



Namoi Cotton Co-operative Limited

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

Appendix 4D incorporating the Interim Financial Report

**For the Half-Year Ended
31 August 2015**



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

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Contents

Appendix 4D	3
Directors Report	4
Auditor's Independence Declaration	7
Report on the Interim Financial Report	8
Statement of Profit and Loss and Other Comprehensive Income	10
Balance Sheet	11
Cash Flow Statement	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14
1. Summary of Significant Accounting Policies	14
2. Revenue and Expenses.....	15
3. Income Tax	16
4. Distributions Paid or Provided on Co-operative Capital Units	17
5. Cash and Cash Equivalents	17
6. Trade and Other Receivables	18
7. Inventories	18
8. Derivative Financial Instruments	18
9. Investments in Associates and Joint Ventures using the equity method	19
10. Interest in Joint Operations	20
11. Interest in Jointly Controlled Assets.....	20
12. Property, Plant and Equipment.....	20
13. Trade and Other Payables.....	21
14. Interest Bearing Liabilities.....	21
15. Contributed Equity	23
16. Segment Information	23
17. Reserves	24
18. Fair Value Measurement.....	24
19. Contingent Assets, Liabilities and Commitments.....	25
20. Significant Events after Balance Date	25
21. Other Non-Financial Information.....	25
Directors Declaration	26

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APPENDIX 4D

The information contained in this report is for the half-year ended 31 August 2015 and the previous corresponding period, 31 August 2014.

RESULTS FOR ANNOUNCEMENT TO MARKET

	% Change		\$'000
Revenues from ordinary activities	Down 33%	to	235,752
Profit from ordinary activities after tax attributable to members	Down 74%	to	4,079
Net profit for the period attributable to members	Down 74%	to	4,079

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

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

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

Earnings per Share

	31 August 2015	31 August 2014
Basic earnings per ordinary security	3.7 cents	14.3 cents

Net tangible assets per security

	31 August 2015	31 August 2014
Net tangible asset backing per ordinary security	117 cents	122 cents

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

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DIRECTORS REPORT

Financial report for the half-year ended 31 August 2015

Your directors submit their report for the half-year ended 31 August 2015.

Directors

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

Stuart C Boydell, Chairman, Non-executive Director, 68

Richard Anderson, Non-executive Director, 69, OAM, B Com, FCA, FCPA

Michael Boyce, Non-executive Director, 72, FCA, FAICD, B Com, HDA

Ben Coulton, Non-executive Director, 60

Glen Price, Non-executive Director, 60, B Rural Science (Hons)

Robert Green, Non-executive Director, 58, B Bus (QAC) MAICD

Tim Watson, Non-executive Director, 54, GAICD

2015-2016 half-year financial results

Namoi Cotton recorded a net profit after tax of \$4.1m for the half year ended 31 August 2015, compared with a net profit after tax of \$15.7m in the previous half year. Namoi Cotton's ginning and seed volumes together with marketing volumes procured by Namoi Cotton Alliance (NCA) have been negatively impacted by the 39% reduction in the Australian crop size. Improved ginning throughput rates, effective operations work systems, reduced headcount and stringent cost management have in part alleviated the impact of the significant core business volume reduction. This half year performance and continuing implementation of our operating plan are expected to deliver a full year result in excess of our targeted breakeven net cashflows from operations for the financial year ending 29 February 2016.

The directors have elected not to declare an interim distribution (2014: 0.5 cents) per unit of Namoi Capital Stock.

No Grower Member rebate has been recorded within the half-year financial results.

Review of operations

The 2015 Australian cotton crop is now expected to be 2.3m bales, representing a 39% decline from the previous year's crop of 3.8m bales. Whilst planting areas were negatively impacted by the significant reduction in available irrigation water the yield results achieved by growers as a function of favourable growing conditions partly offset the reduced area.

Namoi Cotton completed ginning in late August 2015 having ginned 535,000 bales (including 100% of joint venture bales) of the 2015 crop (2014: 1,122,000 bales). The reduction in volumes reflects the significantly reduced Australian cotton crop particularly in the central production valleys. Our Hillston gin in the southern NSW cotton growing region provided strong support to ginning volumes. A further improvement in weighted average hourly ginning throughput rates was achieved in the current year bringing a combined 25% improvement over the past three years. This has delivered a 5% increase in underlying earnings contribution per bale from our core ginning business compared to the prior year. Structured shift and operating work systems were utilised, providing savings in energy and variable labour costs. Our acquisition of the North Bourke gin delivered an incremental contribution of \$0.3m and resulted in the achievement of record daily throughputs in the first year of operation of the gin by Namoi Cotton. Targeted site capital projects commissioned for the 2015 crop underpinned throughput improvements and provide a pathway for the rollout

to the entire ginning network to further enhance the operational performance of our ginning operations, which remains the largest in Australia.

Our cotton seed business shipped 113,000mt (2014: 223,000mt) in the first half of the year with overall profitability proportionally reduced from the preceding half year. Seed prices have remained high primarily as a function of strong domestic demand associated with the persisting domestic dry weather conditions limiting volumes in our cotton seed export program. Effective position and risk management has supported a 2% improvement in fair value trading margins per tonne from the previous half year period.

Our investment in Cargill Oilseeds Australia has resulted in a small loss of \$0.04m for the reporting period compared to a profit of \$0.5m in the previous period.

NCA has procured total marketing volumes for the 2015 crop of 378,000 bales (2014: 567,000 bales) delivering an increased market share on the prior year. Namoi Cotton's contribution from the joint venture for the period was \$0.7m (2014: \$4.5m). The reduced contribution was a function of the reduced crop size and increased competition pressuring margins. The joint venture's containerised grains and cotton seed packing operations operated at a small loss with lower first half cotton seed volumes resulting from both the lower ginning volumes available and higher domestic prices. NCA has committed to a major capital expansion of its containerized grain, pulse and oilseed packing, storage and handling capability in the second half of this year. NCA forecasts a significant increase to packing volumes in the next six months, particularly chickpea volumes, ensuring effective utilization of this expanded capacity.

Finance costs have reduced by \$0.6m in the reporting period with interest bearing liabilities remaining largely unchanged between August 2015 at \$59.8m and August 2014 at \$59.1m. The current period liability includes the incremental drawing of \$2.5m in term funding for the acquisition of the North Bourke cotton ginning facility.

2016 season (2016-2017 financial year)

Planting of the 2016 crop as at the date of this report is approximately 50% complete with the southern area of the central production valleys and the southern NSW area still to be planted. Whilst El Nino conditions continue to prevail, it is anticipated, should there be a significant near term rainfall event, further dryland cotton planting will occur. Our current forecast estimates the 2016 Australian crop will approximate 2.0m bales, down 13% from the 2015 crop and both crops significantly below long term sustainable production levels.

Cotton futures continue to trade at low US60 cents per pound levels with reduced Chinese demand and a larger US crop the main drivers. The general uncertainty regarding economic conditions in China is further impacting demand in all markets. The weakening Australian dollar has buffered the prevailing lower cotton futures prices and as a result growers have consistently been able to price cotton at close to AUD \$500/bale for the second year in succession. To date it is estimated approximately 50% of the 2016 crop has been forward sold by growers to merchants.

The forecast further reduced crop size is expected to lower Namoi Cotton's ginning and cotton seed volumes with anticipated ginning between 0.4m bales and 0.5m bales, including 100% of joint venture gins. Forward grower cotton seed purchases are supportive of similar trading volumes to the 2015 crop and will be supported by a strong focus on trade seed.

NCA is targeting to maintain its market share in marketing volumes from the 2016 crop. NCA's containerized commodity packing volumes will be again impacted by reduced cotton seed production although increased participation in the containerized coarse grain and pulse sector in the second half of the year will be underpinned by the extensive upgrade of the joint ventures grain storage network, implemented in 2015.

The Board has developed a strategic plan to support Namoi Cotton's vision and generate growth, annual returns and value for all stakeholders. The plan seeks to take advantage of the burgeoning Asian middle class and position Namoi Cotton in the agricultural fibre and food supply chain across production, processing, storage, handling and logistics.

Auditor's Independence Declaration

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

Rounding

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The Co-operative is an entity to which the Class Order applies.

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

On behalf of the board



S C BOYDELL
Director
Toowoomba
27 October 2015

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

In relation to our review of the financial report of Namoi Cotton Co-Operative Limited for the half-year ended 31 August 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Mark Hayward
Partner
27 October 2015

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To the members of Namoi Cotton Co-Operative Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Namoi Cotton Co-Operative Limited, which comprises the balance sheet as at 31 August 2015, the statement of profit and loss and other comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting and other explanatory information, and the directors' declaration of the consolidated entity comprising the co-operative and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 August 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Namoi Cotton Co-operative Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

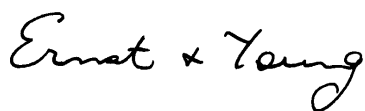
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the co-operative a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 August 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Mark Hayward
Partner
Brisbane
27 October 2015

BALANCE SHEET

as at 31 August 2015

	Note	Consolidated \$'000		
		31 Aug 2015	28 Feb 2015	31 Aug 2014
Current assets				
Cash and cash equivalents	5	2,089	170	1,995
Trade and other receivables	6	29,979	5,360	44,218
Inventories	7	17,971	8,590	24,987
Prepayments		577	336	738
Derivative financial instruments	8	1,371	39	217
Total current assets		51,987	14,495	72,155
Non-current assets				
Investments in associates accounted for using the equity method	9	46,422	49,675	53,116
Property, plant and equipment	12	131,395	131,253	131,504
Total non-current assets		177,817	180,928	184,620
Total assets		229,804	195,423	256,775
Current liabilities				
Trade and other payables	13	29,688	3,964	53,049
Interest bearing liabilities	14	12,519	2,215	12,063
Provisions		3,260	3,517	3,491
Derivative financial instruments	8	1,693	1,429	190
Total current liabilities		47,160	11,125	68,793
Non-current liabilities				
Interest bearing liabilities	14	49,126	56,749	47,002
Provisions		796	771	825
Co-operative grower member shares		447	447	441
Deferred tax liability		3,597	1,732	5,685
Total non-current liabilities		53,966	59,699	53,953
Total liabilities		101,126	70,824	122,746
Net assets		128,678	124,599	134,029
Equity				
Parent entity interest:				
Contributed equity	15	1,098	1,098	1,098
Reserves	17	95,341	95,341	95,341
Retained earnings		32,239	28,160	37,590
Total parent entity interest in equity		128,678	124,599	134,029
Total equity		128,678	124,599	134,029

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

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CASH FLOW STATEMENT

for the half-year ended 31 August 2015

	Note	Consolidated \$'000	
		31 August 2015	31 August 2014
Cash flows from operating activities			
Receipts from customers		254,381	384,053
Currency derivative flows		(234)	1,062
Payments to suppliers and employees		(40,525)	(91,469)
Payments to growers		(212,831)	(284,965)
Interest received		-	30
Borrowing costs		(1,277)	(1,712)
Net cash inflow/(outflow) from operating activities		(486)	6,999
Cash flows from investing activities			
Payments for property, plant and equipment		(4,061)	(24)
Payments for ACGC 50% share acquisition		-	(9,481)
Proceeds from sale of property, plant and equipment		163	90
Loans advanced		(2)	(62)
Proceeds from loans receivable		32	15
Joint venture distribution received		3,570	2,040
Net cash inflow/(outflow) from investing activities		(298)	(7,422)
Cash flows from financing activities			
Proceeds from issue of grower member shares		9	2
Payments for repurchases of grower member shares		(9)	(9)
Proceeds from borrowings		9,532	13,607
Repayment of borrowings		(7,010)	(9,014)
Loans advanced to growers		(5,360)	(260)
Proceeds from repayment of grower loans		5,360	260
Proceeds for equipment financed by lease/hire purchase		260	-
Repayment of finance lease and hire purchase principle		(295)	(179)
Net cash inflow/(outflow) from financing activities		2,487	4,407
Net increase/(decrease) in cash		1,703	3,984
Add cash at the beginning of the financial year		(1,487)	(1,989)
Cash at end of period	5	216	1,995

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

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STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 August 2015

Consolidated \$'000	Issued Capital	CCU	Asset	Retained Earnings	Total Equity
		Premium Reserve	Revaluation Reserve		
Total equity at 1 March 2015	1,098	35,382	59,959	28,160	124,599
Profit/(Loss) and total comprehensive income for the period	-	-	-	4,079	4,079
Total equity at 31 August 2015	1,098	35,382	59,959	32,239	128,678

Consolidated \$'000	Issued Capital	CCU	Asset	Retained Earnings	Total Equity
		Premium Reserve	Revaluation Reserve		
Total equity at 1 March 2014	1,098	35,382	59,959	22,400	118,839
Profit/(Loss) and total comprehensive income for the period	-	-	-	15,739	15,739
CCU dividends ¹	-	-	-	(549)	(549)
Total equity at 31 August 2014	1,098	35,382	59,959	37,590	134,029

¹ Refer Note 4

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

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NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

The half-year financial report should be read in conjunction with the Annual Financial Report of Namoi Cotton Co-operative Limited as at 28 February 2015. It is also recommended that the half-year financial report be considered together with any public pronouncements made by Namoi Cotton Co-operative Limited and its controlled entities during the half-year ended 31 August 2015 in accordance with the Co-operatives National Law (NSW) and continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of accounting

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

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

Statement of compliance

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

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

b) Significant accounting policies

This half-year consolidated financial report has been prepared by adopting identical accounting policies as those adopted in the annual financial statements for the year ended 28 February 2015. Some revisions to Australian Accounting Standards have occurred on or after 1 March 2015, however management have determined that none of the revisions have had a material impact on the financials.

c) Seasonality of operations

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

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

The lint cotton marketing business is undertaken by Namoi Cotton Alliance Associate (NCA). 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.

NAMOI COTTON CO-OPERATIVE LIMITED

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 2015	31 Aug 2014
a) Revenue from continuing operations		
Sale of goods	205,208	291,347
Rendering of services	30,330	59,654
Rental revenue	95	97
Financial service provider revenue	119	179
Finance revenue	-	26
	235,752	351,303
<i>Breakdown of finance revenue:</i>		
Interest revenue from grower finance	-	4
Interest revenue from non-related entities	-	22
	-	26
b) Other income		
Net gain on disposal of property, plant and equipment	25	11
	25	11
c) Employee benefits expense		
Salaries, wages, on-costs and other employee benefits	9,390	14,240
Defined contribution benefits expense	591	821
	9,981	15,061
d) Finance costs		
Interest on bank loans and overdrafts	1,319	1,727
Interest expense - interest rate derivatives	30	197
	1,349	1,924
e) Other expenses		
Maintenance	1,621	2,984
Insurance	532	835
Motor vehicle	472	781
Consulting fees	399	437
Audit fees	113	165
Business travel	229	317
Minimum operating lease payments	248	220
Other	1,162	2,139
	4,776	7,878

3. Income Tax

	Consolidated \$'000	
	31 Aug 2015	31 Aug 2014
Statement of Profit and Loss and Other Comprehensive Income		
Accounting profit from continuing operations before income tax expense	5,943	22,484
At the Group's statutory income tax rate of 30% (2014: 30%)	1,783	6,745
Impact of Non-consolidated tax group associates ¹	81	-
Income tax expense/(benefit) recorded in the statement of comprehensive income	1,864	6,745
Unrecognised deferred tax assets (of subsidiary)	3	3
Unrecognised deferred tax liabilities	(65)	-
Unrecognised tax losses (of subsidiary)	1,376	1,038
	1,314	1,041

¹ The tax impact of the results of Namoi Cotton Commodities Pty Ltd, Australian Classing Services Pty Ltd, Cargill Processing Ltd and NC Packing Services Pty Ltd.

Tax consolidated group and tax sharing arrangements

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

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

	Consolidated \$'000	
	31 Aug 2015	31 Aug 2014
<i>Distributions paid during the half-year (unfranked)</i>		
Final distribution for the year ended 28 February 2015 of Nil cents per unit of Capital Stock (2014: Nil cents)	-	-
<i>Distributions declared before the reporting date and recognised as a liability:</i>		
Interim distribution for the half-year ended 31 August 2015 of Nil cents per unit (2014: 0.5 cents paid on 31 October 2014 for 2014)	-	549
Net distributions paid or provided during the period	-	549

	Cents per unit	
	31 Aug 2015	31 Aug 2014
Distributions paid or provided per capital stock unit		
In respect of the financial years ended:		
29 February 2016	Nil	
28 February 2015	Nil	0.5
28 February 2014	Nil	Nil

5. Cash and Cash Equivalents

	Consolidated \$'000		
	31 Aug 2015	28 Feb 2015	31 Aug 2014
<i>Reconciliation to Statement of Cash Flows</i>			
For the purposes of the Statement of Cash Flows, cash comprises the following items:			
Cash at bank and on hand	2,089	170	1,995
Bank Overdraft	(1,873)	(1,657)	-
	216	(1,487)	1,995

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6. Trade and Other Receivables

	Consolidated \$'000		
	31 Aug 2015	28 Feb 2015	31 Aug 2014
<i>Current</i>			
Trade debtors from material joint venture ¹	20,983	25	35,310
Other trade debtors and receivables	9,536	5,839	9,343
Less: allowance for impairment loss	(540)	(504)	(435)
	29,979	5,360	44,218

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

7. Inventories

	Consolidated \$'000		
	31 Aug 2015	28 Feb 2015	31 Aug 2014
Cotton seed (at fair value less costs to sell)	13,575	3,552	19,292
Moss and mote (at cost)	217	-	769
Grains (at cost)	18	19	19
Operating supplies and spares (at cost)	4,161	5,019	4,907
	17,971	8,590	24,987

8. Derivative Financial Instruments

	Consolidated \$'000		
	31 Aug 2015	28 Feb 2015	31 Aug 2014
Current assets			
Foreign exchange contracts	-	-	110
Sale contracts (cottonseed)	1,371	-	14
Purchase contracts (cottonseed)	-	39	93
	1,371	39	217
Current liabilities			
Foreign exchange contracts	179	219	-
Interest rate swap contracts	438	513	190
Sale contracts (cottonseed)	1	697	-
Purchase contracts (cottonseed)	1,075	-	-
	1,693	1,429	190

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

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

	Consolidated \$'000		
	31 Aug 2015	28 Feb 2015	31 Aug 2014
Investment in associates (material)	3,750	3,788	6,374
Investment in joint ventures (material)	44,054	46,941	46,748
Investment in joint ventures (non material)	(1,382)	(1,054)	(6)
	46,422	49,675	53,116
Material investment in associates			
(i) <i>Share of associates results</i>			
Cargill Oilseeds Australia Partnership ('COA')	(71)	(285)	450
Cargill Processing Ltd ('CPL')	33	80	45
Group share of associates profit/(loss)	(38)	(205)	495
(ii) <i>Carrying amount of investments in associates</i>			
Cargill Oilseeds Australia Partnership ('COA')			
Balance at the beginning of the financial year	495	2,666	2,666
Distribution paid out of retained earnings	-	(1,886)	-
Share of associates profits/(losses) for the financial year	(71)	(285)	450
	424	495	3,116
Cargill Processing Ltd ('CPL')			
Balance at the beginning of the financial year	3,293	3,213	3,213
Share of associates profits/(losses) for the financial year	33	80	45
	3,326	3,293	3,258
Group carrying amount of investment in associates at the end of the financial period	3,750	3,788	6,374
Material investments in joint ventures: NCA			
(i) <i>Material joint venture results</i>			
Group share of joint venture profit/(loss)	683	4,707	4,514
(ii) <i>Carrying amount of investments in joint ventures</i>			
Balance at the beginning of the financial year	46,941	44,274	44,274
Distribution paid out of retained earnings	(3,570)	(2,040)	(2,040)
Share of associates profits/(losses) for the financial year	683	4,707	4,514
Group carrying amount of investment in associates at the end of the financial period	44,054	46,941	46,748
Share of non material investments in joint ventures: ACS and NCPS			
(i) <i>Non material joint venture results</i>			
Profits/(losses) and total comprehensive income from continuing operations	(326)	(1,065)	(16)
Share of profit/(loss) of associates and joint ventures	319	3,437	4,993
Ownership interest (%)			
Cargill Oilseeds Australia Partnership ('COA')	15%	15%	15%
Cargill Processing Ltd ('CPL')	15%	15%	15%
Australian Classing Services Pty Ltd ('ACS')	50%	50%	50%
Namoi Cotton Alliance ('NCA')	51%	51%	51%
NC Packing Services Pty Ltd ('NCPS')	51%	51%	51%

Principal activities

COA processes and markets cottonseed, canola and other oilseeds.

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

ACS provides independent classing services to the Australian cotton industry.

NCA markets Australian lint cotton and owns significant up-country warehousing and logistics facilities to support the marketing operations.

NPCS operates containerised commodity packing facilities primarily packing cottonseed, course grains and pulses.

10. Interest in Joint Operations

Name	Balance Date	Consolidated	
		31 Aug 2015	31 Aug 2014
(a) Ownership interest (%)			
Wathagar Ginning Company ('WGC')	28 February	50%	50%
Moomin Ginning Company ('MGC')	28 February	50%	50%

(b) Principal activities

The joint ventures provide ginning services to cotton growers in the Gwydir and Lachlan valleys 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 \$2,788,000 (Feb 2015: \$2,826,000).

12. Property, Plant and Equipment

a) Acquisitions and disposals

During the half-year ended 31 August 2015 the group acquired assets of \$5,459,000 including the North Bourke Gin Complex and disposed of assets with a net carrying value \$162,100 (2014: \$24,300).

b) Impairment

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

c) Fair value

The fair value methodology for ginning assets is set out in Note 18.

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13. Trade and Other Payables

	Consolidated \$'000		
	31 Aug 2015	28 Feb 2015	31 Aug 2014
<i>Current</i>			
Trade creditors and accruals ¹	29,530	3,755	52,958
Grower deposits	59	38	54
Customer deposits	99	171	37
	29,688	3,964	53,049

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

14. Interest Bearing Liabilities

Financing arrangements

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

	Facility Limits - Consolidated AUD \$'000		
	31 Aug 2015	28 Feb 2015	31 Aug 2014
<i>AUD Facilities</i>			
Short term	2,500	2,500	2,500
Working capital finance ¹	10,000	10,000	10,000
Term debt ²	47,481	44,980	46,481
Equipment Finance ³	2,500	2,500	2,500
	62,481	59,980	61,481

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	Facility Use - Consolidated AUD \$'000		
	31 Aug 2015	28 Feb 2015	31 Aug 2014
Current			
<i>AUD Facility Use</i>			
Short term	1,873	1,657	-
Working capital finance ¹	10,000	-	10,000
Term debt ²	-	-	1,500
	11,873	1,657	11,500
<i>Other Liabilities</i>			
Lease liability - bank finance ³	552	467	455
Lease liability - other finance	94	91	108
	646	558	563
	12,519	2,215	12,063
Non Current			
<i>AUD Facility Use</i>			
Working capital finance ¹	-	10,000	-
Term debt ²	47,481	44,980	44,981
	47,481	54,980	44,981
<i>Other Liabilities</i>			
Lease liability - bank finance ³	1,559	1,634	1,871
Lease liability - other finance	86	135	150
	1,645	1,769	2,021
	49,126	56,749	47,002

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 (2014: AUD\$10 million cotton seed only).

² Term debt finance

Namoi Cotton has negotiated the following finance facility limits:

Committed term debt facility (non-amortising) - facility limit of AUD\$25 million (2014: AUD\$25 million) with a facility end date of 28 February 2017;

Committed term debt facility (non-amortising) - facility limit of AUD\$10.5 million (2014: AUD\$12 million) with a facility end date of 28 February 2017; and

Committed term debt facility (non-amortising) - facility limit of AUD\$12.0 million (2014: AUD\$9.5 million) with a facility end date of 28 February 2017.

³ Equipment finance

During the period equipment finance lease facilities were provided to facilitate the upgrade of mobile plant.

The current financing agreement with CBA was effected 17 February 2015 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 2017, whilst the working capital facility has an end date of 17 March 2016.

The Directors expect the facilities will be renewed thereafter and at appropriate levels for FY 2017 operations.

15. Contributed Equity

	No. 000's		\$'000	
	31 Aug 2015	28 Feb 2015	31 Aug 2015	28 Feb 2015
Capital stock at the beginning of the financial year	109,843	109,843	1,098	1,098
Issued during the year	-	-	-	-
Redeemed through on-market buy-back	-	-	-	-
Capital stock at the end of the period	109,843	109,843	1,098	1,098

16. Segment Information

Business segments Half-year ended 31 August 2015	Ginning \$'000	Marketing ¹ \$'000	Commodities \$'000	Unallocated \$'000	Consolidated \$'000
Segment Revenue	76,581	159,004	72	95	235,752
Segment Result (Pre-tax)	8,336	994	21	(3,408)	5,943

Business segments Half-year ended 31 August 2014	Ginning \$'000	Marketing \$'000	Commodities \$'000	Unallocated \$'000	Consolidated \$'000
Segment Revenue	136,961	214,083	136	123	351,303
Segment Result (Pre-tax)	21,235	4,897	111	(3,759)	22,484

	Consolidated \$'000	
	31 Aug 2015	31 Aug 2014
Included in the unallocated results for the period are:		
Rental Revenue	95	97
Finance Revenue	0	26
Total Unallocated Revenue	95	123
Employee benefits expense	(1,833)	(2,055)
Depreciation	(180)	(96)
Finance costs	(22)	(42)
Other corporate administrative expenses	(1,468)	(1,690)
	(3,503)	(3,883)
Total Unallocated Result	(3,408)	(3,759)

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

17. Reserves

Capital stock (CCU) premium reserve

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

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

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

Asset revaluation reserve

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

18. Fair Value Measurement

Financial Instruments

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

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

Cotton seed sales contracts are forward dated and deliverable contracts with customers. The fair value of cotton seed commodity contracts is determined by reference to market prices and foreign exchange rates.

Cotton seed commodity purchase contracts are forward dated and deliverable contracts with cotton growers or brokers. The fair value of cotton seed commodity contracts is determined by reference to market prices and foreign exchange rates.

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

Level 1

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

Level 2

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

Level 3

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

NAMOI COTTON CO-OPERATIVE LIMITED

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

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

19. Contingent Assets, Liabilities and Commitments

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

20. Significant Events after Balance Date

No other events of a material nature have occurred between 31 August 2015 and the date of this report which are not disclosed elsewhere within this half-year financial report.

21. Other Non-Financial Information

Namoi Cotton Co-operative Limited
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AFSL 267863

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Share Register
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Sydney NSW 1115

Investor Inquiries: 1300 855 080

Bankers
Commonwealth Bank of Australia

Auditors
Ernst & Young
Brisbane, Australia

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DIRECTORS DECLARATION

Financial report for the half-year ended 31 August 2015

In accordance with a resolution of the directors of Namoi Cotton Co-operative 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 *Co-operatives National Law (NSW)* and the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 31 August 2015 and of its performance for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board



S C BOYDELL
Director
Toowoomba
27 October 2015

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