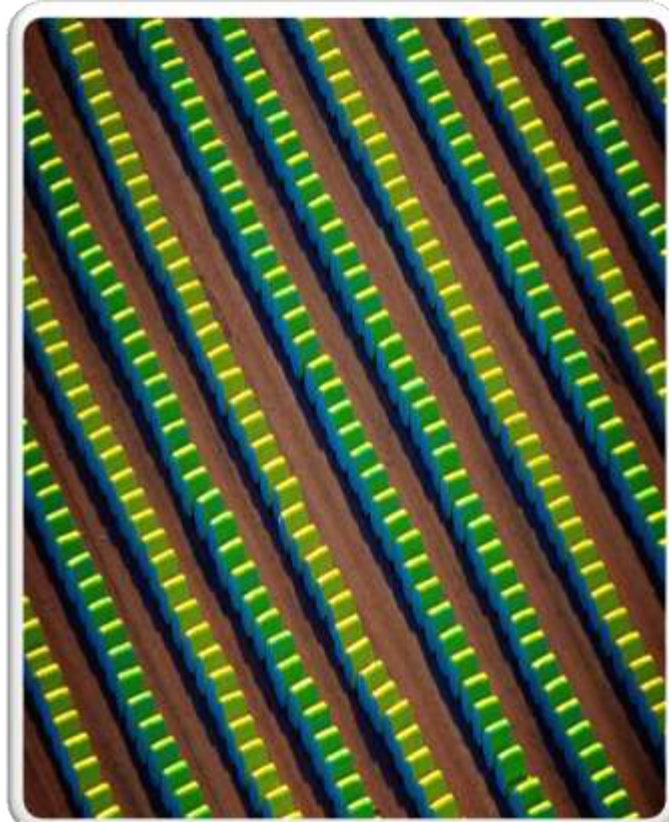


# Namoi Cotton Co-operative Ltd



Growing Together

ANNUAL GENERAL MEETING &  
MEETING OF CAPITAL  
SHAREHOLDERS 2014





# Namoi Capital Stockholders



# RESOLUTION 1

## NON GROWERS DIRECTOR REMUNERATION

FOR	AGAINST	OPEN & USEABLE	ABSTAIN
5,220,306	784,438	15,984	429,228



# CHAIRMAN'S



Growing Together

## ADDRESS



# FY2014 (2013 Season)

## VOLUME HIGHLIGHTS

- The 2013 Australian cotton crop was 4.4 million bales compared to the 2012 crop of 5.4 million bales.
- Significantly reduced dryland cotton volumes accounted for the majority of this reduction
- Continuing improvements in irrigated yields and southern NSW production expansion

# FY2014 (2013 Season)

## VOLUME HIGHLIGHTS

- Ginning business processed 1.24 million bales (including 100% of joint venture bales) compared to 1.57 million bales in previous year
- Cotton seed business shipped and handled 348,000mt compared with 415,000mt of the 2012 crop

## 2013 Season Marketing / Namoi Cotton Alliance

- Namoi Cotton's marketing activities shipped 110,000 bales despite continuing trading challenges
- Namoi Cotton Alliance ("NCA") commenced operations on 26 April 2013

## 2013 Season Marketing / Namoi Cotton Alliance

- First year's cotton marketing operations resulted in excess of 600,000 bales procured by Namoi Cotton and on sold to NCA
- Containerised packing operations have packed in excess of 114,000mt of cotton seed and a further 27,000mt of grain and pulse based commodities



# REVIEW OF 2013/14 OPERATIONS (2013 SEASON)

- Namoi Cotton recorded a net profit after tax and rebate of \$5.3 million for the full year ended 28 February 2014
- Result included a pre-tax profit on disposal of \$8.6m net of associated transactions costs as a result of the NCA joint venture transaction

# REVIEW OF 2013/14 OPERATIONS (2013 SEASON)

- NCA's operations contributed \$2.3m to the overall Namoi Cotton result and represents a positive first year for the joint venture partners
- NCA related gains were in part offset by residual direct marketing activity related costs

# REVIEW OF 2013/14 OPERATIONS (2013 SEASON)

- Finance costs have reduced by \$5.6m from the previous year
- Total net debt has reduced by 60% from \$142m to \$58m at 28 February 2014

# STRATEGIC DIRECTION

- Vision is to be the leading processor, marketer and service provider to cotton farmers and customers of the Australian cotton industry
- Repositioning of the business after the financially challenging period from 2011 through to early 2013
- Core business model including the NCA joint venture framework provides the platform for Namoi Cotton to deliver on our intended strategic outcomes

# STRATEGIC DIRECTION

- Consolidation of our finance facilities in March this year, now solely provided by CBA
- Greater alignment between our core business operations and our finance facilities
- Balance sheet optimisation delivered through the consolidation



# STRATEGIC DIRECTION

- Successful acquisition of Twynam's 50% interest in the Australian Cotton Ginning Company
- Acquisition is earnings accretive in FY2015
- Expected to process approximately 155,000 bales in the 2014 season
- Sustainable growth of our core operations and expansion of our ginning footprint

# STRATEGIC DIRECTION

- Evolving landscape for Australian agriculture with significant domestic and global interest
- Increased demand for food and fibre based agricultural commodities
- Agriculture investment, trading operations and supply chain activities experiencing great interest

# STRATEGIC DIRECTION

- Strategic planning review process in progress to develop a longer term strategic plan
- Leverage fundamental business strengths, strong market position, reputable brand, quality infrastructure and assets and critically skilled human capacity
- Further deliver on our intended strategic outcomes and sustainable growth

# STRATEGIC DIRECTION

- Potential opportunities to further expand on our domestic ginning footprint
- Increased cotton seed business participation
- Greater participation in the supply chain of food based commodities

# STRATEGIC DIRECTION

- Broader service provision to growers
- Considering organisational structure required to support these potential alternatives and to best deliver the value to stakeholder



# FORECAST OF 2014/15 OPERATIONS (2014 CROP)

- Strong performances from our ginning and cotton seed operations combining with sound contribution from Namoi Cotton Alliance
- Current forecast net profit after rebate and tax for the FY2015 is between \$6.0m and \$7.5m

# FORECAST OF 2014/15 OPERATIONS (2014 CROP)

- On track to meet all of our debt amortisation requirements
- Interim unfranked dividend in respect of FY2015 in the amount of 1/2 cent per CCU to be paid on 31 October 2014 with a record date of 17 October 2014

## THE BOARD AND EMPLOYEES

- Special mention of my fellow Directors, Executive Management and our dedicated and loyal employees for their considerable efforts over the past 12 months
- Thanks to our Grower Members and Co-operative Capital Unit Holders for their continued support as we develop and execute Namoi Cotton's longer term strategy

# CEO'S



Growing Together

# PRESENTATION



# FY2014 (2013 Season)

## VOLUME HIGHLIGHTS

- Australian cotton production down 19% to 4.4m bales (FY 2013: 5.4m bales)
- Ginning volumes (including 100% of joint venture bales) down 21% to 1.24m bales (FY 2013: 1.57m bales)



## FY2014 (2013 Season) VOLUME HIGHLIGHTS

- Cotton seed trading volumes down 16% to 348,000mt (FY 2013: 415,000mt)
- Lint market volumes through Namoi Cotton Alliance 0.6m bales
- Packed approximately 140,000mt of cotton seed and grain based commodities

# FY2014 (2013 Season)

## OPERATIONAL HIGHLIGHTS

- Achievement of a 13% improvement in ginning throughput rates
- Each of our cotton gins posted a record daily ginning throughputs
- Our patented automated round module handling technology seamlessly processed 80% of ginning bales in round module form

# FY2014 (2013 Season)

## OPERATIONAL HIGHLIGHTS

- Maintenance of our industry leading occupational health and safety standards
- Retention of key ginning and technical services employee resources
- Establishment of Namoi Cotton Alliance in April 2013
- Enthusiastic acceptance of NCA from our entire customer base

# FY2014 (2013 Season)

## OPERATIONAL HIGHLIGHTS

- Solid export sales and shipping program
- Upgrade of the Warren rail track facilitating improved logistics configuration
- Effective and seamless transfer of joint venture employees

# FY 2014 Ice Futures Prices and Spreads May-13 to Dec-14 Contracts





# STRATEGIC: FINANCE FACILITY CONSOLIDATION

- Consolidation of all finance facilities to CBA in March 2014
- Greater alignment to core business operations
- Balance sheet optimisation, greater flexibility and responsiveness
- Committed 3 year non-amortising term debt facility of \$25 million and an amortising facility of \$15 million

# STRATEGIC: FINANCE FACILITY CONSOLIDATION

- Committed 1 year multi option working capital facility of AUD\$10 million
- Committed 5 month working capital facility of AUD\$6 million
- Effective benefits to the profit & loss and cash flow

# STRATEGIC: ACQUISITION OF TWYNAM 50% INTEREST IN AUSTRALIAN COTTON GINNING COMPANY

- Growth of our core ginning and cotton seed business
- Expansion of our ginning footprint
- Anticipated year 1 volumes of 155,000 bales

# STRATEGIC: ACQUISITION OF TWYNAM 50% INTEREST IN AUSTRALIAN COTTON GINNING COMPANY

- Acquisition cost of \$9.0m
- Transaction is currently forecast to be earnings accretive by \$1.6m in FY2015

## PRIORITIES FOR FY2015 (2014 SEASON)

- Continued improvement in ginning throughputs, gross margins and by-product management
- Ongoing improvement and margin enhancement in cotton seed trading business
- Effective cost management

## PRIORITIES FOR FY2015 (2014 SEASON)

- Maintenance of effective OH&S standards to deliver effective safety performance
- Improved environmental standards and performance
- Maximisation of integrated supply chain network opportunities

## PRIORITIES FOR FY2015 (2014 SEASON)

- Increased containerised commodity packing market share
- Investigation of bulk commodity packing opportunities
- Continued development and implementation of strategic initiatives

## 2014 SEASON PRODUCTION UPDATE

- Australian crop now forecast at 3.7 million bales
- Planted area sufficient to yield 4.4 million bales
- Lower yields due to extreme dry conditions during the growing period



# 2014 SEASON PRODUCTION UPDATE

- Rainfall at harvest time has resulted in further yield loss
- Quality of the crop, particularly colour lower than recent years

# 2014 SEASON PRODUCTION MODEL

Growing Region	Irrigated			Dryland			Total Ha	
	Area Ha	Yield	Production Bales	Area Ha	Yield	Production	Total Ha	Production Bales
Upper Namoi	18,500	8.50	157,250	4,000	3.50	14,000	22,500	171,250
Lower Namoi	38,500	10.00	385,000	1,000	2.50	2,500	39,500	387,500
Gwydir	60,333	9.50	573,164	5,500	1.70	9,350	65,833	582,514
Mungindi	24,000	9.50	228,000	-	-	-	24,000	228,000
Walgett	10,000	9.75	97,500	-	-	-	10,000	97,500
Macquarie	24,500	9.75	238,875	1,000	1.80	1,800	25,500	240,675
Bourke	6,500	10.00	65,000	-	-	-	6,500	65,000
Hillston	14,500	9.50	137,750	-	-	-	14,500	137,750
Tandou	7,150	10.50	75,075	-	-	-	7,150	75,075
Murrumbidgee	31,850	9.50	302,575	-	-	-	31,850	302,575
<b>NSW Total</b>	<b>235,833</b>	<b>9.58</b>	<b>2,260,189</b>	<b>11,500</b>	<b>2.40</b>	<b>27,650</b>	<b>247,333</b>	<b>2,287,839</b>
Queensland								
MacIntyre Valley	47,500	9.50	451,250	3	4.00	10	47,503	451,260
Central Queensland	17,000	9.00	153,000	5,000	4.00	20,000	22,000	173,000
Dawson-Callide	5,200	9.00	46,800	500	4.00	2,000	5,700	48,800
Darling Downs	34,000	7.25	246,500	7,000	2.00	14,000	41,000	260,500
St George	17,000	8.00	136,000	-	-	-	17,000	136,000
Dirranbandi	29,500	11.00	324,500	-	-	-	29,500	324,500
Cunnamulla	-		-	-	-	-	-	-
Burdekin	-		-	-	-	-	-	-
<b>QLD Total</b>	<b>150,200</b>	<b>9.04</b>	<b>1,358,050</b>	<b>12,503</b>	<b>2.88</b>	<b>36,010</b>	<b>162,703</b>	<b>1,394,060</b>
<b>Total</b>	<b>386,033</b>	<b>9.37</b>	<b>3,618,239</b>	<b>24,003</b>	<b>2.65</b>	<b>63,660</b>	<b>410,036</b>	<b>3,681,899</b>

## 2014 SEASON – BUSINESS VOLUMES

- Ginning volumes now expected to be 1.13 million bales (including 100% of joint ventures)
- Primarily lower yields have reduced ginning volumes
- Traded cotton seed volumes now forecast at approximately 315,000mt

## 2014 SEASON – BUSINESS VOLUMES

- Namoi Cotton Alliance (“NCA”) cotton marketing volumes now forecast to be 5% lower than the 2013 crop
- Cotton seed and grain packing volumes forecast to increase from 2013 with improved grain packing volumes (subject to finish of the crops)

## 2014 SEASON – BUSINESS VOLUMES

- Cargill Oilseed Australia cotton seed and canola crush volumes expected consistent with the prior year
- Moss production forecast to come in at approximately 8,500 bales

## 2014 SEASON – GINNING OPERATIONS

- Five sites achieved greater than 700 bales in a 12hr shift
- Two sites achieved greater than 1,400 bales in a day
- Across all gins consistently achieving processing greater than 1% of total volumes per day

## 2014 SEASON – GINNING OPERATIONS

- Completion of ginning anticipated by end of September 2014
- Successful implementation of a revised management structure
- Continued improvement in turnaround time for growers

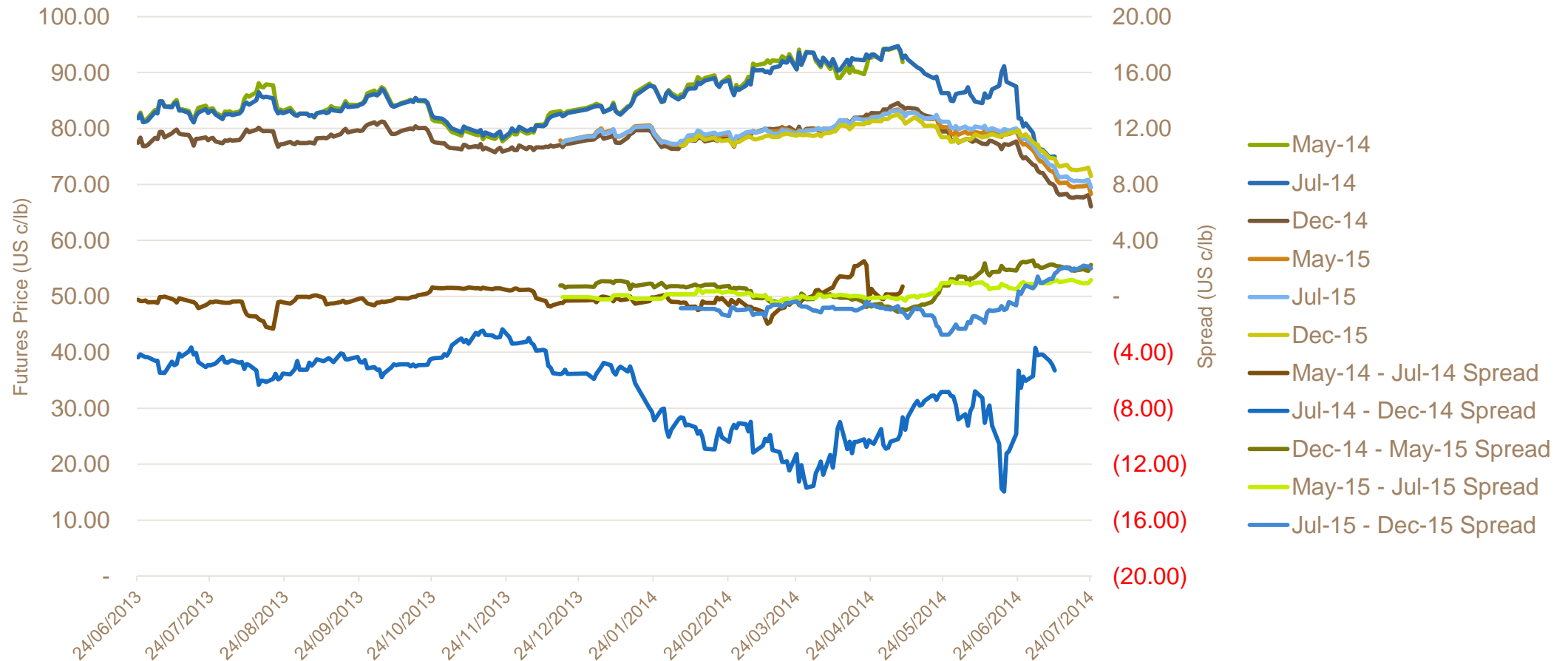
## 2014 SEASON – NAMOI COTTON ALLIANCE

- Lint marketing volumes expected to decrease by 5% from the 2013 season
- Lower volumes due to reduced crop size and balance of risk against return
- Trading challenges associated with the inverted ICE cotton futures market conditions



# 2014 SEASON – NAMOI COTTON ALLIANCE

## FY 2015 Ice Futures Prices and Spreads May-14 to Dec-15 Contracts



## 2014 SEASON – NAMOI COTTON ALLIANCE

- Rail logistics challenges on take or pay contracts flowing from lower volumes
- A larger percentage of the crop is below base grade due to off colour relative to recent seasons, particularly the 2013 season

## 2014 SEASON – NAMOI COTTON ALLIANCE

- Lower lint quality is impacting contract execution on sales due to delayed shipment and claims
- Commodity packing volumes forecast to exceed 140,000mt

# FY2015 FORECAST FINANCIAL PERFORMANCE OVERVIEW

- Forecast net profit after rebate and tax for the FY2015 is between \$6.0m and \$7.5m
- Important factors in this forecast result are:
  - Healthy contribution from the ginning business
  - Strong contribution from the cotton seed trading
  - Effective management of costs
  - Consistent contribution from NCA
  - Continued reduction in finance related costs

# FY 2015 FORECAST FINANCIAL PERFORMANCE OVERVIEW

- Forecast term debt of \$45m at 28 February 2015 reflecting term debt to net assets of 36%
- Interim unfranked dividend of 1/2 cent per CCU paid on 31 October 2014 with a record date of 17 October 2014

## FY2016 (2015 SEASON) OUTLOOK

- Current forecasts reflect an Australian crop of between 2.0 million and 2.2 million bales
- Material reduction in public dam water storage levels and low incidence of general rainfall
- Targeting increased market share across ginning, cotton seed trading and NCA business activities
- Continued development and implementation of strategic initiatives

## IN CLOSING

- Thank you to all of our growers for your continued support
- Thank you to our valued Namoi Capital Stock holders for your support of the Board's strategy
- Acknowledgement to the Board for their commitment to the continued development of strategy

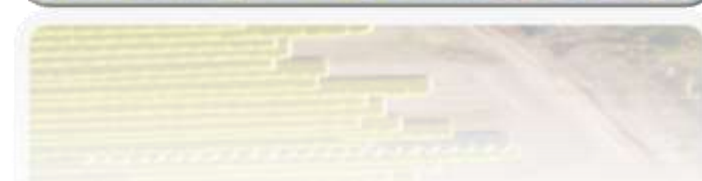
# IN CLOSING

- Thank you to all of our employees for your continuing commitment and significant efforts
- Commitment to our vision of being the leading processor, marketer and service provider to cotton farmers and customers of the Australian cotton industry



# Namoi Cotton Co-operative Ltd

QUESTION  
TIME

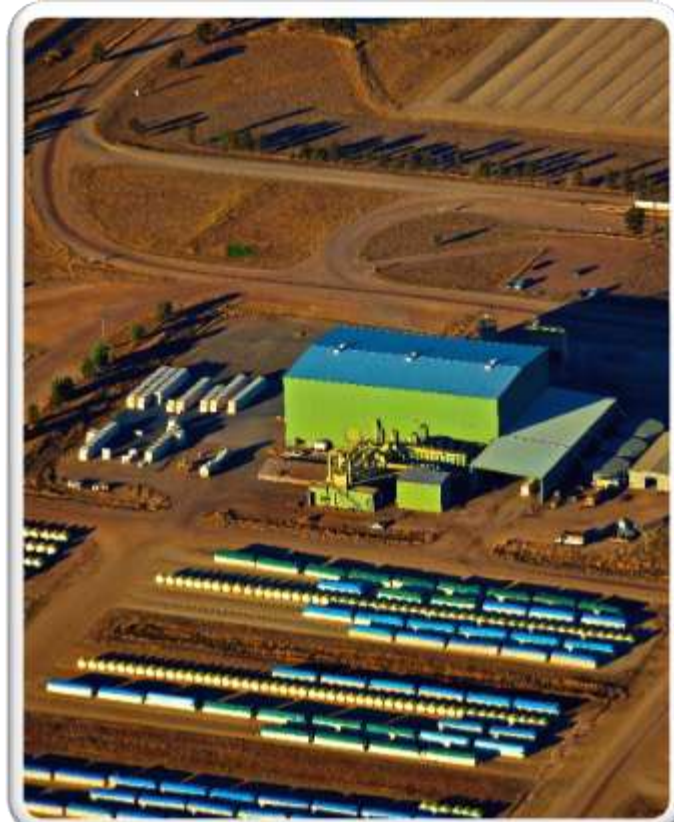


# Namoi Cotton Co-operative Ltd



Growing Together

ANNUAL GENERAL MEETING &  
MEETING OF CAPITAL  
SHAREHOLDERS 2014





# VOTING TIME



## Namoi Capital Grower Members



# RESOLUTION 1

## APPROVAL OF MINUTES

FOR	AGAINST	OPEN & USEABLE	ABSTAIN
16,000	0	4,800	800

# RESOLUTION 2

## APPROVAL OF FINANCIAL REPORT

FOR	AGAINST	OPEN & USEABLE	ABSTAIN
16,800	0	4,800	0

## RESOLUTION 3 – GROWER DIRECTOR NOMINATION OF STUART BOYDELL

FOR	AGAINST	OPEN & USEABLE	ABSTAIN
16,800	0	0	4,800

## RESOLUTION 4 REMUNERATION OF DIRECTORS

FOR	AGAINST	OPEN & USEABLE	ABSTAIN
14,400	1,600	0	2,400

# Namoi Cotton Co-operative Ltd



ANNUAL GENERAL  
MEETING & MEETING OF  
CAPITAL SHAREHOLDERS  
2014

