Namoi Cotton Limited

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www.namoicotton.com.au

Appendix 4D
incorporating the
Interim Financial Report

For the Half-Year Ended
31 August 2020

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

Contents

APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO MARKET

	% Change		$'000
Revenues from ordinary activities	Down 73%	to	324
Loss from ordinary activities after tax attributable to members	Down 8%	to	(4,323)
Net loss for the period attributable to members	Down 8%	to	(4,323)

Dividends	Amount per Security	Franked Amount per Security
Final dividend - (Refer Note 4)	0.0 cents	-
Interim dividend	0.0 cents	-
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 information on the financial result and review of operations refer to pages 4-5.

Earnings per Share

	31 August 2020	31 August 2019
Basic earnings per ordinary share	(3.1) cents	(2.9) cents
Diluted earnings per share [1]	(3.1) cents	(2.9) cents

Net tangible assets per security

	31 August 2020	31 August 2019
Net tangible asset backing per ordinary share	83 cents	91 cents

[1] Residual capital stock uncovered has not been included in the calculation of diluted earnings per share because they are antidilutive, refer to note 16.

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 2020.

Your directors present their report on the consolidated entity consisting of Namoi Cotton Limited (‘**Namoi**’ or the ‘**Company**’) and the entities it controlled at the end of or during the half year ended 31 August 2020 (‘**H1FY21**’).

Directors, during the half year period and up to the date of this report are:

Name	Position	Resigned	Appointed	Committee Representation
Tim Watson	Chairman and Non-executive Director	-	-	PC
Glen Price	Non-executive Director	-	-	ARCC; TOR; SY
Robert Green	Non-executive Director	-	-	TOR; PC
Juanita Hamparsum	Non-executive Director	-	-	ARCC; SY
James Jackson	Non-executive Director	13 May 2020	-	-
Joseph Di Leo	Non-executive Director	-	-	ARCC; PC; SY
Ian Wilton	Non-executive Director		17 June 2020	TOR; PC

Committee References:
PC – People and Culture
ARCC – Audit, Risk and Compliance
TOR – Trading and Operational Risk
SY - Safety

Key Financial Items

Half year ended 31 August		2020	2019	Movement
Ginned bales	m	0.12	0.45	73% ⇩
Revenue and trading margin gains	$m	13.2	36.4	64% ⇩
Processing & distribution costs	$m	2.6	8.7	70% ⇩
Contribution [1]	$/bale	86	61	41% ⇧
Cost base [2]	$m	11.2	19.7	43% ⇩
Depreciation, fair value decrements & impairments	$m	2.0	12.1	84% ⇩
Net operating cash outflows	$m	8.7	11.5	25% ⇩
Net debt to capital ratio [3]	%	32	30	5% ⇧

[1] Contribution equals revenue plus trading margin gains less processing and distribution costs
[2] Cost base equals employee salaries and benefits and other expenses plus finance costs
[3] Net debt equals interest bearing liabilities less cash and cash equivalents. Net debt to capital ratio equals net debt divided by net debt plus total equity

Financial Results

Ongoing drought conditions in Eastern Australia severely impacted cotton supply and thus Namoi’s 2020 cotton season ginning volumes to 31 August 2020 were down by 0.33m bales or 73% on the prior comparative period (‘**pcp**’). This was materially in line with the decline in volume for the entire Australian cotton crop in the 2020 season. Namoi ginned 0.12m bales in H1FY21 which is the lowest recorded seasonal volume in Namoi’s recent history.

Despite these unprecedented low ginning volumes, Namoi’s net loss after tax for H1FY21 increased by just $0.3m to $4.3m (pcp: $4.0m), given the implementation of operating efficiencies as well as the ongoing reduction in the company’s cost base.

Offsetting the 73% reduction in ginning volume was an increase in contribution per bale (up 41% on pcp) given operating efficiencies, a relatively stable ginning price per bale, plus higher prices per metric tonne on cotton seed sales.

Processing and distribution costs reduced 70% on pcp in line with the reduction in ginning volumes. The company reduced its total cost base by $8.5m in the 6 months to 31 August 2020, which represents a 43% reduction in 2020 versus 2019, and is on top of the 32% reduction achieved in 2019 versus 2018. Employee related costs account for $6.6m of the $8.5m cost base reduction in H1FY21. This ongoing reduction in Namoi's cost base stems from the modernisation program commenced in the second half of the 2019 financial year.

Depreciation was down $1.9m on pcp as a result of Namoi's 'units of production' depreciation methodology (pcp: $3.9m). There was no change in the capacity and servicing potential of Namoi's ginning network and hence there was no increment or decrement applied to the fair value of ginning assets in H1FY21. That compares to a $5.2m decrement in fair value recorded in the pcp.

Domestic and global business activity continues to be impacted by the COVID-19 outbreak however, the direct impact on Namoi's ginning operations has not been significant to date. Despite the current volatility and uncertainty associated with COVID-19, the Board is confident that there has been no negative impact on Namoi's asset capacity and potential to service forecast ginning volumes.

Namoi's continuing focus on efficiencies and cost control has helped offset the negative volume impacts resulting from drought conditions. Net cash outflows from operations for H1FY21 reduced by $2.8m representing a 25% improvement on pcp.

Namoi's cashflow is impacted by seasonal factors with payments for product manufacturing and operating costs weighted to its first half (i.e. the 6 months ending 31 August), whilst receipts from customers are weighted to its second half ending in February each year. Hence, Namoi's cashflow profile generally reflects a net cash outflow in the first half of the financial year followed by a net cash inflow in the second half. The Company's $10 million working capital facility is designed to cater for this seasonal volatility in cash flow.

Namoi's share of loss from the Namoi Cotton Alliance joint venture ('NCA') in H1FY21 was $4.3m (pcp: $1.4m loss), noting that the total share of loss in the pcp also included results from the Cargill Oilseeds Australia partnership ('COA') which was dissolved in the prior financial year. There was no impairment applied to the carrying value of the NCA investment in H1FY21 compared to a $3.0m impairment in the pcp.

Interest Bearing Liabilities classified as current liabilities totalled $52.0m as at 31 August 2020 (pcp: $1.7m) and includes a $42m term debt facility with Commonwealth Bank of Australia ('**CBA**') which in the pcp was classified as non-current. As at 31 August 2020, this CBA term debt facility had an expiry date of 30 April 2021 which resulted in its reclassification from non-current to current liability. Since 31 August 2020, CBA has agreed in principle to extend the maturity date for all of its debt facilities with Namoi until 30 April 2022 meaning the term debt maturity date is now beyond 12 months (i.e. non-current).

Namoi has commenced a non-core asset sale program resulting in $2.3m worth of property, plant and equipment being classified as held for sale within the coming 12 months (pcp: Nil). This is in addition to $0.6m worth of proceeds received in H1FY21 from the sale of property, plant and equipment (pcp: Nil).

The directors have elected not to declare an FY20 interim dividend (FY19: nil cents).

Review of operations and Outlook

2020 Cotton Crop

The estimated cotton area planted was 60,000 hectares. Growing conditions for the 2020 crop was affected by the continued drought conditions across major growing areas in NSW and Queensland. Water shortages for irrigated cotton in most regions impacted overall production yields as limited water supplies and lack of rainfall during the growing season sharply reduced the 2020 crop. The 2020 crop is estimated to yield 0.6m bales representing a 71% decrease from the 2.13m bales from the 2019 crop.

Ginning

During H1FY21 Namoi ginned 0.12m bales of the 2020 crop, including 100% of joint operations bales (pcp: 0.45m bales) across five of its gins. Despite a 73% drop in Namoi's ginning volumes versus pcp, efficiency gains resulted in variable operating costs per bale being in line with pcp.

Cotton Seed

Domestic demand and favourable trading conditions have delivered good trading margins in H1FY21 despite a drop in volumes sold. Seed prices have eased during H1FY21 due to increased rainfall across a number of regions, as well as a drop in the number of cattle on feed in Australia.

Namoi Cotton Alliance (NCA)

NCA's lint marketing and associated logistics and warehouse businesses were negatively impacted by the significant drop in 2020 season ginning volumes, resulting in a comparable reduction in forward trade volumes. Ongoing market volatility also led to material counter party defaults and provisions which negatively impacted H1FY21 results. NCA's commodity packing business was also negatively impacted by drought affected volumes in H1FY21 however, the outlook for current season winter crops is positive.

2021 season outlook (2021/22 financial year)

The 2021 Australian cotton crop is now entering the planting phase and the total 2021 crop size is estimated to be in a range of 2.1 million to 2.5 million bales, which is up to three times the size of the 2020 crop. This range reflects improved rainfall since early 2020 which has resulted in increased water storage and availability. The recently declared La Nina event for Australia may further impact on this forecast range. Namoi's operations will benefit from this estimated increase in ginning volume from the 2021 crop.

Rounding

Namoi is an entity of the kind specified in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that legislative instrument, amounts in the interim financial report and Directors' report have been rounded to the nearest thousand dollars ($1,000) unless specifically stated to be otherwise.

Auditor's Independence Declaration

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

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

On behalf of the board

T Watson
Director
Tamworth

27 October 2020

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Auditor's Independence Declaration to the Directors of Namoi Cotton Limited

As lead auditor for the review of the half-year financial report of Namoi Cotton Limited for the half-year ended 31 August 2020, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 period.

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
27 October 2020

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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 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cashflows 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 2020 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*.

Emphasis of Matter – Material Uncertainty Related to Going Concern

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

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 2020 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.

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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

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
27 October 2020

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 August 2020

		Consolidated $'000	
	Note	31 Aug 2020	31 Aug 2019
Revenue from customers	2a	211	1,026
Revenue - other	2a	113	193
Total Revenue		324	1,219
Trading margin gains	2a	12,861	35,164
Other income	2b	900	-
Share of loss of joint ventures and associates	9	(4,322)	(1,337)
Processing and distribution costs		(2,612)	(8,729)
Employee benefits expense	2c	(6,198)	(12,748)
Depreciation		(1,983)	(3,907)
Fair value decrement - ginning assets	12	-	(5,219)
Fair value decrement - assets held for sale		(86)	-
Impairment - joint venture investment	9	-	(2,979)
Finance costs	2d	(830)	(1,223)
Other expenses	2e	(4,153)	(5,746)
Loss before income tax		**(6,099)**	(5,505)
Income tax benefit	3	1,776	1,490
Loss attributable to the members of Namoi Cotton Limited		**(4,323)**	(4,015)
Other comprehensive income items that will not be reclassified subsequently to profit and loss:			
Increment to asset revaluation reserve (net of tax)		(240)	1,991
Loss and other comprehensive income attributable to the members of Namoi Cotton Limited		**(4,563)**	(2,024)

	Cents	
	31 Aug 2020	31 Aug 2019
Earnings per share		
Basic earnings per share	(3.1)	(2.9)
Diluted earnings per share [1]	(3.1)	(2.9)

[1] Residual capital stock uncovered has not been included in the calculation of diluted earnings per share because they are antidilutive, refer to note 16.

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 2020

		Consolidated $'000		
	Note	31 Aug 2020	29 Feb 2020	31 Aug 2019
Current assets				
Cash and cash equivalents	5	**418**	731	2,420
Trade and other receivables	6	**9,350**	3,531	25,413
Inventories	7	**14,274**	7,254	29,605
Prepayments		**408**	683	987
Derivative financial instruments	8	**4,793**	4,280	2,670
Assets held for sale	13	**2,278**	-	-
Total current assets		**31,521**	16,479	61,095
Non-current assets				
Investments in associates accounted for using the equity method	9	**24,556**	28,878	32,507
Intangibles		**-**	-	961
Property, plant and equipment	12	**128,905**	133,939	134,364
Total non-current assets		**153,461**	162,817	167,832
Total assets		**184,982**	179,296	228,927
Current liabilities				
Trade and other payables	14	**10,401**	4,184	31,480
Interest bearing liabilities	15	**52,072**	1,710	11,397
Provisions		**1,791**	1,524	2,737
Derivative financial instruments	8	**1,044**	3,024	6,453
Total current liabilities		**65,308**	10,442	52,067
Non-current liabilities				
Interest bearing liabilities	15	**2,364**	44,778	43,769
Provisions		**246**	571	674
Deferred tax liability		**189**	2,067	4,622
Total non-current liabilities		**2,799**	47,416	49,065
Total liabilities		**68,107**	57,858	101,132
Net assets		**116,875**	121,438	127,795
Equity				
Contributed equity	16	**37,639**	37,639	37,639
Reserves	18	**70,090**	70,330	69,712
Retained earnings		**9,146**	13,469	20,444
Equity attributable to the equity holders of the parent		**116,875**	121,438	127,795
Total equity		**116,875**	121,438	127,795

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

STATEMENT OF CASH FLOWS

for the half-year ended 31 August 2020

	Consolidated $'000	
	31 August 2020	**31 August 2019**
Cash flows from operating activities		
Receipts from customers	**56,519**	253,061
Net commodity/currency derivative flows	**-**	(19)
Payments to suppliers and employees	**(14,845)**	(34,798)
Payments to suppliers - growers	**(49,480)**	(228,602)
Interest received	**4**	-
Borrowing costs	**(856)**	(1,146)
Net cash outflow from operating activities	**(8,658)**	(11,504)
Cash flows from investing activities		
Payments for property, plant and equipment	**(40)**	(1,102)
Proceeds from sale of property, plant and equipment	**571**	1
Proceeds from loans (advanced)/received	**1**	17
Net cash inflow/(outflow) from investing activities	**532**	(1,084)
Cash flows from financing activities		
Proceeds from borrowings	**8,500**	13,043
Repayment of borrowings	**(225)**	(3,043)
Loans advanced to growers	**-**	(119)
Proceeds from repayment of grower loans	**-**	119
Repayment of equipment loans	**(605)**	(636)
Payment of principal portion of lease liabilities	**(189)**	(183)
Dividends paid to shareholders	**-**	-
Net cash inflow from financing activities	**7,481**	9,181
Net decrease in cash	**(645)**	(3,407)
Add cash at the beginning of the financial year	**731**	5,827
Cash at end of period	**86**	2,420

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 2020

Consolidated $'000	Issued Capital	Asset Revaluation Reserve	Retained Earnings	Total Equity
Total equity at 1 March 2020	37,639	70,330	13,469	121,438
Net loss for the period	-	-	(4,323)	(4,323)
Asset decrement (net of tax)	-	(240)	-	(240)
Total equity at 31 August 2020	**37,639**	**70,090**	**9,146**	**116,875**

Consolidated $'000	Issued Capital	Asset Revaluation Reserve	Retained Earnings	Total Equity
Total equity at 1 March 2019	37,639	67,721	24,459	129,819
Net loss for the period	-	-	(4,015)	(4,015)
Asset increment (net of tax)	-	1,991	-	1,991
Total equity at 31 August 2019	**37,639**	**69,712**	**20,444**	**127,795**

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 29 February 2020. 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 2020 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.

Significant Changes in the State of Affairs
The COVID-19 outbreak was declared a pandemic by the world health organisation in March 2020. The outbreak and response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and business operations however, there has not been a significant impact on Namoi's ginning operations to date. The scale and duration of these developments remain uncertain as at the date of this report however they may have an impact on our earnings, cash flow and financial condition. Despite the current volatility and uncertainty associated with COVID-19, the Directors are confident that there has been no impact on the Group's asset capacity and potential to service forecast ginning volumes resulting in no material impact on the fair value of ginning assets at 31 August 2020.

There have been no other significant changes in the state of affairs of the consolidated entity or company during the year.

Going Concern
The half-year financial report has been prepared on the going concern basis that assumes the continuity of normal business activities and the realisation of assets and the discharge of liabilities as and when they fall due, in the ordinary course of business. The ability of the Group to continue as a going concern is impacted by the continuing availability of the Group's financing facilities as well as the continuing availability of the financing facilities of Namoi Cotton Alliance (NCA), its 51% owned joint venture. The completion of the restructure of the Group's NCA joint venture with Louis Dreyfus Company ('**LDC**') is scheduled to occur on 28 October 2020. This restructure will materially reduce the Group's responsibility to ensure the continuing availability of future financing facilities for the joint venture's trading and marketing operations.

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

On 6 April 2020, the Group renewed the working capital facility extending its maturity date to 30 April 2021 ('**CBA 2021 extension**'), as well as amending financial covenants.

As at balance date, the Group was in advanced negotiations with CBA for a further extension in the maturity date of its working capital and term debt facilities. Subsequent to balance date, CBA has agreed in principle to extend the maturity date of those facilities to 30 April 2022 ('**CBA 2022 extension**') and to amend the financial covenants as a reflection of current trading conditions. The Group expects the amending documentation with

CBA to be completed within the coming weeks. Note 15 to the half-year financial report summarises the details of all of the Group's banking facilities, including working capital and term debt.

On the basis the CBA 2022 extension was only in process at balance date, the total outstanding balance of the term debt facility, being $42m, has been classified as a current liability within these financial statements in the current period compared to being classified as a non-current liability in the prior comparative period, due to its expiry date of 30 April 2021. As a result, the Group had a net current liability deficiency as at balance date. Upon completion of the CBA 2022 extension, the term debt maturity date will be beyond 12 months from the year end of 28 February 2021, therefore allowing classification of the debt as non-current at year end, subject to compliance with all bank covenants to 28 February 2021.

The Directors are confident the CBA 2022 extension will be completed prior to the current CBA maturity date, that being 30 April 2021.

On 29 May 2020, NCA renewed its existing inventory and margin facilities with the Australia and New Zealand Banking Group ('**ANZ**') extending their maturity date to 30 April 2021, as well as amending the review events relating to milestones in respect of the overall restructure of the NCA business. On the same date, NCA established a working capital facility with LDC.

The Directors are confident that NCA will be able to amend existing covenants, extend its existing banking facilities and/or establish new banking facilities beyond the current ANZ maturity date of 30 April 2021, which will allow NCA to realise its assets and discharge its liabilities as and when they fall due.

The Directors believe that notwithstanding any uncertainty associated with the matters referred to above, there are reasonable grounds to believe that the use of the going concern basis remains appropriate as there is an expectation that the Group:

- will be able to establish new finance facilities; and
- will be able to amend existing covenants and/or extend existing finance facilities; and
- will be able to implement the restructure of NCA and the related changes to the partners' financing obligations; and
- will be able to raise sufficient amounts of either debt or equity or cash from asset sales.

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

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 and joint ventures;
- 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 29 February 2020.

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 because it typically controls the goods or services before transferring them to the customer.

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

Contract Balances

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

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

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

ii) Revenue Recognition

Revenue from customers
Sale of By-products
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.

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

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

Rental revenue
Rental income is brought to account when received.

Government grant income
During the period the Group applied for and received wage subsidy grant from the government.

Grant income is generated and can be recognised when there is reasonable assurance that the conditions attached to the grant income will be met and that the grant will be received. With wage subsidy grants (Jobkeeper) the income is recognised in the profit and loss over the periods in which the group receives the grants.

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

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

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

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

Sale of cotton seed
Sales revenue is brought to account when the terms of delivery under the sales contract have been satisfied. As cotton seed sales (to feedlots, graziers and other traders) 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.

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

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

The classification and measurement of the Group's financial assets are as follows:
• Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold financial assets to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Cash and cash equivalents and Trade & other receivables.

• Financial assets at FVTPL comprise derivative instruments 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.

At initial recognition the Group measures financial assets, except for trade receivables, at its fair value. Subsequent measurement of cash and cash equivalents and other receivables remain at amortised cost consistent with the comparative period. The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

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 resulting from an AASB 15 transaction not including a significant finance component are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit losses. 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 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 latter impacts have been fully eliminated within the interim financial statements where only group accounts are presented.

v) **Leases**

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

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

The lease payments are discounted using the lessee's incremental borrowing, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

vi) Assets Held for Sale

The group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than continuing use. These are measured at the lower of carrying amount and fair value less cost to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management is committed to the plan to sell the asset and the sales are expected to be completed within one year from the date of the classification. Plant & equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented as current items in the statement of financial position.

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 and positive net operating cashflow 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 which traditionally results in negative net operating cashflow, whilst the collection of proceeds from the sale of cottonseed largely occurs in the second half of the year between September and February. Under Namoi Cotton's accounting policies, profits on cottonseed are recognized when delivery to customer 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. Subsequent to 31 August 2020, Namoi Cotton executed a binding agreement in relation to a restructure of NCA joint venture (refer to Note 21).

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 2020	31 Aug 2019
a) Revenue		
i) Revenue from customers		
By type of goods or service		
Sale of byproducts	44	65
Classing services	164	821
Moss	-	132
Other	3	8
	211	**1,026**
ii) Other revenue		
Rental revenue	40	58
Other service revenue	69	135
Finance revenue	4	-
	113	**193**
Total revenue	**324**	**1,219**
iii) Trading margin gains		
Ginning services and seed sales	12,827	34,991
Lint Handling	34	173
	12,861	**35,164**
b) Other income		
Net gain on disposal of property, plant and equipment	23	-
Income- Government Grants	877	-
	900	**-**
c) Employee benefits expense		
Salaries, wages, on-costs and other employee benefits	5,746	11,992
Defined contribution superannuation expense	452	756
	6,198	**12,748**
d) Finance costs		
Interest on bank loans and overdrafts	815	1,085
Interest expense - leases	11	16
Finance charges payable under equipment loans	4	-
Interest expense - interest rate derivatives	-	122
	830	**1,223**

	Consolidated $'000	
	31 Aug 2020	31 Aug 2019
e) Other expenses		
Maintenance	489	1,195
Insurance	515	512
Motor vehicle related	257	482
Consulting fees	493	755
Audit fees	202	131
Business travel	219	386
Strategic restructuring-consulting [1]	553	1
Other	1,425	2,284
	4,153	**5,746**

[1] Includes the engagement of external corporate, legal and taxation advisors predominately in relation to the NCA joint venture restructure and business opportunities.

3. Income Tax

	Consolidated $'000	
	31 Aug 2020	31 Aug 2019
Statement of Profit and Loss and Other Comprehensive Income		
Accounting loss from continuing operations before income tax expense	(6,099)	(5,505)
At the Group's statutory income tax rate of 30% (2019: 30%)	(1,830)	(1,652)
Non-assessable or non-deductible items	54	162
Income tax benefit recorded in the statement of comprehensive income	**(1,776)**	**(1,490)**

4. Dividends Paid or Provided

	Consolidated $'000	
	31 Aug 2020	**31 Aug 2019**
Dividends paid during the half-year (nil% franked)		
Final dividend for the year ended 29 February 2020 of 0.0 cents per share (2019: 0.0 cents)	-	-
Dividends provided in the previous period	-	-
Net dividends paid or provided during the period	**-**	**-**

	Cents per share	
	31 Aug 2020	**31 Aug 2019**
Dividends paid or provided per share		
In respect of the financial years ended:		
28 February 2021	-	
29 February 2020	-	
28 February 2019		-

5. Cash and Cash Equivalents

	Consolidated $'000		
	31 Aug 2020	**29 Feb 2020**	**31 Aug 2019**
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	418	731	2,420
Bank overdraft	(332)	-	-
	86	**731**	**2,420**

6. Trade and Other Receivables

	Consolidated $'000		
	31 Aug 2020	**29 Feb 2020**	**31 Aug 2019**
Current			
Trade debtors from material joint venture[1]	5,010	97	17,760
Trade debtors and receivables other parties	4,341	3,434	7,653
Less: allowance for expected credit losses	(1)	-	-
	9,350	**3,531**	**25,413**

[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 2020	29 Feb 2020	31 Aug 2019
Cotton seed (at fair value less costs to sell)	7,833	102	21,364
Moss and mote (at cost)	35	-	436
Operating supplies and spares (at cost)	6,406	7,152	7,805
	14,274	**7,254**	**29,605**

8. Derivative Financial Instruments

	Consolidated $'000		
	31 Aug 2020	29 Feb 2020	31 Aug 2019
Current assets			
Interest rate cap contracts	28	-	-
Cottonseed sale contracts	4,303	695	-
Cottonseed purchase contracts	-	561	1,525
Lint cotton sale contracts - NCA	462	-	-
Lint cotton purchase contracts	-	2,954	1,145
	4,793	**4,210**	**2,670**
Current liabilities			
Foreign exchange contracts	3	-	-
Interest rate swap contracts	-	-	122
Cottonseed sale contracts	-	-	5,186
Cottonseed purchase contracts	579	-	-
Lint cotton sale contracts - NCA	-	2,954	1,145
Lint cotton purchase contracts	462	-	-
	1,044	**2,954**	**6,453**

The fair value methodology for financial instruments is set out in Note 19.

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

	Consolidated $'000		
	31 Aug 2020	**29 Feb 2020**	**31 Aug 2019**
Investment in associates (material)	-	-	1,843
Investment in joint ventures (material)	24,556	28,878	30,664
	24,556	**28,878**	**32,507**
Material investment in associates			
(i) *Share of associates results*			
Cargill Oilseeds Australia Partnership ('COA')	-	29	29
Cargill Processing Ltd ('CPL')	-	23	23
Group share of associates profit/(loss)	**-**	**52**	**52**
(ii) *Carrying amount of investments in associates*			
Cargill Oilseeds Australia Partnership ('COA')			
Balance at the beginning of the financial year	-	-	(5,328)
Share of associates profits/(losses) for the period	-	29	29
Liability for partner's contribution to losses	-	29	(5,299)
Cargill Processing Ltd ('CPL')			
Balance at the beginning of the financial year	-	1,820	1,820
Share of associates profits/(losses) for the period	-	23	23
Net book value of investment in associate at the end of the financial period	-	1,843	1,843
Material investments in joint ventures			
(i) *Material joint venture results*			
Namoi Cotton Alliance ('NCA')	(4,080)	(7,781)	(778)
NC Packing Services Pty Ltd ('NCPS')	(242)	(810)	(611)
Group share of joint ventures profit/(loss)	**(4,322)**	**(8,591)**	**(1,389)**
(ii) *Carrying amount of investments in joint ventures*			
Namoi Cotton Alliance ('NCA')			
Balance at the beginning of the financial year	31,171	36,514	36,515
Impairment of joint venture	-	2,438	(2,979)
Share of associates profits/(losses) for the financial year	(4,080)	(7,781)	(778)
Net book value of investment in joint venture at the end of the financial period	27,091	31,171	32,758
NC Packing Services Pty Ltd ('NCPS')			
Balance at the beginning of the financial year	(2,293)	(1,483)	(1,483)
Share of associates profits/(losses) for the period	(242)	(810)	(611)
Net book value of investment in joint venture at the end of the financial period	(2,535)	(2,293)	(2,094)
Group carrying amount of investment in associates at the end of the financial period	**24,556**	**28,878**	**30,664**
Share of profit/(loss) of associates and joint ventures	**(4,322)**	**(8,539)**	**(1,337)**

Ownership interest (%)	Consolidated $'000 31 Aug 2020	29 Feb 2020	31 Aug 2019
Investments in Associates			
Cargill Oilseeds Australia Partnership ('COA')	0%	0%	15%
Cargill Processing Ltd ('CPL')[1]	0%	0%	15%
Investments in Joint Ventures			
Namoi Cotton Alliance ('NCA')	51%	51%	51%
NC Packing Services Pty Ltd ('NCPS')[1]	51%	51%	51%

[1] Incorporated in Australia

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.

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 2020	29 Feb 2020	31 Aug 2019
(a) Ownership interest (%)				
Wathagar Ginning Company (‘WGC’)	28 February	50%	50%	50%
Moomin Ginning Company (‘MGC’)	28 February	75%	75%	75%

(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 $2,118,000 (Feb 2020: $2,142,000).

12. Property, Plant and Equipment

	Consolidated $'000		
	31 Aug 2020	29 Feb 2020	31 Aug 2019
Gin Assets			
Ginning infrastructure and major equipment			
at fair value	116,794	119,427	119,376
Provision for depreciation and impairment	(2,873)	(2,825)	(2,698)
Transfer to assets held for sale at WDV	(1,909)	-	-
	112,012	116,602	116,678
Revaluation to fair value	-	(1,561)	(2,385)
Closing written down value at fair value	112,012	115,041	114,293
Other ginning equipment			
Cost	10,816	10,977	10,907
Provision for depreciation and impairment	(5,957)	(5,734)	(5,582)
Closing written down value at cost	4,859	5,243	5,325
Net Gin Assets	**116,871**	**120,284**	**119,618**
Other Assets			
Other infrastructure and major equipment			
at fair value	6,339	6,430	6,420
Provision for depreciation and impairment	(234)	(175)	(82)
Transfer to assets held for sale at WDV	(798)	-	-
	5,307	6,255	6,338
Revaluation to fair value	-	80	18
Closing written down value at fair value	5,307	6,335	6,356
Other equipment			
Cost	12,629	12,812	15,689
Provision for depreciation and impairment	(7,268)	(7,096)	(9,488)
Closing written down value at cost	5,361	5,716	6,201
Net Other Assets	**10,668**	**12,051**	**12,557**
Right Of Use Assets			
Lease property and plant	1,233	1,186	1,169
Provision for depreciation and impairment	(575)	(384)	(190)
Net Right Of Use Assets	658	802	979
Capital work in progress ('CWIP') at cost	708	802	1,210
Total written down value at fair value	117,319	121,376	120,649
Total written down value at cost	10,928	11,761	12,736
Total right of use assets	658	802	979
Total written down value for property, plant & equipment	**128,905**	**133,939**	**134,364**

Acquisitions and disposals

During the half-year ended 31 August 2020 the group acquired assets of $251,965 (2019: $1,192,561) and disposed of assets with a net carrying value $548,669 (2019: $946).

Revaluation of Ginning Assets

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

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

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

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

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

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

Based on the above fair value methodology there were a number of increment and decrement (reversals of previous increments) adjustments posted to the asset revaluation reserve at 29 February 2020 together with the excess reduction posted to the profit and loss statement as a fair value decrement - ginning assets. The fair value methodology and assumptions have remained consistent to those at 29 February 2020 for the half-year ended 31 August 2020.

Impairment of Assets at Cost

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

13. Assets Held for Sale

The following non-core assets, deemed surplus to requirements, are held for sale:

	Carrying Value $'000		
	31 Aug 2020	29 Feb 2020	31 Aug 2019
Land and buildings	2,232	-	-
Fair value adjustment	(429)		
Plant and equipment	475	-	-
	2,278	**-**	**-**

14. Trade and Other Payables

	Consolidated $'000		
	31 Aug 2020	29 Feb 2020	31 Aug 2019
Current			
Trade creditors and accruals[1]	9,197	4,092	30,776
Grower deposits	38	38	40
Cotton seed sales deposits	1,166	53	664
	10,401	**4,184**	**31,480**

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

15. 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 2020	**29 Feb 2020**	**31 Aug 2019**
AUD Facilities			
Uncommitted overdraft	2,500	2,500	2,500
Working capital[1]	10,000	10,000	10,000
Term- A[2]	35,000	35,000	35,000
Term- B[2]	7,000	7,000	7,000
	54,500	**54,500**	**54,500**

	Facility Use - Consolidated AUD $'000		
	31 Aug 2020	**29 Feb 2020**	**31 Aug 2019**
Current			
AUD Facility Use			
Short term	332	-	-
Working capital finance[1]	8,275	-	10,000
Term debt[2]	42,000	-	-
Equipment loans[3]	699	970	1,041
Lease Liabilites[4]	366	340	356
Cargill Australia Ltd [5]	400	400	-
	52,072	**1,710**	**11,397**
Non Current			
AUD Facility Use			
Term debt[2]	-	42,000	42,000
Equipment loans[3]	523	768	1,139
Lease Liabilites[4]	306	474	629
Cargill Australia Ltd [5]	1,535	1,536	-
	2,364	44,778	43,769
	54,436	**46,488**	**55,166**

Facility description and use

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

[2] Term debt facilities are committed, non-amortising lines utilised to fund capital projects relating to the plant, property and equipment of the business.

[3] Equipment loans were provided to facilitate the upgrade of mobile plant.

[4] Lease liabilities include leases considered under AASB 16.

[5]Cargill deferred settlement of $800,319 incurs interest of 6.5% pa in arrears. Cargill advance of $1,134,699 is the present value repayable over 5 years discounted at 6.5% pa.

A Deed of Amendment was executed by Namoi and CBA on 6 April 2020 extending the maturity date of the working capital facility to 30 April 2021 in line with the maturity date of the Term debt facilities. Namoi and CBA have also agreed to certain financial covenants at what are considered appropriate levels to meet the needs of the business. As at balance date, the Group was in advanced negotiations with CBA for a further extension in the maturity date of its working capital and term debt facilities. Subsequent to balance date, CBA has agreed in principle to extend the maturity date of those facilities to 30 April 2022 and to amend the financial covenants as a reflection of current trading conditions. The Group expects the amending documentation with CBA to be completed within the coming weeks. Namoi expects the finance facilities outlined above will be sufficient to fund operations in FY21.

16. Contributed Equity

	No. 000's		$ '000	
	31 Aug 2020	29 Feb 2020	31 Aug 2020	29 Feb 2020
Ordinary Shares/Residual Capital Stock	**142,653**	**142,653**	**37,639**	**37,639**
1 cent Residual Capital Stock (fully paid)				
Residual capital stock at the beginning of the financial year	2,339	2,558	23	26
Residual capital stock converted to ordinary shares	(21)	(219)	(0)	(2)
Residual capital stock at the end of the period	**2,318**	**2,339**	**23**	**23**
Ordinary Shares (fully paid)				
Ordinary shares at the beginning of the financial year	140,315	140,096	1,403	1,401
Residual capital stock converted to ordinary shares	21	219	0	2
Ordinary shares at the end of the period	**140,336**	**140,315**	**1,403**	**1,403**

At balance date some 2.32m (Feb 2020:2.34m) 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 stockholders are entitled to distributions as declared by the directors;
- Capital stockholders 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 stockholders prior to submission to a general meeting of Namoi Cotton for approval;
- On winding up, capital stockholders 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.

17. Segment Information

Business segments Half-year ended 31 August 2020	Ginning $'000	Marketing[1] $'000	Commodities $'000	Unallocated $'000	Consolidated $'000
Revenue	116	164	-	44	**324**
Trading margin gains	12,827	34	-	-	**12,861**
Segment Result (Pre-tax)	1,738	(4,265)	62	(3,634)	**(6,099)**

Business segments Half-year ended 31 August 2019	Ginning $'000	Marketing $'000	Commodities $'000	Unallocated $'000	Consolidated $'000
Revenue	340	821	-	58	**1,219**
Trading margin gains	34,991	173	-	-	**35,164**
Segment Result (Pre-tax)	2,846	(3,710)	70	(4,711)	**(5,505)**

	Consolidated $'000 31 Aug 2020	Consolidated $'000 31 Aug 2019
Included in the unallocated results for the period are:		
Rental Revenue	40	58
Finance Revenue	4	-
Total Unallocated Revenue	**44**	**58**
Employee benefits expense	(1,334)	(2,366)
Depreciation	(143)	(163)
Finance costs	(8)	(28)
Other corporate administrative expenses	(2,193)	(2,212)
	(3,678)	**(4,769)**
Total Unallocated Result	**(3,634)**	**(4,711)**

[1] Marketing revenue remains inclusive of classing income from Australian Classing Services Pty Ltd.

18. 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.

19. 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 $2.06 million and have a fair value of $1.85 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. (2019: nil). The nature of the market used to determine the Cotton Seed Price is assessed as being illiquid given the low volume of transactions, accordingly the contracts are classified as level 3 and the value of all derivatives are stated in note 8.

20. Contingent Assets, Liabilities and Commitments

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

21. Significant Events after Balance Date

Subsequent to half year end the following event has occurred.

On 16 September 2020, Namoi Cotton Limited executed binding implementation agreements with Louis Dreyfus Company ('**LDC**') in connection with the restructure of the joint venture partnership, Namoi Cotton Alliance ('NCA').

The restructured joint venture will consist of two partnerships, NCA and a new joint venture partnership to be called Namoi Cotton Marketing Alliance ('NCMA'). NCMA will be responsible for the Trading and Marketing of cotton lint acquired by Namoi. The existing trading and marketing operations will wind down in NCA. NCMA will commence upon all necessary regulatory approvals and any necessary third-party consents are received.

NCMA will be a 15%/85% joint venture partnership between Namoi and LDC respectively. Namoi's share of the profit or losses and capital contributions in NCMA will be subject to a "cap and collar" arrangement. Namoi also holds an option to increase its share in NCMA from 15% to 35% for a nominal value exercisable on 1 March 2025.

NCA remains a 51%/49% joint venture partnership between Namoi and LDC respectively. It will continue the warehousing and logistics facilities along with the containerised commodity packing facilities. It will also complete all existing contracts and obligations, including the trading and marketing of any cotton lint acquired prior to the commencement of NCMA.

The completion of the restructure of the Group's NCA joint venture with LDC is scheduled to occur on 28 October 2020.

No other events of a material nature have occurred between 31 August 2020 and the date of this report.

22. Related Party Disclosures

Significant related party transactions entered into with other related parties during the six months ended 31 August 2020:

Transactions with Namoi Cotton Alliance
Management fees received by Namoi for services provided to Namoi Cotton Alliance $0.9m (inclusive of bale handling fees) (2019: $1.25m).
Lint Cotton Sales from Namoi to Namoi Cotton Alliance $34.6m (2019: $178.9m).

23. Other Non-Financial Information

Namoi Cotton Limited
ABN 76 010 485 588

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

Bankers
Commonwealth Bank of Australia

Auditors
Ernst & Young
Brisbane, Australia

DIRECTORS DECLARATION

Financial report for the half-year ended 31 August 2020

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 2020 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
Tamworth
27 October 2020