018 crop is estimated to have yielded 4.5m bales representing a 20% increase from the 3.75m bales in the 2017 crop. Irrigated yields on average are forecast at 11.5 bales per hectare, 16% above the 2017 crop. The dryland crop was heavily impacted due to no rainfall. The quality of the 2018 Australian cotton crop has been exceptional with 99% of the crop determined as base grade or better.

Ginning

Namoi Cotton completed ginning in late September 2018 having ginned 1,202,000 bales (including 100% of joint operations bales) of the 2018 crop (2017: 1,015,000 bales). The increased ginning volumes largely relate to the larger crop size. The dry weather conditions facilitated a dry harvest resulting in seed cotton being delivered to gins with very low moisture content and this impacted our early season throughputs at a number of sites. The cotton quality however facilitated a significant improvement on average of 17% in throughput rates relative to the 2017 crop. The improved throughput rates have been the primary driver of a 5% decrease in unit ginning variable costs from the prior half year with overall ginning gross margins increasing by 4% from 2017. During the first half of the year Namoi Cotton successfully commissioned ginning projects undertaken over the course of the off-season. These projects included new pre-cleaning, drying and moisture equipment at Wathagar ginning Company, a $1.0m fourth gin stand, associated cleaning equipment and press upgrade at Trangie and construction of mote storage sheds at Yarraman. These capital investments provide increased capacity, improved ginning unit variable costs and lower supply chain handling costs creating value for Namoi Cotton's overall ginning business. We continued in our commitment to safety with the complete roll out of our safety kiosk system utilizing the latest technology to support safety in our operations.

Cotton Seed

Our cotton seed business shipped 214,000mt (2017: 224,000mt) in the first half of the year with profitability from the seed business a strong contributor to the half year results. Seed prices in the initial part of the financial year remained at $200/mt or a little above with limited liquidity suppressed by the large volume of seed carried in from the 2017 crop and continued uncertainty with Chinese importation requirements for Bollgard 3 cotton seed. The commencement of ginning in April 2018 with cotton seed becoming available and the continuing dry weather domestically started to push cotton seed prices higher associated with local feed demand. In the period from April through to August cotton seed became the feed of choice for many Australian graziers as they grappled with the ongoing drought and as a result prices pushed to $650/mt. Effective position management and dynamic supply chain management have delivered strong trading margins in the first half of the year. In the continued implementation of our strategic plan, two cotton seed storage sheds have been under construction in the first half of the year at our Trangie and Hillston gin sites. These sheds will provide improved seed trading returns and greater flexibility in marketing alternatives for growers.

Namoi Cotton Alliance joint venture - 51% interest

NCA to the end of August has procured total marketing volumes for the 2018 crop of 812,000 bales (2017: 634,000 bales). Namoi Cotton's contribution from the joint venture for the period was $2.0m (2017: $1.9m). Cotton prices at the outset of the financial year were well supported by dry weather concerns for the USA crop particularly the West Texas area and strong US export sales. The crop concerns continued into May and the USDA reduced the US crop estimate by 1m bales which pushed futures higher and led to Australian cotton growers being able to sell the 2018 crop at middle $600/bale levels. The latter period of the first half of the financial year has involved the US crop getting bigger with better yields and the trade tensions between the US and China. These factors have seen futures lose some of their early year gains. The volatility in cotton futures in the first half of the year has impacted NCA's trading margins. The trade tensions have supported Australian basis. In the export markets, the trade tensions and associated uncertainty combined with a lack of transparency around quotas being issued in China has suppressed demand from China for Australian cotton in the latter part of the first half of the financial year. This slowdown in demand results in NCA carrying larger inventory volumes relative to the prior half year. Whilst China has been a large consumer of Australian cotton again this year Bangladesh has also significantly increased its consumption of Australian cotton and represents 26% of NCA's sales. These factors all combined resulted in NCA recording consistent earnings from its lint marketing business as in the prior half year.

The joint venture's containerised packing operations volumes declined by 62% period on period, impacted by the lack of export demand for cotton seed owing to the dry weather domestically. Carry in Chickpea volumes have also been slow to move in the first half of the year with continued issues with India's tariff on Australian chickpeas and lackluster demand from Pakistan and Bangladesh. The dry weather conditions that have existed since have taken a heavy toll on winter crops including chickpeas and will impact NCA's commodity packing volumes in the second half of the year.

COA/CPL– 15% interest

Our investment in COA/CPL has resulted in a pre-tax loss of $3.8m for the reporting period compared to a pre-tax loss of $0.38m in the previous period. Canola margins have remained steady with decent demand for meal and oil albeit the current dry conditions are placing upward pressure on canola seed prices. Cotton seed trading activities were challenged by the rising cotton seed price and resulted in COA washing out a number of forward oil, meal and hull contracts or was required to secure whole cottonseed inputs at uneconomic prices relative to the forward product sales causing significant financial losses. Cargill Processing Limited has decided to mothball the Narrabri NSW cotton seed crush facility for the foreseeable future. The half-year financial results include the impairment of the assets and provision for staff redundancies. Namoi Cotton has requested further detailed information from Cargill Australia Ltd, as appointed manager of the partnership, to consider its next steps as a minority partner and shareholder. This matter is now subject to a commercial dispute, which is yet to be resolved. Refer to Note 9 for further details.

2019 season (2019/20 financial year) – seasonal outlook

The lack of general rainfall since planting of the 2018 crop has dwindled water supplies on farm and in public water storages and has impacted allocations of available irrigation water for the 2019 crop. The most severe of these dwindled irrigation water supplies is in the Northern basin of the Murray Darling System. Planting of the 2019 crop as at the date of this report is approximately 50% complete (basis many planting configurations). Based on the current available irrigation water, our current estimate of the 2019 Australian crop will approximate 2.1m bales, down 53% from the 2018 crop. It is noted there is a large volume of country prepared for planting should a rainfall event occur between now and the beginning of December, which could potentially result in a large dryland crop plant which may benefit Namoi Cotton.

With the northern cotton valleys water availability more negatively impacted than the southern cotton valleys, Namoi Cotton anticipates, as a function of the reduced 2019 crop production, ginning and cotton seed volumes will substantially decline. Our current forecast ginning volumes are between 0.5m bales and 0.6m bales, including 100% of joint operation gins, representing a decrease of between 50% and 58% from the 2018 crop with cotton seed volumes expected to decrease proportionally in line with ginning volumes.

NCA is targeting to increase its market share in cotton lint marketing volumes in what will at this stage be a materially lower 2019 crop. NCA's containerized commodity packing volumes are targeting to be higher than the current year supported by improved conditions likely for winter crops including chickpeas following forecast March/April rain in 2019.

Committee membership

As at the date of this report, the company had an audit and compliance committee, a safety and risk committee (formerly marketing and financial risk management committee) and a remuneration committee.

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

Audit and Compliance	Safety and Risk	Remuneration
RA Anderson (Chairman)	R Green (Chairman)	J Jackson (Chairman)
M Boyce (Retired 24/04/18)	(Appointed 28/08/18)	(Appointed 28/08/18)
SC Boydell	RA Anderson	SC Boydell
R Green (Resigned 28/08/18)	G Price	RA Anderson (Resigned 28/08/18)
J Di Leo (Appointed 28/08/18)	J Di Leo (Appointed 28/08/18)	R Green
J Hamparsum (Appointed 28/08/18)	J Jackson (Appointed 28/08/18)	M Boyce (Retired 24/04/18)
		T Watson (Appointed 28/08/18)

Auditor's Independence Declaration

The auditor's independence declaration is included on page 8 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 Company 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

T Watson
Director
Brisbane

23 October 2018

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

As lead auditor for the review of Namoi Cotton Limited for the half-year ended 31 August 2018, 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 Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

P McLuskie

Paula McLuskie
Partner
23 October 2018

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Namoi Cotton Limited (the Company) and its subsidiaries (collectively the Group), which comprises the balance sheet as at 31 August 2018, 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 policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 August 2018 and of its consolidated financial 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*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year 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 half-year 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 August 2018 and its consolidated financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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*.

Ernst & Young

PMcLuskie

Paula McLuskie
Partner
Brisbane 23 October 2018

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 August 2018

	Note	Consolidated $'000 31 Aug 2018	Consolidated $'000 31 Aug 2017
Revenue from customers	2a	66,826	55,952
Revenue - other	2a	450,131	357,223
Revenue		516,957	413,175
Financial instrument gains/(losses)			
Currency derivatives		(324)	317
Purchase contracts		10,654	(14,991)
Sales contracts		(18,646)	15,466
Net financial instrument gains/(losses)		(8,316)	792
Other income	2b	-	-
Share of profit/(loss) of joint ventures and associates	9	(1,757)	1,602
Changes in inventories of finished goods		20,827	9,549
Raw materials and consumables used		(469,762)	(368,541)
Employee benefits expense	2c	(19,462)	(18,131)
Depreciation		(7,789)	(6,886)
Finance costs	2d	(1,122)	(1,468)
Other expenses	2e	(8,402)	(7,667)
Profit before income tax		**21,174**	**22,425**
Income tax expense	3	(6,881)	(6,668)
Profit attributable to equity holders of the parent		**14,293**	**15,757**
Other comprehensive income		-	-
Profit and total comprehensive income attributable to equity holders of the parent		**14,293**	**15,757**

	Cents 31 Aug 2018	Cents 31 Aug 2017
Earnings per share		
Basic earnings per share	10.6	12.4
Diluted earnings per share	10.3	11.0

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

BALANCE SHEET

as at 31 August 2018

		Consolidated $'000		
	Note	31 Aug 2018	28 Feb 2018	31 Aug 2017
Current assets				
Cash and cash equivalents	5	**7,551**	1,493	6,058
Trade and other receivables	6	**60,071**	4,012	59,631
Inventories	7	**26,923**	9,521	16,312
Prepayments		**1,432**	1,292	762
Derivative financial instruments	8	**2,260**	8,493	1,509
Total current assets		**98,237**	24,811	84,272
Non-current assets				
Investments in associates accounted for using the equity method	9	**43,610**	43,239	44,712
Intangibles		**961**	961	-
Property, plant and equipment	12	**136,834**	139,082	135,221
Deferred tax assets		**40**	-	-
Total non-current assets		**181,445**	183,282	179,933
Total assets		**279,682**	208,093	264,205
Current liabilities				
Trade and other payables	13	**66,370**	10,115	59,731
Interest bearing liabilities	14	**1,038**	6,776	8,513
Provisions		**3,306**	2,791	2,749
Derivative financial instruments	8	**10,310**	8,556	846
Total current liabilities		**81,024**	28,238	71,839
Non-current liabilities				
Interest bearing liabilities	14	**43,509**	43,226	43,633
Provisions		**817**	874	899
Co-operative grower member shares		**-**	-	447
Deferred tax liability		**10,921**	3,999	7,803
Total non-current liabilities		**55,247**	48,099	52,782
Total liabilities		**136,271**	76,337	124,621
Net assets		**143,411**	131,756	139,584
Equity				
Contributed equity	15	**37,639**	37,639	1,098
Reserves	17	**66,463**	66,463	101,844
Retained earnings		**39,309**	27,654	36,642
Equity attributable to the equity holders of the parent		**143,411**	131,756	139,584
Total equity		**143,411**	131,756	139,584

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

CASH FLOW STATEMENT

for the half-year ended 31 August 2018

	Consolidated $'000	
	31 August 2018	31 August 2017
Cash flows from operating activities		
Receipts from customers	**563,045**	443,695
Net commodity/currency derivative flows	**(355)**	549
Payments to suppliers and employees	**(68,882)**	(66,996)
Payments to suppliers - growers	**(472,948)**	(360,658)
Interest received	**2**	6
Borrowing costs	**(903)**	(1,365)
Net cash inflow/(outflow) from operating activities	**19,959**	15,231
Cash flows from investing activities		
Payments for property, plant and equipment	**(5,318)**	(2,708)
Proceeds from sale of property, plant and equipment	**639**	75
Loans advanced	**(40)**	(5)
Proceeds from loans receivable	**29**	8
Net cash inflow/(outflow) from investing activities	**(4,690)**	(2,630)
Cash flows from financing activities		
Proceeds from borrowings	**5,520**	5,519
Repayment of borrowings	**(11,507)**	(12,980)
Loans advanced to growers	**(1,048)**	(360)
Proceeds from repayment of grower loans	**1,048**	360
Repayment of finance lease and hire purchase principle	**(568)**	(519)
Dividends paid to shareholders	**(2,638)**	-
Net cash inflow/(outflow) from financing activities	**(9,193)**	(7,980)
Net increase/(decrease) in cash	**6,076**	4,621
Add cash at the beginning of the financial year	**1,475**	1,437
Cash at end of period	**7,551**	6,058

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 2018

Consolidated $'000	Issued Capital	CCU Premium Reserve	Asset Revaluation Reserve	Retained Earnings	Total Equity
Total equity at 1 March 2018	37,639	-	66,463	27,654	131,756
Net profit for the period	-	-	-	14,293	14,293
Equity dividends	-	-	-	(2,638)	(2,638)
Total equity at 31 August 2018	**37,639**	**-**	**66,463**	**39,309**	**143,411**

Consolidated $'000	Issued Capital	CCU Premium Reserve	Asset Revaluation Reserve	Retained Earnings	Total Equity
Total equity at 1 March 2017	1,098	35,381	66,463	20,885	123,827
Net profit for the period	-	-	-	15,757	15,757
Total equity at 31 August 2017	**1,098**	**35,381**	**66,463**	**36,642**	**139,584**

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 Limited as at 28 February 2018. It is also recommended that the half-year financial report be considered together with any public pronouncements made by Namoi Cotton Limited and its controlled entities during the half-year ended 31 August 2018 in accordance with 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 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.

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 and derivative financial instruments;
- Fair value of ginning assets;
- Impairment testing of property plant and equipment;
- Classification of associates;
- Treatment of deferred tax balances including tax loss recognition; and
- Assessment of the useful lives of assets.

These areas are consistent with those of the preceding annual financial statements.

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 28 February 2018 with the exception of note 1(b)(i) below. Some revisions to Australian Accounting Standards have occurred on or after 1 March 2018.

AASB 9 has been implemented from 1 March 2018 using the full retrospective approach and no adjustments have been necessary in the current or prior period.

AASB 15 has been implemented from 1 March 2018 using the modified retrospective approach and no adjustments have been necessary in the current or prior period.

Note 1(b)(ii) below has been included to update the Revenue Recognition terminology to the requirements of AASB 15 where applicable.

i) 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, except for the agency services below, 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 such as where ginning services and purchasing of seed are bundled at the time of contracting. The Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer where relevant.

<u>Contract Balances</u>

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.

ii) Revenue Recognition

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 either sold separately or bundled together with the purchase of cotton seed. The Group recognises revenue from ginning services at the point in time of the ginning services because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue is brought to account on all production performed during the period. If services are bundled the standalone selling price of the arrangement is considered and any discount allocation is proportioned.

The performance obligation is satisfied upon the processing of raw cotton and producing a lint cotton bale. Payment is due from the marketer of the bale within 7 days of ginning.

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.

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 associate) 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 of the service because the customer simultaneously receives and consumes the benefits provided by the Group.

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.

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.

iii) Financial Instruments
AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.
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). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivable.

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').

From 1 March 2018, 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 which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. 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 the Group's business models was made as of the date of initial application, 1 March 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 March 2018. 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.
AASB 9 requires financial liabilities to be measured on the same basis as AASB 139, with the only change being 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.
The accounting for the Group's financial liabilities remains largely the same as it was under AASB 139. 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.

iv) Trade Receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit losses for any uncollectible debts if applicable. 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 expected credit loss 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 determined 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. The later impacts have been fully eliminated within the interim financial statements where only group accounts are presented.

c) Seasonality of operations
Cotton Ginning, one of Namoi Cotton's 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.

2. Revenue and Expenses

	Consolidated $'000 31 Aug 2018	Consolidated $'000 31 Aug 2017
a) Revenue		
i) Disaggregated revenue information		
By type of goods or service		
Ginning services	64,799	55,643
Sale of byproducts	382	36
Commodities procurement services	-	236
Classing services[1]	1,641	-
Other	4	37
Total revenue from contracts with customers	**66,826**	**55,952**
By geographic region		
Australia	66,826	55,952
Total revenue from contracts with customers	**66,826**	**55,952**
By timing of revenue recognition		
Goods transferred at a point in time	386	73
Services rendered at a point in time	66,440	55,643
Services transferred over time	-	236
Total revenue from contracts with customers	**66,826**	**55,952**
ii) Other revenue		
Sale of lint, seed and other goods	449,766	356,939
Rental revenue	98	110
Other service revenue	265	167
Finance revenue	2	7
Total other revenue	**450,132**	**357,223**
Total revenue	**516,957**	**413,175**
b) Other income		
Net gain on disposal of property, plant and equipment	-	-
	-	**-**
c) Employee benefits expense		
Salaries, wages, on-costs and other employee benefits	18,480	17,249
Defined contribution benefits expense	982	882
	19,462	**18,131**
d) Finance costs		
Interest on bank loans and overdrafts	1,102	1,399
Interest expense - interest rate derivatives	20	69
	1,122	**1,468**

[1] Refer note 9 – Australian Classing Services Pty Ltd became a group member on 6 February 2018.

	Consolidated $'000	
	31 Aug 2018	31 Aug 2017
e) Other expenses		
Maintenance	2,600	2,248
Net loss on disposal of property, plant and equipment	41	42
Insurance	446	357
Motor vehicle related	884	867
Consulting fees	635	313
Audit fees	142	132
Business travel	334	331
Minimum operating lease payments	323	263
Strategic restructuring-consulting[2]	368	1,157
Other	2,629	1,957
	8,402	**7,667**

[2] Includes the engagement of external corporate, legal and taxation advisors in relation to the corporate restructure proposal and capital raising preparation.

3. Income Tax

	Consolidated $'000	
	31 Aug 2018	31 Aug 2017
Statement of Profit and Loss and Other Comprehensive Income		
Accounting profit from continuing operations before income tax expense	21,174	22,425
At the Group's statutory income tax rate of 30% (2017: 30%)	6,352	6,727
Non-assessable or non-deductible items	529	(60)
Income tax expense/(benefit) recorded in the statement of comprehensive income	**6,881**	**6,667**

4. Dividends Paid or Provided

	Consolidated $'000 31 Aug 2018	Consolidated $'000 31 Aug 2017
Dividends paid during the half-year (20% franked)		
Final dividend for the year ended 28 February 2018 of 1.9 cents per share (2017: Nil cents)	2,638	-
Dividends provided in the previous period	-	-
Net dividends paid or provided during the period	**2,638**	**-**

	Cents per share 31 Aug 2018	Cents per share 31 Aug 2017
Dividends paid or provided per share		
In respect of the financial years ended:		
28 February 2019	Nil	
28 February 2018	1.9	
28 February 2017		Nil

5. Cash and Cash Equivalents

	Consolidated $'000 31 Aug 2018	28 Feb 2018	31 Aug 2017
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	7,551	1,493	6,058
Bank overdraft	-	(18)	-
	7,551	**1,475**	**6,058**

6. Trade and Other Receivables

	Consolidated $'000 31 Aug 2018	28 Feb 2018	31 Aug 2017
Current			
Trade debtors from material joint venture[1]	46,732	4	41,382
Trade debtors from customers	1,011	-	702
Trade debtors and receivables other parties	12,328	4,079	17,552
Less: allowance for expected credit losses	-	(71)	(5)
	60,071	**4,012**	**59,631**

[1] Trade 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 2018	28 Feb 2018	31 Aug 2017
Cotton seed (at fair value less costs to sell)	21,038	1,077	10,652
Moss and mote (at cost)	848	-	689
Operating supplies and spares (at cost)	5,037	8,444	4,971
	26,923	**9,521**	**16,312**

8. Derivative Financial Instruments

	Consolidated $'000		
	31 Aug 2018	28 Feb 2018	31 Aug 2017
Current assets			
Foreign exchange contracts	-	86	177
Sale contracts (cottonseed)	-	8,407	1,332
Purchase contracts (cottonseed and lint cotton)	2,260	-	-
	2,260	**8,493**	**1,509**
Current liabilities			
Foreign exchange contracts	19	111	-
Interest rate swap contracts	52	52	69
Sale contracts (cottonseed)	10,239	-	7
Purchase contracts (cottonseed)	-	8,393	770
	10,310	**8,556**	**846**

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 2018	28 Feb 2018	31 Aug 2017
Investment in associates (material)	1,905	3,562	3,526
Investment in joint ventures (material)	43,029	40,521	41,932
Investment in joint ventures (non material)	(1,324)	(844)	(746)
	43,610	**43,239**	**44,712**
Material investment in associates			
(i) *Share of associates results*			
Cargill Oilseeds Australia Partnership ('COA')	(2,128)	(1,515)	(479)
Cargill Processing Ltd ('CPL')	(1,657)	137	100
Group share of associates profit/(loss)	**(3,785)**	**(1,378)**	**(379)**
(ii) *Carrying amount of investments in associates*			
Cargill Oilseeds Australia Partnership ('COA')			
Balance at the beginning of the financial year	(2,270)	(755)	(755)
Share of associates profits/(losses) for the period	(2,128)	(1,515)	(479)
Liability for partner's contribution to losses (refer to Note 13)	(4,398)	(2,270)	(1,234)
Cargill Processing Ltd ('CPL')			
Balance at the beginning of the financial year	3,562	3,425	3,426
Share of associates profits/(losses) for the period	(1,657)	137	100
Net book value of investment in associate at the end of the financial period	1,905	3,562	3,526
Material investments in joint ventures: NCA			
(i) Material joint venture results			
Group share of joint venture profit/(loss)	**2,508**	**511**	**1,922**
(ii) *Carrying amount of investments in joint ventures*			
Balance at the beginning of the financial year	40,521	40,010	40,010
Share of associates profits/(losses) for the financial year	2,508	511	1,922
Group carrying amount of investment in associates at the end of the financial period	**43,029**	**40,521**	**41,932**
Share of non material investments in joint ventures: ACS[1] and NCPS			
(i) Non material joint venture results			
Profits/(losses) and total comprehensive income from continuing operations	**(480)**	**170**	**58**
Share of profit/(loss) of associates and joint ventures	**(1,757)**	**(697)**	**1,602**

[1] Includes share of ACS profit before acquisition of remaining 50% interest from joint venture partner.

The COA results have been negatively impacted by a challenging trading environment with rising cottonseed prices. In addition to these trading results CPL has publically announced it will mothball the cottonseed crushing facility located at Narrabri, NSW owned by CPL and operated by COA. Therefore, in addition to the trading impacts COA/CPL period results have been further negatively impacted by the recognition of estimated impairment losses in respect to both this facility and its associated spare parts inventory and redundancy costs.

Ownership interest (%)	Consolidated $'000 31 Aug 2018	28 Feb 2018	31 Aug 2017
Investments in Associates			
Cargill Oilseeds Australia Partnership ('COA')	15%	15%	15%
Cargill Processing Ltd ('CPL')[1]	15%	15%	15%
Investments in Joint Ventures			
Australian Classing Services Pty Ltd ('ACS')[1, 2]	n/a[2]	n/a[2]	50%
Namoi Cotton Alliance ('NCA')	51%	51%	51%
NC Packing Services Pty Ltd ('NCPS')[1]	51%	51%	51%

[1] Incorporated in Australia

[2] The remaining 50% of ACS was acquired on 6 February 2018 and therefore became a wholly owned subsidiary.

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 (was an associate to 31/01/18).
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.

NCA and NCPS are 51% owned by the Group, however, the two entities are jointly controlled due to the joint venture agreement terms in relation to committee decision making and the Group's representation on the respective committees.

10. Interest in Joint Operations

Name	Balance Date	Consolidated 31 Aug 2018	28 Feb 2018	31 Aug 2017
(a) Ownership interest (%)				
Wathagar Ginning Company ('WGC')	28 February	50%	50%	50%
Moomin Ginning Company ('MGC')	28 February	75%	75%	50%

(b) Principal activities
The joint operations 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 $2,198,000 (Feb 2018: $2,224,000).

12. Property, Plant and Equipment

a) Acquisitions and disposals
During the half-year ended 31 August 2018 the group acquired assets of $6,217,996 (2017: $3,752,143) and disposed of assets with a net carrying value $680,205 (2017: $117,328).

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 2018	28 Feb 2018	31 Aug 2017
Current			
Trade creditors and accruals[1]	59,627	7,799	58,074
Grower deposits	44	32	57
Cotton seed sales deposits	2,301	14	366
Liability for associate losses[2]	4,398	2,270	1,234
	66,370	**10,115**	**59,731**

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

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 2018	28 Feb 2018	31 Aug 2017
AUD Facilities			
Short term	2,500	2,500	2,500
Working capital finance[1]	10,000	10,000	10,000
Term debt[2]	42,000	42,000	42,000
Equipment Finance[3]	2,500	2,500	2,500
	57,000	**57,000**	**57,000**

	Facility Use - Consolidated AUD $'000		
	31 Aug 2018	28 Feb 2018	31 Aug 2017
Current			
AUD Facility Use			
Short term	-	18	-
Working capital finance[1]	-	6,000	7,500
	-	6,018	7,500
Other Liabilities			
Lease liability - bank finance[3]	958	684	940
Lease liability - other finance	80	74	73
	1,038	758	1,013
	1,038	**6,776**	**8,513**
Non Current			
AUD Facility Use			
Term debt[2]	42,000	42,000	42,000
	42,000	42,000	42,000
Other Liabilities			
Lease liability - bank finance[3]	1,295	951	1,365
Lease liability - other finance	214	275	268
	1,509	1,226	1,633
	43,509	**43,226**	**43,633**

Facility description and use

[1] Working 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 (2017: AUD$10 million).

[2] Term debt finance
- Namoi Cotton has negotiated the following finance facility limits:
- Committed term debt facility A (non-amortising) - facility limit of AUD$35 million (2017: AUD$35 million) with a facility end date of 28 February 2020;
- Committed term debt facility B (non-amortising) - facility limit of AUD$7 million (2017: AUD$7 million) with a facility end date of 28 February 2020; and

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

The current financing agreement with CBA was effected 26 March 2018 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 2020, whilst the working capital facility has an end date of 31 March 2019.

The Directors expect the facilities will be renewed thereafter and at appropriate levels for 2019/20 Financial Year operations.

15. Contributed Equity

	No. 000's		$ '000	
	31 Aug 2018	**28 Feb 2018**	**31 Aug 2018**	**28 Feb 2018**
Ordinary Shares/Residual Capital Stock	**142,653**	**142,653**	**37,639**	**37,639**

	No. 000's		$ '000	
	31 Aug 2018	**28 Feb 2018**	**31 Aug 2018**	**28 Feb 2018**
1 cent Capital Stock (fully paid)				
Capital stock at the beginning of the financial year	-	109,843	-	1,098
Capital stock converted as part of restructure	-	(109,843)	-	(1,098)
Capital stock at the end of the period	**-**	**-**	**-**	**-**
1 cent Residual Capital Stock (fully paid)				
Residual capital stock at the beginning of the financial year	15,226	-	152	-
Grower member shares converted as part of restructure	-	32,810	-	328
Capital stock converted as part of restructure	-	109,843	-	1,098
Residual capital stock converted to ordinary shares	(11,454)	(127,427)	(115)	(1,274)
Residual capital stock at the end of the period	**3,772**	**15,226**	**38**	**152**
Ordinary Shares (fully paid)				
Ordinary shares at the beginning of the financial year	127,427	-	1,274	-
Residual capital stock converted to ordinary shares	11,454	127,427	115	1,274
Ordinary shares at the end of the period	**138,881**	**127,427**	**1,389**	**1,274**

At balance date some 3.77m (2018:15.23m) 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. The Board have not exercised their discretion to redeem the outstanding residual capital stock at this time.

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.

16. Segment Information

Business segments **Half-year ended 31 August 2018**	**Ginning** **$'000**	**Marketing[1]** **$'000**	**Commodities** **$'000**	**Unallocated** **$'000**	**Consolidated** **$'000**
Sales to external customers	130,996	385,478	383	100	**516,957**
Segment Result (Pre-tax)	22,400	2,908	375	(4,509)	**21,174**

Business segments **Half-year ended 31 August 2017**	**Ginning** **$'000**	**Marketing** **$'000**	**Commodities** **$'000**	**Unallocated** **$'000**	**Consolidated** **$'000**
Sales to external customers	138,483	274,539	36	117	**413,175**
Segment Result (Pre-tax)	24,417	2,717	49	(4,758)	**22,425**

	Consolidated $'000	
	31 Aug 2018	**31 Aug 2017**
Included in the unallocated results for the period are:		
Rental Revenue	98	110
Finance Revenue	2	7
Total Unallocated Revenue	**100**	**117**
Employee benefits expense	(2,124)	(1,917)
Depreciation	(200)	(177)
Finance costs	(13)	(20)
Other corporate administrative expenses	(2,272)	(2,760)
	(4,609)	**(4,875)**
Total Unallocated Result	**(4,509)**	**(4,758)**

[1] Marketing revenue remains inclusive of lint sales values upon transfer of bales from Namoi to NCA and classing income from Australian Classing Services Pty Ltd, which was wholly owned from 6 February 2018. The segment result represents the share of profits from the NCA joint venture plus the margin on sales from Namoi to NCA and classing revenue.

17. Reserves

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 current interest-bearing liabilities approximate their fair value.

Non-current interest-bearing liabilities have a carrying amount of $43.51 million and have a fair value of $43.47 million. The fair value of the non-current interest-bearing liabilities is determined by using a discounted cash flow ("DCF") method that reflects the issuer's borrowing rate as at the end of the reporting period.

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.

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.

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. (2017: 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 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 events of a material nature have occurred between 31 August 2018 and the date of this report.

21. Related Party Disclosures

Significant related party transactions entered into with other related parties during the six months ended 31 August 2018 and 2017:

ACS leased HVI machines from the parent during the period for $NIL (2017: $17,953). Note ACS became a wholly-owned subsidiary of Namoi Cotton Limited on 6 February 2018.

Sales of white cotton seed to the COA Partnership were $6,403,114 (2017: $32,645,079) and purchases of white cotton seed from the COA Partnership were $1,085,579 (2017: $1,262,599).

Transactions with Namoi Cotton Alliance
Management fees received by Namoi for services provided to Namoi Cotton Alliance $1.25m (inclusive of bale handling fees) (2017: $1.25m).
Lint Cotton Sales from Namoi to Namoi Cotton Alliance $382.6m (2017: $273.1m).

22. Other Non-Financial Information

Namoi Cotton Limited
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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 2018

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

In the opinion of the directors:

a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the consolidated entity's financial position as at 31 August 2018 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

T Watson
Director
Brisbane
23 October 2018