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 2019

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

Contents

APPENDIX 4D

The information contained in this report is for the half-year ended 31 August 2019 and the previous corresponding period, 31 August 2018.

RESULTS FOR ANNOUNCEMENT TO MARKET

	% Change		$'000
Revenues from ordinary activities	Down 49%	to	1,219
Loss from ordinary activities after tax attributable to members	Down 128%	to	(4,015)
Net loss for the period attributable to members	Down 128%	to	(4,015)

Dividends	Amount per Security	Franked Amount per Security
Final dividend - (Refer Note 4)	Nil	-
Interim dividend	Nil	-
Record date for determining entitlements to the interim dividend	N/A	

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

For information on the financial result and review of operations refer pages 4-5.

Earnings per Share

	31 August 2019	31 August 2018
Basic earnings per ordinary share	(2.9) cents	10.6 cents
Diluted earnings per share [1]	(2.9) cents	10.3 cents

Net tangible assets per security

	31 August 2019	31 August 2018
Net tangible asset backing per ordinary share	91 cents	103 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 2019
Your directors submit their report for the half-year ended 31 August 2019.

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

Tim Watson, Chairman, Non-executive Director, 58, GAICD

Richard Anderson, Deputy Chairman, Non-executive Director, 73, OAM, B Com, FCA, FCPA (Retired 30/07/19)

Stuart C Boydell, Non-executive Director, 72

Glen Price, Non-executive Director, 64, B.Rural Science (Hons)

Robert Green, Non-executive Director, 62, B.Bus. (QAC) MAICD

Juanita Hamparsum, Non-executive Director, 48, B.Bus. (UTS), CA, FPCT, GAICD

James Jackson, Non-executive Director, 57, B.Com., FAICD

Joseph Di Leo, Non-executive Director, 62, M.Bus.Acct. & Fin., FAICD

Financial Results
Namoi Cotton recorded a net loss after tax of $4.0m for the half year ended 31 August 2019, compared with a net profit after tax of $14.3m in the prior comparative period ('pcp'). The severe drought conditions in Eastern Australia impacted cotton supply and thus Namoi's 2019 cotton season ginning volumes were down by 677,524 bales or 60.8% on pcp. This was materially in line with the decline in volume for the entire Australian cotton crop in the 2019 season. The reduction in ginning volumes caused significant decreases in Namoi's major revenue streams in H1 FY20, although revenue declines were lower than the underlying ginning volume decrease. This was achieved on the back of increases in ginning price per bale and higher prices per metric tonne on cotton seed sales. Given the scale of the revenue declines that it was confronted with, and its significant fixed cost base, Namoi was unable to reduce its costs sufficiently in H1 FY20 to maintain profit levels. That said, significant cost reductions were achieved in material cost categories such as casual labour costs, electricity charges, charges for hessian, ties and tags and maintenance costs. In addition, depreciation was $4.07m down on pcp as a result of Namoi's 'units of production' depreciation methodology.

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

Review of Operations
2019 Cotton Crop
The final cotton area planted was 343,000 hectares. Growing conditions for the 2019 crop were affected by 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 2019 crop. The 2019 crop is estimated to have yielded 2.1m bales representing a 54% decrease from the 4.66m bales in the 2018 crop. The quality of the 2019 Australian cotton crop was again exceptional with 99% of the crop determined as base grade or better (2018: 99%).

Ginning
Namoi Cotton completed ginning in early August 2019 having ginned 450,000 bales (including 100% of joint operations bales) of the 2019 crop (2018: 1,202,000 bales). The dry weather conditions again facilitated a dry harvest resulting in seed cotton being delivered to gins with very low moisture content. Cotton quality was above average for the season, which increased throughputs, however, low volumes impacted processing efficiencies resulting in some gin sites operating single shifts and a five-day week. The impact on variable costs was mitigated by sharing permanent staff between sites and keeping electricity costs to a minimum by reducing peak period

charges. Variable costs were up 2.8% per bale on 2018. During the first half of the year Namoi Cotton successfully commissioned a new press at the Macintyre II gin and upgraded the press hydraulics and controls of the Trangie gin to increase pressing efficiency.

Cotton Seed

Namoi's cotton seed business shipped 70,000mt (2018: 214,000mt) in the first half of the year with profitability from the seed business a strong contributor to the half year results. Seed prices remained solid due to the continuing dry weather increasing local feed demand. In the period from March through to August cotton seed prices averaged over $500/mt closing out the period at $590/mt. High demand and favourable trading conditions have delivered strong trading margins in the first half of the year. With 31 August 2019 seed inventory sold forward at solid market prices, and payments to growers in relation to seed falling predominantly in H1 FY20, Namoi looks forward to strong cash flows from seed trading in H2 FY20 relative to pcp.

Namoi Cotton Alliance joint venture - 51% interest

Consistent with the drought conditions which impacted volumes in Namoi Cotton's ginning business, NCA procured a substantially lower marketing volume of 350,000 bales for the 2019 crop (2018: 817,000 bales). After NCA recognised $6.34m of unrealised contract losses as a result of shipping delays and contract renegotiations, Namoi's share of the NCA result for the half year ended 31 August 2019 was a loss of $1.4m (H1 FY18: profit of $2.0m). US/China trade tensions and the volatility in cotton futures in the 2019 calendar year have adversely impacted NCA's trading margins.

COA/CPL– 15% interest

Our investment in COA/CPL has resulted in a pre-tax profit of $0.05m for the reporting period compared to a pre-tax loss of $3.79m in the pcp. The pcp results were significantly impacted by negative financial impacts from high cotton seed prices, trading and the decision to mothball the Narrabri Cottonseed Crush facility. Namoi Cotton remains a 15% shareholder in the joint venture business which operates the canola crush in Footscray, Victoria. Namoi is seeking to resolve the commercial dispute with Cargill in relation to the COA/CPL joint venture.

2020 season (2020/21 financial year) – seasonal outlook

The 2020 Australian cotton crop has now entered the planting phase, however, with limited water availability for irrigation from public water storages and next to no water in on-farm storages, the crop will heavily rely on bore water availability and the possibility of a dryland crop if significant rain occurs up to the end of November 2019.

Current estimates for the 2020 Australian cotton crop range from 600,000 to 1.1 million bales. As time passes without significant rain, the likely outcome is for a crop in the bottom half of this range. Consistent with this, Namoi is now forecasting a FY21 ginning volume of between 125,000 to 175,000 bales. The midpoint of this range represents a further 66% decline in volume over Namoi's already disappointing 2019 ginning volume (ginned in H1 FY20).

Committee membership
As at the date of this report the company had an audit committee, a financial risk committee, a nominations and remuneration committee and a safety committee.

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

Audit	Financial Risk	Nominations and Remuneration	Safety
J Hamparsum	R Green (Chairman)	J Jackson (Chairman)	R Green (Chairman)
(Appointed Chair 30/07/19)	G Price	SC Boydell	SC Boydell
RA Anderson	RA Anderson	T Watson	RA Anderson
(Retired 30/07/19)	(Retired 30/07/19)	R Green	(Retired 30/07/19)
J Di Leo	J Jackson		G Price
SC Boydell	J Di Leo		T Watson
			J Hamparsum
			J Jackson
			J Di Leo

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

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

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

On behalf of the board

T Watson
Director
Brisbane

24 October 2019

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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 2019, 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
24 October 2019

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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 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 August 2019 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 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
24 October 2019

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 August 2019

	Note	Consolidated $'000 31 Aug 2019	31 Aug 2018
Revenue from customers	2a	1,026	2,027
Revenue - other	2a	193	365
Total Revenue		1,219	2,392
Trading margin gains	2a	35,164	77,574
Share of (loss)/profit of joint ventures and associates	9	(1,337)	(1,757)
Processing and distribution costs		(8,729)	(20,260)
Employee benefits expense	2b	(12,748)	(19,462)
Depreciation		(3,907)	(7,789)
Fair value decrement - ginning assets	12	(5,219)	-
Impairment - joint venture	9	(2,979)	-
Finance costs	2c	(1,223)	(1,122)
Other expenses	2d	(5,746)	(8,402)
(Loss)/profit before income tax		**(5,505)**	21,174
Income tax benefit/(expense)	3	1,490	(6,881)
(Loss)/profit attributable to the memebrs of Namoi Cotton Limited		**(4,015)**	14,293
Other comprehensive income items that will not be reclassified subsequently to profit and loss:			
Increment to asset revaluation reserve (net of tax)		1,991	-
(Loss)/profit and other comprehensive income attributable to the members of Namoi Cotton Limited		**(2,024)**	14,293

	Cents 31 Aug 2019	31 Aug 2018
Earnings per share		
Basic earnings per share	(2.9)	10.6
Diluted earnings per share [1]	(2.9)	10.3

[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 2019

		Consolidated $'000		
	Note	31 Aug 2019	28 Feb 2019	31 Aug 2018
Current assets				
Cash and cash equivalents	5	**2,420**	5,827	7,551
Trade and other receivables	6	**25,413**	3,974	60,071
Inventories	7	**29,605**	10,048	26,923
Prepayments		**987**	304	1,432
Derivative financial instruments	8	**2,670**	18,796	2,260
Total current assets		**61,095**	38,949	98,237
Non-current assets				
Investments in associates accounted for using the equity method	9	**32,507**	36,851	43,610
Intangibles		**961**	961	961
Property, plant and equipment	12	**134,364**	138,290	136,834
Deferred tax assets		**-**	-	40
Total non-current assets		**167,832**	176,102	181,445
Total assets		**228,927**	215,051	279,682
Current liabilities				
Trade and other payables	14	**31,480**	13,226	66,370
Interest bearing liabilities	15	**11,397**	1,061	1,038
Provisions		**2,737**	2,964	3,306
Derivative financial instruments	8	**6,453**	18,261	10,310
Total current liabilities		**52,067**	35,512	81,024
Non-current liabilities				
Interest bearing liabilities	15	**43,769**	43,630	43,509
Provisions		**674**	831	817
Deferred tax liability		**4,622**	5,259	10,921
Total non-current liabilities		**49,065**	49,720	55,247
Total liabilities		**101,132**	85,232	136,271
Net assets		**127,795**	129,819	143,411
Equity				
Contributed equity	16	**37,639**	37,639	37,639
Reserves	19	**69,712**	67,721	66,463
Retained earnings		**20,444**	24,459	39,309
Equity attributable to the equity holders of the parent		**127,795**	129,819	143,411
Total equity		**127,795**	129,819	143,411

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

CASH FLOW STATEMENT

for the half-year ended 31 August 2019

	Consolidated $'000	
	31 August 2019	31 August 2018
Cash flows from operating activities		
Receipts from customers	**253,061**	563,045
Net commodity/currency derivative flows	**(19)**	(355)
Payments to suppliers and employees	**(34,798)**	(68,882)
Payments to suppliers - growers	**(228,602)**	(472,948)
Interest received	**-**	2
Borrowing costs	**(1,146)**	(903)
Net cash inflow/(outflow) from operating activities	**(11,504)**	19,959
Cash flows from investing activities		
Payments for property, plant and equipment	**(1,102)**	(5,318)
Proceeds from sale of property, plant and equipment	**1**	639
Loans advanced	**(7)**	(40)
Proceeds from loans receivable	**24**	29
Net cash inflow/(outflow) from investing activities	**(1,084)**	(4,690)
Cash flows from financing activities		
Proceeds from borrowings	**13,043**	5,520
Repayment of borrowings	**(3,043)**	(11,507)
Loans advanced to growers	**(119)**	(1,048)
Proceeds from repayment of grower loans	**119**	1,048
Principal payments for equipment purchase finance	**(636)**	(568)
Principal portion of lease payments	**(183)**	-
Dividends paid to shareholders	**-**	(2,638)
Net cash inflow/(outflow) from financing activities	**9,181**	(9,193)
Net increase/(decrease) in cash	**(3,407)**	6,076
Add cash at the beginning of the financial year	**5,827**	1,475
Cash at end of period	**2,420**	7,551

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 2019

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)
Other comprehensive income	-	1,991	-	1,991
Total equity at 31 August 2019	**37,639**	**69,712**	**20,444**	**127,795**

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

The half-year financial report should be read in conjunction with the Annual Financial Report of Namoi Cotton Limited as at 28 February 2019. 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 2019 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.

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.

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.

Subsequent to the half-year balance date the Group renewed the working capital facility extending its maturity date to 31 October 2020, as well as amending financial covenants. Note 15 to the half-year financial report summarises the details of all of the Group's banking facilities, including working capital, term debt and the amendments to financial covenants.

In addition, NCA has identified that a debt covenant may be breached at March 2020, based on current market conditions and forecast trading. NCA's debt facilities otherwise mature on 30 April 2020. NCA has notified its financiers of the potential breach and have commenced steps to renew the facility and/or remedy the potential breach. Remedying NCA's potential covenant breach and securing a renewal or extension of NCA's debt facility may require the reset of covenants or undertaking other funding initiatives in discussion with each of the joint venture partners. The Group is confident that NCA will renegotiate and renew its debt facilities prior to the potential debt covenant breach in March 2020.

In the event NCA is unable to renegotiate and renew its facilities, it is likely that NCA will be required to refinance the facilities and/or consider alternate funding arrangements.

The Directors are confident the Group will be able to renegotiate and adjust its financial covenants in order to renew its debt facilities prior to the respective maturity dates of 31 October 2020 and 30 April 2021. The Directors are considering several options for the strategic management of the Group's financial position prior to the Group's term debt expiry on 30 April 2021. As a result, the financial report has been prepared on a going concern basis.

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.

As a result of the clarified scoping in AASB 15, Namoi has reassessed the classification of its contracts with suppliers and customers and has concluded its Ginning and Seed Contracts and Marketing Contracts to be in scope of AASB 9 in their entirety, with no components accounted for under AASB 15. Furthermore, since being entirely out of scope of AASB 15, instead of only changes in the fair value of financial assets and financial liabilities or their disposals being explicitly out of scope under AASB 118, the Group has retrospectively changed the presentation of income and expense from realised sales and purchases to reflect only the dealer's margin in the statement of profit or loss.

No changes were made in presentation of respective payables and receivables in the statement of financial position, with the exception of lint marketing contracts which have been grossed up in the balance sheet and retrospectively changed (refer note 8) since Namoi is still the one to bear the primary responsibility for meeting its contractual obligations and the contracts are negotiated and signed separately with different counterparties. Therefore, gross presentation in the statement of financial position is appropriate. Similarly, the presentation of cash inflows and outflows in the statement of cash flows remained unchanged since the criteria for net presentation under AASB 107 Cash flow statement are not met.

Please refer to the table below to illustrate the impacts on the consolidated statement of profit and loss:

	Consolidated		Consolidated	
	$'000	$'000	$'000	$'000
	Disclosure Under AASB 9	Disclosure Under AASB 139	Transition	Disclosure Under AASB 9
	31 Aug 2019	31 Aug 2018	31 Aug 2018	31 Aug 2018
Revenue from customers	1,026	66,826	(64,799)	2,027
Revenue - other	193	450,131	(449,766)	365
Revenue	1,219	516,957	(514,565)	2,392
Financial instrument gains/(losses)				
Currency derivatives	-	(324)	324	-
Purchase contracts	-	10,654	(10,654)	-
Sales contracts	-	(18,646)	18,646	-
Net financial instrument gains/(losses)	-	(8,316)	8,316	-
Other income/(loss)	-	-	-	-
Trading margin gains	35,164	-	77,574	77,574
Share of profit/(loss) of associates and joint ventures	(1,337)	(1,757)	-	(1,757)
Changes in inventories of finished goods	-	20,827	(20,827)	-
Raw materials and consumables used	-	(469,762)	469,762	-
Processing and distribution costs	(8,729)		(20,260)	(20,260)
Employee benefits expense	(12,748)	(19,462)	-	(19,462)
Depreciation	(3,907)	(7,789)	-	(7,789)
Fair value decrement - ginning assets	(5,219)	-	-	-
Impairment - joint venture	(2,979)	-	-	-
Finance costs	(1,223)	(1,122)	-	(1,122)
Other expenses	(5,746)	(8,402)	-	(8,402)
Profit/(loss) before income tax	**(5,505)**	**21,174**	-	**21,174**

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 2019 with the exception of AASB16 Leases mentioned below.

AASB 16 has been implemented from 1 March 2019 using the modified retrospective approach with right of use assets equal to lease liabilities on transition date and will not restate comparative amounts for the period ended 31 August 2018. The Group has availed itself of the exemptions within AASB 16 paragraph 5 relating to short-term leases and leases for which the underlying asset is low value. Refer to Note 1(v) and Note 18 for the adjustments as of 1 March 2019 in relation the adoption of AASB 16.

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.

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

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

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

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

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

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

Derivatives
Derivatives including forward cotton seed commodity purchase and sale contracts and forward exchange contracts are stated at fair value with any gains or losses arising from changes in fair value taken directly to the statement of profit and loss and other comprehensive income.
The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

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 – adoption of AASB 16

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

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

The effect of adopting AASB 16 is disclosed in Note 18.

c) Seasonality of operations

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

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

The lint cotton marketing business is undertaken by the Namoi Cotton Alliance (NCA) Associate. Namoi continues to purchase bales from growers which it on-sells to NCA. NCA normally takes delivery of lint cotton from Namoi in the first half of the year and under NCA's accounting policies, profits from this activity arise on receipt of the lint cotton. Namoi equity accounts for its share of the NCA joint venture net result (refer Note 9) which is reflected in the share of profits from joint ventures and associates in the Statement of Profit and Loss and Other Comprehensive Income.

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

2. Revenue and Expenses

	Consolidated $'000	
	31 Aug 2019	31 Aug 2018
a) Revenue		
i) Revenue from customers		
By type of goods or service		
Sale of byproducts	65	382
Classing services	821	1,641
Moss	132	-
Other	8	4
	1,026	**2,027**
ii) Other revenue		
Rental revenue	58	98
Other service revenue	135	265
Finance revenue	-	2
	193	**365**
Total revenue	**1,219**	**2,392**
iii) Trading margin gains		
Ginning services and seed sales	34,991	77,196
Lint Handling	173	378
	35,164	**77,574**
b) Employee benefits expense		
Salaries, wages, on-costs and other employee benefits	11,992	18,480
Defined contribution superannuation expense	756	982
	12,748	**19,462**
c) Finance costs		
Interest on bank loans and overdrafts	1,085	1,102
Interest expense - leases	16	-
Interest expense - interest rate derivatives	122	20
	1,223	**1,122**

	Consolidated $'000	
	31 Aug 2019	31 Aug 2018
d) Other expenses		
Maintenance	1,195	2600
Net loss on disposal of property, plant and equipment	-	41
Insurance	512	446
Motor vehicle related	482	884
Consulting fees	755	635
Audit fees	131	142
Business travel	386	334
Strategic restructuring-consulting [1]	1	368
Other	2,284	2,952
	5,746	**8,402**

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

3. Income Tax

	Consolidated $'000	
	31 Aug 2019	31 Aug 2018
Statement of Profit and Loss and Other Comprehensive Income		
Accounting profit from continuing operations before income tax expense	(5,505)	21,174
At the Group's statutory income tax rate of 30% (2018: 30%)	(1,652)	6,352
Non-assessable or non-deductible items	162	529
Income tax expense/(benefit) recorded in the statement of comprehensive income	**(1,490)**	**6,881**

4. Dividends Paid or Provided

	Consolidated $'000	
	31 Aug 2019	31 Aug 2018
Dividends paid during the half-year (20% franked)		
Final dividend for the year ended 28 February 2019 of Nil cents per share (2018: 1.9 cents)	-	2,638
Dividends provided in the previous period	-	-
Net dividends paid or provided during the period	**-**	**2,638**

	Cents per share	
	31 Aug 2019	31 Aug 2018
Dividends paid or provided per share		
In respect of the financial years ended:		
29 February 2020	Nil	
28 February 2019	Nil	
28 February 2018		1.9

5. Cash and Cash Equivalents

	Consolidated $'000		
	31 Aug 2019	28 Feb 2019	31 Aug 2018
Reconciliation to Statement of Cash Flows			
For the purposes of the Statement of Cash Flows, cash comprises the following items:			
Cash at bank and on hand	2,420	5,827	7,551
	2,420	**5,827**	**7,551**

6. Trade and Other Receivables

	Consolidated $'000		
	31 Aug 2019	28 Feb 2019	31 Aug 2018
Current			
Trade debtors from material joint venture[1]	17,760	930	46,732
Trade debtors from customers	-	-	1,011
Trade debtors and receivables other parties	7,653	3,044	12,328
	25,413	**3,974**	**60,071**

[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 2019	28 Feb 2019	31 Aug 2018
Cotton seed (at fair value less costs to sell)	21,364	326	21,038
Moss and mote (at cost)	436	259	848
Operating supplies and spares (at cost)	7,805	9,463	5,037
	29,605	**10,048**	**26,923**

8. Derivative Financial Instruments

	Consolidated $'000		
	31 Aug 2019	28 Feb 2019	31 Aug 2018
Current assets			
Cottonseed purchase contracts	1,525	7,773	2,260
Lint cotton sale contracts - NCA	1,145	-	-
Lint cotton purchase contracts	-	11,023	-
	2,670	**18,796**	**2,260**
Current liabilities			
Foreign exchange contracts	-	-	19
Interest rate swap contracts	122	57	52
Cottonseed sale contracts	5,186	7,181	10,239
Lint cotton sale contracts - NCA	-	11,023	-
Lint cotton purchase contracts	1,145	-	-
	6,453	**18,261**	**10,310**

The fair value methodology for financial instruments is set out in Note 20.

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

	Consolidated $'000		
	31 Aug 2019	**28 Feb 2019**	**31 Aug 2018**
Investment in associates (material)	1,843	1,820	1,905
Investment in joint ventures (material)	30,664	35,031	41,705
	32,507	**36,851**	**43,610**
Material investment in associates			
(i) *Share of associates results*			
Cargill Oilseeds Australia Partnership ('COA')	29	(3,058)	(2,128)
Cargill Processing Ltd ('CPL')	23	(1,742)	(1,657)
Group share of associates profit/(loss)	**52**	**(4,800)**	**(3,785)**
(ii) *Carrying amount of investments in associates*			
Cargill Oilseeds Australia Partnership ('COA')			
Balance at the beginning of the financial year	(5,328)	(2,270)	(2,270)
Share of associates profits/(losses) for the period	29	(3,058)	(2,128)
Liability for partner's contribution to losses (refer to Note 13)	(5,299)	(5,328)	(4,398)
Cargill Processing Ltd ('CPL')			
Balance at the beginning of the financial year	1,820	3,562	3,562
Share of associates profits/(losses) for the period	23	(1,742)	(1,657)
Net book value of investment in associate at the end of the financial period	1,843	1,820	1,905
Material investments in joint ventures			
(i) *Material joint venture results*			
Namoi Cotton Alliance ('NCA')	(778)	(444)	2,508
NC Packing Services Pty Ltd ('NCPS')	(611)	(639)	(480)
Group share of joint ventures profit/(loss)	**(1,389)**	**(1,083)**	**2,028**
(ii) *Carrying amount of investments in joint ventures*			
Namoi Cotton Alliance ('NCA')			
Balance at the beginning of the financial year	36,514	40,521	40,521
Impairment of joint venture	(2,979)	(3,563)	-
Share of associates profits/(losses) for the financial year	(778)	(444)	2,508
Net book value of investment in joint venture at the end of the financial period	32,758	36,514	43,029
NC Packing Services Pty Ltd ('NCPS')			
Balance at the beginning of the financial year	(1,483)	(844)	(844)
Share of associates profits/(losses) for the period	(611)	(639)	(480)
Net book value of investment in joint venture at the end of the financial period	(2,094)	(1,483)	(1,324)
Group carrying amount of investment in associates at the end of the financial period	**30,664**	**35,031**	**41,705**
Share of profit/(loss) of associates and joint ventures	**(1,337)**	**(5,883)**	**(1,757)**

NCA has been subject to an impairment test using the following key parameters. The business achieving market share between 18% and 20% of the Australian crop and the utilisation of a discount rate of 17%. No CPI has been applied to the revenue stream to Namoi Cotton Limited from NCA with costs incurred by NCL in servicing the joint venture incremented by 2.2% p.a. Based on these parameters a 10 year discounted cash flow forecast inclusive of an estimated terminal value, at a six times multiple, has been utilised to calculate the estimated value at 31 August 2019. As a consequence of this impairment test an impairment loss of $2.98m has been recognised in the current half-year period.

Ownership interest (%)	Consolidated $'000 31 Aug 2019	28 Feb 2019	31 Aug 2018
Investments in Associates			
Cargill Oilseeds Australia Partnership ('COA')	15%	15%	15%
Cargill Processing Ltd ('CPL')[1]	15%	15%	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 2019	28 Feb 2019	31 Aug 2018
(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 $2,167,000 (Feb 2019: $2,192,000).

12. Property, Plant and Equipment

	Consolidated $'000		
	31 Aug 2019	28 Feb 2019	31 Aug 2018
Gin Assets			
Ginning infrastructure and major equipment			
at fair value	119,376	137,800	136,881
Provision for depreciation and impairment	(2,698)	(18,266)	(17,942)
	116,678	119,534	118,939
Revaluation to fair value	(2,385)	(914)	-
Closing written down value at fair value	114,293	118,620	118,939
Other ginning equipment			
Cost	10,907	9,878	9,289
Provision for depreciation and impairment	(5,582)	(5,151)	(4,752)
Closing written down value at cost	5,325	4,727	4,537
Net Gin Assets	**119,618**	**123,347**	**123,476**
Other Assets			
Other infrastructure and major equipment			
at fair value	6,420	6,402	5,425
Provision for depreciation and impairment	(82)	(739)	(737)
	6,338	5,663	4,688
Revaluation to fair value	18	692	-
Closing written down value at fair value	6,356	6,355	4,688
Other equipment			
Cost	15,689	12,051	12,581
Provision for depreciation and impairment	(9,488)	(9,004)	(8,346)
Closing written down value at cost	6,201	3,047	4,235
Net Other Assets	**12,557**	**9,402**	**8,923**
Right Of Use Assets			
Lease property and plant	1,169	-	-
Provision for depreciation and impairment	(190)	-	-
Net Right Of Use Assets	979	-	-
Capital work in progress ('CWIP') at cost	1,210	5,541	4,435
Total written down value at fair value	120,649	124,975	123,627
Total written down value at cost	12,736	13,315	13,207
Total right of use assets	979	-	-
Total written down value for property, plant & equipment	**134,364**	**138,290**	**136,834**

Acquisitions and disposals

During the half-year ended 31 August 2019 the group acquired assets of $1,192,561 (2018: $6,217,996) and disposed of assets with a net carrying value $946 (2018: $680,205).

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.

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 28 February 2019 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 27 % (2018: 29%) market share of an Australian sustainable crop size of 3.2 million bales (2018: 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% (2018 - 1.65%)
- Growth rate - expenses 2.20% (2018 - 2.20%)
- Pre-tax discount rate of 15.4% (2018 – 16.0 %)

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 a change in the service potential of a gin impacted sustainable bales and required the impairment/revaluation of part of the Group's ginning assets at 31 August 2019. Where a decrement was not covered by a previous increment the excess was posted to the profit and loss statement as a fair value decrement - ginning assets, while a revaluation was transferred to the asset revaluation reserve, after tax, in line with AASB 116.35 (a).

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. Right of use assets and lease liabilities

The right of use assets and lease liabilities have arisen upon adoption of AASB 16 Leases from 1 March 2019. Refer to note 18 for further information.

	Consolidated $'000		
	Lease property	Lease operating equipment	Total
Adjustment on adoption of AASB 16	961	208	1,169
Additions	-	-	-
Disposal	-	-	-
Depreciation	(141)	(49)	(190)
Reclassified to PPE	-	-	-
Closing net book amount	820	159	979
Cost	961	208	1,169
Accumulated depreciation	(141)	(49)	(190)
As at 31 August 2019	**820**	**159**	**979**

	Consolidated $'000	
	31 Aug 2019	01 Mar 2019
Lease liabilities		
Current lease liabilities	356	369
Non-current lease liabilties	630	800
Total lease liabilities	**986**	**1,169**

14. Trade and Other Payables

	Consolidated $'000		
	31 Aug 2019	28 Feb 2019	31 Aug 2018
Current			
Trade creditors and accruals[1]	25,476	7,652	59,627
Grower deposits	41	41	44
Cotton seed sales deposits	664	205	2,301
Liability for associate losses[2]	5,299	5,328	4,398
	31,480	**13,226**	**66,370**

[1] Trade creditors include grower lint creditors which are seasonally higher at the half year end.
[2] The Cargill Oilseeds Australia Partnership Agreement provides for partners to contribute to partnership losses to the extent of our interest in the partnership (15%).

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 2019	28 Feb 2019	31 Aug 2018
AUD Facilities			
Short term	2,500	2,500	2,500
Working capital finance[1]	10,000	10,000	10,000
Term debt[2]	42,000	42,000	42,000
Equipment Finance[3]	2,500	2,500	2,500
	57,000	**57,000**	**57,000**

	Facility Use - Consolidated AUD $'000		
	31 Aug 2019	28 Feb 2019	31 Aug 2018
Current			
AUD Facility Use			
Working capital finance[1]	10,000	-	-
	10,000	-	-
Other Liabilities			
Equipment finance - bank finance[3]	908	937	958
Equipment finance - other finance	133	124	80
Lease liabilties	356	-	-
	1,397	1,061	1,038
	11,397	**1,061**	**1,038**
Non Current			
AUD Facility Use			
Term debt[2]	42,000	42,000	42,000
	42,000	42,000	42,000
Other Liabilities			
Equipment finance - bank finance[3]	854	1,232	1,295
Equipment finance - other finance	285	398	214
Lease liabilties	629	-	-
	1,768	1,630	1,509
	43,768	**43,630**	**43,509**

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 (2018: AUD$10 million).

[2] Term debt finance

Namoi Cotton has negotiated the following finance facility limits:

- Committed term debt facility A (non-amortising) - facility limit of AUD$35 million (2018: AUD$35 million) with a facility end date of 30 April 2021;
- Committed term debt facility B (non-amortising) - facility limit of AUD$7 million (2018: AUD$7 million) with a facility end date of 30 April 2021; and

[3] Equipment finance

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

Subsequent to the half-year balance date the Group renewed the working capital facility extending its maturity date to 31 October 2020. As part of the renewal and in response to forecast market conditions, the Group's bankers also agreed to continued non-testing of certain financial covenants from 31 March 2020 through 31 October 2020 and to amend the covenant threshold for the Tangible Net Worth covenant from 1 April 2020 to 31 October 2020.

16. Contributed Equity

	No. 000's		$ '000	
	31 Aug 2019	**28 Feb 2019**	**31 Aug 2019**	**28 Feb 2019**
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	2,558	15,226	26	152
Residual capital stock converted to ordinary shares	(169)	(12,669)	(2)	(127)
Residual capital stock at the end of the period	**2,388**	**2,558**	**24**	**26**
Ordinary Shares (fully paid)				
Ordinary shares at the beginning of the financial year	140,096	127,427	1,401	1,274
Residual capital stock converted to ordinary shares	169	12,669	2	127
Ordinary shares at the end of the period	**140,265**	**140,096**	**1,403**	**1,401**

At balance date some 2.39m (2018:3.77m) Residual Capital Stock had not been converted to ordinary shares. Under the terms of the Restructure in October 2017 and the Constitution of Namoi Cotton Limited the redemption of Residual Capital Stock is permitted. The conditions of such redemption include that redemption cannot occur until the earlier of a minimum of 90% of Residual Capital Stock have being converted to Ordinary Shares or the 30th June 2018.

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

Capital stock terms and conditions (previously):

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

Ordinary shares terms and conditions:

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

17. Segment Information

Business segments Half-year ended 31 August 2019	**Ginning $'000**	**Marketing[1] $'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)**

Business segments Half-year ended 31 August 2018	**Ginning $'000**	**Marketing $'000**	**Commodities $'000**	**Unallocated $'000**	**Consolidated $'000**
Revenue	651	1,641	-	100	**2,392**
Trading margin gains	77,196	378	-	-	**77,574**
Segment Result (Pre-tax)	22,400	2,908	375	(4,509)	**21,174**

	Consolidated $'000	
	31 Aug 2019	**31 Aug 2018**
Included in the unallocated results for the period are:		
Rental Revenue	58	98
Finance Revenue	-	2
Total Unallocated Revenue	**58**	**100**
Employee benefits expense	(2,366)	(2,124)
Depreciation	(163)	(200)
Finance costs	(28)	(13)
Other corporate administrative expenses	(2,212)	(2,272)
	(4,769)	**(4,609)**
Total Unallocated Result	**(4,711)**	**(4,509)**

[1] Marketing revenue remains inclusive of classing income from Australian Classing Services Pty Ltd, which was wholly owned from 6 February 2018.

18. Changes in accounting policies

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

The accounting policies adopted in the preparation of the interim consolidated financial report are consistent with those followed in the preparation of the Group's annual report for the year ended 28 February 2019.

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

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

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

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

In accordance with AASB 16(53)(j) the recognised right-of-use assets relate to the following types of assets:

	Consolidated $'000	
	31 Aug 2019	**01 Mar 2019**
Leased property	820	961
Leased operating equipment	159	208
Total right of use of assets	**979**	**1,169**

The effect of adoption AASB 16 as at 1 March 2019 (increase/(decrease)) is as follows:

	Consolidated $'000 01 Mar 2019
Assets	
Right of use assets	1,169
Property, plant and equipment	-
Deferred tax asset	351
Total assets	**1,520**
Liabilities	
Lease liabilties	1,169
Deferred tax liabilities	351
Total liabilities	**1,520**
Equity	
Retained earnings	-
Total adjustment on equity	-

Practical expedients applied
In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 March 2019 as short-term leases.
- the accounting for operating leases with a cost value of AUD7,500 or less as low value leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

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

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

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

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

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

Right-of-use assets are measured at cost comprising the following:

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

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

19. 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.

20. Fair Value Measurement - Financial Instruments

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

Non-current interest-bearing liabilities have a carrying amount of $43.14 million and have a fair value of $43.01 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. (2018: 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.

21. Contingent Assets, Liabilities and Commitments

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

22. Significant Events after Balance Date

No events of a material nature have occurred between 31 August 2019 and the date of this report.

23. Related Party Disclosures

Significant related party transactions entered into with other related parties during the six months ended 31 August 2019 and 2018:

Sales of white cotton seed to the COA Partnership were $NIL (2018: $6,403,114) and purchases of white cotton seed from the COA Partnership were $NIL (2018: $1,085,579).

Transactions with Namoi Cotton Alliance
Management fees received by Namoi for services provided to Namoi Cotton Alliance $1.25m (inclusive of bale handling fees) (2018: $1.25m).
Lint Cotton Sales from Namoi to Namoi Cotton Alliance $178.9m (2018: $382.6m).

24. Other Non-Financial Information

Namoi Cotton Limited
ABN 76 010 485 588
AFSL 267863

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Pilliga Road
Wee Waa NSW 2388

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

Investor Inquiries: 1300 855 080

Bankers
Commonwealth Bank of Australia

Auditors
Ernst & Young
Brisbane, Australia

DIRECTORS DECLARATION

Financial report for the half-year ended 31 August 2019

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 2019 and of its performance for the half-year ended on that date; and

    ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001; and

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

On behalf of the board

T Watson
Director
Brisbane
24 October 2019