

NAMOI COTTON LIMITED
ABN 76 010 485 588



ANNUAL REPORT **2021**



SIMPLIFY, STRENGTHEN & STRATEGY





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CHAIRMAN'S REPORT

Namoi Cotton has finished FY2021, possibly the most challenging year on record for the group, in a strengthened position to capitalise on improved seasonal conditions. We are heading in the right direction, but there is still more work to do.

Namoi Cotton is more than a ginner. Our business spans fibre, feed, supply chain and marketing, with ginning being at the core. Our Vision and Mission of being the leading Australian cotton agribusiness is achieved by independently linking growers to global markets.

We have continued to simplify the business, strengthen our operations and balance sheet and pursue a strategy to create superior value for growers and shareholders.

Impact of drought

Eastern Australia experienced a severe drought period in 2018 and 2019 with record low cotton production. In 2020 (FY2021) we ginned 0.12 million bales representing 21% of the estimated Australian cotton crop. In the prior year, which was also drought affected, we ginned 0.45 million bales. In the year prior to that, we ginned 1.2 million bales which highlights the severity of the drought in 2020.

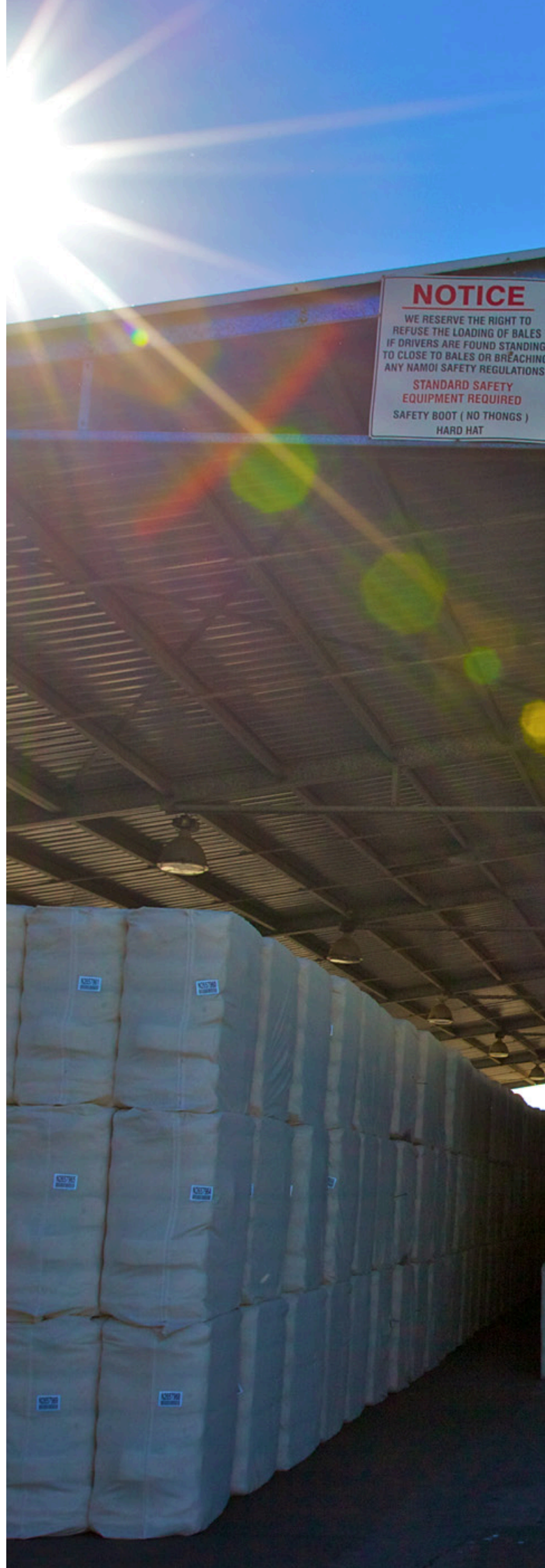
Cost management

The board and management are focused on the need to manage costs. Our cost base has reduced significantly in line with drought impacted volumes and in FY2021 we received \$2.1 million in grants from the Commonwealth Government's JobKeeper program (FY2020: nil). Total costs excluding processing, depreciation, impairment and finance costs, have reduced from \$43.5 million in FY2019 to \$19.5 million in FY2021, which includes a ~\$4.0 million reduction in permanent staff costs which gives us more flexibility in low volume seasons.

Despite the reduction in costs, current year ginned volume which is around 85% below average, this was insufficient to cover indirect costs. This resulted in a loss before tax of \$16.5 million or an \$8.9 million loss excluding our share of losses from joint ventures and associates.

Reporting this loss is disappointing for all involved however the board recognises the effort from management and staff in minimising the impact of lower volume. Despite record low ginning volumes in FY2021, down around 70% from FY2020, our core Ginning and Co-Product segment generated a small EBITDA¹ loss of (\$0.9) million, and the Group's consolidated loss before tax increased by \$1.2 million or 8% versus the prior year.

- 1 EBITDA is a non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation, and amortisation and is presented prior to the impact of associates and joint ventures and impairment charges and is used throughout this report
- 2 Earnings before Interest, Depreciation and Income Tax. Refer to reconciliation in the Operations and Review section.



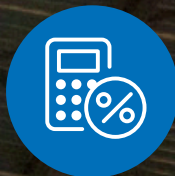
SIMPLIFY, STRENGTHEN & STRATEGY

FY2021 AT A GLANCE



GINNING
VOLUMES

↓ **72%**



COST
MANAGEMENT

Total costs
↓ **45%**



LOSS
AFTER TAX

↑ **32%**

OUTLOOK GINNING VOLUMES

2021 ACTUAL

124,000 BALES

2022 FORECAST

450,000 BALES





Safety remains a priority

The board recognises our continued improvement in safety, reflected in a further year on year reduction in our lost time injury frequency ratio (LTIFR), down to 9 from 10 last year. The board, management and staff all strive to ensure everyone returns home from work healthy and happy every day.

People change

Our people have been challenged given seasonal conditions and cost reduction initiatives. During the year, our Chief Executive Officer ('CEO'), Michael Renehan resigned to pursue other opportunities. We thank Michael for his contribution to Namoi Cotton. Subsequently, our Chief Financial Officer ('CFO'), John Stevenson has accepted the role of Interim acting CEO. We thank John for his dedication and effort whilst acting in dual roles. We also thank the executive team and all staff for their dedication and persistence throughout these difficult times.

It is a credit to the strength of the Namoi Cotton character that we maintain our standards, resilience, and motivation during this time of significant change for the Company.

NCA restructure simplifies our business

The board, management and staff are focussed on the need to increase our earnings, manage risk and generate a sound return for our shareholders. The restructure we announced during the year simplifies and significantly de-risks our business.

Namoi Cotton made a strategic decision to realign our marketing and supply chain activities, reducing our exposure to the trading of lint cotton. Volatility in the lint cotton business – impacted by weather, political forces and COVID-19, has resulted in significant

losses for the Group. Namoi Cotton Alliance's ('NCA') lint cotton business, in which we hold a majority 51% share, has increased the Group's exposure to earnings volatility and debt.

A new joint venture, Namoi Cotton Marketing Alliance ('NCMA') in which we own a 15% share, has assumed the trading and marketing lint cotton business from NCA, with NCA's debt transferred to NCMA³. Namoi Cotton earns a fee for every ginned bale offered to NCMA and maintains a share in the earnings of NCMA⁴, with our joint venture partner having responsibility to ensure NCMA's operations are fully funded.

Following this restructure post 28 February 2021, NCA (where Namoi Cotton retains a 51% interest) is free of trading debt. NCA is now focussed on generating margin and free cashflow from our quality warehouse infrastructure and supply chain, for NCMA and other cotton merchants and commodities.

Debt is streamlined

Without the need for funding the trading and marketing of lint cotton, the Group's debt profile has been streamlined into long-term core debt, which is matched against the earnings profile of our infrastructure, plus revolving working capital and equipment lines to support operations.

Our goal is to manage net debt levels in line with our earnings volatility to ensure that we have sufficient capacity to provide a stable base during both the up and downsides. Debt management will be a focus for us as we return to improved seasonal conditions.

2021 (FY2022) production

The 2021 cotton crop is predicted to be 2.5 million bales⁵ (prior year was 0.6 million bales) with some of our production valleys still impacted by water



availability in 2020. The Group is forecasting to gin around 0.45 million bales from the 2021 crop, including 100% of joint venture gins, which is nearly four times higher than the prior year.

2022 (FY2023) expected production

Water availability drives cotton production. Recent March 2021 flooding rains in eastern Australia has increased water availability and should support increased cotton production in the coming seasons.

Dam levels are a lead indicator for cotton production with October cotton planting correlated with preceding month's water availability. As at April 2021, dam water capacity in our catchment areas has increased to over 50%⁶ compared to 14% the same time last year.

Current water availability is expected to support increased cotton planting in 2021, increasing expected cotton volume for the 2022 season (FY2023) and 2023 season (FY2024).

Covid-19 impacts

Covid-19 has had a disruptive impact on global markets and supply chains, however the direct impact from Covid-19 on the Group's core domestic business has been limited.

Covid-19 has resulted in economic and logistical uncertainty resulting in fluctuating prices and exchange rates, which in turn has increased execution risk for export cotton. This period of uncertainty and increased risk could continue for the short to medium term.

The restructure of our NCA and NCMA joint ventures

has reduced our exposure to global cotton lint markets however, we continue to maintain a 15% share in NCMA as well as trade and export cottonseed. We manage this exposure through close monitoring of trading positions and counter party risk.

Within Australia, the free movement of people across our internal state borders and the closure of Australia's international border is a challenge for our workforce planning as we head into higher volume seasons.

Conclusion

There are both opportunities and challenges ahead for Namoi Cotton. With our simpler de-risked business structure and more variable cost base, we are better able to translate increased volume from forecast improved seasonal conditions into earnings and cashflow.

This will underpin our strategic road map to:

- Strengthen our core ginning business through improved service and new products to growers while reducing cost, and
- Grow our core business by unlocking additional value from cotton co-products and pursuing opportunities into new geographies.

I would like to extend my thanks to our hard-working team for their dedication and resilience over the past 12 months to get Namoi Cotton to its present position.

I would also like to thank my fellow Directors for their dedication and hard work over the last year.

Finally, I would like to thank you our shareholders for your continued support.

³ Further information refer to Note1(b): Going Concern.

⁴ Capped between +/- \$1.5 million per annum.

⁵ ABARES (April 2021).

⁶ Bureau of Meteorology - water capacity in public dams in the Border Rivers, Gwydir, Lachlan, Macquarie, Macintyre and Namoi valleys.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.2A and Appendix 4E for the consolidated entity Namoi Cotton Limited ('**Namoi Cotton** or '**Namoi**' or '**Company**') and its controlled entities ('**Namoi Group** or '**Group** or '**Consolidated Group**'), for the year ended 28 February 2021 ('FY2021

or FY21') and the previous corresponding period, 29 February 2020 ('FY2020 or FY20').

Financial results and key financial items from continuing operations are included in the following table. For further explanation of the annual financial results refer to the Operations and Financial Review section of the FY2021 Annual Report.

FOR THE YEARS ENDED 28 & 29 FEBRUARY		2021	2020	Movement	
Australian Cotton Production	000' bales	589	2,135	(72%)	↓
Volumes	000's				
Ginned cotton	bales	124	450	(72%)	↓
Cottonseed marketed	tonnes	34	112	(69%)	↓
Warehoused bales	bales	131	228	(43%)	↓
Grain packed	tonnes	100	29	289%	↑
Earnings & Cashflow					
Revenue & Income ¹	\$m	19	44	(57%)	↓
Underlying EBITDA ²	\$m	(4)	4	(195%)	↓
Share of JV's and Associates earnings	\$m	(9)	(9)	(3%)	↓
Loss after tax ³	\$m	(14)	(11)	31%	↑
Net cash (outflow) ⁱ	\$m	(3)	(4)	(6%)	↓
Balance Sheet					
Capital employed ⁴	\$m	153	169	(10%)	↓
Non-Current Liabilities	\$m	(46)	(47)	(3%)	↓
Net Assets	\$m	107	121	(12%)	↓
Analysis					
Diluted earnings per share ⁵	cents	(10.3)	(7.8)	31%	↑
Net debt ⁶	\$m	(51)	(46)	10%	↑
Gearing ratio ⁷	%	32%	28%	17%	↑
Net tangible asset value per share	cents	76	87	(12%)	↓

Notes:

1 Revenue plus Trading margin gains plus Other income/(loss)

2 EBITDA is a non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation, and amortisation and is presented prior to the impact of associates and joint ventures and impairment charges and is used throughout this report

3 Loss attributable to the members of Namoi Cotton Limited

4 Current assets less current liabilities plus non-current assets

5 Residual capital stock unconverted has not been included in the calculation because they are antidilutive (refer to Note 4: Earnings per Share)

6 Interest bearing liabilities less cash and cash equivalents

7 Interest bearing liabilities divided by Interest bearing liabilities plus Total Equity

Dividends

Namoi Cotton will not pay any dividends in respect of the year ended 28 February 2021 (FY2020: nil).

Audit Status

This Appendix 4E is based on the Consolidated Financial Statements which have been audited and should be read in conjunction with the complete final report.



DIRECTORS' REPORT



Tim Watson, Chair, Independent Non-executive Grower Director, 59, GAICD

Mr Watson was appointed as Chair for Namoi Cotton Limited from 29 August 2018 and was re-elected to the Board at the 2020 general meeting. He is a member of the People and Culture Committee. Mr Watson grows cotton in the Hillston Region and has been involved in the cotton industry since 2000 and is a member of the Hillston District Irrigators Association and the Lachlan River Customer Service Committee. Currently he is also a representative of the Lachlan Valley Water Users Association. He brings with him extensive industry and commercial expertise in the cotton and general agricultural industry. He was also recognised by the cotton industry by being the recipient of the 2014 Australian Cotton Grower of the Year Award.

Glen Price, Independent Non-executive Grower Director, 65, B. Rural Science (Hons), GAICD

Mr Price joined the Namoi Cotton Board in July 2009 as a Grower Director and was re-elected at the 2018 general meeting. He is a member of the Audit, Risk and Compliance Committee, Trading and Operating Risk Committee and the Safety Committee. Mr Price has been involved in the cotton industry since 1978 and has grown cotton in the St George and Mungindi regions for 24 years and 35 years respectively. Mr Price is a past member of the Mungindi Cotton Growers and Water Users Association, as well as the Australian Cotton Grower's and Research Association and Border Rivers Food and Fibre and brings with him extensive industry and commercial expertise.



Robert L Green, Independent Non-executive Director, 64, B.Bus. (QAC), MAICD

Mr Green joined the Namoi Cotton Board in May 2013 and was re-elected at the 2019 general meeting. He is Chair of the Trading and Operating Risk Committee and a member of the People and Culture Committee. Mr Green has considerable board relevant experience working as a Senior Executive and General Manager in the Australian and International agricultural industry over many years. Key areas of experience include Business Management, Operations Management and Business Development. Mr Green is also a Non-Executive Director of Lindsay Australia Limited.

Your Directors present their report together with the financial report of Namoi Cotton Limited and the entities it controlled at the end of or during the year ended 28 February 2021 (FY2021) and the independent auditor's report thereon.

The above Chairman's Report and the following Operations and Financial Review and Remuneration Report form a part of the Directors' Report.

Directors

The names, qualifications and experience of the company's Directors that held office throughout the financial year and up to the date of this report, unless otherwise indicated, are as follows.

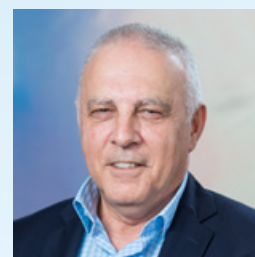


Juanita Hamparsum, Independent Non-executive Grower Director, 50, B.Bus. (UTS), CA, FPCT, GAICD

Mrs Hamparsum was appointed to the Board in June 2018 as a casual Director appointment and was elected at the 2018 general meeting. She is Chair of the Audit, Risk and Compliance Committee and a member of the Safety Committee. Mrs Hamparsum grows cotton and grains in the Upper Namoi region and has been involved in the cotton industry since 1998. Mrs Hamparsum has extensive financial, agricultural and natural resource management experience. She is a chartered accountant and currently a Director and chair of the audit committee of Cotton Seed Distributors Ltd. Her former positions include chair of Great Artesian Basin Coordinating Committee, chair of Cotton Innovation Network, Director of Cotton Research and Development Corporation and Deputy Chair of Namoi Catchment Management Authority.

Joseph Di Leo, Independent Non-executive Director, 64, M.Bus.Acct. & Fin., FAICD

Mr Di Leo was appointed to the Board in June 2018 as a casual Director appointment and was elected at the 2018 general meeting. He is Chair of the Safety Committee and a member of the Audit, Risk and Compliance Committee. Mr Di Leo has extensive experience in the agribusiness sector in Executive and Non-Executive roles. He is currently a Non-Executive Director and Chair of LUCRF Super.



Ian Wilton, Independent Non-executive Director, 68, MSc, FCCA, FCPA, FAICD, CA

Mr Wilton was appointed to the Board on 17 June 2020 as a casual Director appointment. He was elected at the 2020 general meeting. He is also Chair of the People and Culture Committee and a member of the Trading and Operating Risk Committee. Mr Wilton is an experienced Non-Executive Director with extensive executive experience in the agribusiness sector. He is currently Chair of Elders Limited and the Chair of the Advisory Board of MacKay's Banana Marketing.

James Jackson, Independent Non-executive Director, 58, B.Com., FAICD (resigned 13 May 2020)

Mr Jackson was appointed to the Board in June 2018 as a casual Director appointment and was elected at the 2018 general meeting. Prior to his resignation on 13 May 2020, Mr Jackson was the Chair of the People and Culture Committee and a member of the Trading and Operating Risk Committee and the Safety Committee. He has more than 25 years' experience in capital markets and agribusiness, both in Australia and overseas. He held a Senior Vice President role with investment bank SG Warburg (now part of UBS) in New York. He was a Director of MSF Sugar Limited from 2004 to 2012 and was Chair from 2008 to 2012. He also served as the Deputy Chair of Elders Limited (ASX: ELD) from 2014 to 2017, and is currently Chair of Australian Rural Capital Limited, (ASX:ARC), an investment company focused on agribusiness. Mr Jackson has experience and skills in capital markets, agricultural supply chains, financial risk management, the development and implementation of strategy and public company corporate governance.



Principal activities

Namoi is an Australian domiciled public company listed on the Australian Stock Exchange. The principal activities of the entities in the Namoi consolidated group in FY2021 were the ginning and marketing of cotton including its by products such as cotton seed and moss/mote.

Dividends

The Board has announced that Namoi will not pay an FY2021 final dividend (FY2020: nil).

Significant changes in the state of affairs

Effective from 28 February 2021, NCMA assumed the trading and marketing lint cotton business from NCA. Otherwise, there has been no significant change in the state of affairs of the consolidated entity during the year other than as disclosed elsewhere in this report.

Committee membership

As at the date of this report, the company has an Audit, Risk and Compliance Committee, Trading and Operating Risk Committee, Safety Committee and People and Culture Committee. Set out below is the representatives for the various Committees.

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

Audit, Risk and Compliance	Trading and Operating Risk	People and Culture	Safety
J Hamparsum (Chair)	R Green (Chair)	I Wilton (Chair)	J Di Leo (Chair)
J Di Leo	G Price	T Watson	G Price
G Price	I Wilton	R Green	J Hamparsum
	J Jackson	J Di Leo	T Watson
		J Jackson	R Green
			J Jackson

Notes:

- Mr James Jackson resigned from the Board and Committees effective 13 May 2020.
- Mr Ian Wilton was appointed to the Board effective 17 June 2020, was appointed to the People and Culture Committee on 6 August 2020 and was appointed Chair on 29 September 2020.
- Mr Tim Watson and Mr Robert Green resigned from the Safety Committee on 29 September 2020.
- Mr Joseph Di Leo resigned from the Trading and Operating Risk Committee on 13 May 2020 and was appointed Chair of the Safety Committee on 29 September 2020.

Board & committee meeting attendance

Meetings held and attended by each of the Directors during the financial year were as follows:

	Committee Meetings ¹				
	Directors' Meetings ¹	Audit, Risk and Compliance	Trading and Operational Risk	Safety ⁵	People and Culture
T Watson (Chairman) 2	30	-	-	-	13
G Price	28	9	8	3	-
R Green	30	-	8	-	13
J Hamparsum	30	9	-	3	-
J Di Leo 3	30	9	3	3	10
I Wilton 4	16	-	4	-	5
J Jackson (resigned 13 May 2020)	10	-	3	-	3
Total number of meetings held	30	9	8	3	13

1 All board members were available to attend Directors' meetings and relevant committee meetings. Prior to resigning J Jackson was available to attend 10 of 11 Directors' meetings held.

2 Appointed as People and Culture Chair 13 May 2020 resigned as People and Culture Chair 29 September 2020.

3 Appointed to People and Culture 13 May 2020, was available to attend 10 of 10 meetings held, resigned from Trading and Operational Risk 13 May 2020.

4 Appointed to People and Culture 6 August 2020, appointed as People and Culture Chair 29 September 2020.

5 The Safety Committee was formed as a separate Committee on 29 September 2020



Directors' interests in ordinary shares of the company

As at the date of this report, the interest of the Directors and their related parties in the ordinary shares of the company were as set out on page 28.

Environmental performance & regulation

The Directors regularly review the business activities of the company to ensure it operates within the environmental laws established by regulatory authorities.

Indemnification and insurance of Directors and officers

Under the Constitution, every person who is or has been a Director of the company is indemnified, to the maximum extent permitted by law, out of the property of the company against any liability to another person (other than the company) as such a Director unless the liability arises out of conduct involving any negligence, default, breach of duty or breach of trust of which that person may be guilty in relation to the Company.

During the financial year, Namoi Cotton has paid a premium in respect of a contract providing insurance for every person who is or has been a Director or officer against losses arising from any actual or alleged breach of duty, breach of trust, neglect, error, misstatement, misleading statement, omission, breach of warranty of authority, or other act done or wrongfully attempted, or any liability asserted against them solely because of their status as Directors or officers of the economic entity. Disclosure of the premium paid is not permitted under the terms of the insurance contract.

Indemnification of auditors

To the extent permitted by law, Namoi Cotton has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against

claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Risk management

The board has established a Trading and Operating Risk Committee (formerly the Financial Risk Committee) which reviews the integrity of Namoi Cotton's trading operation risk limits and risk management systems, identifies and monitors the company's trading risk profile on a timely basis in addition to reviewing management of portfolio exposures. The Trading and Operating Risk Committee ensures Namoi Cotton's risk management policies are aligned to its corporate philosophies and principles. The Trading and Operating Risk Committee regularly reports to the full board on risk matters that may have a material impact on the company's operation and trading activities.

Given the nature of our business, Namoi Cotton has a potential exposure to a number of business risks, including movements in commodity and currency markets. To prudently manage these exposures, the Trading and Operations Risk Committee has developed comprehensive policies and procedures to monitor, assess and manage all major business risks.

The purpose of the Trading and Operating Risk Committee is to:

- Review the integrity of Namoi Cotton's trading operation risk limits and risk management systems; and
- Obtain regular updates from management on risk matters that may have a material impact on the Group's operation and trading activities.

The Audit, Risk and Compliance Committee oversees the audit function as well as compliance with financial and risk management policies of the Company.



The purpose of the Audit, Risk and Compliance Committee is to:

- assist the Board by monitoring the implementation of Board policy and making recommendations to the Board in respect of matters for which it is responsible;
- oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information; and
- review the management process for the identification of significant business risks and exposures (including fraud), and review and assess the adequacy of management information and internal control structures.

The Safety Committee is tasked with monitoring workplace health, safety and environment risks identified as part of the risk register.

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Namoi Cotton support and have complied with the principles of corporate governance. The company's corporate governance statement is to be submitted to the ASX and published prior to the issuance of the AGM notice in June. It will also be available on Namoi Cotton's public website (www.namoicotton.com.au) at that time.

Non-audit services

Any non-audit services provided by the entity's auditor, Ernst & Young, are described in Note 24 of the financial report. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

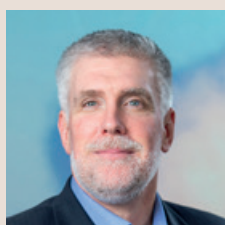
Auditor's independence declaration

The auditor's independence declaration is included on page 30 of the Annual Report.

Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars (where rounding is applicable) in accordance with ASIC Corporations (Rounding in Financial Directors Reports) Instrument 2016/191. The company is an entity to which this legislative instrument applies.

MEET OUR EXECUTIVE TEAM



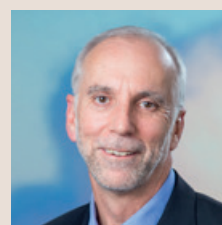
Shane McGregor, Executive General Manager Operations, MBA, MPM, USDA Accredited Cotton Classifier

Shane has extensive knowledge of Namoi Cotton and the cotton industry. His role supports the current suite within Commercial Development as well as identify, develop and support key business, key account management, subsidiary businesses and future company growth and opportunity.



Prue Turnbull, Executive General Manager Customer Engagement, B.Bus., GradDipAppFin

Prue brings a range of experience across all aspects of the supply from procuring, the execution through the supply chain, operations and trading & marketing various commodities.



John Stevenson, Interim Chief Executive Officer, Chief Financial Officer, FCA, GAICD, FGIA, B.Bus.

John was appointed in March 2020. He has extensive experience having been the CFO of Australian public companies as well as large private entities in the agribusiness sector.



Andrew Metcalfe, CPA, FGIA, FCSA, GAICD

Andrew was appointed company secretary on 15 November 2019. He is an experienced company secretary having worked with many ASX listed companies across a variety of industry sectors over the past 25 years. Mr Metcalfe is engaged under contract through a service provider and is not part of the KMP.



Neil Johns, Strategy & Business Development, BCom, MCom, MBus

Neil was contracted in 2020 and brings over 30 years agribusiness experience in strategy, M&A, operations and supply chain management.

MEET OUR PEOPLE



Our vision and mission is to be
the leading Australian cotton
agribusiness, linking growers to
global markets



NAMOI COTTON IS MORE THAN A GINNER

Network of 4 integrated businesses operating along the cotton value chain from the grower to spinner



Cotton Ginning

Network 9 gins in 6 valleys
serving >200 growers

Gin 830,000 bales¹

Capacity 1.7m bales



Supply Chain

3 warehouses and 2 grain storages with 3 terminals

Packing export containers
(managed by NCA³)



Co-products

Trading cottonseed to
>50 feed buyers

Sale of other co-products
(mote and trash²)



Cotton Marketing

Trading cotton lint

Cotton classing

Exporting to 8 countries
(managed by NCMA⁴)



OPERATIONS AND FINANCIAL REVIEW

Overview

Namoi Cotton generated an EBITDA loss, including its share of earnings from joint ventures and associates⁶, of \$(12.7) million in FY2021 [FY2020: \$(4.2) million]. Earnings in FY2021 was negatively impacted by poor seasonal conditions, significantly reducing ginning

volume, and poor cotton lint trading performance.

Namoi Cotton's underlying EBITDA⁷ was \$(4.0) million in FY2021 from a ginning volume of 0.12 million bales [FY2020: \$4.3 million from 0.45 million bales]. This excludes Namoi Cotton's share of loss in joint ventures and associates⁸ of \$(8.7) million in FY2021 [FY2020: \$(8.5) million] and impairments.

FOR THE YEARS ENDED 28 & 29 FEBRUARY	2021	2020	Movement
EBITDA Reconciliation per Segment			
Loss before tax	(16.5)	(15.3)	8% ↑
Add back:			
Depreciation	3.2	5.2	(38%)
Decrements	0.0	5.2	(100%)
Impairments	(1.1)	(1.5)	(24%)
Finance costs	1.6	2.1	(22%)
EBITDA	(12.7)	(4.2)	200%
Split per Segment: ⁹			
Ginning & Co-Products	(0.8)	12.1	(107%) ↓
Marketing	(7.8)	(6.6)	18% ↓
Commodities	0.6	(0.9)	164% ↑
Unallocated (Corporate Cost)	(4.7)	(8.8)	(47%) ↓
Results of associates and joint venture's	8.7	8.5	2% ↑
Underlying EBITDA	(4.0)	4.3	(193%) ↓

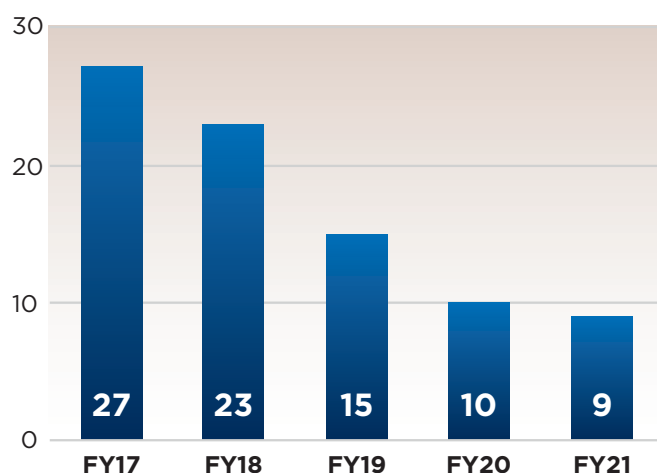
Namoi Cotton is well positioned to return to profitability given improved seasonal conditions, from:

- Strong and resilient core business (Ginning and Co-products) that generated near break-even EBITDA position (of \$(0.8) million) in FY2021 despite the lowest volume in over 10 years.
- Simplified business and improved focus with a more variable cost structure and reduced exposure to trading volatility and risk.

Safety

Namoi Cotton is committed to keeping its employees safe through its Safety Management System. This commitment continued to bear fruit in FY2021 with a lost time injury frequency rate ('LTIFR') of 9 [FY2020: 10]. This improvement is attributed to a range of safety initiatives implemented in FY2020 that include strengthening staff safety engagement through toolbox talks and increased focus on supervision and fatigue management.

Namoi Lost Time Injury Frequency Rate



⁶ Refer to Note 10: Investments in Associates and Joint Ventures

⁷ EBITDA is a non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation, and amortisation and is presented prior to the impact of associates and joint ventures and impairment

charges and is used throughout this report

⁸ Before Impairments included in the Profit and Loss Statement

⁹ Refer to Note 19: Segment Information

Strategy Update

Namoi Cotton in FY2021 simplified its business to better manage volume variability, through the implementation of the following initiatives:

NCA restructure: Formation of NCMA joint venture to separately manage cotton lint marketing that is structured to cap Namoi Cotton's exposure to volatile earnings from trading with no debt support. This will enable the continuing NCA business to focus and grow its warehousing and logistics services for NCMA and other customers.

Variable cost structure: \$4 million reduction in permanent staff costs with a reduction of 40 permanent staff in FY2021 (to 95 FTE's) in addition to a reduction of 20 FTE's in FY2020, giving us more flexibility in low volume seasons.

Structure alignment: Improved business focus and reorganised executive team, with the combination of cost focused operations under EGM Operations (led by Shane McGregor) and combination of revenue focused customer activities under EGM Customer Engagement (led by Prue Turnbull).

Namoi Cotton has developed a strategic road map, called the 4-Point Plan (4PP), to strengthen and grow its core business over the next 3-5 years through the following 4 strategic pillars:

- 1 Leading service and cost position: Partner growers with a superior network to deliver a premium ginning service.
- 2 Innovative and sustainable solutions: Empower growers with differentiated products to unlock the value of cotton.
- 3 Broaden revenue base: Geographically diversify the network and grow the core to manage variability.
- 4 Great place to work: Attract and retain talented staff in a safe and engaging environment.

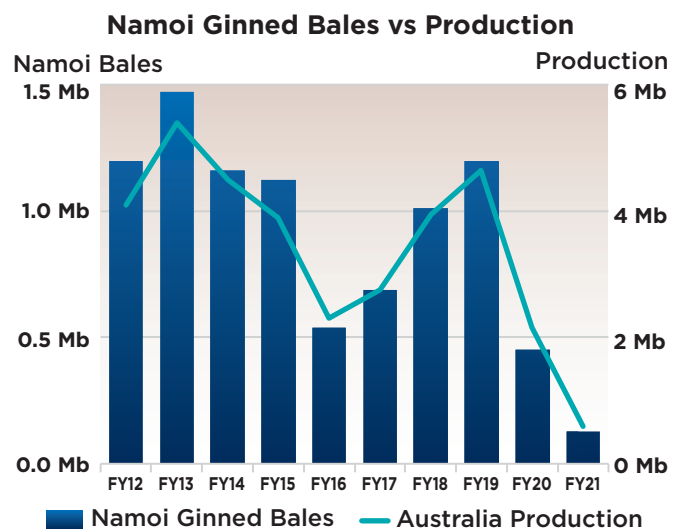
Cotton production

Australian cotton planted area for the 2020 (FY2021) harvest was 60,000 hectares, the lowest since 2008, due to drought conditions and reduced water availability for irrigation. Australian cotton production in 2020 was only 0.6 million bales, around 70% lower than 2019 (2.1 million bales) and around 80% lower than the 10-year average cotton production (3.4 million bales)¹⁰.

Ginning and Co-Products

Namoi Cotton operates a network of 9 gins in Queensland and NSW, across 6 cotton production valleys, with a ginning capacity of 1.5 million bales. Namoi Cotton also markets co-products from ginning that include cottonseed and moss waste lint. This is supported by a network of 8 sheds that store and distribute cottonseed to local and overseas feed customers.

Namoi Cotton ginned 124,000 bales in FY2021 representing around 70% decrease to FY2020 [450,000 bales] and around 85% lower than the 10-year average of 835,000 bales¹¹. However, dry harvest conditions resulted in a smooth harvest and delivery of high quality cotton.



Namoi Cotton marketed 34,000 tonnes of cottonseed in FY2021 representing around 70% decrease to FY2020 [112,000 tonnes]. Namoi Cotton also marketed waste (moss) lint. The marketing of co-products, given its higher margin in low volume seasons, generate counter cyclical earnings.

¹⁰ 10 year average cotton production from 2011 to 2020 - Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES)

¹¹ 10 year average bales ginned from FY2012 to FY2021 excluding closed gin at Ashley.

Ginning and Co-products EBITDA loss in FY2021 was \$(0.8) million [FY2020: \$12.1 million]. Namoi Cotton implemented a range of measures to manage revenue and cost to deliver near breakeven earnings from the significantly reduced ginning and cottonseed volume:

- Strong counter cyclical contribution from cottonseed marketing, through effective risk and position management from higher drought feed prices and margins.
- Operated 5 of its 9 gins by consolidating cotton, maintaining contribution per bale by containing variable cost in FY2021 to within 7% of the variable cost in FY2020.
- Reduced staff numbers, through redundancy and natural attrition, and other costs. Transferred permanent staff between gins and reduced shifts to minimise fixed labour cost.
- \$0.7 million profit from the sale of surplus and non-core assets.

Marketing and Commodities (NCA)

NCA (now NCMA for cotton lint trading) buys cotton lint from growers and markets to overseas customers. This is supported by NCA's network of 3 cotton warehouses and packing facilities, with rail and road access to the container port terminals, for the export of cotton lint and other commodities.

NCA's trading business shipped 162,000 bales in FY2021 that was supported by carry over inventory from FY2020. [FY2020: 290,000 bales]. NCA's warehouse and logistics business delivered 130,000 bales of cotton from its warehouses in FY2021 [FY2020: 227,000 bales].

Marketing and Commodities (combined) EBITDA loss in FY2021 was \$(7.2) million [FY2020: \$(7.5) million]. This was driven by Namoi Cotton's share of loss from joint ventures and associates of \$(8.7) million in FY2021 [FY2020: \$(8.5) million] arising from cotton lint trading. NCA's trading margin in FY2021 was negatively impacted by the rally then significant fall in the cotton basis due to the interplay of the drought in eastern Australia with:

- Covid-19 impact on textile demand and reduction in flat prices,
- Slow down in Australian cotton exports, and
- Counter-party defaults.

NCA was supported by a positive contribution from its warehousing and grain packing business despite the significant reduction in cotton volume. This included an increase in grain packing from the large 2020 grain harvest, with 100,000 tonnes packed in FY2021 [FY2020: 29,000 tonnes].

This demonstrates the ability for the restructured NCA business to generate sound earnings with improved seasonal conditions.

Unallocated Costs (Corporate Cost)

Unallocated cost in FY2021 was \$(4.7) million with a corporate cost base of \$(6.8) million. Namoi Cotton reduced unallocated costs by \$4.1 million compared to FY2020 [\$(8.8) million] through disciplined cost management and government grants:

- \$1.6 million reduction in salaries plus \$0.5 million reduction in other administrative expenses.
- \$2.1 million received from the Commonwealth Government's JobKeeper program.

Debt facilities

No term debt amortisations occurred during FY2021 with \$42 million of term debt carried throughout the financial year. Finance facilities were renewed with Commonwealth Bank of Australia ('CBA') with an extension to the maturity date of the \$42 million term debt and \$12.5 million working capital and overdraft facilities to 30 April 2022.

2021 (FY2022) Season

Namoi Cotton is forecasting around a four-fold increase in ginning volume in FY2022 compared to FY2021, but still well below average volume. Forecast ginning volume is around 450,000 bales of cotton from a forecast cotton crop of around 2.5 million bales.

Namoi Cotton is well prepared for the 2021 cotton harvest with the planned operation of 8 gins for ginning and 3 NCA warehouses for cotton lint storage and container packing. It has spent over \$3 million in maintenance in FY2021, that will continue into early FY2022, to ensure its gins and facilities are harvest-ready including:

- Increasing gin speed at North Bourke to accommodate record cotton production.
- Refreshing Mungindi and Trangie gins to accommodate improved cotton production.
- Reopening the closed warehouse at Warren, and reengagement of rail services, to service export cotton from the Trangie gin and the Macquarie valley.
- Dismantling and relocating the closed gin at Ashley.

REMUNERATION REPORT (AUDITED)

This remuneration report outlines the Director and executive remuneration arrangements of the company and the consolidated entity in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel (KMP) of the group are defined as those having the authority and responsibility either directly or indirectly for planning, directing and controlling the major activities of the company and the group, including any Director of the company.

Changes to KMP

The following changes in KMP occurred in the year ended 28 February 2021.

Non-Executive Directors

James Jackson resigned as a Non-Executive Director effective 13 May 2020.

Ian Wilton appointed as a Non-Executive Director effective 17 June 2020.

Senior Executives

Michael Renehan, Chief Executive Officer, resigned 10 February 2021.

John Stevenson, Chief Financial Officer, was appointed 27 March 2020 effective 30 March 2020. John was appointed Acting interim CEO 10 February 2021 effective 7 February 2021.

Prue Turnbull, Executive General Manager of Customer Operations, was appointed 6 April 2020.

Ernesto Mollica, Executive General Manager of Engineering and Technical, was appointed 13 April 2020 resigned 8 January 2021.

Company secretary

Andrew Metcalfe, 55, CPA, FGIA, FCSA, GAICD, was appointed company secretary on 15 November 2019. Mr Metcalfe is an experienced company secretary having worked with many ASX listed companies across a variety of industry sectors over the past 25 years. Mr Metcalfe is engaged under contract through a service provider and is not part of the KMP.

Key Management Personnel for the 2021 Financial Year include the following persons:

Directors

Mr T J Watson	Chair, non-executive
Mr G Price	Director, non-executive
Mr R Green	Director, non-executive
Mr J Jackson	Director, non-executive (resigned 13 May 2020)
Ms J Hamparsum	Director, non-executive
Mr J Di Leo	Director, non-executive
Mr I Wilton	Director, non-executive (appointed 17 June 2020)

Executives

Mr M Renehan	Chief Executive Officer (resigned 10 February 2021)
Mr J Stevenson	Acting interim CEO (appointed 10 February 2021 effective 7 February 2021) and Chief Financial Officer (appointed 27 March 2020 effective 30 March 2020)



Mr S McGregor	Executive General Manager of Operations
Ms P Turnbull	Executive General Manager of Customer Operations
Mr Ernesto Mollica	Executive General Manager of Engineering and Technical (Appointed 13 April 2020 resigned 8 January 2021).

Compensation of KMP

Compensation Policy

For Namoi Cotton the following principles in its compensation framework apply:

- Provide market competitive remuneration;
- Link executive rewards to company performance and to align with the interests of shareholders; and
- A portion of executive compensation is 'at risk', dependent upon the financial performance of the company and the individual executive meeting pre-determined performance benchmarks (individual key performance indicators 'KPI's');

People and Culture Committee

The role and responsibility of the People and Culture Committee of the Board of Directors of Namoi Cotton is to assist and advise the board of Directors to fulfil its responsibilities to shareholders of the company on matters relating to:

- the composition, structure and operation of the board.
- senior executive selection and performance.
- the compensation, bonuses, incentives and remuneration issues of the chief executive officer (CEO) and senior executives (as defined by the board).
- policies relating to remuneration, incentives, superannuation, evaluation and termination, affecting all staff.
- remuneration of the Directors of the board and Chair of the board

In considering the impact of the Group's performance on shareholder wealth, the Directors have regard to various factors including the table of metrics detailed on page 29 – Group financial performance and position.

Compensation Structure

In accordance with best practice corporate governance, the structure of non-executive Director and executive compensation is separate and distinct.

Non-executive Director Compensation

Objective

The board seeks to set aggregate compensation at a level that provides the company with the ability

to attract and retain Directors with the appropriate qualifications, experience and skills and compensate Directors for the time required to exercise their duties as a Director.

Structure

The Constitution for Namoi Cotton Limited provides for aggregate Directors' fees of up to \$850,000 per annum to be paid to Directors. For the FY2021 financial year the aggregate Directors' fees paid was \$496,522.

The amount of compensation and the manner in which it is apportioned amongst Directors is reviewed annually. The board may consider advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Any Director in office at 10 October 2017 who had served two terms (6 years) is entitled to a retirement benefit equivalent to two year's remuneration based on their remuneration for the 2017-18 financial year. One incumbent Director is entitled to this benefit.

The compensation of non-executive Directors for the period ending 28 February 2021 is detailed on page 26 of this report.

Executive Compensation

Objective

The company aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the company in order to:

- reward executives for performance against targets set by reference to appropriate benchmarks;
- align the interests, actions and behaviours of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company to drive long term sustainable growth; and
- ensure total compensation is competitive by market standards and aligned to impact and accountability.

Structure

Employment agreements have been agreed with the CEO and other KMP. Details of these contracts are provided on pages 25 and 26 of this report.

Each KMP agreement includes compensation which consists of the following key elements (where applicable):

- Fixed Compensation;
- Variable Compensation comprising Short Term Incentives (STI)
- Variable Compensation comprising Long Term Incentives (LTI)

The People and Culture Committee recommends to the Board the proportion of fixed and variable (potential STI and LTI) compensation for KMP.



The Board resolved that no STI compensation would be paid or accrued to KMP's in FY2021 given the Group's negative earnings (2020: 0%).

Fixed Compensation

Objective

The People and Culture Committee reviews fixed compensation annually. The process consists of a review of company-wide, business unit and individual performance, relevant internal and market comparative compensation and, where appropriate, independent external remuneration data of equivalent industry sectors.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms which in FY2021 included cash, superannuation, motor vehicles and any associated fringe benefits. The form chosen will be optimal for the recipient without creating undue cost for the company.

Variable Compensation – STI

Objective

The objective of the STI program is to link the achievement of the company's operational and financial targets with the compensation received by the executives charged with meeting those targets.

Structure

Actual STI payments depend on the achievement of specific operating targets set at the beginning of the financial year. The operational targets consist of a number of KPI's covering both financial and non-financial measures of performance.

For FY2021 the STI compensation included an 'at risk bonus' element linked to company financial performance.

The FY2021 STI compensation also included an element that is dependent upon the achievement of individual KPI's. The KPI's include, but are not limited to, critical operational, profit, safety and developmental targets.

KMP STI payments are ultimately subject to the discretion of the Board after review of achievement by the People and Culture Committee. However, when taking into account this discretion, the Board considers the above criteria in determining the appropriate allocation.

Variable Compensation – LTI

Objective

The objective of the LTI program is to link the achievement of the company's long-term performance targets with the compensation received by the executives charged with meeting those targets.

Structure

LTI compensation under the Namoi Cotton Limited Equity Plan (the "Plan") in the form of performance rights was approved by the Board on 21 June 2020 and subsequently ratified at the Annual General Meeting on 29 September 2020. The purpose of the Plan is to enable the Board to issue rights, as part of the Company's remuneration arrangements, to acquire shares in the Company. The granting of rights to employees and non-executive Directors of the Company is conditional upon the absolute discretion of the board. The rights are issued on the following terms:

- The Board may make offers to Eligible Employees to apply for a grant of Rights upon the terms of the Plan to receive shares in Namoi Cotton Limited,
- For each financial year onward commencing 1 March 2020 and ending 28 February, there is a target opportunity of 50% for the CEO and 25% of fixed remuneration for all other eligible employees. For 2021, 2022 and 2023 the number of rights granted is determined using the hurdle price determined by the Directors set out in the terms of the relevant offer for each year,
- The vesting of these performance rights will be subject to achievement of company performance measures and other service conditions over a 3-year period.



Contract for Services

Major provisions of KMP employment agreements are set out below.

Mr Michael Renehan, Chief Executive Officer (resigned 10 February 2021)

- Fixed compensation, inclusive of superannuation, for the year ended 28 February 2021 of \$400,000 (29 February 2020: \$400,000) per annum on a pro-rata basis.
- Short Term Incentive (STI) compensation for the year ended 28 February 2021 of \$Nil. (29 February 2020: \$Nil).
- Long Term Incentive (LTI) compensation of 898,204 rights for the period beginning 1 September 2019 with a value on issue date of \$5,369 (29 February 2020: \$Nil). Nil rights retained as rights subsequently cancelled on resignation.
- Period of notice to be given by employee or employer – 3 months.

Mr John Stevenson, Chief Financial Officer (Appointed CFO 27 March 2020 and Acting Interim CEO effective 7 February 2021)

- Fixed compensation, inclusive of superannuation, for the period ended 6 February 2021 of \$300,000 increased to \$400,000 for the year ended 28 February 2021 effective from 7 February 2021 (29 February 2020: \$Nil) per annum on a pro-rata basis.
- Short Term Incentive (STI) compensation for the year ended 28 February 2021 of \$Nil (29 February 2020: \$Nil).
- Long Term Incentive (LTI) compensation of 224,551 rights for the period beginning 01 March 2020 with a value on issue date of \$1,342 (29 February 2020: \$Nil).
- Period of notice to be given by employee or employer – 3 months.

Mr Shane McGregor, EGM of Operations (formerly Business Development)

- Fixed compensation, inclusive of superannuation, for the year ended 28 February 2021 of \$275,674 (29 February 2020: \$304,649) per annum on a pro-rata basis.
- Short Term Incentive (STI) compensation for the year ended 28 February 2021 of \$Nil. (29 February 2020: \$Nil).
- Long Term Incentive (LTI) compensation of 205,838 rights for the period beginning 01 March 2020 with a value on issue date of \$1,230 (29 February 2020: \$Nil).
- Payment of a benefit on termination equal to 50% of annual fixed compensation.
- Period of notice to be given by employee or employer – 3 months.

Mrs Prue Turnbull, EGM of Customer Operations (formerly Operations – Appointed 6 April 2020)

- Fixed compensation, inclusive of superannuation, for the year ended 28 February 2021 of \$230,000 (29 February 2020: \$Nil) per annum on a pro-rata basis.
- Short Term Incentive (STI) compensation for the year ended 28 February 2021 of \$Nil. (29 February 2020: \$Nil).
- Long Term Incentive (LTI) of 164,671 rights for the period beginning 01 March 2020 with a value on issue date of \$984 (29 February 2020: \$Nil).
- Period of notice to be given by employee or employer – 3 months.

Mr Ernesto Mollica, EGM of Engineering and Technical (Appointed 13 April 2020 resigned 8 January 2021)

- Fixed compensation, inclusive of superannuation, for the year ended 28 February 2021 of \$275,000 (29 February 2020: \$Nil) per annum on a pro-rata basis.
- Variable compensation, for the year ended 28 February 2021 of \$Nil (29 February 2020: \$Nil)

KMP Remuneration Table

The table below sets out the remuneration paid or payable to the Directors, CEO and Senior Executive KMP for the financial year ended 28 February 2021.

Compensation of Key Management Personnel for the Year Ended 28 February 2021:

	Short-term Employee benefits		Post-employment Benefits		Long-term Incentives				
	Salary & Fees ¹	Cash Bonus	Super-annuation	Retirement Benefits ²	Employee Rights ³	Long Service Leave ⁴	Termination Benefits	Total	% Performance Related ⁵
Directors									
T Watson	110,000	-	10,450	-	-	-	-	120,450	-
SC Boydell ⁶	150,000	-	-	(150,000)	-	-	-	-	-
G Price	70,000	-	6,650	-	-	-	-	76,650	-
R Green	70,000	-	6,650	-	-	-	-	76,650	-
J Jackson ⁷	14,269	-	1,356	-	-	-	-	15,625	-
J Hamparsum	70,000	-	6,650	-	-	-	-	76,650	-
J Di Leo	70,000	-	6,650	-	-	-	-	76,650	-
I Wilton ⁸	49,269	-	4,578	-	-	-	-	53,847	-
Executives									
M Renehan ⁹	368,816	-	29,237	-	5,369	-	222,587	626,009	-
J Stevenson ¹⁰	264,423	-	23,170	-	1,342	415	-	289,350	-
S McGregor	261,823	-	22,097	-	1,230	(7,399)	-	277,751	-
P Turnbull ¹¹	195,987	-	18,602	-	984	311	-	215,884	-
E Mollica ¹²	199,749	-	17,802	-	-	-	-	217,551	-
	1,894,336	-	153,892	(150,000)	8,925	(6,673)	222,587	2,123,067	

1 Salary & Fees plus cost of accrued annual leave for the period.

2 Payment on retirement of previously accrued entitlements.

3 Value of Rights to take up shares under the Namoi Cotton Limited Equity Plan as at issue date.

4 Cost of long service leave entitlement accrued during the period. Negative amount reflects change in liability.

5 The percentage that STI forms part of total remuneration.

6 Resigned on 20 January 2020 and was paid previously accrued retirement benefits.

7 Resigned on 13 May 2020.

8 Appointed on 17 June 2020.

9 Resigned on 10 February 2021. Non-monetary benefits included in Termination Benefits for relocation expenses and out-placement fees of \$30,000. Employee rights to take up shares under the Namoi Cotton Limited Equity Plan subsequently cancelled upon resignation. Termination benefits net of previously accrued LSL as not payable.

10 Appointed on 27 March 2020 effective 30 March 2020. Appointed acting interim CEO effective on 7 February 2021.

11 Appointed 7 April 2020.

12 Appointed 13 April 2020, resigned on 8 January 2021.

Compensation of Key Management Personnel for the Year Ended 29 February 2020:

	Short-term Employee benefits		Post-employment Benefits		Long-term Incentives		Termination Benefits	Total	% Performance Related ⁴
	Salary & Fees ¹	Cash Bonus	Super- annuation	Retirement Benefits ²	Employee Rights ²	Long Service Leave ³			
Directors									
T Watson	110,423	-	10,490	-	-	-	-	120,913	-
RA Anderson ⁵	149,077	-	2,762	(120,000)	-	-	-	31,839	-
SC Boydell ⁶	62,071	-	5,897	-	-	-	-	67,968	-
G Price	70,269	-	6,676	-	-	-	-	76,945	-
R Green	70,269	-	6,676	-	-	-	-	76,945	-
J Jackson ⁷	70,269	-	6,676	-	-	-	-	76,945	-
J Hamparsum	70,269	-	6,676	-	-	-	-	76,945	-
J Di Leo	70,269	-	6,676	-	-	-	-	76,945	-
Executives									
M Renehan ⁷	216,754	-	11,785	-	-	341	-	228,880	-
J Callachor ⁸	2,781	-	805	-	-	-	399,651	403,237	-
D Lindsay ⁹	197,449	-	14,709	-	-	-	148,500	360,658	-
B Garcha ¹⁰	180,581	-	3,981	-	-	-	162,351	346,913	-
S Greenwood ¹¹	283,687	-	13,032	-	-	-	-	296,719	-
M Newbury ¹²	50,704	-	4,817	-	-	-	-	55,521	-
S McGregor	275,760	-	21,481	-	-	3,601	-	300,842	-
A Mehl ¹³	161,448	-	16,352	-	-	-	36,185	213,985	-
	2,042,080	-	139,491	(120,000)	-	3,942	746,687	2,812,200	-

1 Salary & Fees plus cost of accrued annual leave for the period.

2 Payment on retirement of previously accrued entitlements.

3 Cost of long service leave entitlement accrued during the period.

4 The percentage that STI forms part of total remuneration.

5 Retired on 30 July 2019 and was paid previously accrued retirement benefits.

6 Resigned on 20 January 2020.

7 Appointed on 30 July 2019 effective 1 September 2019. Non-monetary benefits included in Salary & Fees for relocation expenses and initial rental assistance of \$23,600.

8 Resigned on 8 March 2019.

9 Resigned on 25 November 2019.

10 Resigned on 15 November 2019.

11 Resigned on 13 December 2019 effective 20 January 2020.

12 Appointed acting Interim CFO from 13 December 2019.

13 Resigned on 11 November 2019.

KMP Shareholdings¹

	Balance held 1 March 2020	Granted as Remuneration	On Exercise of Rights	Net Change Other ²	Balance held 28 February 2021
Year ended 28 February 2021	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Directors					
T Watson (Chairman)	1,683,831	-	-	715,328	2,399,159
G Price	611,048	-	-	-	611,048
R Green	-	-	-	-	-
J Jackson (resigned 13 May 2020)	13,471,111	-	-	(13,471,111)	-
J Hamparsum	158,504	-	-	76,641	235,145
J Di Leo	-	-	-	-	-
I Wilton (appointed 17 June 2020)	-	-	-	700,000	700,000
Executives					
M Renehan	-	-	-	-	-
J Stevenson	-	-	-	-	-
S McGregor	2,000	-	-	-	2,000
P Turnbull	-	-	-	-	-
E Mollica	-	-	-	-	-
	15,926,494	-	-	(11,979,142)	3,947,352

¹ Includes ordinary shares that are held directly, indirectly and beneficially by KMP.

² Net Change Other includes shares held at appointment and retirement.

All shares above are held in the parent entity Namoi Cotton Limited.

All ordinary share transactions by the company with KMP are made through the ASX on normal commercial terms.

Marketing and ginning transactions and balances with KMP

Transactions with Directors and their related parties were in accordance with the eligibility criteria to be appointed as a Grower Director. Grower Directors are required to:

- have ginned at least 1,500 cotton bales in aggregate per cotton season at a Namoi Cotton gin in at least three out of the last five cotton seasons; and
- sell at least 50% of their seed cotton production at

any Namoi Cotton gin in at least three out of the last five cotton seasons; or

- sell at least 50% of their seed cotton production which is grown within 100km of any Namoi Cotton gin at a Namoi Cotton gin in at least three out of the last five cotton seasons; and
- is the registered owner or lessee of cotton farming property which annually can plant a minimum of 150 hectares of seed cotton and is capable of producing 1,500 cotton bales in aggregate per cotton season to be ginned at a Namoi Cotton gin.

In accordance with that rule, Directors entered into marketing contracts and ginning contracts with Namoi Cotton. Amounts paid/received or payable/receivable from/to Directors and their respective related parties were as follows:

Consolidated								
	Cotton Purchases		Freight Payments		Ginning Charges Levied		Grain & Seed Purchases	
Name	28 Feb 2021	29 Feb 2020	28 Feb 2021	29 Feb 2020	28 Feb 2021	29 Feb 2020	28 Feb 2021	29 Feb 2020
	\$	\$	\$	\$	\$	\$	\$	\$
Mr T Watson	-	-	19,000	-	72,040	605,529	5,269	247,275
Mr G Price	538,225	1,607,440	18,915	30,942	60,131	174,174	154,207	338,775
Ms J Hamparsum	274,670	-	-	29,237	89,324	41,397	206,939	68,105
	812,895	1,607,440	37,915	60,179	221,495	821,100	366,415	654,155

The nature of the terms and conditions of the above other transactions with Directors and Director related entities are consistent with the terms of Namoi Cotton's standard products, and are as follows:

- Marketing contracts require delivery of a quantity of lint cotton. The contract price per bale may be fixed in Australian or United States dollars, determined under a pool arrangement, set as a guaranteed minimum price or by way of basis fixations, cotton futures and foreign currency hedging. Price is adjusted for grade. Payment may be made by Namoi Cotton either within 14 days of ginning, or on a deferred schedule. The actual sales to spinning mills are made by the Namoi Cotton Alliance ("NCA") and/or Namoi Cotton Marketing Alliance ("NCMA") joint ventures.
- Ginning contracts require the delivery of a quantity or acreage of seed cotton gin landed. The price is a fixed amount per bale. Payment is either effected by the grower as an offset against marketing proceeds or collected from the marketing merchant in the case of contract ginning with Namoi Cotton.
- Seed contracts require the delivery of a quantity or acreage of seed gin landed. The price is a fixed amount per bale. Payment is either made by Namoi Cotton in conjunction with marketing proceeds, or in conjunction with ginning costs in the case of contract ginning with Namoi Cotton. Growers have the option of retaining their seed for a handling fee.

Other transactions with KMP

Directors and Director related entities also entered into transactions with the economic entity which occurred within a normal customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the Director or Director-related entity at arm's length in the same circumstances, which do not have the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the Directors. These transactions may include:

- Buybacks of marketing contracts as a result of production shortfalls;
- Currency, cotton futures, options and brokerage costs, losses and profits charged or credited directly to the account of the Director;
- Purchase of grower supplies;
- Costs associated with the provision of crop finance;
- Cotton seed sales;
- Module relocation costs; and
- Travel expense reimbursements.

Group Financial performance and position

The following table highlights key components of the groups' financial performance for the last 5 years.

	2021	2020	2019	2018	2017
Earnings per CCU (cents)	N/a	N/a	N/a	N/a	0.2
Distribution per CCU (cents) ¹	N/a	N/a	N/a	N/a	-
CCU/share price at year end (cents)	N/a	N/a	N/a	N/a	49.0
CCU buyback average (cents)	N/a	N/a	N/a	N/a	N/a
Earnings per Ordinary Share (diluted)	(10.3)	(7.8)	0.4	4.7	N/a
Dividend per Ordinary Share (cents/share) ¹	-	-	1.9	-	N/a
Share price at year end (cents)	35.5	30.0	40.0	53.0	N/a
Net assets (\$m)	106.8	121.4	129.8	131.8	123.8
Net assets per CCU (cents)	N/a	N/a	N/a	N/a	112.7
Net assets per ordinary share (cents) - basic ²	76.0	86.6	94.7	103.4	N/a
Net assets per ordinary share (cents) - diluted ³	74.9	85.2	93.0	92.4	N/a

1 Represents amounts paid during the financial year (refer note 5).

2 Ordinary shares on issue at balance date.

3 Diluted for conversion of residual capital stock to ordinary shares.



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

T WATSON

Director

Sydney

30 April 2021

AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's independence declaration to the directors of Namoi Cotton Limited

As lead auditor for the audit of the financial report of Namoi Cotton Limited for the financial year ended 28 February 2021, 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 audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Namoi Cotton Limited and the entities it controlled during the financial year.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Wade Hansen'.

Wade Hansen
Partner
Brisbane
30 April 2021

Independent auditor's report to the members of Namoi Cotton Limited Report on the audit of the financial report

Opinion

We have audited the financial report of Namoi Cotton Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- the consolidated balance sheet as at 28 February 2021;
- the consolidated statements of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 28 February 2021 and of their financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Basis of preparation of the financial statements – going concern

Why significant	How our audit addressed the key audit matter
<p>During the current and previous financial years, the Group's financial performance has been impacted by drought which has in turn impacted the Group's liquidity and compliance with financial covenants associated with its borrowing arrangements.</p> <p>As described in Note 1(b) to the financial report, the financial statements have been prepared by the Group on a going concern basis.</p> <p>The Group's management of liquidity risk is disclosed in Note 25. In assessing the Group's ability to continue as a concern, the directors have considered existing cash and working capital balances, borrowing terms including financial covenants, financing facilities available and due to mature during the next 12 months, and forecast of future cash flows, for a period of at least 12 months from the date the financial report is authorised for issue (forecast cashflows). The forecast cash flows include the proceeds from a capital raising approved by the Board.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ Evaluated whether the period covered by the Group's going concern assessment is at least 12 months from the date of our auditor's report and all relevant information based on our knowledge of the Group as a result of the audit has been included in the assessment; ▶ Enquired of management and the Board of Directors as to their knowledge of events or conditions that may impact Group's ability to continue as a going concern; ▶ Assessed the Group's forecast cashflow assumptions by considering historical results, cashflow expenditure initiatives undertaken, growth rates and relevant external forecast information for the range of possible scenarios resulting from the ongoing uncertainty associated with the current cotton crop. Assessed the consistency of forecasts with the scenarios considered as part of the Group's fair value of ginning assets analysis; ▶ Read the terms associated with the Group's financing arrangements, including covenant waivers obtained by the Group in relation to its financing facility, assessing the amount of the facilities available for drawdown over the

Why significant

Assessing the appropriateness of the Group's basis of preparation for the financial statements was a key audit matter due to this importance to the financial statements and the level of judgment required in the assessing the Group's forecast cashflows (for a period of at least 12 months from the audit report date) and its ability to comply with debt covenants at 28 February 2022.

How our audit addressed the key audit matter

- forecast period, and assessing the likelihood of asset sale and planned capital raise options available to the Group to access over the next 12 months
- ▶ Considered the impact on the Group's going concern assessment related to the restructure to the Group's investments in joint ventures and their financing arrangements
- ▶ Obtained written representation from management and the Board of Directors regarding their plans for future action and the feasibility of these plans
- ▶ Assessed the appropriateness of the disclosures regarding the Group's going concern basis of preparation for the financial statements.

2. Fair value of ginning assets

Why significant

The Company and the Group measure ginning infrastructure assets ("ginning assets") at fair value as disclosed in Note 1(p) to the financial statements. Ginning assets represent 65% of total assets of the Company and 67% of total assets of the Group.

The Group uses a discounted cash flow model to determine the fair value of the ginning assets supported by periodic valuations conducted by external experts on a three-year rolling basis.

The Group last commissioned an independent valuation of ginning assets to provide external support for the assessment of fair value as at 28 February 2019.

The valuation of the ginning assets at fair value is highly dependent on estimates and assumptions, such as sustainable bales, market share, discount rates, bale ginning contributions and revenue growth rates.

The key assumptions relating to the valuations are disclosed in Note 13 and Note 1(p).

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Evaluated the input assumptions and estimates made by the Group in applying its valuation methodology, including sustainable bales and earnings against average production and earnings over the previous eight years (covering a broad spread of high and low production seasons) to take into account the seasonal variations and considered any changes or lack of changes in other assumptions or estimates since the prior year including growth rates and discount rates;
- ▶ Evaluated sensitivities performed by the Group relating to forecast crop assumptions including considering the impact of drought conditions on future cotton crops;
- ▶ Considered the continuing appropriateness of independent valuations obtained by the Group in prior periods and performed sensitivity testing

Why significant

Given the value and complexity of the valuation of ginning assets and the extent of the disclosures relating to the assumptions used in the valuation, this was determined to be a key audit matter.

How our audit addressed the key audit matter

- ▶ to understand the impact of changes in key assumptions to the valuation;
- ▶ Involved our valuation specialists to assist in assessing the modelling used by the Group to support its valuation, by evaluating the model methodology and discount rates used; and
- ▶ Assessed the adequacy of the related financial report disclosures.

3. Namoi Cotton Alliance Joint Venture Investment and restructure

Why significant

At 28 February 2021 the Group held a 51% stake in the Namoi Cotton Alliance joint venture ("NCA").

As explained in Note 1 to the financial statements, the Group's investment in NCA is accounted for using the equity method of accounting in accordance with Australian Accounting Standards. An investment of \$23m is recorded on the Group's consolidated balance sheet. An equity accounted loss of \$9.2m contributed to the financial performance of the Group.

The Group also assesses the carrying amount of its equity accounted investment in NCA for impairment at balance date. The Group's impairment assessment is based on NCA's fair value less costs of disposal (FVLCD) and is determined with reference to the net tangible assets of the entity.

The Group and its 49% joint venture participant in NCA negotiated a restructure to the NCA operations during the current financial year. The terms of the restructure resulted in the cotton lint trading business of NCA being transferred to a new joint venture, Namoi Cotton Marketing Alliance ("NCMA") effective 28 February 2021.

At 28 February 2021, the Group held a 15% stake in NCMA.

How our audit addressed the key audit matter

Our audit procedures related to the carrying value of Namoi Cotton's investment in NCA, NCMA and the equity accounted results included the following:

- ▶ Audited the financial statements of NCA for the year ending 28 February 2021 and issued a separate audit report to the participants of the joint venture;
- ▶ Performed specified audit procedures over the accounting records of NCMA for the period ending 28 February 2021;
- ▶ In the context of the audit of the Group, we evaluated the scope of the NCA audit and NCMA specified procedures, the execution of these audit and specified procedures, significant areas of estimation and judgement and audit findings;
- ▶ Recalculated the Group's equity-accounting for NCA and NCMA with reference to the audited financial statements of NCA for the year ended 28 February 2021 and the accounting records of NCMA for the period ended 28 February 2021. In addition, we tested the movement in the carrying value of the Group's investments in NCA and NCMA for the financial year were consistent with the share of equity accounted results;
- ▶ Reviewed all relevant restructure and transfer documentation relating to the NCA restructure including transfer of its cotton lint trading

Why significant

The significance of the carrying amount of the Group's investment in NCA and NCMA to its financial position, NCA's and NCMA's contribution to the Group's financial performance, judgements and estimates involved in impairment testing and the complex financial arrangements forming part of the restructure, mean this was a key audit matter.

Details of the Group's investment in the joint ventures are outlined in Note 10 to the financial statements.

How our audit addressed the key audit matter

- business to NCMA and considered the accounting treatments adopted in each entity;
- ▶ Assessed management's impairment testing of the Group's investment in NCA given the restructure and the net tangible assets retained by NCA after the restructure; and
- ▶ Assessed the adequacy of the related financial report disclosures.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report other than the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

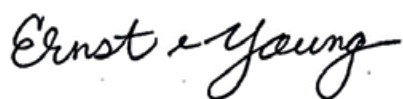
Opinion on the remuneration report

We have audited the Remuneration Report included in pages 22 to 29 of the directors' report for the year ended 28 February 2021.

In our opinion, the Remuneration Report of Namoi Cotton Limited for the year ended 28 February 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Wade Hansen
Partner
Brisbane
30 April 2021

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Namoi Cotton Limited, I state that:

In the opinion of the Directors:

- a) the financial statement, notes and the additional disclosures included in the Directors' report designated as audited, 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 28 February 2021 and of its performance for the year ended on that date; and
 - ii) complying with Accounting Standards and Corporations Regulations 2001;
- b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a);
- c) 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 has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 28 February 2021.

On behalf of the board



T WATSON

Director

Sydney

30 April 2021





NAMOI COTTON LIMITED
ABN 76 010 485 588

CONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2021



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STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2021

		Consolidated \$'000	
	Note	28 Feb 2021	29 Feb 2020
Revenue from customers	2a	542	3,166
Revenue - other	2a	311	350
Revenue		853	3,516
Trading margin gains	2a	15,222	39,367
Other income/(loss)	2b	2,761	1,125
Share of profit/(loss) of associates and joint ventures	10	(8,704)	(8,539)
Processing and distribution costs		(3,388)	(10,419)
Employee benefits expense	2c	(11,027)	(19,433)
Depreciation		(3,246)	(5,239)
Fair value decrement - ginning assets	13	-	(5,217)
Impairment reversal - joint venture	10	1,126	2,438
Impairment - goodwill/parent investment		-	(961)
Finance costs	2d	(1,634)	(2,082)
Other expenses	2e	(8,420)	(9,856)
Profit/(loss) before income tax		(16,458)	(15,300)
Income tax (expense)/benefit	3	2,040	4,310
Profit/(loss) attributable to the members of Namoi Cotton Limited		(14,418)	(10,990)
Other comprehensive income items that will not be reclassified subsequently to profit and loss:			
Increment/(decrement) to asset revaluation reserve (net of tax)		(264)	2,609
Profit/(loss) and other comprehensive income attributable to the members of Namoi Cotton Limited		(14,682)	(8,381)

		Cents	
	Note	28 Feb 2021	29 Feb 2020
Earnings per ordinary share			
Basic earnings per share	4	(10.3)	(7.8)
Diluted earnings per share ¹	4	(10.3)	(7.8)

¹ Residual capital stock unconverted has not been included in the calculation of diluted earnings per share because they are antidilutive, refer to note 17

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

BALANCE SHEET

as at year ended 28 February 2021

Note	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Current assets		
Cash and cash equivalents	6 497	731
Trade and other receivables	7 2,196	3,531
Inventories	8 7,445	7,254
Assets held for sale	837	-
Prepayments	767	683
Derivative financial instruments	9 7,481	4,280
Total current assets	19,223	16,479
Non-current assets		
Trade and other receivables	7 -	-
Available-for-sale financial assets	25 -	-
Investments in associates and joint ventures	10 21,300	28,878
Intangibles	13 -	-
Property, plant and equipment	13 129,703	133,939
Deferred tax assets	3 -	-
Derivative financial instruments	10 -	-
Total non-current assets	151,003	162,817
Total assets	170,226	179,296
Current liabilities		
Trade and other payables	14 4,315	4,184
Interest bearing liabilities	15 5,664	1,710
Provisions	16 1,671	1,524
Derivative financial instruments	9 5,996	3,024
Total current liabilities	17,646	10,442
Non-current liabilities		
Interest bearing liabilities	15 45,639	44,778
Provisions	16 185	571
Deferred tax liabilities (net)	3 -	2,067
Total non-current liabilities	45,824	47,416
Total liabilities	63,470	57,858
NET ASSETS	106,756	121,438
Equity		
Contributed equity	17 37,639	37,639
Reserves	18 70,075	70,330
Retained earnings / (deficit)	(958)	13,469
Total parent entity interest in equity	106,756	121,438
TOTAL EQUITY	106,756	121,438

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

STATEMENT OF CASH FLOWS

for the year ended 28 February 2021

	Note	Consolidated \$'000	
		28 Feb 2021	29 Feb 2020
Cash flows from operating activities			
Receipts from customers		79,724	308,561
Government grants		2,088	-
Currency derivative flows		(25)	(28)
Payments to suppliers and employees		(30,014)	(52,820)
Payments to growers		(55,771)	(255,733)
Interest received		8	9
Borrowing costs		(1,627)	(2,130)
Net cash (outflow)/inflow from operating activities	6b	(5,617)	(2,141)
Cash flows from investing activities			
Payments for property, plant and equipment		(170)	(1,123)
Proceeds from sale of property, plant and equipment		2,816	19
Loans advanced		-	(7)
Proceeds from loans receivable		1	25
Loan payments (partnership and JV)		(400)	(400)
Net cash (outflow)/inflow from investing activities		2,247	(1,486)
Cash flows from financing activities			
Proceeds from borrowings		8,500	13,543
Repayment of borrowings		(4,350)	(13,543)
Loans advanced to growers		-	(119)
Proceeds from repayment of grower loans		-	119
Repayment of equipment loans		(1,007)	(1,097)
Payment of principal portion of lease liabilities		(234)	(372)
Net cash (outflow)/inflow from financing activities	6c	2,909	(1,469)
Net increase/(decrease) in cash		(461)	(5,096)
Add cash at the beginning of the financial year		731	5,827
Cash at end of the financial year	6a	270	731

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2021

Consolidated \$'000	Issued Capital	Asset Revaluation Reserve (Note 18)	Share Rights Reserve (Note 18)	Retained Earnings	Total Equity
Total equity at 1 March 2020	37,639	70,330	-	13,469	121,438
Net loss for the period	-	-	9	(14,427)	(14,418)
Other comprehensive income/(loss)	-	(264)	-	-	(264)
	-	(264)	9	(14,427)	(14,682)
Equity dividends	-	-	-	-	-
Total equity at 28 February 2021	37,639	70,066	9	(958)	106,756

Consolidated \$'000	Issued Capital	Asset Revaluation Reserve (Note 18)	Share Rights Reserve (Note 18)	Retained Earnings	Total Equity
Total equity at 1 March 2019	37,639	67,721	-	24,459	129,819
Net loss for the period	-	-	-	(10,990)	(10,990)
Other comprehensive income/(loss)	-	2,609	-	-	2,609
	-	2,609	-	(10,990)	(8,381)
Equity dividends	-	-	-	-	-
Total equity at 29 February 2020	37,639	70,330	-	13,469	121,438

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 principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial report presents the consolidated entity consisting of Namoi Cotton Limited and its subsidiaries. In previous years separate financial statements for Namoi Cotton Limited as an individual entity were also presented but this is not required in the current year therefore summary parent information has been disclosed in Note 27.

For the purposes of disclosure of events occurring after balance date the Directors have authorised this financial report for issue on 30 April 2021 in accordance with a resolution of the Board of Directors.

The nature of the operations and principal activities of the group are described in the Directors' Report.

a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with standards, other authoritative pronouncements of the Australian Accounting Standards Board and Corporations Act 2001.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for ginning assets, derivative financial instruments, and cotton seed inventory which are measured at fair value.

Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 (refer to Note 1m and Note 25) and derivative financial instruments (refer to Note 1n and Note 9);
- Fair value of ginning assets (refer Note 1p and Note 13);
- Impairment testing of property plant and equipment (refer to Note 1p and Note 13);
- Classification of associates and joint ventures (refer to Note 1d and Note 11);
- Treatment of deferred tax balances including tax

loss recognition (refer to Note 1i and Note 3); and

- Assessment of the useful lives of assets (refer to Note 1p)
- COVID-19 (refer to description below)

COVID-19

The COVID-19 outbreak was declared a pandemic by the world health organisation in March 2020. The outbreak and response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and business operations however, there has not been a significant impact on Namoi Cotton's ginning operations to date. The scale and duration of these circumstances remain uncertain as at the date of this report however they may have an impact on our earnings, cash flow and financial condition. Despite the current uncertainty associated with COVID-19, the Directors are confident that there has been no impact on the Group's asset capacity and potential to service forecast ginning volumes and therefore also has no material impact on the fair value of ginning assets at 28 February 2021.

New accounting standards and interpretations

New standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 March 2020 have been adopted by the Group. The adoption of these standards had no material financial impact on the current period or any prior period and is not likely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 28 February 2021 reporting period and have not yet been applied in the consolidated Financial Statements. These new Standards are as follows and where appropriate commentary as to their likely impact has been included:

- IFRS 17 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2023)
- Amendments to IFRS 3: Definition of Business (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendments to IAS 1 Classification of Liabilities (effective for reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 16 Property, Plant and Equipment (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendments to IAS 37 Onerous Contracts (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendment to IAS 41 Agriculture (effective for annual reporting periods beginning on or after 1 January 2022)
- These new standards and amendments are not expected to have a material impact on Namoi Cotton.

b) Going Concern

The 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 and its joint venture and associate's debt financing facilities.

The Group's debt financing facilities totalling \$54 million (i.e. available limit) are due for renewal on 30 April 2022. These facilities contain financial covenants reflective of current trading conditions, including a requirement to fund debt repayment from operations, asset sales or equity. The Directors are confident that:

- A capital raise, approved by the board at the date of this report, will successfully close given the commitments made to the Company by key shareholders and other parties;
- All covenants in existing debt facilities will continue to be met;
- These facilities are sufficient to fund the Group's ongoing operations for the 2022 financial year; and
- The facilities will be able to be refinanced at maturity.

During the year, the Group restructured its NCA joint venture in which it owns a 51% share and established a new joint venture, NCMA in which it owns a 15% share.

NCA operates in three business divisions: Warehousing; Packing and Cotton Lint. On 26 February 2021, NCA ceased undertaking new business in its Cotton Lint operations and on the same day NCMA commenced business in the trading and marketing of cotton lint acquired by the Group.

As at 28 February 2021, NCA maintained debt facilities to fund the settlement of pre-existing business in its Cotton Lint division. Since that date, NCA has fully repaid all drawn debt in its Cotton Lint division.

As of 30 April 2021, NCA's Cotton Lint debt facilities totalling US\$52.5 million (i.e. available limit) have been fully repaid and cancelled and equivalent facilities were established in NCMA. The NCMA facilities have no recourse to NCA (other than a customary "featherweight" security subject to a maximum amount recoverable of \$1,000 and, subject to finalisation of new ISDA documentation for foreign currency activities).

NCA's only other debt facility is an equipment facility for its Warehouse and Packing divisions with a drawn amount of \$0.55 million at 28 February 2021 (FY2020 \$1.05 million), all of which mature by April 2023. NCA's restructured operations are funded from existing reserves and future cashflow which are sufficient to fund NCA's ongoing operations.

As previously announced, 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; and

- Except to the extent Namoi's joint venture entity's liability is satisfied from that limited recourse security, is further subject to a "cap" arrangement that places a limit on Namoi Cotton's exposure in any financial year to \$1.5 million.

Recent flooding rains have increased water availability and should support increased cotton production in the coming seasons. Namoi Group's simplified structure, strengthened outlook, renegotiated finance facilities including covenants and the NCA restructure, together with management of Covid-19 conditions, provide the Directors with confidence in the Group's financial position.

The Directors believe there are reasonable grounds that the use of the going concern basis remains appropriate as there is an expectation that the Group:

- will be able to extend existing debt finance facilities or establish new facilities; and
- will be able to raise sufficient amounts of either debt or equity or cash from asset sales.

c) Seasonality of operations

Cotton Ginning, one of Namoi Cottons business segments, operates on a seasonal basis whereby ginning normally occurs during the first half of each year. Accordingly, that segment traditionally generates net income in the first half of the year and incurs net expenditure in the second half of the 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 to end user customers occurs.

The lint cotton marketing business is undertaken by NCA and NCMA (effective from 28 February 2021) associates. Namoi Cotton continues to purchase bales from growers which it on-sells to NCA and NCMA. These associates normally take delivery of lint cotton from Namoi Cotton in the first half of the year and under the associates accounting policies, profits from this activity arise on receipt of the lint cotton. Namoi Cotton equity accounts for its share of the NCA joint venture net result (refer Note 10) which is reflected in the share of profits from joint ventures and associates in the Statement of Profit and Loss and Other Comprehensive Income.

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Namoi Cotton and its subsidiaries as at 28 February 2021. Control is achieved when Namoi Cotton is exposed, or has rights, to

variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, Namoi Cotton controls an investee if and only if the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When Namoi Cotton has less than a majority of the voting or similar rights of an investee, Namoi Cotton considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- Namoi Cotton's voting rights and potential voting rights.

Namoi Cotton re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when Namoi Cotton obtains control over the subsidiary and ceases when Namoi Cotton loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date Namoi Cotton gains control until the date Namoi Cotton ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of Namoi Cotton and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Namoi Cotton's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Namoi Cotton are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If Namoi Cotton loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation

differences recorded in equity;

- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if Namoi had directly disposed of the related assets or liabilities.

Investment in associates and joint ventures

An associate is an entity over which Namoi Cotton has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. Namoi Cotton's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in Namoi Cotton's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects Namoi Cotton's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Namoi Cotton's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, Namoi Cotton recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between Namoi Cotton and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of Namoi Cotton's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss within share of profit/(loss) of associates and joint ventures and represents profit or loss after tax and non-controlling interests in

the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as Namoi Cotton. When necessary, adjustments are made to bring the accounting policies in line with those of Namoi Cotton.

After application of the equity method, Namoi Cotton determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, Namoi Cotton determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, Namoi Cotton calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as Impairment – joint venture in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, Namoi Cotton measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint operations

Namoi Cotton determines its interest in the assets and liabilities relating to each joint operation on the basis of its rights and obligations in a specified proportion in accordance with the contractual arrangement.

Namoi Cotton recognises the following as its share:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly.

Jointly controlled assets

Interests in jointly controlled assets have been incorporated in the financial statements under the appropriate headings.

e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination,

the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

f) Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Namoi Cotton Limited's functional and presentation currency.

Transactions denominated in foreign currencies are initially recorded in the functional currency at the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities using rates of exchange applicable at balance date are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

g) Revenue from contracts with customers

The Group's core business is the provision of cotton ginning services to cotton farmers, the marketing of cotton seed and by-products of the ginning process and, participation in the marketing of cotton lint bales.

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, non-cash 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.

h) 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 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 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 and/or NCMA (Associates) 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 and NCMA.

Sale of cotton seed

Sales revenue is brought to account when the terms of delivery under the sales contract have been satisfied. As cotton seed sales (to feedlots, graziers, and other traders) are accounted for under AASB 9 they are not treated as a sale to a customer under AASB 15. The fair value of forward cotton seed commodity sale contracts is determined with reference to prevailing prices at reporting date.

Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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.

i) Taxes

Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based upon the prevailing income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of

assets and liabilities and their carrying amounts in the financial statements, and as to available carried forward taxation losses.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax assets and deferred tax liabilities are offset only where such offset is enforceable and where the asset and liability relate to the same taxpaying entity and the same taxation authority.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Tax consolidation legislation

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.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

j) Leases

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

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

The lease payments are discounted using the lessee's incremental borrowing rate, 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.

k) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments readily convertible to cash within two working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

l) Trade and other receivables

Trade receivables are recognised initially at contracted value and subsequently measured at amortised cost using the effective interest method, less an allowance for any 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 recoverability of trade and grower loans is reviewed on an ongoing basis. An estimate for expected credit losses is made when collection of the full nominal amount is no longer probable. Bad debts are written off as incurred.

The simplified method is utilised to determine 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 which are eliminated within consolidated balances.

m) Inventories

Cotton seed

Cotton seed inventory is carried at fair value less costs to sell.

Fair value reflects the price at which an orderly transaction to settle same inventory in the principle (or most advantageous) market for that inventory would take place between market participants at the measurement date. Costs to sell incorporate anticipated future delivery costs, commissions and brokerage.

Fair value less costs to sell may be higher or lower than cost with any differences taken to the statement of comprehensive income.

Operating supplies and spares

Operating supplies and spares are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

n) 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. 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.

The assessment of whether contractual cash flows on debt instruments met the SPPI criterion was made based on the facts and circumstances as at initial recognition of the assets.

The new classification requirements of the standard did not have any significant impact on the Group's existing financial assets, being cash and cash equivalents, trade and other receivables or derivative financial instruments.

At initial recognition, the Group measures a financial asset at its fair value. Measurement of cash and cash equivalents and trade and other receivables remain at amortised cost consistent with the comparative period. Purchases or sales of financial assets that require delivery of assets with a time frame established by regulation or market convention (regular trades) are recognised on the trade date i.e. the date that the group commits to purchase or sell the asset. AASB 9 requires financial liabilities to be measured with gains or losses on financial liabilities designated at inception to be measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

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.

o) Recoverable amounts of non-financial assets

At each reporting date, the group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a

pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

p) Property, plant and equipment

Cost and valuation

Gin, warehouse, other infrastructure and major equipment assets

Gin, warehouse, other infrastructure and major equipment assets are measured at fair value (refer to Note 1n) less accumulated depreciation and any impairments recognised after the date of revaluation. Valuations are performed frequently to ensure that the fair value of revalued assets does not differ materially from its carrying value.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity (less the income tax effect), except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case, the increase is recognized in the statement of comprehensive income. A revaluation deficit is recognised in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Other assets

Other assets are carried at cost less accumulated depreciation and any accumulated impairments in value.

Depreciation

Ginning infrastructure assets

Ginning infrastructure assets are depreciated on a units of production basis over their rolling estimated remaining useful lives of 20 years of sustainable bales (2020: 20 years).

Other property, plant and equipment

All other property, plant and equipment, other than freehold land, is depreciated on a straight-line basis at rates calculated to allocate the cost less estimated residual value at the end of the useful lives of the assets against revenue over their estimated useful lives.

Major depreciation rates are:

Ginning assets	20 years (2020: 20 years)
Other assets	3 to 44 years

Impairment

The recoverable amounts of plant and equipment are compared to carrying values when indicators of potential impairment exist. These indicators include but are not limited to significant industry, economic and agronomic events.

The recoverable amounts of plant and equipment are the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

q) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

r) Trade and other payables

Liabilities for trade creditors and accruals are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity.

s) Interest-bearing loans and borrowings

All interest-bearing liabilities are initially measured at fair value of the consideration received less attributable transaction costs and subsequently at amortised cost using the effective interest method. Interest is charged on non-related party borrowings as an expense as it accrues.

t) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

u) Share-based payment transactions

The group has provided benefits to permanent employees (not including Directors) in the form of participation in the employee share plan after a qualifying period. Shares are issued under the plan at a 5% discount to the average market price of the five days preceding the offer. The plan was suspended in August 2004.

The group now provides benefits to employees through the Namoi Cotton Equity Plan. This equity plan was approved by the board on 21 June 2020 and ratified at the AGM on 29 September 2020. Under the terms of the plan, eligible employees and non-executive Directors can be granted share rights in the parent. The exercise price of the share rights is a price determined by the Directors in their absolute discretion. The share rights vest if and when the conditions set out at the time of granting are met.

v) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to high quality corporate bonds that have terms to maturity approximating the terms of the related liability are used.

Employee benefits are recognised against profits when they are respectively paid or payable.

w) Finance costs

Finance costs are recognised as expenses in the periods in which they are incurred with the exception of interest rate derivatives recognised at fair value and the amortisation of ancillary costs incurred with the arrangement of borrowings, which are amortised over the period of the facility. Finance costs include:

interest on bank overdrafts and short term and long-term borrowings using the effective interest method; fair value movements in interest rate derivatives.

x) Earnings per share

Basic earnings per share is determined by dividing the profit attributable to members, adjusted to exclude costs of servicing equity (other than distributions) by the weighted average number of shares.

Diluted earnings per share is determined by dividing the profit attributable to members, adjusted to exclude costs of servicing equity (other than distributions) by the weighted average number of shares and potential dilutive shares but not including any antidilutive shares.

y) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the CEO as the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management considered other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of Directors.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services; and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category "unallocated segment".

z) Fair value measurement

Namoi measures financial instruments, such as derivatives, at fair value at each balance sheet date and non-financial assets at revalued date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to Namoi Cotton.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Namoi Cotton uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, Namoi Cotton determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Namoi Cotton's Directors determine the policies and procedures for both recurring fair value measurement, such as property, plant and equipment and derivatives, and for non-recurring measurement. External valuers are involved for valuation of significant assets, such as ginning assets and derivatives, and significant liabilities, such as derivatives. Involvement of external valuers is decided upon annually by the Directors after discussions with and approval by the Company's Audit, Risk and Compliance Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Directors analyse the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per

Namoi Cotton's accounting policies.

For this analysis, the Directors verify the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Directors, in conjunction with reports from external valuers, also compares changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

The Directors present the valuation results to the Audit, Risk and Compliance Committee and Namoi Cotton's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, Namoi Cotton has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

aa) Cash Dividends

Namoi Cotton recognises a liability when the dividends are declared, determined or publicly recommended on or before the reporting date

bb) Rounding of amounts

This financial report is presented in Australian dollars and all values have been rounded to the nearest thousand dollars (where rounding is applicable) in accordance with ASIC Corporations (Rounding in Financial Directors Reports) Instrument 2016/191. The company is an entity to which this legislative instrument applies.

cc) Changes to comparatives

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

2. Revenue and Expenses

		Consolidated \$'000	
		28 Feb 2021	29 Feb 2020
a) Revenue			
i) Revenue from customers			
By type of goods or service			
Sale of byproducts	74	207	
Classing services	169	824	
Moss	295	2,090	
Other	4	45	
	542	3,166	
ii) Other revenue			
Rental revenue	93	106	
Other service revenue	209	236	
Finance revenue	8	8	
	311	350	
Total revenue	853	3,516	
iii) Trading margin gains			
Ginning services and seed sales	15,185	39,184	
Lint Handling	37	183	
	15,222	39,367	
b) Other income			
Government grants	2,088	-	
Net gain on disposal of property, plant and equipment	673	5	
Net gain on disposal of investments	-	1,120	
	2,761	1,125	
c) Employee benefits expense			
Salaries, wages, on-costs and other employee benefits	10,178	18,203	
Defined contribution benefits expense	849	1,230	
	11,027	19,433	

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
d) Finance costs		
Interest on bank loans and overdrafts	1,522	1,843
Interest expense - leases	49	29
Finance charges payable under equipment loans	55	94
Interest expense - interest rate derivatives	8	116
	1,634	2,082
e) Other expenses		
Maintenance	1,297	1,656
Insurance	1,020	1,046
Motor vehicle related	584	814
Consulting ¹	1,990	1,708
Audit fees	346	408
Business travel	425	595
Other	2,758	3,629
	8,420	9,856

¹ Includes the engagement of external corporate, legal, accounting and taxation advisers in relation to the restructure of NCA and other business opportunities arising.

3. Income Tax

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Statement of Comprehensive Income		
Accounting profit/(loss) from continuing operations before income tax expense	(16,458)	(15,300)
At the Group's statutory income tax rate of 30% (2020: 30%)	(4,937)	(4,590)
Non-allowable expenditure	63	100
Tax losses - not recognised/(utilised) - outside tax consolidated group	(180)	243
Under/over provision	403	-
Temporary difference not previously recognised	15	-
Tax losses previously not recognised ¹	(44)	(63)
Tax loss incurred - not recognised - tax consolidated group	2,640	-
Income tax expense/(benefit) recorded in the statement of comprehensive income	(2,040)	(4,310)

¹ Tax losses previously unrecognised for individual entities outside the tax consolidated group

	Balance Sheet		Statement of Profit and Loss and Other Comprehensive Income	
	Consolidated \$'000		Consolidated \$'000	
	28 Feb 2021	29 Feb 2020	28 Feb 2021	29 Feb 2020
Deferred Tax Liabilities				
Accelerated depreciation for tax purposes and revaluations	(27,832)	(26,577)	(1,255)	65
Timing of Joint Venture and Investments Income recognition	1,894	1,401	493	213
	(25,938)	(25,176)	(762)	278
Deferred Tax Assets				
Deferred costs	389	396	(7)	(154)
Provisions and accruals	523	1,204	(681)	(493)
Recognised losses available for offsetting against future taxable income ^{1, 2}	25,026	21,509	(6,561)	(3,561)
	25,938	23,109	(7,249)	(4,208)
Net deferred tax assets/(liabilities)	-	(2,067)		
Deferred tax expense/(income)			(8,011)	(3,930)
Unrecognised deferred tax liabilities	(24)	(39)		
Tax loss incurred - not recognised (outside tax consolidated group)	1,048	1,271		
Tax loss incurred - not recognised (tax consolidated group)	2,640	-		
Unrecognised net deferred tax assets	3,664	1,232		

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Reconciliation of net deferred tax assets/(liabilities)		
Opening balance as of 1 March	(2,067)	(5,259)
Tax income/(expense) during the period recognised in profit or loss	2,040	4,310
Tax income/(expense) during the period recognised in other comprehensive income	27	(1,118)
Closing balance as at 28 February	-	(2,067)

- 1 Tax losses recognised for individual entities in the tax consolidated group
- 2 The benefits in respect of tax losses will only be obtained if:
- a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
 - b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
 - c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

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

4. Earnings per Share

Basic earnings per share is calculated by dividing the consolidated net profit after tax for the year by the weighted average number of shares.

The following reflects the income and equity data used in the basic and diluted earnings per share computations below the profit/(loss):

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Consolidated loss attributable to ordinary shares	(14,418)	(10,990)
Earnings per share - basic (cents)	(10.3)	(7.8)
Earnings per share - diluted (cents) ¹	(10.3)	(7.8)
	No.	No.
Weighted average number of ordinary shares for basic EPS	140,407,713	140,223,484
Weighted number unconverted residual capital stock	2,245,894	2,430,123
Weighted average number of ordinary shares adjusted for the effect of dilution	142,505,324	142,562,115

¹ Residual capital stock unconverted has not been included in the calculation of diluted earnings per share because they are antidilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

5. Distributions Paid or Provided on Ordinary Shares

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Final distribution for the year ended 28 February 2021 of 0.0 cents per ordinary share (2020: 0.0 cents)	-	-
	-	-
Net distributions during the year	-	-

6. Cash and Cash Equivalents

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
(a) Reconciliation to Statement of Cash Flows		
For the purposes of the Statement of Cash Flows, cash comprises the following items:		
Cash at bank and in hand	497	731
Bank Overdraft (Refer Note 15)	(227)	-
	270	731
(b) Reconciliation of net cash provided by operating activities to operating profit after income tax.		
Operating profit/(loss) after income tax	(14,418)	(10,990)
<i>Adjustments for non-cash items:</i>		
Depreciation	3,246	5,239
(Gain)/loss on sale of property, plant and equipment	(673)	(5)
(Gain)/loss on sale of investments	-	(1,120)
Impairment	-	3,740
Foreign exchange (gain)/loss on finance leases	(40)	55
Provision for bad debts	1	-
Provision for employee benefits	(238)	(1,700)
Share-based payments expense	9	-
Provision other	(377)	377
Share of associates (profits)/losses	7,616	8,539
	9,544	15,125
<i>Changes in operating assets and liabilities</i>		
(Increase)/decrease in accounts receivable	869	426
(Increase)/decrease in inventories	407	2,417
(Increase)/decrease in other assets	(96)	(378)
(Increase)/decrease in derivatives	(230)	(720)
Increase/(decrease) in creditors	(1,090)	(3,559)
Increase/(decrease) in other liabilities	1,465	(152)
Increase/(decrease) in deferred tax asset	(2,068)	(4,310)
	(743)	(6,276)
Net cash inflow/(outflow) from operating activities	(5,617)	(2,141)

(c) Disclosure of financing activities

	29 February 2020	Cash flows	Foreign exchange movement	New leases	Other	28 February 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current interest-bearing loans	400	4,150	-	-	-	4,550
Current obligations under equipment loans	970	(933)	(19)	-	431	449
lease liabilities	340	(308)	-	403	2	437
Current other borrowings	38	-	-	-	-	38
Non-current interest bearing loans	43,535	-	-	-	(363)	43,172
Non-current obligations under equipment loans	769	-	(24)	-	(388)	357
lease liabilities	474	-	-	1,531	104	2,109
Dividends paid	-	-	-	-	-	-
	46,526	2,909	(43)	1,934	(214)	51,112

	1 March 2019	Cash flows	Foreign exchange movement	New leases	Other	29 February 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current interest-bearing loans	-	-	-	-	400	400
Current obligations under equipment loans	1,062	(954)	10	28	824	970
lease liabilities	-	(372)	-	372	340	340
Current other borrowings	41	(3)	-	-	-	38
Non-current interest bearing loans	42,000	-	-	-	1,535	43,535
Non-current obligations under equipment loans	1,630	(140)	41	62	(824)	769
lease liabilities	-	-	-	814	(340)	474
Dividends paid	-	-	-	-	-	-
	44,733	(1,469)	51	1,276	1,935	46,526

(d) Disclosure of non-cash financing and investing activities

(i) Equipment Finance Transactions

During the financial year, the consolidated entity acquired plant and equipment with an aggregate fair value of \$115,790 (2020: \$90,561) by means of equipment loans.

(ii) Distribution Reinvestment Plan

No distributions were paid via the issue of units/shares in 2021 (2020: nil). Refer note 5 and note 17.

(e) Fair Value

All cash balances are reflective of fair value based on observable market data.

7. Trade and Other Receivables

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Current		
Trade debtors ¹	1,821	3,212
Less: allowance for impairment loss	(1)	-
Trade debtors from an associate	363	97
	2,183	3,309
Loans to growers ²	12	221
Less: allowance for impairment loss	-	-
	12	221
Loans to employees ³	1	1
	2,196	3,531
Non-current		
Loans to controlled entities ⁴	-	-
	-	-

1 Trade debtors arise from the following:

Domestic sales of white cotton seed, grain commodities and ginning by-products. These debtors are settled under a range of agreed payment terms. These debtors are non-interest bearing. The group maintains trade credit insurance over non-related party domestic debtors to minimise credit risk.

2 Grower loans represent buyback contracts payable by the grower. These debtors are settled under a range of agreed payment terms. These debtors are non-interest bearing.

3 Loans to employees represent non-interest-bearing loans advanced under the Namoi Cotton employee incentive share plan (refer note 17) and other staff advances.

4 Loans to controlled entities that are participants in joint ventures, are non-interest-bearing and are repayable from the proceeds generated by the joint venture. The fair value of these loans approximate their carry amounts due to the short-term maturities.

Expected Credit Losses

An impairment analysis is performed at each reporting date. The simplified method has been used to determine 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.

Individual receivables are written off only upon exhaustion of all means of recovery and only with Board approval. Expected credit losses are immaterial for the Group.

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
At 1 March 2020	-	-
Charge for the year	-	-
Foreign exchange translation	-	-
Amounts written off	-	-
Recoveries	-	-
At 28 February 2021	-	-

At balance date the ageing analysis of trade and other receivables is as follows:

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Total outstanding	2,196	3,531
Unimpaired		
Within terms	2,054	3,223
Past Due 1 - 30 days	48	189
Past Due 31 - 60 days	25	87
Past Due 60+ days	69	32
Impaired		
Past Due 60+ days	-	-

Receivables past due but not considered impaired are: Group \$142,505 (2020: \$307,324). Payment terms on these debts have not been renegotiated however discussions with the counterparties and/or receipts subsequent to reporting date reflect that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected these other balances will be received when due.

All receivables are carried at amortised cost. Details regarding foreign exchange and interest rate risk are disclosed in Note 25. The maximum exposure to credit risk is the carrying amount of the receivables less insurance recoverable.

8. Inventories

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Seed cotton and moss (at cost)	-	-
Cotton seed (at fair value less costs to sell)	915	102
Grain (at cost)	-	-
Operating supplies and spares (at cost)	6,530	7,152
	7,445	7,254

Refer to Note 25 for further information relating to the valuation techniques for determining the fair value of Cotton Seed.

9. Derivative Financial Instruments

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Current assets		
Interest rate swap contracts	20	-
Cotton seed sale contracts	676	765
Cotton seed purchase contracts	1,294	561
Due from currency broker	112	-
Lint Cotton purchase contracts	5,379	2,954
	7,481	4,280
Current liabilities		
Cotton seed sale contracts	495	-
Due to currency broker	122	-
Lint Cotton sales contracts - NCA	5,379	2,954
	5,996	2,954

Derivatives are used by the group to manage trading and financial risks as detailed in note 25.

Fair value of foreign exchange contracts are determined by comparing the contracted rate to the market rates for contracts with the same term to maturity. All movements in fair value are recognised in the profit/loss within the statement of comprehensive income in the period they occur. The net fair value loss on foreign exchange contracts at year end was \$5,545 for the group (2020: nil).

Cotton lint purchase contracts are forward dated and deliverable contracts from growers. The fair value of cotton lint commodity contracts is determined by reference to market prices and foreign exchange rates. The fair value of the open cotton lint purchase contracts at year end was a derivative asset (unrealised gain) of \$5,378,646 for the group (2020: Gain \$2,953,926) and lint sales contracts are a derivative liability (unrealised loss) of \$5,378,646 for the group as back-to-back sales contracts with NCA and NCMA.

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. The fair value of the open cotton seed sale contracts at year end was a derivative asset (unrealised gain) of \$181,255 for the group (2020: Gain \$695,147).

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 fair value of the open cotton seed purchase contracts at year end was a derivative asset (unrealised gain) of \$1,293,853 for the group (2020: Gain \$560,594).

Interest bearing loans of the group incurred a weighted average variable interest rate of 2.5% (2020: 3.2%).

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

		Consolidated \$'000	
		28 Feb 2021	29 Feb 2020
Investment in associates (material)	10d	-	-
Investment in joint ventures (material)	10e	23,043	31,171
Investment in joint ventures (non material)	10f	(1,743)	(2,293)
		21,300	28,878

(a) Ownership interest

Name	Balance Date	% Ownership interest held by consolidated entity	
		28 Feb	29 Feb
		2021	2020
Investments in Joint Ventures			
Namoi Cotton Alliance (NCA)	28 February	51%	51%
NC Packing Services Pty Ltd (NCPS) 1	28 February	51%	51%
Namoi Cotton Marketing Alliance (NCMA)	31 December	15%	0%

1 Incorporated in Australia

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

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

Cargill Oilseeds Australia partnership ('COA') and Cargill Processing Limited ('CPL') were divested in November 2019 as part of the settlement of the commercial dispute with Cargill Australia Limited ('CAL') and the associated disposal of Namoi's 15% interest in CPL and dissolution of the COA partnership.

Significant influence existed over the Cargill associates, despite less than 20% ownership, due to the agreed one third representation upon the Board of Directors and management committees. Namoi Cotton was also a significant supplier of the primary input product for the Narrabri cotton seed crushing facility.

		Consolidated \$'000			
		28 Feb 2021		29 Feb 2020	
		COA	CPL	COA	CPL
(d) Material Investments in Associates					
(i)	Associates results				
	Revenue	-	-	7,661	142
	Profit/(Loss)	-	-	192	156
	Group share of associates profit/(loss)	-	-	29	23
(ii)	Associates assets and liabilities:				
	Current assets	-	-	25,080	1,310
	Non-current assets	-	-	-	13,903
	Current liabilities	-	-	(20,121)	(2,919)
	Non-current liabilities	-	-	(564)	-
	Associates net assets	-	-	4,395	12,294
	Group share of associates net assets	-	-	659	1,844
(iii)	Carrying amount of investments in associates:				
	Balance at the beginning of the financial year	-	-	-	1,820
	Distribution paid out of retained earnings	-	-	-	-
	Share of associates profits/(losses) for the financial year	-	-	29	23
	Carrying amount of investment in associates at the end of the financial year	-	-	29	1,843
	Less asset transferred to interest bearing liabilities (Refer to Note 15)	-	-	(29)	-
	Less cost transferred on sale of shares in CPL	-	-	-	(1,843)
		-	-	-	-
(iv)	Share of contingent liabilities of associate:	-	-	-	-
(iv)	Share of associates commitments:	-	-	-	-

		Consolidated \$'000	
		28 Feb 2021	29 Feb 2020
(e) Material Investments in Joint Ventures: NCA			
(i) Joint Venture results			
Revenue		1,122	3,022
Depreciation and Amortisation		(2,624)	(2,611)
Interest Expense		(1,563)	(3,767)
Profit/(loss) before income tax expense		(18,145)	(15,257)
Income tax expense(a)		-	-
Joint Venture net profit/(loss)		(18,145)	(15,257)
(a) The Joint Venture is a partnership for tax purposes accordingly is not a taxable entity			
Group share of joint venture net profit/(loss)		(9,254)	(7,781)
(ii) Joint venture assets and liabilities:			
Current assets			
Cash and cash equivalents		3,467	6,095
Other		59,712	90,519
Non-current assets		39,891	45,657
Current liabilities			
Financial liabilities		(46,622)	(73,772)
Other		(10,079)	(4,440)
Non-current liabilities			
Financial liabilities		(1,151)	(423)
Other		(36)	(309)
Joint Venture net assets		45,182	63,327
Group share of joint venture net assets		23,043	32,297
Less impairment		-	(1,126)
		23,043	31,171
(iii) Carrying amount of investments in joint venture:			
Balance at the beginning of the financial year		31,171	36,514
Impairment of joint venture		1,126	2,438
Share of joint venture profits/(losses) for the financial year		(9,254)	(7,781)
Carrying amount of investments in joint venture at the end of the financial year		23,043	31,171

		Consolidated \$'000	
		28 Feb 2021	29 Feb 2020
(f) Share of Non Material Investments in joint venture entities:			
(i) Carrying amount of non material investments in joint ventures NCPS:			
Balance at the beginning of the financial year		(2,293)	(1,483)
Non Material Joint Venture Results		599	(810)
(ii) Carrying amount of non material investments in joint ventures NCMA:			
Balance at the beginning of the financial year		-	-
Non Material Joint Venture Results		(49)	-
Carrying amount of non material investments in joint ventures at the end of the financial year		(1,743)	(2,293)

Within the NCA joint venture, management performed an impairment test at period end on intangibles, which resulted in an impairment loss amounting to \$2.21m (NCL 51% share \$1.126m). The group has recorded its share of the impairment as part of its share in associate's loss during the period. Given the impairment taken at the joint venture level, the previous impairments taken by the group against its investment were reversed. The above \$1.126m reversal was taken at year end.

11. Interest in Joint Operations

Name	Balance Date	% Ownership interest held by consolidated entity	
		28 Feb 2021	29 Feb 2020
Wathagar Ginning Company (WGC)	28 February	50%	50%
Moomin Ginning Company (MGC)	28 February	75%	75%

(b) Principal activities

The joint operations provide ginning services to cotton growers in their respective catchment areas.

(c) Impairment

No assets employed in the jointly controlled operation were impaired during the year (2020: \$nil).

(d) Accounting for joint operations

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

12. Interest in Jointly Controlled Assets

Namoi Cotton holds a 40% joint ownership interest in the white cotton seed handling and storage facilities at Mungindi, NSW with a book carrying value of \$2.09m at 28 February 2021 (2020: \$2.14m).

Namoi Cotton pays for its proportion of the operating costs of the facility. There were no material contingent liabilities or capital expenditure commitments in respect of jointly controlled assets at balance date.

13. Property, Plant and Equipment

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Gin Assets		
Ginning infrastructure and major equipment at fair value	119,353	123,277
Provision for depreciation and impairment	(3,178)	(2,825)
Transfers In/Out At WDV	(475)	-
	115,700	120,452
Revaluation to fair value	-	(1,561)
Closing written down value at fair value	115,700	118,891
Other ginning equipment		
Cost	13,961	14,244
Provision for depreciation and impairment	(6,399)	(5,734)
Closing written down value at cost	7,562	8,510
Net Gin Assets	123,262	127,401
Other Assets		
Other infrastructure and major equipment at fair value	1,955	2,580
Provision for depreciation and impairment	(119)	(175)
Transfers In/Out At WDV	(418)	-
	1,418	2,405
Revaluation to fair value	-	80
Closing written down value at fair value	1,418	2,485
Other equipment		
Cost	9,164	9,545
Provision for depreciation and impairment	(7,407)	(7,096)
Closing written down value at cost	1,757	2,449
Net Other Assets	3,175	4,934
Capital work in progress ('CWIP') at cost	841	802
Total written down value at fair value	117,118	121,376
Total written down value at cost	10,160	11,761
Total written down value for property, plant & equipment	127,278	133,137
Right of Use Assets	3,153	1,186
Provision for depreciation and impairment	(728)	(384)
Closing written down value	2,425	802
Property, plant and equipment	129,703	133,939

If the above categories of assets were still measured using the cost model, the carrying amount (WDV) would be as follows:

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Ginning infrastructure and major equipment	64,437	67,648
Other infrastructure and major equipment	1,999	2,972
	66,436	70,620

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 independently assessed 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 2019 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 appropriate terminal yield. A discount rate of 15.4% resulted in the internal methodology and CBRE methodology producing the same result at that time. In 2021 the same internal methodology was used with the following adjustments to assumptions:

- The fair value measurement of ginning assets outlined above uses significant unobservable inputs and are classified as level 3 in the financial reporting fair value measurement hierarchy. Significant unobservable valuation inputs as at 28 February 2021 included:
- Sustainable bales. The average annual sustainable ginning bales have been included following a gin by gin assessment of production areas, seasonal rotation, estimated yields, 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 is used from year four onwards. The number being approximately a 25 % (2020: 29%) market share of an Australian sustainable crop size of 3.4 million bales (2020: 3.2 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 1.30% (2020 - 1.65%)
- Growth rate - expenses 2.00% (2020 - 2.20%)
- Pre-tax discount rate of 13.6% (2020 - 15.4 %)
- An independent WACC of 9.5% (post tax) as at 28 February 2021 was used to validate the reduction in discount rates.

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 no adjustments posted to the asset revaluation reserve at year end or the profit and loss statement.

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 1p), the assets or cash-generating units are written down to their recoverable amount.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

Year Ended 28 February 2021 (\$'000)	Gins	Other	CWIP
Consolidated and parent entity			
Written down value - 1 March 2020	127,401	4,934	802
Additions and Transfer to/(from) CWIP	127	164	39
Disposals	(1,916)	(533)	-
Transfers to assets held for sale	(475)	(418)	-
Depreciation ¹	(1,875)	(972)	-
Written down value - 28 February 2021	123,262	3,175	841

Year Ended 29 February 2020 (\$'000)	Gins	Other	CWIP
Consolidated and parent entity			
Written down value - 1 March 2019	130,464	2,285	5,541
Additions and Transfer to/(from) CWIP	2,399	3,779	(4,726)
Disposals	(255)	(2)	(13)
Depreciation ¹	(3,647)	(1,208)	-
Revaluation increments/(decrements)	(1,560)	80	-
Written down value - 29 February 2020	127,401	4,934	802

¹ Ginning infrastructure assets are depreciated on a units of production basis over their rolling estimated remaining useful lives of 20 years of sustainable bales.

14. Trade and Other Payables

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Current		
Trade creditors and accruals ¹	2,759	4,093
Grower deposits	38	38
Customer deposits	1,518	53
	4,315	4,184
Non-current		
Trade creditors and accruals ¹	-	-
	-	-

¹ Trade and other payables 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 and other payables approximates their fair value.

15. Interest Bearing Liabilities

Interest bearing liabilities at balance date were as follows:

	AUD \$'000 Consolidated	
	28 Feb 2021	29 Feb 2020
Current		
Bank overdraft	227	-
Working capital finance ¹	4,150	-
Lease liabilities ²	437	340
Equipment loans ³	450	970
Cargill Australia Ltd ⁴	400	400
	5,664	1,710
Non Current		
Term Debt ⁵	42,000	42,000
Lease liabilities ²	2,109	474
Equipment loans ³	358	768
Cargill Australia Ltd ⁴	1,172	1,536
	45,639	44,778

- Working capital facilities are committed, non-amortising lines utilised to fund day to day expenses of the business including specific funding needs for cotton seed inventory and debtors, ginning consumables and general working capital needs.
- Lease liabilities include leases considered under AASB 16.
- Equipment loans have an average term of 1.2 years (2020: 1.5) with the average interest rate implicit in the contracts of 4.82% (2020: 4.74%).
- Cargill deferred settlement of \$400,159.30 incurs interest of 6.5% pa in arrears. Cargill advance of \$1,172,386.01 is the present value repayable over 3 years discounted at 6.5% pa.
- Term debt facilities remained fully drawn during FY2021.

The following facilities were in place with Commonwealth Bank of Australia ('CBA') at balance date:

	Facility Limit - AUD \$'000 Consolidated	
	28 Feb 2021	29 Feb 2020
AUD Facility Limit		
Uncommitted overdraft	2,500	2,500
Working capital ¹	10,000	10,000
Term - A ²	35,000	35,000
Term - B ²	7,000	7,000
	54,500	54,500

- Working capital facilities are committed, non-amortising lines utilised to fund day to day expenses of the business including specific funding needs for cotton seed inventory and debtors, ginning consumables and general working capital needs; and
- 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 29 October 2020 extending the maturity date of the working capital and term debt facilities to 30 April 2022.

Namoi Cotton and CBA have agreed to certain financial covenants at what 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.

Namoi was in compliance with all financial covenants during FY2021.

Details of interest rate risk, foreign exchange risk and liquidity risk are disclosed in Note 25.

16. Provisions

		Consolidated \$'000	
		28 Feb 2021	29 Feb 2020
Current			
Employee leave entitlements		1,671	1,524
		1,671	1,524
Non-current			
Employee leave entitlements		185	571
		185	571

17. Contributed Equity

		Consolidated \$'000	
		28 Feb 2021	29 Feb 2020
Ordinary Shares		37,639	37,639

		Consolidated			
		No. '000		\$'000	
		28 Feb 2021	29 Feb 2020	28 Feb 2021	29 Feb 2020
1 cent Residual Capital Stock (fully paid)					
Residual capital stock at the beginning of the financial year		2,339	2,558	23	25
Residual capital stock converted to ordinary shares		(241)	(219)	(2)	(2)
Residual capital stock at the end of the financial year		2,098	2,339	21	23
Ordinary Shares (fully paid)					
Ordinary shares at the beginning of the financial year		140,315	140,096	1,403	1,401
Residual capital stock converted to ordinary shares		241	219	2	2
Ordinary shares at the end of the financial year		140,556	140,315	1,406	1,403

At balance date some 2.1 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 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.

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.

Namoi Cotton Employee Incentive Share Plan

The Employee Incentive Share Plan was suspended in August 2004. All full-time employees who were continuously employed by Namoi Cotton for a period of one year were eligible to participate in the plan after the finalisation of the full year results for the year ended 29 February 2004. The issue price was at a 5% discount to the average market price of Namoi capital stock over the 5 trading days preceding the offer date.

Under the terms of the plan, employees are provided with an interest free loan to finance the issue price of the units. A minimum of 75% of the amount of all distributions paid in relation to units issued under the plan must be applied as a repayment of the loan. In any event, the loan must be repaid on the earlier to occur of termination of employment and 10 years. At the end of the financial year employee loans totalled \$650 (2020: \$650).

Units issued under the plan are placed in escrow until the later to occur of three years from issue and when the employee loan has been fully repaid. At the end of the financial year there were 2,000 residual capital stock (2020: 2,000 units) under escrow.

Namoi Cotton Equity Plan

This equity plan was approved by the board on 21 June 2020 and ratified at the AGM on 29 September 2020.

Under the terms of the plan, eligible employees and non-executive Directors can be granted share options in the parent. The exercise price of the share options is a price determined by the Directors in their absolute discretion. The share options vest if and when the conditions set out at the time of granting are met.

The net present value of the options granted to date have been expensed in the current year.

Capital management

Namoi Cotton manages capital through the payment of dividends and participation in the buy back or issuance of ordinary shares. Decisions on capital management are made having regard to compliance with externally imposed capital requirements principally through maintaining a minimum level of net assets.

18. Nature and Purpose of Reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of ginning assets and decreases to the extent that such decreases relates to an increase on the same asset previously recognised in equity.

Share rights reserve

The share rights reserve is used to record the fair value of share rights granted during the year.

19. 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 and Co-Products

The ginning business operates 9 cotton gins (incorporating 2 joint venture gins, referred to in note 10) located in the key 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 white cotton seed by-product to Namoi Cotton or elect to retain their white cotton seed. The controlled entity Namoi Cotton Commodities Pty Ltd procures ginning waste by-products and processes them for sale into various domestic and international markets. The controlled entity ACS provides classing services for the marketing associates and other cotton merchants.

Marketing

The marketing business involves the purchase 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 marketing associates (i.e. NCA and/or NCMA) with approximately 99% of marketing associate sales ultimately being to Asia. The marketing associates manage their marketing risks by utilising cotton futures and options and foreign currency contracts under strict risk management policies. The controlled entity ACS provides classing services for the marketing associates and other cotton merchants.

Commodities

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

Accounting policies

The accounting policies used by the group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior 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);
- 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.

Business Segments Year ended 28 February 2021	Ginning \$'000	Marketing \$'000	Commodities \$'000	Unallocated \$'000	Consolidated \$'000
Revenue	542	-	-	-	542
Other revenues	229	-	-	82	311
Total consolidated revenue	771	-	-	82	853
Non-segment revenues					
Interest revenue	-	-	-	8	8
Rental revenue	-	-	-	74	74
Trading margin gains	12,494	(105)	74	-	12,463
Results					
Profit/(loss) before tax and finance costs	(3,688)	1,449	(61)	(4,945)	(7,245)
Finance costs	(1,620)	-	-	(14)	(1,634)
Share of profit from associates	-	(8,178)	599	-	(7,579)
Net Profit/(loss) before tax	(5,308)	(6,729)	538	(4,959)	(16,458)
Other segment information					
Depreciation	(2,882)	(42)	(39)	(282)	(3,245)
Included in the unallocated results for the period are:					
Interest Revenue					8
Rental Revenue					74
Total Unallocated Revenue					82
Employee benefits expense					(2,656)
Government grants					2,049
Depreciation					(282)
Finance costs					(14)
Other corporate administrative expenses					(4,138)
Total Unallocated Result					(4,959)

1 Marketing revenue remains inclusive of lint sales values upon transfer of bales from Namoi to NCA.

2 Marketing results include the net result for the NCA joint venture.

Business Segments Year ended 29 February 2020	Ginning \$'000	Marketing \$'000	Commodities \$'000	Unallocated \$'000	Consolidated \$'000
Revenue	3,166	-	-	-	3,166
Other revenues	236	-	-	-	236
Total consolidated revenue	3,402	-	-	-	3,402
Non-segment revenues					
Interest revenue	-	-	-	8	8
Rental revenue	-	-	-	106	106
Trading margin gains	39,184	183	-	-	39,367
Results					
Profit/(loss) before tax and finance costs	1,972	2,616	(111)	(9,157)	(4,680)
Finance costs	(2,059)	-	-	(22)	(2,081)
Share of profit from associates	52	(7,781)	(810)	-	(8,539)
Net Profit/(loss) before tax	(35)	(5,165)	(921)	(9,179)	(15,300)
Other segment information					
Depreciation	(4,808)	(57)	(35)	(339)	(5,239)
Included in the unallocated results for the period are:					
Interest Revenue					8
Rental Revenue					106
Total Unallocated Revenue					114
Share of profit/(loss) of other associates					-
Employee benefits expense					(4,249)
Depreciation					(339)
Finance costs					(22)
Other corporate administrative expenses					(4,683)
Total Unallocated Result					(9,179)

Geographic Area

The economic entity operates in two separate geographic areas.

Namoi procures lint cotton and white cotton seed and provides cotton ginning activities to and from growers located solely within Australia. A portion of cotton seed sales are made to a variety of countries in Asia with similar trading terms and conditions and risk profiles. As such for the purposes of this note Namoi Cotton's geographic areas are considered to be Australia and Asia with consolidated revenues as follows:

Geographic Areas Year ended 28 February 2021	Australia \$'000	Asia \$'000	Consolidated \$'000
Revenue			
Sales	173	369	542
Other revenues	311	-	311
Total consolidated revenue	484	369	853

Geographic Areas Year ended 29 February 2020	Australia \$'000	Asia \$'000	Consolidated \$'000
Revenue			
Sales	1,076	2,090	3,166
Other revenues	236	-	236
Total consolidated revenue	1,312	2,090	3,402

20. Commitments and Contingencies

Commitments for capital expenditure

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Property, plant and equipment		
Estimated capital expenditure contracted for at balance date but not provided for:		
Payable within one year	806	1,263
Payable after one year but not more than five years	-	-

Operating lease commitments receivable - group as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 28 February 2021 are as follows:

Operating lease commitments receivable - group as lessor		
Not later than 1 year	60	7
Later than 1 year and not later than 5 years	240	-
	300	7

Equipment loans – group as lessee

The group has equipment loans for gin packaging and logistics supply chain equipment with a carrying value of \$1,923,521 (2020: \$3,151,078) for both the group and the company. The equipment is mainly presented in Gin Assets in Note 13. Property, Plant and Equipment.

Future minimum payments under equipment loans together with the present value of the net minimum loan payments are as follows:

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Within one year	469	1,014
After one year but within five years	377	815
After five years	-	-
Total minimum loan payments	846	1,829
Unexpired finance charges	(39)	(92)
Present value of minimum loan payments	807	1,737

The weighted average interest rate implicit in the contracts for the group is 4.8% (2020: 4.7%).

21. Significant Events after Balance Date

Namoi Cotton requested a trading halt on 29 April 2021 to facilitate an orderly market in Namoi Cotton's securities pending the Company making an announcement to the ASX in connection with a capital raising which Namoi Cotton anticipates will be made before commencement of trading on Monday, 3 May 2021.

Refer to Note (1a) for details of the ongoing impacts of COVID 19.

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.

22. Related Party Disclosures

The consolidated financial statements include the financial statements of Namoi Cotton Limited and the subsidiaries listed in the following table. All subsidiaries were incorporated in Australia. Namoi Cotton Limited is the ultimate parent entity of the group.

Ownership and investment

Name of entity	Equity Interest %		Investment \$'000	
	28 Feb 2021	29 Feb 2020	28 Feb 2021	29 Feb 2020
Australian Classing Services Pty Ltd	100%	100%	428	428
Australian Raw Cotton Marketing Corp. Pty Ltd	100%	100%	-	-
Namcott Investments Pty Limited	100%	100%	-	-
Namcott Marketing Pty Ltd	100%	100%	-	-
NC Packing Services Pty Ltd	51%	51%	-	-
Namoi Cotton Commodities Pty Ltd	96%	96%	-	-
Namoi Cotton Finance Pty Ltd	100%	100%	-	-
Cotton Trading Corporation Pty Limited	100%	100%	1,830	1,830
			2,258	2,258
Investments held in controlled entities eliminated			(1,830)	(1,830)
			428	428

Principal activities:

- Namcott Investments Pty Ltd, a subsidiary of Namoi Cotton, was the beneficial owner of the interests in CPL and COA Partnership. Namoi Oilseeds Trust formerly held the interest in the partnership.
- Namcott Marketing Pty Ltd, a subsidiary of Namoi Cotton, is the beneficial owner of the interests in NCPS shares and the NCA and NCMA Partnerships.
- Namoi Cotton Finance Pty Ltd secures funding for the group.
- Namoi Cotton Commodities Pty Ltd has main trading activities of sale and logistics of plastic waste from ginning activities.
- Cotton Trading Corporation Pty Limited is controlled by Namcott Investments Pty Ltd.
- Australian Raw Cotton Marketing Corp Pty Ltd is a non-trading company.
- Australian Classing Services Pty Ltd trading activities are mainly the provision of classing services.

Transactions with subsidiaries

Transactions between members of the wholly owned group were minimal. Amounts receivable by and payable to the parent entity are included in the respective notes to this financial report.

Transactions with NCA

Management fees received by Namoi Cotton for services provided to NCA and NCMA totalling \$2.9m (inclusive of bale handling fees) (2020: \$2.3m).

Lint cotton sales from Namoi Cotton to Namoi Cotton Alliance \$40.1m (2020: \$199.6m).

Insurance on-charged by Namoi Cotton to Namoi Cotton Alliance \$0.4m (2020: \$0.5m).

Lease payments made to Namoi Cotton Alliance as lessee in relation to Wee Waa complex \$48.5k

Lease payment received from Namoi Cotton Alliance as lessor in relation to Yarraman bunker \$19.4k

23. Directors' and Executive Disclosure

Compensation by category of KMP

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
	\$	\$
Short-term	1,894,336	2,328,888
Post Employment	3,892	19,491
Other Long-term	8,925	(283,211)
Termination Benefits	222,587	747,032
	2,129,740	2,812,200

Marketing and ginning transactions and balances with KMP

Transactions with Directors and their related parties were in accordance with the eligibility criteria to be appointed as a Grower Director. Under the Constitution Grower Directors are required to:

- have ginned at least 1,500 cotton bales in aggregate per cotton season at a Namoi Cotton gin in at least three out of the last five cotton seasons; and
- at least 50% of their seed cotton production at any Namoi Cotton gin in at least three out of the last five cotton seasons; or
- at least 50% of their seed cotton production which is grown within 100km of any Namoi Cotton gin at a Namoi Cotton gin in at least three out of the last five cotton seasons; and
- is the registered owner or lessee of cotton farming property which annually can plant a minimum of 150 hectares of seed cotton and is capable of producing 1,500 cotton bales in aggregate per cotton season to be ginned at a Namoi Cotton gin.

In accordance with the rules, Directors entered into marketing contracts and ginning contracts with Namoi Cotton.

Amounts paid/received or payable/receivable from/to Directors and their respective related parties were as follows:

Name	Consolidated							
	Cotton Purchases		Other Services		Ginning Charges Levied		Grain & Seed Purchases	
	28 Feb 2021	29 Feb 2020	28 Feb 2021	29 Feb 2020	28 Feb 2021	29 Feb 2020	28 Feb 2021	29 Feb 2020
	\$	\$	\$	\$	\$	\$	\$	\$
Mr T Watson	-	-	19,000	-	72,040	605,529	5,269	247,275
Mr G Price	538,225	1,607,440	18,915	30,942	60,131	174,174	154,207	338,775
Ms J Hamparsum	274,670	-	-	29,237	89,324	41,397	206,939	68,105
	812,895	1,607,440	37,915	60,179	221,495	821,100	366,415	654,155

The nature of the terms and conditions of the above other transactions with Directors and Director related entities are consistent with the terms of Namoi Cotton's standard products.

Refer to the Remuneration Report within the Directors' Report for more information.

24. Remuneration of Auditors

	Consolidated	
	\$	\$
	28 Feb 2021	29 Feb 2020
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	339,630	383,970
Fees for assurance services that are required by legislation to be provided by the auditor	-	-
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	-	-
Total fees to Ernst & Young (Australia)	339,630	383,970

25. Financial Risk Management Objectives and Policies

The nature of Namoi Cotton's business involves the potential exposure to a number of major financial and non-financial risks. The major financial market business risks to which Namoi Cotton and its associates and joint ventures are exposed to are:

- Lint cotton, cotton seed and grains commodities price risk;
- Cotton basis risk;
- Cotton spread risk;
- Foreign exchange risk;
- Interest rate risk;
- Credit risk;
- Funding and liquidity risk.

Accordingly, Namoi Cotton conducts its business with a focus on risk management in order to ensure the alignment of returns achieved from its business activities for stakeholders with the risk capital applied to fund these activities. The key elements of Namoi Cotton's risk management policy that facilitate the management of these risks include various derivative financial instruments, physical risk position limits and techniques and Value at Risk modelling.

Namoi Cotton is exposed to price risks through entering commodity purchase and sale transactions. To limit potential impacts upon the trading margin achieved on those transactions Namoi Cotton and its associates and joint ventures enter into derivative transactions, including principally cotton futures and options contracts and forward currency contracts. Where derivatives instruments do not exist for a particular commodity the risk management policy sets physical limits over trading positions.

Forward rate agreements and interest rate swaps are entered into to manage interest rate risks that exist in Namoi Cotton's financing activities.

The Audit, Risk and Compliance Committee and the Trading and Operational Risk Committee ensure the effective management of each of these risks through the implementation and adherence to a risk management policy. The risk management policy of Namoi Cotton requires all risk to be managed at a crop (i.e. season) level. The key extracts from the risk management policy for managing Namoi Cotton's major financial market business risks are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each derivative financial instrument are disclosed in note 1n to the financial statements.

Risk Exposure and Responses

Price risk

The Group is potentially exposed to movements in the price of lint cotton as a result of fixed price purchases and sales of lint cotton respectively in contracts with growers and mills principally through its investment in associates and joint ventures.

Namoi Cotton is also exposed to movements in the price of cotton seed through fixed price purchases and sale contracts. Cotton seed price risk is managed principally through imposition of physical trading limits. It is a risk management requirement to utilise foreign currency derivatives to minimise the impact of USD/AUD fluctuations on fixed price sales contracts. It is the risk management policy that no derivatives will be entered into until such time as a fixed price purchase or sale commitment exists.

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Financial Assets		
Derivatives	1,970	1,326
	1,970	1,326
Financial Liabilities		
Derivatives	(495)	(70)
	(495)	(70)
Net Exposure	1,475	1,256

Cotton seed price risk

Cotton seed price risk potentially arises when Namoi Cotton enters into a forward commitment to purchase or sell physical cotton seed without simultaneously entering into the opposing transaction. Namoi Cotton managed cotton seed price risk by adhering to physical limits in respect of its cotton seed open positions.

The following sensitivity analysis is based upon seed pricing that existed at 28 February 2021 and 29 February 2020, whereby if the cotton seed price had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity (excluding the effect of net profit) would have changed as follows:

	Post Tax Profit Higher/(Lower) \$'000		Equity Higher/(Lower) \$'000	
	28 Feb 2021	29 Feb 2020	28 Feb 2021	29 Feb 2020
Consolidated				
+\$10/Mt (cotton seed)	(84)	(40)	-	-
-\$10/Mt (cotton seed) - last year -\$5/Mt	84	20	-	-

Interest rate risk

At reporting date, the group had the following financial assets and liabilities exposed to Australian variable interest rate risk.

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Financial Assets		
Cash and cash equivalents	497	731
Trade and other receivables	269	273
Derivatives	20	-
	786	1,004
Financial Liabilities		
Interest bearing loans and borrowings	(51,303)	(44,556)
	(51,303)	(44,556)
Net Exposure	(50,517)	(43,552)

Interest rate swap contracts, with a fair value of \$Nil (2020 -\$ Nil) at reporting date to the group, are exposed to value movements if interest rates change.

At reporting date, after taking into account the effect of interest rate swaps, 0% (2020: 0%) of the group's borrowings are at a fixed rate of interest nil% (2020: nil%). The group continually monitors its interest rate exposure with regard to existing and forecast working capital and term debt requirements.

The following sensitivity analysis is based upon interest rate exposures that existed at 28 February 2021 and 29 February 2020, whereby if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity (excluding the effect of net profit) would have changed as follows:

	Post Tax Profit Higher/(Lower) \$'000		Equity Higher/(Lower) \$'000	
	28 Feb 2021	29 Feb 2020	28 Feb 2021	29 Feb 2020
Consolidated				
+100 basis points	(463)	(419)	-	-
-50 basis points	232	210	-	-

The movements in post-tax profit and equity are due to higher/lower finance costs from variable rate debt offset by fixed rate derivatives and interest-bearing financial assets.

Sensitivity analysis was performed by applying a 100-basis point movement in interest rates to all non-fixed interest-bearing assets and liabilities at reporting date. As a result of recent global market volatility, 100 basis points has been utilised in the absence of reliable data predicting reasonably possible movements of interest rates. Year end balances are not reflective of interest-bearing assets and liabilities throughout the year, due to the seasonal nature of the business.

Foreign exchange risk

Namoi Cotton has transactional currency exposures predominantly arising from some cotton seed sales being denominated in United States dollars (USD) as opposed to the group's functional Australian dollar (AUD) currency, which denominates all payments to growers. Potentially foreign currency denominated financial assets and liabilities may be adversely affected by a change in the value of foreign exchange rates.

Namoi Cotton requires all net foreign exchange exposures to be managed with either forward currency contracts or foreign exchange options contracts.

The group's policy is to enter into forward exchange contracts at the time it enters into a firm purchase commitment for lint cotton (through its marketing associates) or a US dollar cotton seed sale commitment.

At reporting date, the group had the following exposure to USD foreign currency that is not designated as cash flow hedges:

	Consolidated \$'000	
	28 Feb 2021	29 Feb 2020
Financial Assets		
Cash and cash equivalents	278	84
Trade and other receivables	(130)	3
Derivatives	112	-
	260	87
Financial Liabilities		
Trade and other payables	-	-
Interest bearing loans and borrowings	242	(433)
Derivatives	122	-
	364	(433)
Net Exposure	624	(346)

The group has USD denominated leasing contracts of USD \$191,386 (2020: USD \$285,338) over certain ginning equipment supplied from the United States. Foreign exchange contracts are subject to fair value movements through the statement of comprehensive income as foreign exchange rates move.

	Notional Amount AUD \$'000		Average Exchange Rate	
	28 Feb 2021	29 Feb 2020	28 Feb 2021	29 Feb 2020
Foreign exchange contracts held at balance date				
Group				
Sell US\$/Buy AUD\$ maturity 0-12 months	-	-	-	-
Buy US\$/Sell AUD\$ maturity 0-12 months	-	-	-	-

Priced cotton seed sales contracts are treated as financial instruments under AASB 9. No FEC contracts were held at balance date due to no export sales contracts of cotton seed in place.

The following sensitivity analysis is based upon foreign currency exposures that existed at 28 February 2021 and 29 February 2020, whereby if the AUD had moved (relative to the USD), as illustrated in the table below, with all other variables held constant, post tax profit and equity (excluding the effect of net profit) would have changed as follows:

	Post Tax Profit Higher/(Lower) \$'000		Equity Higher/(Lower) \$'000	
	28 Feb 2021	29 Feb 2020	28 Feb 2021	29 Feb 2020
Consolidated				
AUD/USD +100 basis points	58	5	-	-
AUD/USD -50 basis points	(29)	(3)	-	-

The sensitivity results in the table are considered immaterial to the group. It is the group's risk management policy to maintain foreign exchange contracts to a 95% to 105% band relative to exposures.

Management believe the reporting date risk exposures are representative of the risk exposure inherent in the financial instruments.

Sensitivity analysis was performed by taking the USD foreign exchange rate as at balance date, moving this rate by 100 basis points and then converting all USD denominated assets and liabilities. This calculation reflects the translation methodology undertaken by the group. As a result of recent global market volatility, 100 basis points has been utilised in the absence of reliable data predicting reasonably possible movements in foreign exchange rates.

Credit risk

Namoi Cotton and its associates and joint ventures export the majority of lint cotton and some cotton seed to international counterparties. These export sales are concluded under contract and the potential risk exists for a counterparty to default on its contractual obligations and expose Namoi Cotton and/or its associates and joint ventures to a financial loss.

Trade receivables outstanding from international counterparties are in general settled through high-ranking credit instruments such as irrevocable letters of credit and cash against documents.

In respect of its cotton seed and grain commodity sales to major domestic counterparties, Namoi Cotton has trade credit indemnity insurance policies for non-related parties.

The group is normally entitled to recover loans to growers and deferred costs through an offset to lint cotton, seed proceeds and other credits to a growers account. Where a formal finance facility has been established, the exposures are typically covered by crop mortgage and in some cases by real estate mortgages and/or guarantee.

In addition, trade debtor balances are monitored frequently, minimising Namoi Cotton's exposure to bad debts.

Namoi Cotton's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of these assets as indicated in the balance sheet less relevant trade credit insurance recoverable.

The group utilises only recognised and creditworthy third parties in respect to derivative transactions. These parties are regularly reviewed by the Board.

Funding and liquidity risk

The group's objective in managing liquidity is to maintain a balance between continuity of funding, competitive pricing and flexibility so as to ensure sufficient liquidity exists to meet all short, medium and long term financial obligations. This is achieved through the utilisation of working capital facilities, term debt and bank overdrafts.

Year ended 28 February 2021	≤6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	>5 Years \$'000	Total \$'000
Consolidated Financial Assets					
Cash and cash equivalents	497	-	-	-	497
Trade and other receivables	2,659	1	-	-	2,660
Derivatives ¹	1,859	243	-	-	2,102
	5,015	244	-	-	5,259
Financial Liabilities					
Trade and other payables	(4,522)	(38)	-	-	(4,560)
Interest bearing loans and borrowings ²	(4,890)	(774)	(44,193)	(1,446)	(51,303)
Derivatives ¹	(443)	(173)	-	-	(616)
	(9,855)	(985)	(44,193)	(1,446)	(56,479)
Net Exposure	(4,840)	(741)	(44,193)	(1,446)	(51,220)
Year ended 29 February 2020	≤6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	>5 Years \$'000	Total \$'000
Consolidated Financial Assets					
Cash and cash equivalents	731	-	-	-	731
Trade and other receivables	3,530	1	-	-	3,531
Derivatives ¹	4,012	268	-	-	4,280
	8,273	269	-	-	8,542
Financial Liabilities					
Trade and other payables	(4,153)	(31)	-	-	(4,184)
Interest bearing loans and borrowings ²	(759)	(951)	(44,778)	-	(46,488)
Derivatives ¹	(3,024)	-	-	-	(3,024)
	(7,936)	(982)	(44,778)	-	(53,696)
Net Exposure	337	(713)	(44,778)	-	(45,154)

1 Derivatives reflect the actual cashflow and are net settled.

2 In addition to the maturity profile of interest bearing loans and borrowings, there are actual cashflows in relation to interest for the 6-month period of \$0.55 million (2020: \$0.73 million), for the 6-12 month period of \$0.54 million (2020: \$0.72 million) and for the 1-5 year period \$1.07 million (2020: \$1.41 million).

Fair value hierarchy

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.

Application of fair value hierarchy to Namoi Cotton's financial statements

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

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. (2020: 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.

The fair value of unlisted debt securities is based on valuation techniques using market data that is not observable.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

Year ended 28 February 2021	Level 1 Quoted market prices \$'000	Level 2 Market observable inputs \$'000	Level 3 Non-market observable inputs \$'000	Total \$'000
Consolidated				
Current assets				
Foreign exchange contracts	-	112	-	112
Interest rate swap contracts	-	20	-	20
Cotton seed sale contracts	-	-	676	676
Cotton seed purchase contracts	-	-	1,294	1,294
	-	132	1,970	2,102
Current liabilities				
Foreign exchange contracts	-	(122)	-	(122)
Interest rate swap contracts	-	-	-	-
Cotton seed sale contracts	-	-	(495)	(495)
	-	(122)	(495)	(617)

Year ended 29 February 2020	Level 1 Quoted market prices \$'000	Level 2 Market observable inputs \$'000	Level 3 Non-market observable inputs \$'000	Total \$'000
Consolidated				
Current assets				
Foreign exchange contracts	-	-	-	-
Cotton seed sale contracts	-	-	765	765
Cotton seed purchase contracts	-	-	561	561
	-	-	1,326	1,326
Current liabilities				
Foreign exchange contracts	-	-	-	-
Interest rate swap contracts	-	-	-	-
Cotton seed sale contracts	-	-	(70)	(70)
	-	-	(70)	(70)

26. Share-based payments

Namoi Cotton Limited Equity Plan

Under the Namoi Cotton Limited Equity Plan (“the Plan”), approved by the Board on 21 June 2020 and ratified at the 2020 AGM, share rights of the parent can be granted to employees and non-executive Directors of the parent company. The Board has resolved that non-executive Directors will not participate in the plan. The exercise price of the share rights is a price determined by the Directors in their absolute discretion. The share rights vest if and when the conditions (market and non-market) set out at the time of granting are met.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share rights during the year:

	2021 Number	2021 WAEP	2020 Number	2020 WAEP
Outstanding at 1 March	-	-	-	-
Granted during the year	1,493,264	\$ 0.3340	-	-
Cancelled during the year	(898,204)	\$ 0.3340	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 28 February	595,060	\$ 0.3340	-	-
Exercisable at 28 February	-	-	-	-

The weighted average remaining contractual life for the share rights outstanding as at 28 February 2021 was 2 years (2020: nil years).

The weighted average fair value of rights granted during the year was \$0.006 (2020: nil).

The exercise price on vesting for rights outstanding at the end of the year was \$nil (2020: nil).

The following tables list the inputs to the models used for the plans for the years ended 28 February 2021:

	28 February 2023
Vesting date	
Rights granted	1,493,263
Fair values at issue date	\$0.006
Dividend yield (%)	0%
Annualised volatility (%)	24%
Risk-free interest rate (%)	1.0%
Expected life of share rights (years)	2.21
Hurdle rate for vesting	\$0.5079 per share
Model used	Black Scholes

The expected life of the share rights is based on their vesting date and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the rights is indicative of future trends, which may not necessarily be the actual outcome.

27. Information relating to Namoi Cotton Limited (the Parent)

	Parent \$'000	
	28 Feb 2021	29 Feb 2020
Current assets	13,643	13,823
Total assets	177,796	182,132
Current liabilities	26,529	21,903
Total liabilities	73,716	70,318
Issued capital	37,639	37,639
Retained earnings	(3,633)	3,845
Asset revaluation surplus	70,066	70,330
Share rights reserve	9	-
	104,081	111,814
Profit or loss of the Parent entity	(7,481)	(12,517)
Total comprehensive income of the Parent entity	(7,741)	(9,908)

Deficiency of Current Assets to Current Liabilities

The Parent's current liabilities exceed current assets. The net current liability position is caused by loans from controlled entities which won't be called upon.

28.ASX Additional Information

for the year ended 28 February 2021

The shareholder information set out below was applicable as at 12 April 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding.

Namoi Cotton Limited		Fully Paid Ordinary Shares (Total)		
Range of Units As Of 12/04/2021		Composition : FP		
Range	Total holders	Units	% Units	
1 - 1,000	345	81,514	0.06	
1,001 - 5,000	366	1,109,631	0.79	
5,001 - 10,000	207	1,680,540	1.20	
10,001 - 100,000	415	14,709,864	10.47	
100,001 Over	328	122,974,447	87.49	
Rounding			-0.01	
Total	1,661	140,555,996	100.00	

Unmarketable Parcels			
	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.4000 per unit	1,250	362	100,257

Unquoted Equity Securities

Namoi Cotton Limited		Conversion Group - Rcs And Rce		
Range of Units As Of 12/04/2021		Composition : RCE,RCS		
Range	Total holders	Units	% Units	
1 - 1,000	69	29,709	1.42	
1,001 - 5,000	170	475,239	22.66	
5,001 - 10,000	46	363,652	17.34	
10,001 - 100,000	50	1,007,570	48.03	
100,001 Over	1	221,441	10.56	
Rounding			-0.01	
Total	336	2,097,611	100.00	

Unmarketable Parcels			
	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel cannot be calculated due to no price			

Equity Security Holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

Namoi Cotton Limited		Fully Paid Ordinary Shares (Total)	
Top Holders (Grouped) As Of 12/04/2021		Composition : FP	
Rank	Name	Units	% Units
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	14,375,202	10.23
2	LOUIS DREYFUS COMPANY ASIA PTE LTD	14,327,384	10.19
3	CITICORP NOMINEES PTY LIMITED	5,835,383	4.15
4	JVH COTTON PTY LIMITED	4,110,353	2.92
5	RED PEPPERCORNS PTY LTD <WATSON FAMILY A/C>	1,676,202	1.19
6	MR ROSS ALEXANDER MACPHERSON	1,490,500	1.06
7	MR MARK JOSEPH PANIZZA + MRS SUSAN KATHLEEN PANIZZA <SUMA SUPER FUND A/C>	1,391,072	0.99
8	MR ALBERT JOHN PANIZZA + MS KIM DIANNA BROADFOOT <ALKIRA SUPER FUND A/C>	1,063,089	0.76
9	RATHVALE PTY LIMITED	1,059,885	0.75
10	MR DAVID FOX <THOMAS JOHN BERESFORD WI A/>	1,009,386	0.72
11	DR EWAN RODERICK NIXON	1,001,000	0.71
12	FEDERAL PACIFIC HOLDINGS PTY LTD	1,000,001	0.71
12	MISTOVER PTY LTD <MISTOVER A/C>	1,000,001	0.71
14	AGRICO INVESTMENTS PTY LIMITED	921,931	0.66
15	AGRICO PTY LTD <PALM SUPER FUND A/C>	880,743	0.63
16	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	840,929	0.60
17	BRUCE CLYDE BAILEY + JANET BEATRICE SHAFIK BAILEY	820,122	0.58
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	819,364	0.58
19	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	810,272	0.58
20	AVENUE 8 PTY LIMITED <GAN SUPER FUND A/C>	800,000	0.57
Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (Total)		55,232,819	39.30
Total Remaining Holders Balance		85,323,177	60.70

Substantial Shareholders

Name	Units	% Units
SAMUEL TERRY ASSET MANAGEMENT PTY LTD	14,228,450	10.10
LOUIS DREYFUS COMPANY ASIA PTE LTD	14,327,384	10.19

Voting Rights

The voting rights attached to ordinary shares are set out below:

Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

29. Corporate Directory

Corporate Office

1B Kitchener Street
Toowoomba QLD 4350
0746 316 100

Namoi Cotton Gins

MacIntyre Cotton Gin

Kildonan Road
Goondiwindi QLD 4390
0746 712 277

Mungindi Cotton Gin

Bruxner Road
Mungindi NSW 2406
0267 532 145

Boggabri Cotton Gin

Blairmore Road
Boggabri NSW 2382
0267 434 084

Merah North Cotton Gin

Middle Route
Merah North NSW 2385
0267 955 124

Yarraman Cotton Gin

Kamilaroi Highway
Wee Waa NSW 2388
0267 955 196

Trangie Cotton Gin

Old Warren Road
Trangie NSW 2823
0268 889 729

Hillston Cotton Gin

Roto Road
Hillston NSW 2675
0269 672 951

North Bourke Cotton Gin

Wanaaring Road
Bourke NSW 2380
0268 721 453

Wathagar Cotton Gin

(Namoi Cotton/Sundown Pastoral Co Pty Ltd Joint Venture)
Collarenebri Road
Moree NSW 2400
0267 525 200

Moomin Cotton Gin

(Namoi Cotton/Harris Joint Venture)
Merrywinebone
Via Rowena NSW 2387
0267 965 102

Other Joint Ventures

Namoi Cotton Alliance

MacIntyre Warehouse
Kildonan road
Goondiwindi QLD 4390
0746 711 449

Wee Waa Warehouse
Pilliga Road
Wee Waa NSW 2388
0267 903 139

Namoi Cotton Marketing Alliance

Corporate Office
1B Kitchener Street
Toowoomba QLD 4350
0746 316 100



www.namoicotton.com.au



www.facebook.com/namoi.cotton.ltd



www.instagram.com/namoicottonlimited

30. Other Non-Financial Information

Namoi Cotton Limited

ABN 76 010 485 588

Registered Office

1b Kitchener Street
Toowoomba QLD 4350
Australia

Principal place of business

1b Kitchener Street
Toowoomba QLD 4350
Australia
Telephone: 61 7 4631 6100
Facsimile: 61 7 4631 6184
namoi@namoicotton.com.au
www.namoicotton.com.au

Share Registry

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

Bankers

Commonwealth Bank of Australia

Auditors

Ernst & Young
Brisbane, Australia







