Namoi Cotton Limited

Interim financial report
For the half year ended 31 August 2022

Namoi Cotton Limited

ABN 76 010 485 588

www.namoicotton.com.au

Interim report – 31 August 2022

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 28 February 2022 and any public pronouncements made by Namoi Cotton Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Namoi Cotton Limited is a company limited by shares, incorporated and domiciled in Australia. The registered office is located at 1B Kitchener Street, Toowoomba, Queensland 4350. Its shares are listed on the Australian stock exchange.

Appendix 4D

The information contained in the report is for the half-year ended 31 August 2022 and the previous corresponding period, 31 August 2021.

RESULTS FOR ANNOUNCEMENT TO MARKET

Revenue and profit	Up/ Down	% CHANGE		$'000
Revenues from ordinary activities	Up	54%	to	1,486
Net profit from ordinary activities after tax attributable to shareholders	Up	163%	to	12,391
Net profit and other comprehensive income for the period attributable to shareholders	Up	158%	to	12,391

Dividends	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the interim dividend	-	-

For information of the financial result and review of operations refer to the Directors' report.

Net tangible assets per security	31 August 2022	31 August 2021
Net tangible asset backing per ordinary share	74 Cents	71 Cents

Additional Appendix 4D disclosure requirements can be found in the attached Financial Report for the half-year ended 31 August 2022.

This report is based on the consolidated financial statements and notes which have been reviewed by KPMG.

Further information regarding Namoi Cotton Limited and its business activities can be obtained by visiting the website at www.namoicotton.om.au

In compiling this half-year financial report, Australian 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 2022

Your directors present their report on the consolidated entity consisting of Namoi Cotton Limited ('**Namoi**' or ('**Namoi Cotton**' or the '**Company**') and the entities it controlled at the end of or during the half year ended 31 August 2022 ('**H1FY23**') and the previous corresponding half year period, 31 August 2021 ('**H1FY22**') and the previous full year period, 28 February 2022 ('**FY22**').

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

Tim Watson (Chair)

Robert Green

Juanita Hamparsum

Ian Wilton

Joseph Di Leo (Resigned 4 August 2022)

About Namoi Cotton

Our Vision and Mission is to be the leading Australian cotton agribusiness by independently linking growers to global markets.

Namoi Cotton's cotton business spans fibre, feed, supply chain and marketing with ginning being at its core. Our network of 10 gins at 9 locations in NSW and southern QLD serving over 200 growers, is supported by warehousing and packing, connected by rail and road to container ports.

Summary of performance for the half year

On the back of above average cotton production in the 2022 season (FY23[1]), we are expecting to gin approximately 1.2 million bales of cotton[2] representing around 21% share of Australian cotton production[3].

This year's ginning season will extend into late 2022. Ginning has been delayed by 6 to 8 weeks due to rain[4] and is expected to be completed in November 2022. The delay has deferred earnings and cashflow from ginning and cottonseed marketing sales into the second half of FY23. Last season the Company completed over 90% of ginning at half year end compared to ~80% at half year end this season.

The company generated an EBITDA[5] of $20.9m and NPAT[6] of $12.4m from 952,000[7] ginned bales at half year end (prior comparative period ('**pcp**') H1FY22: 0.46 million ginned bales, EBITDA $9.0m and NPAT $4.7m).

Ginning has been challenged by wet weather and industry conditions, increasing input costs for labour, fuel and consumables in addition to supply chain constraints. These have had a negative impact on margins. However, earnings have been supported by improved performance from co-products and joint ventures.

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[1] Financial year ending 28 February 2023
[2] Forecast based on YTD 2022 season ginning volume and outstanding contracts with growers.
[3] Australian cotton production: ABARES – Sept 2022
[4] Compared to previous comparable volume seasons, FY2018 and FY2019
[5] EBITDA is a non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation and amortisation
[6] Net Profit After Tax – Profit attributable to the members of Namoi Cotton Limited
[7] Include 100% of bales at joint venture gins

The outlook for the 2023 season is positive with forecast Australian production of between 5.0-5.9 million bales[1] and Namoi Cotton's ginning volume (subject to suitable weather for planting) expected to be similar to the current 2022 season, at 1.1-1.3 million bales[2].

The Directors have elected not to declare an FY23 interim dividend (FY22: nil cents).

Highlights from the half year ended 31 August 2022 and the 2022 cotton season to date:

FOR HALF YEARS ENDED 31 AUGUST		H1FY23	H1FY22	MOVEMENT	
Australian Cotton production[3]	mb	5.6	2.7	107%	↑
Ginned bales[4]	mb	0.95	0.46	106%	↑
EBITDA[5]	$m	20.9	9.0	132%	↑
Profit attributable to members	$m	12.4	4.7	164%	↑
Net operating cash inflow/ (outflows)	$m	(8.99)	5.61	(260)%	↓
Net debt to capital ratio[6]	%	32	22	45%	↑

Financial Results

(a) Profit and Loss

FOR HALF YEARS ENDED 31 AUGUST		H1FY23	H1FY22	MOVEMENT		
Earnings						
Net Revenue[7]	$m	74.8	36.0	38.8	108%	↑
Earnings of JVs and Associates[8]	$m	2.1	1.1	1.0	91%	↑
EBITDA[9]	$m	20.9	9.0	11.9	132%	↑
Profit attributable to members [10]	$m	12.4	4.7	7.7	164%	↑

Net Revenue is a non-IFRS and unaudited measure which includes Revenues from ordinary activities as noted in the Appendix 4D plus trading margin gains and other income/(loss)revenue.

Improved cotton production driven by good water availability and strong global prices delivered above average cotton ginning volume to 31 August 2022 of 0.95m bales, up by 0.52m bales compared to the prior comparative period.

Namoi Cotton's EBITDA for H1FY23 is $20.9m, an increase of $11.9m (pcp: $9.0m). Profit after tax for H1FY23 is $12.4m, an increase of $7.7m (pcp: $4.7m). Driving the result has been the increase in bales ginned, increased cottonseed sales and return to profitability by the joint ventures.

[1] ABARES – Australian Bureau of Agricultural and Resource Economics and Sciences forecast 5.0 million bales (September 2022). Cotton Compass forecast 5.5 million bales (17 October 2022)
[2] Include 100% of bales at joint venture gins
[3] ABARES – September 2022
[4] Includes 100% of ginned bales from joint venture gins as at 31 August 2022. Full Year FY23 forecast ~1.2million bales
[5] EBITDA is a non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation and amortisation
[6] Net debt equals interest bearing liabilities less cash and cash equivalents. Net debt to capital ratio equals net debt divided by net debt plus total equity
[7] Net revenue is a non-IFRS and unaudited measure defined as revenue plus trading margin gains plus other income/(loss)revenue
[8] NCA, NC Packing Services Pty Ltd and NCMA joint ventures with Louis Dreyfus Corporation
[9] EBITDA is a non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation and amortisation
[10] Profit attributable to the members of Namoi Cotton Limited

Earnings was negatively impacted by challenging weather and industry conditions. Wet weather delayed cotton picking, resulting in stop-start ginning and extending the ginning season by 6 to 8 weeks. High moisture cotton reduced gin productivity and contributed to higher processing costs. Increased distribution costs have also had an impact on margins combined with supply chain disruptions including rail due to flood events.

However, earnings were supported by improved performance in co-products, that include cottonseed marketing, and joint ventures. Namoi Cotton's share of profit from joint ventures in H1FY23 was $2.1m (pcp: $1.1m) reflecting higher volumes in warehousing, packing, logistics and lint marketing.

Depreciation for ginning assets was up $1.5m on pcp as a result of Namoi Cotton's 'units of production' depreciation methodology (pcp: $1.9m). There was no change in the capacity and servicing potential of Namoi Cotton's ginning network and hence there was no increment or decrement applied to the fair value of ginning assets in H1FY23.

(b) Cashflow

FOR HALF YEARS ENDED 31 AUGUST		H1FY23	H1FY22	MOVEMENT		
Cashflow						
Cashflow from Operating Activities	$m	(8.99)	5.61	(14.6)	(260)%	↓
Underlying Cashflow[1]	$m	20.9	16.5	4.4	27%	↑

Net cash outflows from operations for H1FY23 totaled $8.99m, with payments for operating costs and cottonseed inventory being weighted to H1FY23, whilst receipts from customers for cottonseed marketing and maintenance costs are weighted to H2FY23.

Cash costs exceeded cash revenues due to the buildup of cottonseed inventory stocks (HY23 $29.7 million, pcp $10.9 million). The delay in ginning due to wet weather has also deferred cash that would previously have been received in H1FY23 to H2FY23.

The procurement of cottonseed from growers for marketing (i.e. on-sale) was funded from operating cashflow and our working capital facilities. The Company has $10m in debt headroom available at H1FY23. The inventory of cottonseed will be sold in H2FY23 and into the first quarter of FY24.

[1] Underlying Cashflow is a non-IFRS and is defined as Cashflow from Operating Activities less seasonal cottonseed inventory at market value held for marketing. (More relevant metric given the marketable and liquid characteristics of traded cottonseed)

(c) Balance Sheet

FOR HALF YEARS ENDED 31 AUGUST		H1FY23	H1FY22	MOVEMENT	
Balance Sheet					
Net Assets	$m	128.0	121.9	6.1	5% ↑
Core Working Capital[6]	$m	35.5	7.7	27.8	361% ↑
Cottonseed Inventory	$m	29.7	10.9	18.8	173% ↑
Net Debt[1]	$m	61.1	35.1	26.1	74% ↑
Core Debt[2]	$m	31.4	24.2	7.3	30% ↑
Metrics					
Gearing ratio[3]	%	33%	22%	10%	45% ↑
Diluted earnings per share[4]	cents	7.1	2.9	4.3	148% ↑
Net tangible asset value per share	cents	74.4	71.0	3.4	5% ↑

The material movement in the Company's Balance Sheet from H1FY22 to H1FY23 was due to an increase in working capital to support operations and cottonseed marketing. Working capital increased by $27.8m to $35.5m (pcp: $7.7m) due to an increase in cottonseed inventory of $18.8m and an increase of $5.1m in net trade receivables. The increase in net debt of $26.1m includes funding of $29.7m for cottonseed inventory.

Net Debt totaling $61.1m (pcp: $35.1m) includes a $42m term debt facility with Commonwealth Bank of Australia ('**CBA**'). As at balance date, this term debt facility has an expiry date of 1 October 2024.

The carrying value of property, plant and equipment at H1FY23 decreased by $2.6m compared with the closing value at year end FY22 due to a surplus of depreciation over capital reinvestment in the first half of FY23. Namoi Cotton has separately announced a capital investment program as part of its 4PP strategy to increase capacity and improve operations.

(d) Operations and Outlook

2022 Cotton Crop

ABARES estimated cotton harvested in 2022 was a 5.6 million bale crop (pcp: 2.7million bales). Growing conditions in some areas were supported by and in other areas adversely impacted by wet weather causing delays in harvesting and then ginning.

Ginning

During H1FY23 Namoi Cotton ginned 0.95m bales of the 2022 season crop (pcp: 0.46m bales) including 100% of joint venture gins, across ten gins resulting in a 109% increase versus the pcp.

Cottonseed

Increased cottonseed volumes due to above average cotton production and increased global prices resulted in improved cottonseed earnings and margins during H1FY23. There has been a delay in executing contracts due to the late start to the ginning season and a shortage in logistics capacity.

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[1] Net Debt – Interest bearing liabilities less cash and cash equivalents
[2] Core Debt is a non-IFRS and is defined as Net Debt less seasonal cottonseed inventory at market value held for marketing. (More relevant metric given the marketable and liquid characteristics of traded cottonseed)
[3] Gearing ratio – Interest bearing liabilities divided by Interest bearing liabilities plus Total Equity
[4] Residual capital stock unconverted has not been included in the calculation because they are antidilutive
[6] Core working capital – Current Assets (excluding cash) less Current Liabilities (excluding interest bearing liabilities)

Namoi Cotton Alliance (NCA)

NCA's logistics and warehouse businesses benefited from an increase in 2022 season ginning volumes including an increase in cotton lint bale storage and cottonseed packing volume. Labour shortages and supply chain disruptions including container availability and rail delays due to flood events have impacted operations. Increased labour, shipping and domestic transport costs have had a negative impact on margins.

The outlook for the current season winter grain crop is positive and volumes are estimated to be at above average levels. A shortage in logistics capacity will continue to hamper execution.

Namoi Cotton Marketing Alliance (NCMA)

Following the restructure of Namoi Cotton Alliance's lint marketing operations to NCMA in late FY21, NCMA has been responsible for the trading and marketing of cotton lint acquired by Namoi Cotton. Namoi Cotton owns a 15% share of the NCMA joint venture. The NCMA business has benefited from the above average cotton production in the 2022 season, with increased volume, strong demand and high prices for lint marketing. Delays in shipments, container availability and increasing road and export freight costs have increased execution costs.

2023 season outlook (FY24 financial year)

The 2023 Australian cotton crop will soon enter the planting phase subject to weather conditions. Good water availability and forecast La Niña conditions[1] are expected to support average to above average cotton production in the 2023 season (FY2024). The estimate of total cotton production for 2023 season is between 5.0m-5.5m bales[2] similar to the size of the 2022 season cotton crop.

Rounding

Namoi is an entity of the kind specified in the ASIC Corporations Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument unless specifically stated to be otherwise.

(e) Auditor's Independence Declaration

The auditor's independence declaration is included on page 8 of the interim financial report.

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

On behalf of the board

Tim Watson
Chairman and Director
Toowoomba
24 October 2022

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[1] Climate Update Driver – Bureau of Meteorology BOM 27 September 2022: 'La Nina continues in the tropical Pacific'
[2] ABARES – September 2022 and Cotton Compass – 17 October 2022

Auditor’s independence declaration

Lead Auditor’s Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Namoi Cotton Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Namoi Cotton Limited for the half year ended 31 August 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Simon Crane
Partner

Brisbane
24 October 2022

Condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 August 2022

	Note	$'000 31 August 2022	31 August 2021
Trading margin gains	2a	73,363	35,037
Revenue			
Revenue from customers	2b	1,117	646
Other revenue	2b	369	322
Total Revenue		1,486	968
Share of profit of joint ventures	8	2,052	1,071
Total		**76,901**	**37,012**
Expenses			
Processing and distribution costs		(28,063)	(11,377)
Employee benefits expense	2c	(20,205)	(11,388)
Depreciation and amortisation expenses		(7,021)	(3,526)
Other expenses	2d	(7,739)	(5,343)
Total expenses		(63,028)	(31,570)
Results from operating activities		13,873	5,442
Finance costs	2e	(1,482)	(733)
Profit before tax		12,391	4,709
Income tax expense	3	–	–
Profit attributable to the shareholders of Namoi Cotton limited		12,391	4,709
Other comprehensive income items that will not be reclassified to profit or loss:			
Increment to asset revaluation reserve		–	93
Profit and other comprehensive income attributable to the shareholders of Namoi Cotton Limited		12,391	4,802
Earnings per share			
Basic earnings per share		7.2	3.0
Diluted earnings per share		7.1	2.9

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

Condensed consolidated statement of financial position

As at 31 August 2022

	Note	31 August 2022 ($'000)	28 February 2022 ($'000)	31 August 2021 ($'000)
Assets				
Cash and cash equivalents	4	3,048	367	11,753
Trade and other receivables	5	25,370	4,202	23,419
Inventories	6	37,813	11,020	18,631
Prepayments		741	557	–
Derivative financial instruments	7	33,529	62,142	11,220
Current assets		100,500	78,288	65,023
Investments in joint ventures accounted for using the equity method	8	22,617	21,498	22,019
Property, plant and equipment	11	131,400	134,019	127,607
Non-current assets		154,016	155,517	149,626
Total assets		254,516	233,805	214,649
Liabilities				
Trade and other payables	12	30,657	5,657	33,814
Interest bearing liabilities	13	25,350	3,593	43,698
Provisions		2,572	2,309	2,013
Derivative financial instruments	7	28,691	61,063	9,663
Current liabilities		87,271	72,622	89,188
Interest bearing liabilities	13	38,841	45,422	3,107
Provisions		424	172	451
Non-current liabilities		39,265	45,594	3,558
Total liabilities		126,536	118,216	92,746
Net assets		127,980	115,589	121,903
Equity				
Contributed equity	14	47,984	47,984	47,984
Reserves		72,991	72,991	70,168
Retained earnings		7,005	(5,386)	3,751
Equity attributable to the equity holders of the parent		127,980	115,589	121,903
Total equity		127,980	115,589	121,903

This statement should be read in conjunction with the notes to the financial statements.

Condensed consolidated statement of changes in equity

For the half year ended 31 August 2022

$'000	Issued capital	Asset revaluation reserve	Share rights reserves	Retained earnings	Total equity
Total equity at 1 March 2022	47,984	72,954	37	(5,386)	115,589
Total comprehensive income					
Net profit for the period	–	–	–	12,391	12,391
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	12,391	12,391
Transactions with owners of the Company					
Ordinary shares issued	–	–	–	–	–
Dividends	–	–	–	–	–
Balance at 31 August 2022	47,984	72,954	37	7,005	127,980

$'000	Issued capital	Asset revaluation reserve	Share rights reserves	Retained earnings	Total equity
Total equity at 1 March 2021	37,639	70,066	9	(958)	106,756
Total comprehensive income					
Net profit for the period	–	–	–	4,709	4,709
Other comprehensive income	–	93	–	–	93
Total comprehensive income	–	93	–	4,709	4,802
Transactions with owners of the Company					
Ordinary shares issued	10,345	–	–	–	10,345
Dividends	–	–	–	–	–
Balance at 31 August 2021	47,984	70,159	9	3,751	121,903

This statement should be read in conjunction with the notes to the financial statements.

Condensed consolidated statement of cash flows

For the half year ended 31 August 2022

	Note	$'000 31 August 2022	31 August 2021
Cash flows from operating activities			
Receipts from customers		465,260	206,510
Payments to suppliers and employees		(473,372)	(200,227)
Cash generated from operating activities		(8,112)	6,283
Interest received		12	5
Borrowing costs		(892)	(682)
Net cash inflow/(outflow) from operating activities		(8,992)	5,606
Cash flows from investing activities			
Payments for property, plant and equipment		(3,756)	(1,002)
Proceeds from sale of property, plant and equipment		40	394
Proceeds from loans receivable		–	–
Joint venture distributions received		462	468
Net cash inflow/(outflow) investing activities		(3,254)	(140)
Cash flows from financing activities			
Proceeds from issuing shares		–	10,345
Proceeds from borrowings		17,500	4,100
Repayment of borrowings		(88)	(8,250)
Proceeds from equipment leases		90	35
Principal portion of lease payments		(215)	(213)
Net cash inflow/(outflow) from financing activities		17,287	6,017
Net increase (decrease) in cash and cash equivalents		5,041	11,483
Cash and cash equivalents at 1 March		(1,993)	270
Cash and cash equivalents at 31 August	4	3,048	11,753

This statement should be read in conjunction with the notes to the financial statements.

1 Significant changes in the current reporting period

Although global market conditions have affected market confidence and recent weather events have delayed the 2022 cotton ginning season the group remains well placed to deliver on its full year plan to gin approximately 1.2 million bales of cotton.

The group has reviewed its exposure to climate-related and other emerging business risks, but has not identified any risks that could materially impact the financial performance or position of the group as at 31 August 2022. It has sufficient headroom to enable it to conform to covenants on its existing borrowings and sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investments.

The financial position and performance of the group was particularly affected by the following events and transactions during the six months to 31 August 2022:

- A significant increase in revenue from ginning activities as a result of the strong growing conditions for the 2022 cotton season.
- A significant increase in cottonseed margin buoyed by strong global prices coupled with strong demand both domestically and internationally.
- The delay in ginning by approximately 6 weeks due to rain has proportionally deferred earnings and cashflow from ginning and cottonseed sales into 2HY23
- Operating conditions have been challenged by wet weather, labour and supply chain constraints in addition to increasing input costs for labour, fuel and consumables. These have had a negative impact on margins

For a detailed discussion about the group's performance and financial position please refer to our review of operations on pages 2 to 7.

2 Revenue and expenses

	$'000	
	31 August 2022	31 August 2021
a) Trading Margin gains		
Ginning services and co-products	73,147	34,920
Lint Handling	216	117
	73,363	35,037
b) Revenue		
i) **Revenue from customers**		
Classing services	1,107	598
Other	10	48
	1,117	646
ii) **Other revenue**		
Rental revenue	55	72
Other service revenue	301	115
Finance revenue	12	6
Net gain/(loss) on disposal of property, plant & equipment	1	(108)
Income – Government Grants	–	237
	369	322
Total revenue	1,486	968

Trading Margin gains comprises gross ginning charges, plus sales of mote, plus cottonseed sales plus lint handling fees less the direct cost of cottonseed.

Revenue from customers comprises gross revenue from the sale of services and products directly related to ginning and co-products.

Other revenue comprises revenue from sources not directly related to ginning and co-products.

Processing & distribution costs disclosed in the statement of profit and loss comprise costs directly related to the provision of ginning services and the sale of co-products.

	$'000	
	31 August 2022	31 August 2021
c) Employee benefits expense		
Salaries, wages on-costs and other employee benefits	19,261	10,850
Defined benefit superannuation contributions expense	943	538
	20,205	11,388

Employee benefits expenses relates to permanent, casual and fixed contract employees.

2 Revenue and expenses (continued)

	$'000 31 August 2022	31 August 2021
d) Other expenses		
Audit fees	152	183
Consulting	1,198	1,069
Insurance	618	571
Maintenance	2,172	1,094
Motor vehicle related	568	641
Safety	441	270
Travel	293	249
Utilities	400	394
Other	1,897	872
	7,739	5,343
e) Finance costs		
Interest on bank loans and overdrafts	1,440	674
Interest expense – leases	39	50
Interest expense – interest rate derivatives	3	9
	1,482	733

3 Income tax

	$'000 31 August 2022	$'000 31 August 2021
Statement of Profit and Loss and Other Comprehensive income		
Accounting profit from continuing operations before income tax expense	12,391	4,709
At Group's statutory income tax rate of 30% (2021: 30%)	3,717	1,413
Add back: Non-assessable or non-deductible items	244	135
	3,961	1,548
Less: Tax losses expected to be utilised	(3,961)	(1,548)
Income tax expense/ (benefit) recorded in the Statement of Profit and Loss and Other Comprehensive Income	–	–

Tax consolidated group and tax sharing arrangements

Namoi Cotton 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 recognized in these financial statements in respect of this agreement on the basis that the possibility of default is remote.

4 Cash and cash equivalents

		$'000	
	31 August 2022	28 February 2022	31 August 2021
Reconciliation to Statement of Cash Flows			
For the purposes of the Statement of Cash Flows,			
Cash comprises the following items:			
Cash at bank	3,048	367	11,753
Bank overdraft	–	(2,361)	–
	3,048	(1,994)	11,753

5 Trade and other receivables

		$'000	
	31 August 2022	28 February 2022	31 August 2021
Current			
Trade debtors[1]	25,335	4,184	9,864
Less: allowance for impairment losses	–	–	–
Trade debtors from an associate[2]	35	18	13,554
	25,370	4,202	23,418
Loans to employees	–	–	1
	–	–	1
	25,370	4,202	23,419

[1] Trade debtors arise from domestic sales of cottonseed, grain commodities and ginning co- products. These debtors are settled under a range of agreed payment terms. These debtors are non-interest bearing.

[2] Trade debtors from an associate relate to payments owing for delivery of lint cotton bales processed but not yet invoiced at 31 August 2022. This is offset by payments due to growers reflected in trade and other payables.

6 Inventories

	$'000		
	31 August 2022	28 February 2022	31 August 2021
Raw cotton modules, mote and moss (at cost)	581	32	1,492
Cottonseed (at fair value less costs to sell)	29,703	3,500	10,891
Operating supplies and spares (at cost)	7,529	7,488	6,248
	37,813	11,020	18,631

7 Derivative financial instruments

	$'000		
	31 August 2022	28 February 2022	31 August 2021
Current assets			
Interest rate swaps	–	3	11
Cottonseed sale contracts	11,149	344	2,914
Cottonseed purchase contracts	–	2,413	–
Due from currency broker	62	64	29
Lint cotton sale contracts – NCMA	22,318	59,318	8,266
	33,529	62,142	11,220
Current liabilities			
Foreign exchange contracts	1,426	–	288
Due to currency broker	–	52	–
Cottonseed sale contracts	–	1,693	–
Cottonseed purchase contracts	4,948	–	1,109
Lint cotton purchase contracts – NCMA	22,318	59,318	8,266
	28,691	61,063	9,663

8 Investments joint ventures using the equity method

a) Ownership interest

	% Ownership interest held by consolidated entity		
	31 August 2022	28 February 2022	31 August 2021
Investment in Joint Ventures			
Namoi Cotton Alliance (NCA)	51%	51%	51%
NC Packing Services Pty Ltd (NCPS) [1]	51%	51%	51%
Namoi Cotton Marketing Alliance (NCMA)	15%	15%	15%

	$'000		
	31August 2022	28 February 2022	31 August 2021
Investment in joint ventures	22,617	21,498	22,019

b) The principal activities of the associates and joint ventures are:

- NCA owns significant up-country warehousing and logistics facilities to support the marketing operations of the Group
- NCMA markets Australian Lint Cotton
- NCPS operates containerised commodity packing facilities primarily packing cottonseed, coarse grains and pulses.

NCA and NCPS are 51% owned, however, the two entities are jointly controlled due to the joint venture agreement terms in relation to committee decision making etc. The NCA and NCPS joint venture participants have indemnified each other against all joint venture liabilities in proportions equal to their participating interest at the time they are incurred.

c) Significant influence

NCMA is 15% owned. Due to the Joint venture agreement terms in relation to committee decision making, significant influence is exerted.

d) Debt and other funding

The Group's joint venture partner in NCMA has assumed primary responsibility for ensuring NCMA's ongoing operations are funded. Namoi Cotton's exposure to NCMA's debt and other funding is limited to its 15% share and NCMA's debt is limited in recourse to the security of the NCMA assets.

Except to the extent Namoi Cotton's Joint venture entity's liability is satisfied from that limited recourse security, is further subject to a "cap" arrangement that places a limit of Namoi Cotton's exposure and distribution of profits/losses in any financial year to $1.5 million.

8 Investments joint ventures using the equity method (continued)

	$'000		
Material investments in joint ventures	**31 August 2022**	**28 February 2022**	**31 August 2021**
(i) Material joint venture results			
Namoi Cotton alliance ('NCA')	342	(477)	579
NC Packing Services Pty Ltd ('NCPS')	210	378	91
Namoi Cotton Marketing Alliance ('NCMA')[1]	1,500	414	401
Group share of joint venture profit/ (loss)	2,052	315	1,071
(ii) Carrying amount of investments in joint ventures			
Namoi Cotton Alliance ('NCA')			
Balance at the beginning of the financial year	22,566	23,043	23,043
Share of associates profits / (losses) for the period	342	(477)	579
Net book value of investment in joint venture at the end of the period	22,908	22,566	23,622

[1] The Company's share of profits from NCMA are capped at $1.5m in accordance with the NCMA Joint Venture agreement

NC Packing Services Pty Ltd ('NCPS')			
Balance at the beginning of the financial year	(1,365)	(1,743)	(1,694)
Share of associates profits / (losses) for the period	210	378	91
Net book value of investment in joint venture at the end of the period	(1,155)	(1,365)	(1,603)
Namoi Cotton Marketing Alliance ('NCMA')			
Balance at the beginning of the financial year	297	(49)	(49)
Share of associates profits / (losses) for the period[1]	1,500	365	401
Distribution of profits	(933)	(117)	(352)
Net book value of investment in joint venture at the end of the period	864	297	–
Group carrying value of investment in associates at the end of the period	22,617	21,498	22,019
Share of profit / (loss) of associates and joint ventures	2,052	315	1,071

[1] The Company's share of profits from NCMA are capped at $1.5m per annum in accordance with the NCMA Joint Venture agreement

9 Interest in associates and joint operations

a) Ownership interest	% Ownership interest held by consolidated entity		
	31 August 2022	28 February 2022	31 August 2021
Investment in associates			
Wathagar Ginning Company (WGC)	50%	50%	50%
Moomin Ginning Company (MGC)	75%	75%	75%

Principal activities

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

Accounting for joint operations

The joint operations have been accounted for using the share of rights to assets and obligations for liabilities method.

10 Interest in jointly controlled assets

Namoi Cotton holds a 40% joint ownership interest in the cottonseed handling and storage facilities at Mungindi, NSW with a book carrying value of $2.2m at 31 August 2022 (February 2022: $2.04m).

Namoi Cotton pays the operating costs of the facility and recoups from the partners the share paid on their behalf. There were no material contingent liabilities or capital expenditure commitments in respect of jointly controlled assets at balance date.

11 Property, plant and equipment

		$'000	
	31 August 2022	28 February 2022	31 August 2021
Gin Assets			
Ginning infrastructure and major equipment			
At fair value	121,426	123,693	119,353
Provision for depreciation and impairment	(5,949)	(6,607)	(5,699)
Transfers In/ Out at WDV	–	–	–
	115,477	117,086	113,654
Revaluation to fair value	–	4,340	–
Closing written down value	115,477	121,426	113,654
Other ginning equipment			
At cost	13,441	9,920	14,037
Provision for depreciation and impairment	(7,312)	(6,829)	(6,779)
Closing written down value	6,129	3,091	7,258
Net Gin Assets	121,606	124,517	120,912

11 Property, plant and equipment (continued)

	$'000		
	31 August 2022	28 February 2022	31 August 2021
Other assets			
Other infrastructure and major equipment			
At fair value	1,269	1,902	1,516
Provision for depreciation and impairment	(25)	(546)	(126)
	1,244	1,356	1,390
Revaluation to fair value	–	(87)	–
Closing written down value	1,244	1,269	1,390
Other equipment			
At cost	10,828	9,675	9,392
Provision for depreciation and impairment	(8,428)	(8,071)	(7,728)
Closing written down value	2,400	1,604	1,664
Net Other Assets	3,644	2,873	3,054
Right of Use Assets			
Lease property and plant	3,153	3,153	3,153
Provision for depreciation and impairment	(1,342)	(1,143)	(943)
Net Right of Use Assets	1,811	2,010	2,210
Capital work in progress ('CWIP')	4,339	4,619	1,431
Total written down value of property, plant and equipment	131,400	134,019	127,607

Revaluation of ginning assets

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 independently assessed discount rate. The Net Maintainable Earnings approach was used to support the DCF method results.

Effective 28 February 2022 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 pre-tax discount rate of 14% (implied multiple of 7). CBRE (in 2019) utilised the same methodology and arrived at a 14% pre-tax discount rate consistent with that for the period ended 28 February 2022. 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 2022 included:

- Sustainable bales. The ten year average annual sustainable ginning bales have been included following a gin by gin assessment of production areas, seasonal rotation, estimated yields and reliability of contracting and the impact of competition. The measure is inclusive of Namoi's respective shares of throughputs of the joint venture cotton gins and forms the baseline of the discounted cashflow. The number being approximately a 23% (2021: 25%) market share of an Australian sustainable crop size of 4.9 million bales (2021: 3.4 million bales) which also approximates the average number of bales achieved over the last 10 years, noting that individual seasons can fluctuate significantly dependent upon water availability;
- Growth rate – revenues 2% (2021 – 2.00%)
- Growth rate – expenses 2% (2021 – 2.00%)
- Pre-tax discount rate 14% (2021 – 13.6 %)

Any significant increases/(decreases) in sustainable bales volumes, changes to EBITDA from ginning revenue per bale, or throughput rate (production cost impact) or changes to the discount rate, in isolation, would result in a significantly higher/(lower) fair value. Based on the above fair value methodology there were a number of increments and decrements (reversals of prior period increments) adjustments posted to the asset revaluation reserve at 28 February 2022. In addition, where the reversal of a prior period decrement that impacted the profit or loss was identified the resulting reversal was posted to the profit and loss statement as a reversal of a prior period fair value decrement.

Based on the fair value methodology applied at 28 February 2022, no conditions or events have occurred that would materially impact the fair value of the assets. Therefore, no further increments or decrements (reversals of previous increments) adjustments were determined or posted to the asset revaluation reserve at 31 August 2022.

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, the assets or cash-generating units are written down to their recoverable amount.

12 Trade and other payables

	$'000		
	31 August 2022	**28 February 2022**	**31 August 2021**
Trade creditors and accruals[1]	25,611	4,723	33,651
Trade creditors from joint ventures	1,632	–	–
Grower deposits	–	–	38
Cottonseed sales deposits	3,414	934	125
	30,657	5,657	33,814

[1] Trade creditors and accruals are non-interest bearing and are settled under a variety of terms dependent upon the transaction arrangements and the counterparty. The carrying amount of trade creditors and accruals approximated their fair value. Trade creditors includes grower lint creditors which are seasonally higher at half year end.

13 Interest bearing liabilities

Interest bearing liabilities at balance date were as follows:

	Facility Use $'000		
	31 August 2022	28 February 2022	31 August 2021
Current			
AUD Facility Use			
Bank overdraft	–	2,361	–
Working capital finance[1]	17,500	–	–
Lease liabilities[2]	230	403	439
Equipment loans[3]	615	383	429
Cargill Australia Ltd[4]	830	446	830
Term Debt[5]	6,175	–	42,000
	25,350	3,593	43,698
Non current			
Term Debt[5]	36,190	42,000	–
Lease liabilities[2]	1,665	1,707	1,895
Equipment loans[3]	986	452	429
Cargill Australia Ltd[4]	–	811	783
	38,841	45,422	3,107

	Facility Limits $'000		
	31 August 2022	28 February 2022	31 August 2021
AUD Facility Limit			
Uncommitted Overdraft	5,000	5,000	2,500
Working capital[6]	32,500	32,500	10,000
Term A[7]	42,000	42,000	35,000
Term B[7]	–	–	7,000
	79,500	79,500	54,500

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

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

[3] Equipment loans have an average term of 2.1 years (2021: 1.2) with the average interest rate implicit in the contracts of 4.99% (2021: 4.82%).

[4] Cargill deferred settlement of $830,346 incurs interest of 6.5% pa in arrears.

[5] Term debt facility 31 August 2021 was deemed current in the prior period up until the renewal of the facility 29 September 2021. The term debt facilities remained fully drawn 31 August 2022.

[6] Working capital facilities are both committed ($17.5m) and uncommitted ($15m), non-amortising lines utilised to fund day to day expenses of the business including specific funding needs for cottonseed inventory and debtors, ginning consumables and general working capital needs; and

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

Financing arrangements

A Deed of Amendment was executed by Namoi Cotton and CBA on 30 September 2021 extending the maturity date of the working capital and term debt facilities to 1 October 2024.

Namoi Cotton and CBA have agreed to certain financial covenants that are reflective of current trading conditions and are considered appropriate levels to meet the needs of the business. Namoi Cotton forecasts the finance facilities outlined above will be sufficient to fund operations in FY22-FY24.

Namoi was in compliance with all financial covenants during the period ended 31 August 2022.

As at 31 August 2022 the undrawn facilities totaled $20.0m consisting of undrawn overdraft and working capital facilities.

14 Contributed equity

	$'000	
	31 August 2022	28 February 2022
Ordinary shares	47,984	47,984

	No. 000's		$ '000	
	31 August 2022	28 February 2022	31 August 2022	28 February 2022
1 cent Residual Capital Stock (fully paid)				
Residual capital stock at the beginning of the financial year	1,843	2,098	18	21
Residual capital stock converted to ordinary shares	-	(255)	-	(3)
Residual capital stock at the end of the period	1,843	1,843	18	18

	No. 000's		$ '000	
	31 August 2022	28 February 2022	31 August 2022	28 February 2022
Ordinary Shares (fully paid)				
Ordinary shares at the beginning of the financial year	172,105	140,556	47,984	37,639
Ordinary shares issued during the financial year	-	31,294	-	10,342
Residual capital stock converted to ordinary shares	-	255	-	3
Ordinary shares at the end of the financial year	172,105	172,105	47,984	47,984

At balance date some 1.8 million (February 2022: 1.8 million) 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 been 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.

Residual 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.

15 Segment information

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the CEO (the chief operating decision maker) with the executive management team in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold, whether retail or wholesale, and the nature of the services provided, the identity of service line manager and country of origin. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products sold and/or the services provided, as these are the sources of the group's major risks and have the most effect on the rates of return.

TYPES OF PRODUCTS AND SERVICES

Ginning Services

The ginning business operates 10 cotton gins (incorporating 2 joint venture gins, referred to in note 9) located in the major growing areas of NSW and Queensland. The ginning service provided to the growers during the production process includes the separation of lint cotton from seed and other foreign matter and the conversion of cotton in module form to bale form. Grower customers are also able to sell the cottonseed co-product to Namoi Cotton or elect to retain their cottonseed.

Mote, a co-product from the ginning process is also marketed by Namoi Cotton Limited.

Supply Chain & Marketing

The supply chain and marketing business involves the purchasing of lint cotton from Australian growers using a variety of forward contracts that offer differing combinations of price, delivery and risk characteristics. Bales procured by Namoi Cotton from growers are on-sold to its marketing associate (NCMA) with approximately 99% of marketing sales ultimately being to Asia. NCMA manages its marketing risks by utilising cotton futures and options and foreign currency contracts under strict risk management policies.

The controlled entity Australian Classing Services Pty Ltd (ACS) provides classing services for NCMA and other cotton merchants.

The joint venture entity NC Packing Services Pty Ltd (NCPS) operates containerised commodity packing facilities primarily packing cottonseed, coarse grains and pulses.

Accounting policies

The accounting policies adopted by the group in reporting segments internally are consistent with those of the previous financial year and corresponding interim reporting period.

The following items (or a portion thereof) of income and expenditure are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest Revenue;
- Rental Revenue;
- Share of profit from associate (other than NCA and NCMA);
- Finance costs;
- Corporate employee benefits expense;
- Corporate depreciation; and
- Other corporate administrative expenses.

A segment balance sheet and cashflow is not reported to the chief operating decision makers and are, therefore, not disclosed as part of this report.

Geographic information

The company currently operates in two separate geographic areas.

Revenues from customers are primarily derived from Australia with a portion derived from customers in Asia.

15 Segment information (continued)

Business segments	Ginning services & co-products	Supply Chain & Lint	Unallocated	Consolidated
Half-year ended 31 August 2022	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	1,117	–	–	1,117
Other revenue	303	–	66	369
Total consolidated revenue	1,420	–	66	1,486
Non-segment revenues				
Interest revenue	–	–	12	12
Rental revenue	–	–	54	54
Trading margin gains	72,748	615	–	73,363
Results				
Profit/ (loss) before tax and finance costs	16,716	(460)	(4,435)	11,821
Finance costs	(1,464)	–	(18)	(1,482)
Share of profit from associates	–	2,052	–	2,052
Net Profit/(loss) before tax	15,252	1,591	(4,452)	12,391
Other segment information				
Depreciation	(6,844)	(15)	(162)	(7,021)
Included in the unallocated results for the period are:				
Interest revenue				12
Rental revenue				54
Total unallocated revenue				66
Employee benefits expense				(2,422)
Depreciation				(162)
Finance costs				(18)
Other corporate administrative expenses				(1,916)
Total unallocated result				**(4,452)**

15 Segment information (continued)

Business segments	Ginning services & co-products	Supply Chain & Lint	Unallocated	Consolidated
Half-year ended 31 August 2021	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	646	–	–	646
Other revenue	277	–	45	322
Total consolidated revenue	923	–	45	968
Non-segment revenues				
Interest revenue	–	–	5	5
Rental revenue	–	–	40	40
Trading margin gains	34,891	146	–	35,037
Results				
Profit/ (loss) before tax and finance costs	7,935	116	(3,680)	4,371
Finance costs	(753)	26	(6)	(733)
Share of profit from associates	–	1,071	–	1,071
Net Profit/(loss) before tax	7,182	1,213	(3,686)	4,709

15 Segment information (continued)

Other segment information				
Depreciation	(3,402)	(34)	(92)	(3,528)
Included in the unallocated results for the period are:				
Interest revenue				5
Rental revenue				40
Total unallocated revenue				45
Employee benefits expense				(1,512)
Depreciation				(92)
Finance costs				-
Other corporate administrative expenses				(2,127)
Total unallocated result				**(3,686)**

16 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.

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.

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

Cottonseed commodity purchase contracts are forward dated and deliverable contracts with cotton growers or brokers. The fair value of cottonseed 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 Cottonseed Contracts (Purchase and Sale) and Cottonseed 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 (pcp: nil). The nature of the market used to determine the Cottonseed 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 7 Derivative 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.

17 Commitments and contingencies

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

18 Events occurring after the reporting period

As announced to the market on 13 September 2022 Namoi Cotton entered into an agreement with Kimberley Cotton Company (KCC) to build and operate their new cotton gin at Kununurra, WA. Namoi Cotton will invest $2.8 million in KCC representing a 20% interest.

On 21 September 2022, Namoi Cotton Limited announced an underwritten renounceable entitlement (rights) offer to raise $14.1 million to facilitate the investment in KCC and strengthen the balance sheet of the group.

No further events of a material nature have occurred between balance date and the date of this report, other than as disclosed elsewhere in this report.

19 Related parties

Significant related party transactions entered into with other related parties during the six months ended 31 August 2022 and 2021:

- Transactions with Namoi Cotton Alliance & Namoi Cotton Marketing Alliance
- Management fees received by Namoi for services provided to Namoi Cotton Alliance $0.3m (inclusive of bale handling fees) (pcp: $0.3m).
- Management fees received by Namoi for services provided to Namoi Cotton Marketing Alliance $0.2m (inclusive of bale handling fees) (pcp: $0.6m).
- Lint Cotton Sales from Namoi to Namoi Cotton Marketing Alliance $323.47m (pcp: $130.21m).
- Payments to related parties representing payments made to Grower Directors for the supply of cotton lint, co-products, and services less the cost of ginning cotton $0.6m (pcp: $1.6m)

20 Basis of preparation of the half year report

The condensed consolidated financial statements for the half-year ended 31 August 2022 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The interim report does not include all notes of the type normally included within the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 28 February 2022 and any public pronouncements made by Namoi Cotton Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New accounting standards and interpretations

<u>New and amended standards and interpretations adopted by the Group</u>

The AASB has issued a number of standards and amendments to standards that are mandatory for the first time in the reporting period commenced 1 March 2022. The Group has assessed and determined that there are no new or amended standards applicable for the first time for the 31 August 2022 interim financial report that materially affect the Group's accounting policies or any of the amounts recognised in the financial statements. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

<u>New and amended standards and interpretations not yet adopted by the Group</u>

The AASB has issued a number of new or amended accounting standards and interpretations that are not mandatory for the first time in the reporting period commenced 1 March 2022. The Group has assessed and determined that there are no standards or amendments to standards that are not yet effective that are expected to have a material impact on the Group in the current or future reporting period.

Going Concern

The interim consolidated 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.

Seasonality of operations

Cotton ginning operates on a seasonal basis whereby ginning normally occurs between April to September 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. Under Namoi Cotton's accounting policies, profits on cottonseed are recognised when delivery occurs.

The lint cotton marketing business is undertaken by the Namoi Cotton Marketing Alliance (NCMA), Namoi continues to purchase bales from growers which it on-sells to NCMA. NCMA normally takes delivery of lint cotton from Namoi in the first half of the year and under NCMA's accounting policies, profits from this activity arise on receipt of the lint cotton. Namoi equity accounts for its share of the NCMA joint venture net result (refer Note 8) which is reflected in the share of profits from joint ventures in the condensed consolidated statement of profit or loss and other comprehensive income.

Changes to comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation for the current year.

21 Other Non-financial information

Namoi Cotton Limited
ABN 76 010 485 588

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Share Registry

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

Bankers

Commonwealth Bank of Australia

Auditors

KPMG
Brisbane, Australia

Directors' declaration

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) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

ii) giving a true and fair view of the consolidated entity's financial position as at 31 August 2022 and of its performance for the half-year ended on that date; 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.

This declaration is made in accordance with a resolution from the directors.

Tim Watson
Director

Toowoomba

24 October 2022

Auditors review report

Independent Auditor's Review Report

To the shareholders of Namoi Cotton Limited

Report on the Interim Financial Report for the half year ended 31 August 2022

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Namoi Cotton Limited.

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 Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 August 2022 and of its performance for the ***half year*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises

- Condensed consolidated statement of financial position as at 31 August 2022
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half year ended on that date
- Notes 1 to 21 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Namoi Cotton Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company 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*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 August 2022 and its performance for the Half Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an 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.

KPMG

KPMG

Simon Crane
Partner

Brisbane
24 October 2022