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# 2016 ANNUAL REPORT

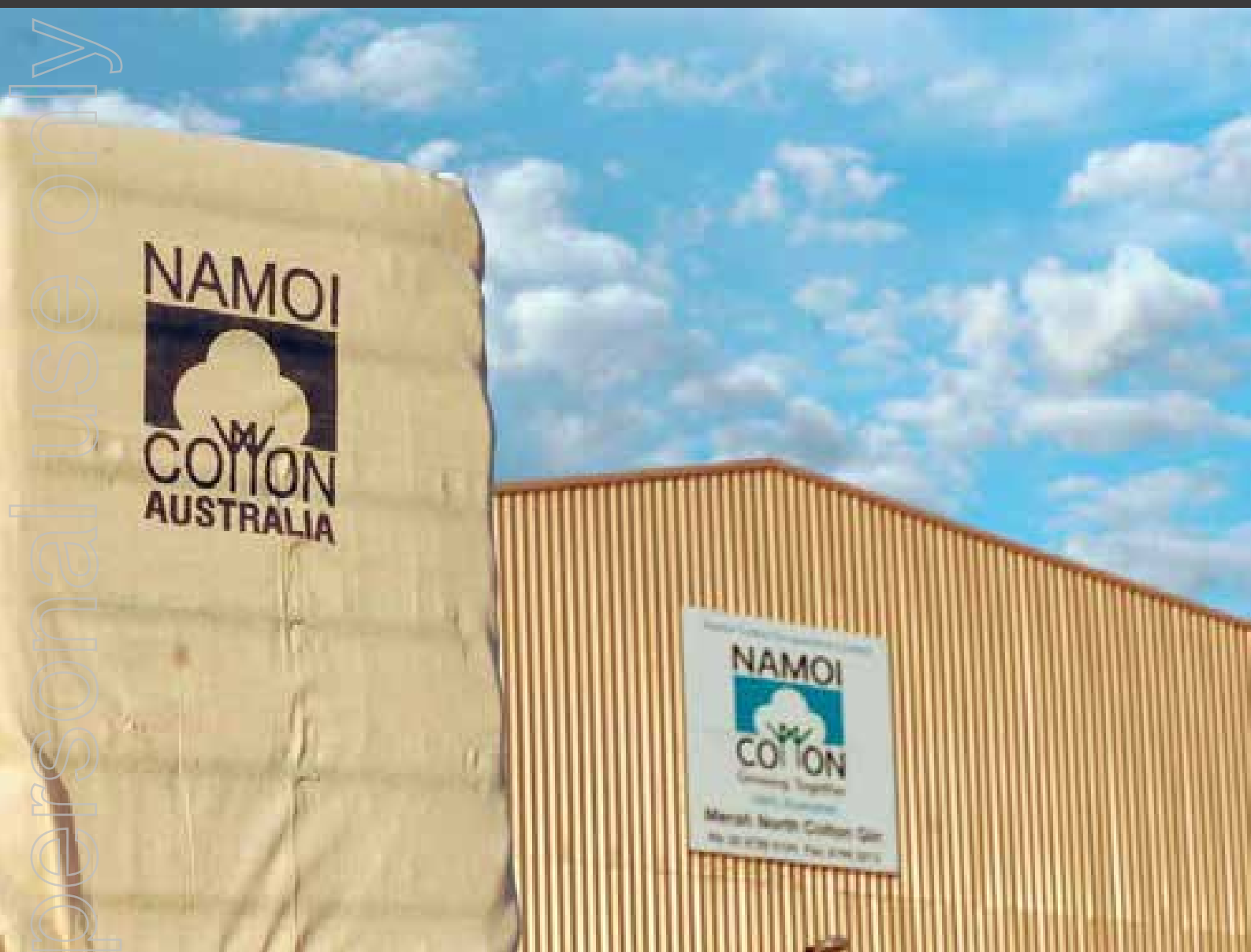




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## CO-OPERATIVE PROFILE

Namoi Cotton was established in 1962 and today is Australia's leading cotton processing and marketing organisation. Namoi Cotton has an extensive network of origination, ginning, marketing and logistics operations throughout the cotton growing regions of New South Wales and southern Queensland. As part of its business operations Namoi Cotton is a participant in the Namoi Cotton Alliance joint venture, which owns and operates warehouse and commodity packing facilities in Wee Waa, Warren and Goondiwindi.

## CO-OPERATIVE OBJECTIVES

**Our Vision** – To be the leading processor, marketer and service provider to cotton farmers and customers of the Australian cotton industry.

**Our Mission** – To deliver quality products and services to our customers and members.

## OUR VALUES

**Shareholder Value** – To deliver superior financial results and build wealth for stakeholders.

**Quality** – Continuously improve the reliability and consistency of our processes, products and services.

**People** – Create an environment where people are satisfied and motivated to achieve high levels of performance.

**Safety** – Working safely is more important than time, production and costs.

**Customer Service** – Deliver products and services that meet and exceed customer expectations.

**Environment** – Ensure we respect and protect the environment.

## THE 2016 FINANCIAL YEAR IN REVIEW

### FY2016 SUMMARY

Financial Summary	FY2016 (\$,000)	FY2015 (\$,000)
Revenue from continuing operations	279,713	420,440
EBITDA <sup>1</sup>	(1,877)	22,814
EBIT <sup>2</sup>	(8,048)	12,875
Income Tax Benefit/(Expense)	3,140	(2,793)
Net profit/(loss) after tax	(7,558)	6,309
Earnings per Namoi Capital Stock	(6.9) cents	5.7 cents
Distribution per Namoi Capital Stock (unfranked)	0.0 cents	0.5 cents
Rebate payable to grower members	0	502
Total assets	199,852	195,423
Interest bearing debt	60,679	58,964
Term (core) debt	47,481	44,980
Stakeholders equity	123,545	124,599
Net tangible assets per Namoi Capital Stock	112 cents	113 cents
Capital expenditure <sup>3</sup>	6093	3,606
Joint venture acquisition (Hillston Gin)	-	9,481
Disposal consideration	165	207

<sup>1</sup>EBITDA defined as earnings before interest, tax, depreciation and amortisation.

<sup>2</sup>EBIT defined as earnings before interest and tax.

Both of the above terms are non IFRS financial information.

<sup>3</sup>Includes \$418k acquisitions by means of finance leases.

## COTTON PRODUCTION

Region	2016 Season	2015 Season
	Forecast <sup>(1)</sup> Production	Actual <sup>(2)</sup> Production
	Bales	Bales
<b>NSW</b>		
Upper Namoi	216,000	170,000
Lower Namoi	229,000	268,200
Gwydir	315,000	290,700
Mungindi	83,000	36,100
Walgett	38,000	9,000
Macquarie	137,500	146,000
Bourke	30,000	19,900
Lachlan	116,500	113,000
Tandou	-	30,000
Murrumbidge	503,000	438,000
<b>TOTAL NSW</b>	<b>1,668,000</b>	<b>1,520,900</b>
<b>QLD</b>		
MacIntyre Valley	224,000	140,500
Central Queensland	131,000	119,500
Dawson-Callide	33,000	30,000
Darling Downs	378,000	232,400
St George	123,000	129,000
Dirranbandi	36,000	140,000
<b>TOTAL QLD</b>	<b>925,000</b>	<b>791,400</b>
<b>GRAND TOTAL</b>	<b>2,593,000</b>	<b>2,312,300</b>

<sup>(1)</sup> Namoi Cotton's estimate of the total Australian production for 2016 as at 1st June 2016

<sup>(2)</sup> 2015 Adjusted Figures from The Australian Cotton Grower, Cotton Yearbook 2015

# CHAIRMAN & CHIEF EXECUTIVE OFFICER REPORT

## RESULT IN REVIEW FOR 2015/16

Namoi Cotton recorded a consolidated net loss after tax and rebate from continuing operations of \$7.6 million for the full year ended 29 February 2016, compared to a net profit of \$6.3 million for the year ending 28 February 2015. Positive cash flows from operating activities were recorded at \$1.8 million.

Overall financial performance has been primarily impacted by a lower volume 2015 Australian crop. This has significantly reduced cotton ginning, cotton seed and cotton lint marketing volumes. Challenging cotton marketing conditions in Namoi Cotton Alliance's (NCA's) business principally related to the significant erosion of basis values for Australian cotton, have further impacted this financial result. Effective contributions from Namoi Cotton's core cotton ginning business underpinned by improved throughput rates and effective work systems combined with strong cotton seed trading contribution to partly offset the lower volumes and adverse lint trading conditions. The result was further improved by stringent cost management and reduction, lower finance costs and increased containerised commodity packing volumes.

Expenses, including employee benefits and other expenses and excluding the grower member rebate were reduced by \$11.9 million. Reduced permanent employee headcount, lower ginning volumes, effective work systems and stringent cost management have underpinned these savings.

Finance costs have reduced by \$1.1 million from the previous year, largely as a function of the relatively low and stable interest rate environment throughout the year. Term debt borrowings increased by \$2.5 million in the year from the acquisition of the North Bourke cotton gin. Positive cash flows from operations were directed towards working capital requirements and a minimalist capital expenditure program, predominantly targeting further ginning efficiency measures.

### 2015 AUSTRALIAN COTTON PRODUCTION

The 2015 Australian cotton crop had overall production recorded at 2.3 million bales, down 41% from the 3.9 million bales produced in 2014. The volume of planted crop was significantly impacted by a general lack of available irrigation water in public dams on the Murray-Darling river system and on farm water storages. These conditions generally reduced planted acreage by a little more than 50% with the exception of the central QLD and southern NSW areas. Excellent crop growing conditions contributed generally to record yields, in part offsetting the impact of reduced water availability.

## SEASON OPERATIONS IN REVIEW

### 2015 Ginning Season

Namoi Cotton ginned 535,000 bales (including 100% of joint venture bales) of the 2015 crop compared to 1,123,000 bales of the 2014 crop. The 52% reduction in volumes is larger than the percentage reduction in the overall Australian crop size reflecting the greater impact of reduced water availability in the central growing regions where the majority of Namoi Cotton's ginning infrastructure is located. Key ginning achievements for 2015 included:

- a 4% improvement in overall ginning throughput rates;
- several gins bettered their previously achieved record daily ginning throughput;
- a 3% improvement in ginning financial contribution per bale;
- the strategic acquisition of the North Bourke cotton gin;
- a 30% improvement in our IISI safety performance from the previous year;
- maintenance of industry leading environmental standards; and
- offseason maintenance implementation of targeted downtime reduction projects.

Namoi Cotton's core ginning business continues to be the focus of our investment which has delivered a 25% improvement in hourly ginning throughput rates over the past 3 years creating increased value and ensuring improved services to growers.

### Market Performance

The cotton market opened the financial year with the spot May 2015 contract trading at around US65 cents per pound. When combined with the Australian dollar growers were able to access harvest pricing at attractive levels of over \$500 per bale. Growers on average achieved pricing for the 2015 season between \$475 and \$525 per bale.

Cotton futures in the 1st three quarters of the year traded within a range of 57 to 68 cents per pound. This was a continuation of a range that was established in August 2014. The start of the 2nd quarter saw cotton post its highs for the financial year while futures approached the upper end of their trading range. The move higher was attributed to the June USDA stock and acreage report which delivered a lower than anticipated US crop. Futures were also found support from the speculative buying in the grains market, which spilled over into the cotton futures. This move enabled the Australian cotton growers the opportunity to price cotton for 5 years at or above \$500 per bale. By the end of the second quarter futures had slipped below 60 cents per pound as the speculators sold their long position down and the US harvest got underway. The Australian cotton grower was still able to achieve \$500 per bale for the

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forward crop years as the Australian dollar covered most of the futures losses. Futures traded in the middle of their range for the 3rd quarter. The 4th quarter saw an increase in volatility as all commodities were sold in what may end up being a cycle low. Cotton was not spared and broke its trading range to the low side. A low of 54.53 was posted on the May 16 contract. Outside of the broad commodities sell off the move lower was also attributed to the Chinese speculator that was betting on the Chinese reserve would liquidate all its stockpile in the coming year. This move lower weighed on grower pricing as values drifted below \$450 per bale.

The Australian dollar spent the 1st quarter of the year between 76 and 81 cents after starting the year at 78 cents. The AUD posted its yearly highs in mid-May. The USD was sold off as global equity markets and asset classes like the AUD moved higher. Soft US economic data and low inflationary pressure paired back the chance of the FED raising rates in September. Over the next 4 months the AUD fell below 70 cents as the market continued to price in a US rate rise. For the months of October to December the AUD traded a tight range of 70-74 cents as the market waited for the FED to increase rates, which occurred in mid-December. The last two months of the year saw the AUD post its yearly lows just below 68.5 cents as it was not spared in the commodity sell off that occurred.

### Cottonseed Business and Cargill Oilseeds Australia Partnership

Our cotton seed trading business shipped and handled 158,000mt compared with 283,000mt in the previous year. This largely reflected reduced ginning volumes offset in part by increased trade seed volumes. The lower overall Australian crop and domestic feed requirements due to the dry weather supported historically high cotton seed prices and pressured trading margins with a 30% reduction in contribution per metric tonne. The high cotton seed prices also resulted in minimal cotton seed being exported. Despite the challenging margin conditions, effective position and risk management again resulted in cotton seed trading being a strong contributor to our overall financial performance.

Namoi Cotton's 15% interest in the Cargill Oilseeds Australia business contributed a loss of \$0.3million compared to a loss of \$0.2 million in the previous year. This was primarily a function of lower cotton seed crush volumes and difficult trading conditions. Higher domestic cotton seed prices pressured volumes, imported oil competition, declining meal values and reduced export meal demand, predominantly dairy based have all combined to continue to negatively impact and reduce financial performance.

### Namoi Cotton Alliance

Total cotton lint marketing volumes procured for the 2015 season reflected 378,000 bales compared to 575,000 bales for the 2014 season and a 1.7% improvement in market share.

Challenging cotton marketing conditions impacted NCA's financial results with Namoi Cotton's 51% interest contributing a net loss after tax of \$2.6 million compared



to a net profit after tax of \$2.5 million in the previous year. Reduced volumes and significantly lower trading margins were the main factors for the decline in financial performance. Trading margins were negatively impacted by weakening basis values for Australian cotton primarily driven by lower demand from China, the number one importer of Australian cotton. Demand from China was impacted by a number of factors including a general economic slowdown, lower equities, yuan devaluation, reduced growth, declining yarn values and uncertainty over the auction program for the circa 50 million bale cotton stockpile held by the Chinese government. Effective derivative position risk management in part offset some of the lower basis value impacts on trading margins.

During the year, a significant capital expenditure program was implemented in NCA's commodity packing business with a focus on grain storage and intake capacity. The containerised packing operations packed 12,000mt of cotton seed compared to 61,000mt in the 2014/15 year. Coarse grain and pulse packing volumes were 138,000mt compared to 18,000mt the previous year. This was underpinned by 111,000mt of Chickpeas as a result of record domestic prices supported by increased Indian demand due to monsoon related production issues.

## LOOKING FORWARD

### 2016 Season

At planting of the 2016 crop, El Nino conditions in most areas continued to prevail resulting in low irrigation water availability and pressure on irrigated growers to match planted acreage with available water given the dry outlook. This environment combined with scattered rainfall events delivering some moisture profile and attractive domestic cotton prices supported an increased dryland plant and resulted in a marginally larger planted crop area. The crop was again heavily underpinned by plantings in southern NSW and central QLD.

Since planting, growing conditions have been generally mild, with the exception of hail in some areas and various rainfall events received around the mid-summer period. A hot finish to the growing period has pressured crop finishing water availability and therefore yields in some areas whilst the myriad of planting configurations combined with incidents of 24-D phenoxy herbicide drift damage will result in picking being drawn out from early March through to July. Fully irrigated crop yields have held up and supported overall production. Namoi Cotton's forecast of the crop is now approximately 2.6 million bales compared to the 2.3 million bale 2015 crop.

Namoi Cotton expects to gin between 600,000 and 700,000 bales (inclusive of 100% of ginning joint ventures), representing between a 12% and 31% improvement on the previous crop. The year on year improvement in market share is underpinned by significantly greater volumes through our northern Gwydir, Mungindi and Macintyre gins, increased dryland cotton volumes and new client ginning business. An upgrade to the press at our Mungindi gin combined with a strong focus on reduced downtime is expected to support strong financial ginning contribution. Forward grower cotton seed purchases and a strong focus on trade seed are supportive of similar trading volumes to the 2015 crop albeit improved crop prospects since planting and price volatility is anticipated to pressure trading gins.

NCA is expecting to at least maintain its origination market share in lint marketing volumes against the backdrop of continued lower import demand from China. NCA expects its competitive market position in supplying cotton to the more south East Asian markets and effective derivative trading risk management will support improved financial performance. The lower cotton seed price and changing production regime in China is anticipated to unearth marginally improved export demand and increased containerised packing volumes of cotton seed from the previous year. NCA's overall containerised commodity packing program is expected to again be underpinned by strong chickpea volumes driven by continued Indian demand.

Namoi Cotton's annual operating plan is again being implemented to deliver an acceptable level of financial performance in the coming financial year ending 28 February 2017 with a target of better than breakeven net

cash flows from operations. This plan is underpinned by incremental and aggressive market share strategies, rationalised operation of underutilised ginning assets and stringent cost focus and management.

### 2017 Season and Beyond

Looking forward, El Nino weather conditions continue to show a gradual breakdown and all major international climate models suggest the El Nino event will return to neutral by the middle of 2016. This would, if it occurred, translate into improved cotton production prospects for the 2017 crop. The situation however at the date of this report continues to be a general lack of rainfall events, low public dam levels supplying most cotton growing regions and reduced Chinese import demand lowering cotton values. These factors combined provide a presently challenging outlook for Australian cotton production. The current industry outlook for the 2017 Australian cotton crop, excluding any change to the current El Nino conditions reflects circa 2.0 million bales, representing a significant reduction of approximately 23% from the 2016 crop and again well below sustainable production levels. This again assumes production will be underpinned by crops in southern NSW and central QLD.

Namoi Cotton, in this forecast lower production 2017 season will be targeting maximising market share in both ginning and cotton seed trading volumes. NCA will be targeting to prudently participate in cotton lint marketing volumes against the backdrop of continued subdued demand from China whilst attempting to maximise commodity packing volumes. A strong focus will also remain on stringent cost and operating cash flow management in the 2017 season.

### Board and Strategy

During the year in implementing its strategic plan, Namoi Cotton completed the acquisition of the North Bourke cotton gin. The acquisition is underpinned by a long term ginning commitment from Bengorang Ltd, the largest grower serviced by the North Bourke cotton gin. The acquisition provided an opportunity for Namoi Cotton to expand its core ginning and cotton seed trading business whilst partnering with growers in the region.

In July 2015 at the AGM, the Board announced a strategic plan had been developed to support Namoi Cotton's vision along with generating growth, annual returns and value for all stakeholders. The plan presently seeks to take advantage of the demand from the growing Asian middle class and position Namoi Cotton in the agricultural fibre and food supply chain across production, processing, storage, handling and logistics. In December 2015, after working through a competitive process, the Board confirmed the appointment of Morgans as a corporate advisor to assist in a review of Namoi Cotton's capital structure supporting the implementation and delivery of the business plan.

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## BOARD OF DIRECTORS



### **Stuart Boydell – Chairman, Non-Executive Director – 69**

Mr Boydell joined the Board as a Grower Director in June 1994 and has been Chairman since December 1995. He was most recently re-elected at the 2014 general meeting. He has grown cotton on "Cooma" near Moree, NSW for over 20 years and is Chairman of the Remuneration Committee, and a member of the Audit and Compliance Committee and MFRM Committee.

### **Michael Boyce – Non-Executive Director – 73**



FCA, FAICD, B Com, HDA

Mr Boyce joined the Board as a Non-Grower Director in October 2002. He was most recently re-elected at the 2015 general meeting. He was the founding partner of BOYCE Chartered Accountants. He is currently a director of Monbeef Pty Ltd, Birdnest Pty Ltd, Hazeldean Pty Ltd and Fugen Hardware Group. Mr Boyce is a member of the Audit and Compliance Committee and Remuneration Committee.

### **Richard Anderson – Non-Executive Director – 70**



OAM, B.Com, FCA, FCPA

Mr. Anderson joined the Board as a Non-Grower Director in July 2001. He was most recently re-elected at the 2013 general meeting. Mr Anderson previously held the position of managing partner of PricewaterhouseCoopers in QLD. Mr Anderson is the Chairman of the Audit and Compliance Committee and the MFRM Committee and he is a member of the Remuneration Committee. During the past three years Mr Anderson has held ASX listed company directorships at Data#3 Limited (current – appointed 27 October 1997), Lindsay Australia Ltd (current – appointed 16 December 2002). He is also currently president of the Guide Dogs for the Blind Association of QLD.



### **Ben Coulton – Non-Executive Director – 61**

Mr Coulton joined the Board in July 2006 as a Grower Director. He was most recently re-elected at the 2015 general meeting. Mr Coulton has been growing cotton in the MacIntyre region since 1976. He brings with him extensive industry and commercial expertise.

Namoi has seven Directors, comprising four Grower Directors and three non Grower Directors, in accordance with the Rules and the Co-operatives Act. All Directors are Non-Executive Directors with appropriate experience, skills and qualifications. A brief profile of each Director is included below.



### **Robert Green – Non-Executive Director – 59**

B Bus (QAC), MAICD

Mr Green was appointed to the Board as a Non-Grower Director on 27 May 2013. He was elected to the board at the 2013 general meeting. Mr Green has considerable board relevant experience working as a Senior Executive and General Manager in the Australian and International agricultural industry for more than 28 years. Key areas of experience include trading, marketing, operations management and business development, including his current role as Chief Executive Officer of Louis Dreyfus Company Australia Pty Ltd. Mr Green is a member of the Audit and Compliance Committee and MFRM Committee and the Remuneration Committee. He has been past President of the Australian Oilseeds Federation and Australian Grain Exporters Association.



### **Glen Price – Non-Executive Director – 60**

B Rural Science (Hons), GAICD

Mr Price joined the Board in July 2009 as a Grower Director. He was most recently re-elected at the 2015 general meeting. Mr Price grows cotton in both the Mungindi and St George regions and has been involved in the cotton industry since 1978. He brings with him extensive industry and commercial expertise. Mr Price is a member of the MFRM committee.



### **Tim Watson – Non-Executive Director – 54**

GAICD

Mr. Watson joined the Board in December 2014 as a Grower Director. He was most recently re-elected at the 2015 general meeting. He 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 for 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.

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## EXECUTIVE MANAGEMENT TEAM



### **Jeremy Callachor – Chief Executive Officer**

BFA (Hons), CA

Appointed Chief Executive Officer in November 2010 and responsible for all of Namoi Cotton's business operations. Between January 2008 and November 2010, Jeremy held the role of General Manager – Operations & Human Resources and was responsible for all Namoi Cotton's ginning operations, occupational health & safety and human resources management. Jeremy also holds the role of CEO for the Namoi Cotton Alliance Joint Venture. Between June 2003 and January 2008 Jeremy was Namoi Cotton's Chief Financial Officer managing all financial, taxation, treasury and statutory reporting activities. Jeremy has had previous financial management experience with Harvest Haul Australia and Rolls Royce Marine in Scotland, UK. Jeremy has been involved with Namoi Cotton for more than 20 years and brings a strong knowledge of Namoi Cotton's various business operations and strategic capability to the Co-operative. Jeremy is also on the board of Cotton Australia.



### **Stuart Greenwood – Chief Financial Officer**

B.FIN. Admin, CA

Stuart joined Namoi Cotton in 2001. He was appointed Chief Financial Officer in January 2008, following four years as Financial Controller, prior to this holding various senior accounting positions within Namoi Cotton. Stuart has previously held financial management positions within the cotton industry for CSD and Pursehouse Rural. Stuart oversees and manages all financial, taxation, treasury and statutory reporting activities for Namoi Cotton. Stuart brings over 25 years of agricultural financial and management experience to the senior management team.



### **Bailey Garcha - Company Secretary / General Counsel**

BLLB, BFA, GAICD, ACIS, FACIS

Bailey joined Namoi Cotton in 2003. He has previously held legal and corporate positions with Sparke Helmore Lawyers, Minter Ellison Lawyers and the NSW Treasury. His duties include major contract negotiations, management of litigation, ASIC and ASX compliance, insurance, superannuation, employment law management, joint venture, board and investor relations, corporate governance, internal legal advice, commercial law and management of transactions for Namoi Cotton. Bailey is involved in the implementation of commercial, corporate and operational projects for Namoi. Bailey brings over 20 years of legal, corporate and commercial experience to the senior management team.



### **David Lindsay - General Manager Grower Services and Marketing**

BAppSci, Dip Exp Man, MBA

David joined Namoi Cotton in 1991. David has previously held a number of positions with Namoi Cotton in the Grower Services and Trading departments. Prior to joining Namoi Cotton David held an agricultural management position with National Mutual Rural Enterprises. David is responsible for domestic marketing, grower finance, risk management with growers, pool management, joint venture management and trading. David brings over 25 years of specialised cotton industry experience to the senior management team.



### **Shane McGregor - Chief Operations Officer**

MBA - Master Business Admin, MPM - Masters of Project Management, USDA Accredited Cotton Classifier

Shane joined Namoi Cotton in 1999. Shane has previously held cotton and cottonseed management positions with Cotton Trading Corporation Pty Ltd and has been involved in the cotton industry in various management capacities since 1991. He has significant management experience in domestic marketing, commodities exports, logistics, cotton classing and commodities packing operations and brings over 20 years of specialised cotton industry experience to the senior management team. Shane was previously the General Manager Commodities for Namoi Cotton and in November 2013 became the Chief Operations Officer with responsibility for the performance of the ginning, ginning technical support services, cotton seed trading, commodities packing services, occupational health and safety, human resources and environmental business functions.

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**NAMOI COTTON CO-OPERATIVE LTD**

ABN 76 010 485 588

**FINANCIAL REPORT –  
YEAR ENDED 29 FEBRUARY 2016**

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## APPENDIX 4E

The information contained in this report is for the full-year ended 29 February 2016 and the previous corresponding period, 28 February 2015.

### RESULTS FOR ANNOUNCEMENT TO MARKET

	% Change	\$'000
Revenues from ordinary activities	Down 33%	to 279,713
Profit/(Loss) from ordinary activities after tax attributable to members	Down 220%	(7,558)
Net profit/(loss) for the period attributable to members	Down 220%	(7,558)

Dividends (distributions)	Amount per Security	Unfranked Amount per Security
Final distribution - (Refer Note 6)	Nil	-
Interim distribution	-	-
Record date for determining entitlements to the final dividend	N/A	

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

Overall financial performance has been primarily impacted by a lower volume 2015 Australian crop. This has significantly reduced cotton ginning, cotton seed and cotton lint marketing volumes. Challenging cotton marketing conditions in Namoi Cotton Alliance's (NCA's) business principally related to the significant erosion of basis values for Australian cotton, have further impacted this financial result. Effective contributions from Namoi Cotton's core cotton ginning business underpinned by improved throughput rates and effective work systems combined with strong cotton seed trading contribution to partly offset the lower volumes and adverse lint trading conditions. The result was further improved by stringent cost management and reduction, lower finance costs and increased containerised commodity packing volumes.

For further explanation of the annual financial results please refer to the Review of Operations shown in Page 15 of this report.

### Earnings per share

	29 February 2016	28 February 2015
Basic earnings per ordinary security	(6.9 cents)	5.7 cents

### Net tangible assets per security

	29 February 2016	28 February 2015
Net tangible asset backing per ordinary security	112 cents	113 cents

*The above specific requirements of Appendix 4E should be read in conjunction with the complete final report. This financial report has been audited.*

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## DIRECTORS' REPORT

### Financial report for the year ended 29 February 2016

Your directors present their report on the consolidated entity consisting of Namoi Cotton Co-operative Limited and the entities it controlled at the end of or during the year ended 29 February 2016.

### Principal activities

Namoi Cotton is a co-operative listed on the Australian Stock Exchange Ltd that is domiciled in Australia. The principal activities of the entities in the economic entity during the course of the year were ginning and marketing cotton.

### 2015-2016 full year financial results

Namoi Cotton recorded a consolidated net loss after tax and rebate from continuing operations of \$7.6 million for the full year ended 29 February 2016 (2015: a net profit of \$6.3 million). Positive cash flows from operating activities were recorded at \$1.8 million.

Overall financial performance has been primarily impacted by a lower volume 2015 Australian crop. This has significantly reduced cotton ginning, cotton seed and cotton lint marketing volumes. Challenging cotton marketing conditions in Namoi Cotton Alliance's (NCA's) business principally related to the significant erosion of basis values for Australian cotton, have further impacted this financial result. Effective contributions from Namoi Cotton's core cotton ginning business underpinned by improved throughput rates and effective work systems combined with strong cotton seed trading contribution to partly offset the lower volumes and adverse lint trading conditions. The result was further improved by stringent cost management and reduction, lower finance costs and increased containerised commodity packing volumes.

Net assets during the period have decreased by \$1.1 million (2015: increased by \$6.3 million) representing a net tangible asset backing of \$1.12 per unit of Namoi Capital Stock (2015: \$1.13). The adoption of a Directors valuation of the ginning assets of the group by the Directors to reflect their fair value increased the net tangible asset backing by \$0.06 per unit of Namoi Capital Stock during the reporting period.

### Dividends and rebates

The directors have announced that Namoi Cotton will not pay a final distribution per unit of Namoi Capital Stock, nor was an interim distribution declared in respect of the year (2015: 0.5 cents) per unit of Namoi Capital Stock amounting to \$nil (2015: \$0.55 million). The Directors have determined not to pay a rebate to grower members in respect to the period (2015: \$0.50m).

### Review of operations

The 2015 Australian cotton crop had overall production recorded at 2.3 million bales (2014 crop: 3.9 million bales). The volume of planted crop was significantly impacted by a general lack of available irrigation water in public dams on the Murray-Darling river system and on farm water storages. These conditions generally reduced planted acreage by a little more than 50% with the exception of the central QLD and southern NSW areas. Excellent crop growing conditions contributed generally to record yields, in part offsetting the reduced water availability and resulted in a crop that was down 41% from the prior 2014 season.

Namoi Cotton ginned 535,000 bales (including 100% of joint venture bales) of the 2015 crop (2014: 1,123,000 bales). The 52% reduction in volumes is larger than the percentage reduction in the overall Australian crop size reflecting the greater impact of reduced water availability in the central growing regions where the majority of Namoi Cotton's ginning infrastructure is located. The acquisition of the North Bourke cotton gin in April 2015 provided a small incremental volume offset. Ginning contribution per bale improved by 3%, primarily underpinned by a further improvement of 4% (2015: 7%) in weighted average hourly ginning throughput rates and effective operations work systems, and matching lower ginning volumes with key ginning inputs. Over the past 3 years weighted average hourly ginning throughput rates have increased by 25% underpinned by the continued human resource and capital investment in our ginning network.

Our cotton seed trading business shipped and handled 158,000mt (2014 crop: 283,000mt), largely reflecting the impact of reduced ginning volumes offset to a degree by increased trade seed volumes. The lower overall Australian crop and domestic feed requirements due to the dry weather supported historically high cotton seed

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prices and pressured trading margins with a 30% reduction in contribution per metric tonne from the prior reporting period. The high cotton seed prices also resulted in minimal cotton seed being exported during the financial year. Despite these reduced volumes and challenging margin conditions, effective position and risk management again resulted in cotton seed trading being a strong contributor to the overall financial result.

Namoi Cotton's 15% interest in the Cargill Oilseeds Australia business contributed a loss of \$0.3million (2015: loss of \$0.2 million). This was primarily a function of lower cotton seed crush volumes and difficult trading conditions. Higher domestic cotton seed prices pressured volumes, imported oil competition, declining meal values and reduced export meal demand have all combined to continue to negatively impact and reduce trading margins.

NCA's total cotton lint marketing volumes procured for the 2015 season reflected 378,000 bales (2014: 575,000 bales) representing a 1.7% improvement in market share despite the lower overall available Australian crop volumes. Challenging cotton marketing conditions impacted NCA's financial results with Namoi Cotton's 51% interest contributing a net loss after tax of \$2.6 million (2014: net profit after tax of \$2.5 million). The reduction from the 2014 crop financial results largely reflect the impacts of reduced volumes and significantly lower trading margins. Trading margins were negatively impacted by weakening basis values for Australian cotton primarily driven by lower demand from China, the number one importer of Australian cotton. Demand from China was impacted by a number of factors including a general economic slowdown, lower equities, yuan devaluation, reduced growth, lower yarn values and uncertainty over the management of the approximately 50 million bale cotton stockpile held by the Chinese government. Effective derivative position risk management in part offset some of the lower basis value impacts on trading margins.

During the year, NCA implemented a significant capital expenditure program in its commodity packing business with a focus on grain storage and intake capacity. The containerised packing operations packed 12,000mt (2014: 61,000mt) of cotton seed. Coarse grain and pulse packing volumes were 138,000mt (2014: 18,000mt), principally underpinned by 111,000mt of Chickpeas as a result of record domestic prices supported by increased Indian demand due to monsoon related production issues.

Expenses, including employee benefits and other expenses and excluding the grower member rebate have reduced by \$11.9 million during the financial year. Reduced permanent employee headcount, lower ginning volumes and stringent cost management have underpinned these savings.

Finance costs have reduced by \$1.1 million in the reporting period, largely as a function of the relatively low and stable interest rate environment throughout the financial year. Namoi Cotton was not required to complete any term debt amortisations during the financial year. Term debt borrowings increased by \$2.5 million from the acquisition of the North Bourke cotton gin. Positive cash flows from operations were directed towards working capital requirements and a minimalist capital expenditure program, predominantly targeting further ginning efficiency measures.

During the year in implementing its strategic plan, Namoi Cotton completed the acquisition of the North Bourke cotton gin. The acquisition is underpinned by a long term ginning commitment from Bengerang Ltd, the largest grower serviced by the North Bourke cotton gin. The acquisition provided an opportunity for Namoi Cotton to expand its core ginning and cotton seed trading business whilst partnering with growers in the region.

In July 2015 at the AGM, the Board announced a strategic plan had been developed to support Namoi Cotton's vision along with generating growth, annual returns and value for all stakeholders. The plan presently seeks to take advantage of the demand from the growing Asian middle class and position Namoi Cotton in the agricultural fibre and food supply chain across production, processing, storage, handling and logistics. In December 2015, after working through a competitive process, the Board confirmed the appointment of Morgans as a corporate advisor to assist in a review of Namoi Cotton's capital structure supporting the implementation and delivery of the business plan.

### Likely developments

#### 2016 Season

At planting of the 2016 crop, El Nino conditions in most areas continued to prevail resulting in low irrigation water availability and pressure on irrigated growers to match planted acreage with available water given the dry outlook. This environment combined with scattered rainfall events delivering some moisture profile and

attractive domestic cotton prices supported an increased dryland plant and resulted in a marginally larger planted 2016 Australian crop area. The 2016 crop was again heavily underpinned by plantings in southern NSW and central QLD. Since planting, growing conditions have been generally mild, with the exception of hail in some areas and various rainfall events received around the mid-summer period. A hot finish to the growing period has pressured crop finishing water availability and therefore yields in some areas whilst the myriad of planting configurations combined with incidents of 24-D phenoxy herbicide drift damage will result in picking being drawn out from early March through to June. Namoi Cotton's forecast of the 2016 crop, taking into account all of these factors is now approximately 2.4 million bales (2015 crop: 2.3 million bales).

Namoi Cotton expects to gin between 600,000 and 700,000 bales (inclusive of 100% of ginning joint ventures), representing between a 12% and 31% improvement on 2015 ginning volumes. The year on year improvement in market share is underpinned by significantly greater volumes through our northern Gwydir, Mungindi and Macintyre gins, increased dryland cotton volumes and new client ginning business. An upgrade to the press at our Mungindi gin combined with a strong focus on reduced downtime is expected to support strong financial ginning contribution in the 2016 season. Forward grower cotton seed purchases and a strong focus on trade seed are supportive of similar trading volumes to the 2015 crop albeit improved crop prospects since planting and price volatility is anticipated to pressure trading margins.

NCA is expecting to maintain its market share in marketing volumes from the 2016 crop against the backdrop of continued lower import demand from China. NCA expects its competitive market position in supplying cotton to the more south East Asian markets and effective derivative trading risk management will support improved financial performance. The lower cotton seed price is anticipated to unearth marginally improved export demand and increased containerised packing volumes of cotton seed from the previous year. NCA's overall containerised commodity packing program is expected to again be underpinned by strong Chickpea volumes driven by continued Indian demand.

Namoi Cotton's annual operating plan for the 2016 season is again being implemented to deliver an acceptable level of financial performance in the coming financial year ending 28 February 2017 with a target of better than breakeven net cash flows from operations. This plan is underpinned by incremental and aggressive market share strategies, rationalized operation of underutilised ginning assets and stringent cost management and focus.

#### 2017 Season

Looking forward, the El Nino weather conditions continue to show a gradual breakdown and all major international climate models suggest the El Nino event will return to neutral by the middle of 2016. This would, if it occurred, translate into improved cotton production prospects for the 2017 crop. The situation however at the date of this report continues to be a general lack of rainfall events, low public dam levels supplying most cotton growing regions and reduced Chinese import demand lowering cotton values. These factors combined provide a presently challenging outlook for Australian cotton production. The current industry outlook for the 2017 Australian cotton crop, excluding any change to the current El Nino conditions reflects between 1.5 million and 2.0 million bales, representing a significant reduction of between 14% and 35% from the 2015 crop and again well below sustainable production levels. This again assumes production will be underpinned by production in southern NSW and central QLD.

Namoi Cotton, in this forecast lower production 2017 season will be targeting maximising market share in both ginning and cotton seed trading volumes. NCA will be targeting to prudently participate in cotton lint marketing volumes against the backdrop of continued subdued demand from China whilst attempting to maximise commodity packing volumes. A strong focus will also remain on stringent cost and operating cash flow management in the 2017 season.

#### Rebate

Namoi Cotton will not pay a rebate to active grower members for the 2015 crop (2014 crop: \$0.50m).

#### Significant events after balance date

There have been no significant events after balance date other than as disclosed in Note 22 in this report.

#### Significant changes in the state of affairs

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.

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## Directors

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

### *Stuart Boydell, Chairman, Non-executive Director, 69*

Mr. Boydell joined the board of directors as a grower director in June 1994 and has been chairman since December 1995. He was most recently re-elected at the 2014 general meetings. He has grown cotton on "Cooma" near Moree, NSW for over 20 years and is chairman of the remuneration committee and a member of the audit and compliance committee and marketing and financial risk management committee.

### *Richard Anderson, Non-executive Director, 70, OAM, B.Com, FCA, FCPA*

Mr. Anderson joined the board as a non-grower director in July 2001. He was most recently re-elected at the 2013 general meeting. Mr Anderson previously held the position of managing partner of PricewaterhouseCoopers in Queensland. He is the chairman of both the audit and compliance committee and the marketing and financial risk management committee and is a member of the remuneration committee. During the past three years Mr Anderson has held ASX listed company directorships at Data#3 Limited (current – appointed 27 October 1997), Lindsay Australia Ltd (current – appointed 16 December 2002) and Villa World Limited (resigned 25 October 2012). He is also currently president of the Guide Dogs for the Blind Association of Queensland.

### *Michael Boyce, Non-executive Director, 73, FCA, FAICD, B Com, HDA*

Mr. Boyce joined the board as a non-grower director in October 2002. He was most recently re-elected at the 2015 general meeting. He was the founding partner of BOYCE Chartered Accountants. He is currently a director of Monbeef Pty Ltd, Hazeldean Pty Ltd, Fugen Hardware Group and Birdnest Pty Ltd. Mr. Boyce is a member of the audit and compliance committee and the remuneration committee.

### *Ben Coulton, Non-executive Director, 61*

Mr Coulton joined the board of directors in July 2006 as a grower director. He was most recently re-elected at the 2015 general meeting. Mr Coulton has been growing cotton in the MacIntyre region since 1976. He brings with him extensive industry and commercial expertise.

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

Mr Price joined the board of directors in July 2009 as a grower director. He was most recently re-elected at the 2015 general meeting. Mr Price grows cotton in both the Mungindi and St George regions and has been involved in the cotton industry since 1978. He brings with him extensive industry and commercial expertise. Mr. Price is a member of the marketing and financial risk management committee.

### *Robert Green, Non-executive Director, 59, B Bus (QAC) MAICD*

Mr Green was appointed to the Board as a Non-Grower Director on 27 May 2013. He was elected to the Board 2013 general meeting. Mr Green has considerable board relevant experience working as a Senior Executive and General Manager in the Australian and International agricultural industry for more than 28 years. Key areas of experience include trading, marketing, operations management and business development, including his current role as Chief Executive Officer of Louis Dreyfus Company Australia Pty Ltd. Mr Green is a member of the audit and compliance committee, the marketing and financial risk management committee and the remuneration committee. He has been past President of the Australian Oilseeds Federation and Australian Grain Exporters Association.

### *Tim Watson, Non-executive Director, 54, GAICD*

Mr Watson joined the Board in December 2014 as a Grower Director. He was elected to the Board at the 2015 general meeting. He 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 for 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.

**Company secretary**

*Bailey Garcha, 42, BLLB, BFA, Dip Legal Studies, Dip Legal Practice, ACIS, GAICD*

Mr Garcha joined Namoi Cotton in July 2003 and has previously held legal and commercial positions with Minter Ellison Lawyers, Sparke Helmore Lawyers and NSW Treasury.

**Board & committee meeting attendance**

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

	Directors' Meetings	Committee Meetings		
		Audit and Compliance	Marketing and Financial Risk Management	Remuneration
SC Boydell (Chairman)	13	3	3	1
RA Anderson	13	3	3	1
M Boyce	13	3	-	1
B Coulton	12	-	-	-
G Price	12	-	3	-
R Green	13	3	-	1
T Watson	12	-	-	-

**Committee membership**

As at the date of this report, the co-operative had an audit and compliance committee, a marketing and financial risk management committee and a remuneration committee.

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

**Audit and Compliance**

RA Anderson (Chairman)  
M Boyce  
SC Boydell  
R Green

**Marketing and Financial Risk  
Management**

RA Anderson (Chairman)  
SC Boydell  
G Price  
R Green<sup>1</sup>

**Remuneration**

SC Boydell (Chairman)  
RA Anderson  
R Green  
M Boyce

<sup>1</sup> Appointed post balance date.

There have been no changes to the CEO or other KMP in the period after the reporting date and prior to the date when this financial report was authorised for issue.

**Remuneration report (audited)**

This remuneration report outlines the director and executive remuneration arrangements of the co-operative 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 co-operative and the group, including any director of the co-operative.

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## a) Details of Directors and Executives

### *Directors*

Mr S C Boydell	Chairman, non-executive
Mr R A Anderson	Director, non-executive
Mr M Boyce	Director, non-executive
Mr B Coulton	Director, non-executive
Mr G Price	Director, non-executive
Mr R Green	Director, non-executive
Mr T J Watson	Director, non-executive

### *Executives*

Mr J Callachor	Chief Executive Officer (CEO)
Mr S Greenwood	Chief Financial Officer (CFO)
Mr D Lindsay	General Manager – Grower Services and Marketing
Mr B Garcha	General Counsel and Company Secretary
Mr S McGregor	Chief Operations Officer

## b) Compensation of KMP

### *Compensation Policy*

The performance of Namoi Cotton depends upon the quality of its directors and executives. To prosper and deliver maximised stakeholder returns, Namoi Cotton must attract, motivate and retain highly skilled and qualified directors and executives.

To this end, Namoi Cotton embodies the following principles in its compensation framework:

- Provide competitive rewards to attract high caliber executives;
- Link executive rewards to company performance and shareholder value;
- A portion of executive compensation 'at risk', dependent upon the company and individual executive meeting pre-determined performance benchmarks; and
- Establish performance hurdles in relation to variable executive compensation.

### *Remuneration Committee*

The remuneration committee of the board of directors of Namoi Cotton is responsible for determining and reviewing compensation arrangements for all KMP, including the directors, the CEO and other members of the senior executive team.

The remuneration committee assesses compensation arrangements of KMP annually, by reference to relevant employment market conditions and available independent external remuneration data. The overall objective of this assessment is to ensure maximisation of stakeholder returns from the retention of a high quality board and executive team employees.

### *Compensation Structure*

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

## i) 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 of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

### *Structure*

The co-operative rules specify that the Members at each general meeting shall determine compensation of non-executive directors. The latest amendment was at the general meeting held on 27 July 2005 when the Members approved an aggregate compensation of \$310,000 per year plus applicable committee fees.

The amount of compensation sought to be approved by Members 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.

Each director receives a fee for being a director of the company. An additional fee (\$2,500 per committee, \$7,500 to chair a committee) is also paid for each board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub-committees.

Non-executive directors have been encouraged by the board to hold shares in the company purchased by the director on market.

A non-executive director who has served at least two full terms in office is entitled to a retirement benefit equal to twice the director's fees in their last year of service.

The compensation of non-executive directors for the period ending 29 February 2016 is detailed on page 24 of this report.

## **ii) Executive Compensation**

### *Objective*

The co-operative aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the co-operative so as to:

- reward executives for performance against targets set by reference to appropriate benchmarks;
- align the interest of executives with those of shareholders;
- link rewards with the strategic goals and performance of the co-operative; and
- ensure total compensation is competitive by market standards.

### *Structure*

Employment agreements have been negotiated with the CEO and other KMP. Details of these contracts are provided on pages 22 and 23 of this report.

Each KMP agreement includes compensation which consists of the following key elements:

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

The remuneration committee establishes the proportion of fixed and variable (potential STI) compensation for KMP.

## **iii) Fixed Compensation**

### *Objective*

The remuneration committee reviews fixed compensation annually. The process consists of a review of companywide, 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 including cash, superannuation, remote rent, motor vehicles, housing, income protection insurance and any associated fringe benefits. The form chosen will be optimal for the recipient without creating undue cost for the co-operative.

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#### iv) Variable Compensation – STI

##### *Objective*

The objective of the STI program is to link the achievement of the co-operative'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 Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance. Included in STI compensation in the prior year was an entitlement to capital raising bonuses on formation (2013) of Namoi Cotton Alliance.

STI compensation includes an 'at risk' element which constitutes fifty percent of the executives' overall available STI compensation. This element is wholly dependent on Namoi Cotton achieving a pre-determined level of financial performance.

The remaining fifty percent of each executive's STI compensation was dependent upon the achievement of financial and non-financial KPI's in the prior year. The review of individual performance usually occurs within two months of the balance date. The financial and non-financial 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 remuneration committee.

For the 2016 financial year, 0% (2015: 100% amounting to \$337,739) of the STI compensation (both components) was accrued in the financial statements. During the current year the prior year's amount was approved to the extent of \$271,950 and was paid. Table (vii) in this report has been adjusted to the final approved and paid amounts accordingly.

#### v) Contract for Services

Major provisions of KMP employment agreements are set out below.

##### *Mr Jeremy Callachor, Chief Executive Officer*

- Term of agreement - three years ending 24 June 2016 (Contract Termination Date)
- Fixed compensation, inclusive of superannuation, for the year ended 29 February 2016 of \$450,000 (28 February 2015: \$450,000)
- Variable compensation, for the year ended 29 February 2016 of \$nil (28 February 2015: \$162,500)
- Payment of a retention benefit in the event of takeover, acquisition or merger, equal to 1.0 times annual fixed compensation
- Payment of a termination benefit on employment agreement non-renewal or termination equal to 50% of annual fixed compensation
- Period of notice to be given by employee - 12 weeks
- Period of notice to be given by employer on non-renewal of agreement – 6 months
- Period of notice to be given by employer on termination of agreement – 12 weeks



Namoi Cotton Co-operative Limited

*Mr Stuart Greenwood, Chief Financial Officer*

- Term of agreement – open
- Fixed compensation, inclusive of superannuation, for the year ended 29 February 2016 of \$260,595 (28 February 2015: \$260,595)
- Variable compensation, for the year ended 29 February 2016 of \$nil (28 February 2015: \$26,500)
- Payment of a retention benefit in the event of takeover, acquisition or merger, equal to 1.1 times annual fixed compensation
- Payment of a termination benefit on termination equal to 50% of annual fixed compensation
- Period of notice to be given by employee or employer – 4 weeks

*Mr Bailey Garcha, General Counsel and Company Secretary*

- Term of agreement – open
- Fixed compensation, inclusive of superannuation, for the year ended 29 February 2016 of \$265,423 (28 February 2015: \$265,423)
- Variable compensation, for the year ended 29 February 2016 of \$nil (28 February 2015: \$22,500)
- Payment of a retention benefit in the event of takeover, acquisition or merger, equal to 1.1 times annual fixed compensation
- Payment of a termination benefit on termination equal to 50% annual fixed compensation
- Period of notice to be given by employee or employer – 4 weeks

*Mr David Lindsay, General Manager - Grower Services and Marketing*

- Term of agreement – open
- Fixed compensation, inclusive of superannuation, for the year ended 29 February 2016 of \$286,307 (28 February 2015: \$286,307)
- Variable compensation, for the year ended 29 February 2016 of \$nil (28 February 2015: \$20,000)
- Payment of a retention benefit in the event of takeover, acquisition or merger, equal to 1.1 times annual fixed compensation
- Payment of a termination benefit on termination equal to 50% of annual fixed compensation
- Period of notice to be given by employee or employer – 4 weeks

*Mr Shane McGregor, Chief Operations Officer*

- Term of Agreement - open
- Fixed compensation, inclusive of superannuation, for the year ended 29 February 2016 of \$293,725 (28 February 2015: \$293,170)
- Variable compensation, for the year ended 29 February 2016 of \$nil (28 February 2015: \$90,450)
- Payment of a retention benefit in the event of takeover, acquisition or merger, equal to 1.1 times annual fixed compensation
- Payment of a termination benefit on termination equal to 50% of annual fixed compensation
- Period of notice to be given by employee or employer – 4 weeks

Executives have had the opportunity to participate in the co-operative's Employee Share Incentive Plan up to its suspension in August 2004.

Details of the nature and amount of each element of the emoluments of each director and each of the executive officers of Namoi Cotton and the consolidated entity receiving the highest emolument for the financial year are as follows:

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**vi) Compensation of Key Management Personnel for the Year Ended 29 February 2016**

	Short-term Employee benefits			Post-employment Benefits		Long-term Benefits		Total	% Performance Related
	Salary & Fees	Cash Bonus	Non-Monetary Benefits	Superannuation	Retirement Benefits <sup>1</sup>	Employee Leave Benefits	Termination Benefits		
<b>Directors</b>									
SC Boydell	75,288	-	-	7,152	5,000	-	-	87,440	-
RA Anderson	60,231	-	-	5,722	-	-	-	65,953	-
M Boyce	47,683	-	-	4,530	-	-	-	52,213	-
B Coulton	35,135	-	-	3,338	-	-	-	38,473	-
G Price	37,644	-	-	3,576	-	-	-	41,220	-
R Green	47,683	-	-	4,530	9,500	-	-	61,713	-
T Watson	35,135	-	-	3,338	14,000	-	-	52,473	-
<b>Executives</b>									
J Callachor	416,516	-	3,108	36,005	-	5,838	-	461,467	-
D Lindsay <sup>2</sup>	265,195	-	215	21,322	-	(5,377)	-	281,355	-
B Garcha	249,510	-	705	16,142	-	(34)	-	266,323	-
S Greenwood <sup>2</sup>	234,413	-	7,451	15,742	-	(23,997)	-	233,609	-
S McGregor <sup>2</sup>	270,596	-	(12,002)	24,415	-	408	-	283,417	-
	<b>1,775,029</b>	<b>-</b>	<b>(523)</b>	<b>145,812</b>	<b>28,500</b>	<b>(23,162)</b>	<b>-</b>	<b>1,925,656</b>	

<sup>1</sup> Movement in accrued retirement benefits for the year ended 29 February 2016.

<sup>2</sup> Negatives relate to the taking of accumulated leave greater than one year's entitlement.

**vii) Compensation of Key Management Personnel for the Year Ended 28 February 2015**

	Short-term Employee benefits			Post-employment Benefits		Long-term Benefits		Total	% Performance Related
	Salary & Fees	Cash Bonus	Non-Monetary Benefits	Superannuation	Retirement Benefits <sup>1</sup>	Employee Leave Benefits	Termination Benefits		
<b>Directors</b>									
SC Boydell	75,000	-	-	7,070	-	-	-	82,070	-
RA Anderson	60,000	-	-	5,656	-	-	-	65,656	-
M Boyce	47,500	-	-	4,478	-	-	-	51,978	-
BS Longworth <sup>2</sup>	105,144	-	-	2,932	(75,000)	-	-	33,076	-
B Coulton	35,000	-	-	3,299	-	-	-	38,299	-
G Price	37,500	-	-	3,535	7,500	-	-	48,535	-
R Green	47,500	-	-	4,478	19,000	-	-	70,978	-
T Watson <sup>3</sup>	7,000	-	-	665	28,000	-	-	35,665	-
<b>Executives</b>									
J Callachor <sup>4</sup>	420,399	162,500	475	30,334	-	15,931	-	629,639	25.8%
D Lindsay	263,979	20,000	(5,234)	21,863	-	4,985	-	305,593	6.5%
B Garcha	246,941	22,500	1,186	16,577	-	12,700	-	299,904	7.5%
S Greenwood	222,415	26,500	12,867	22,573	-	4,533	-	288,888	9.2%
S McGregor	267,281	90,450	2,037	24,061	-	(15,488)	-	368,341	24.6%
	<b>1,835,659</b>	<b>321,950</b>	<b>11,331</b>	<b>147,521</b>	<b>(20,500)</b>	<b>22,661</b>	<b>-</b>	<b>2,318,622</b>	

<sup>1</sup> Movement in accrued retirement benefits for the year ended 28 February 2015.

<sup>2</sup> Resigned on 17 December 2014 and has vested the previously accrued retirement benefits.

<sup>3</sup> Appointed 17 December 2014.

<sup>4</sup> Cash Bonus includes \$50,000 related to the prior year.

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c) Shareholdings of KMP

Year ended 29 February 2016	Balance held 1 March 2015		Granted as Remuneration		On Exercise of Option		Net Change Other		Balance held 29 February 2016	
	CCU's	Grower Member Shares	CCU's	Grower Member Shares	CCU's	Grower Member Shares	CCU's	Grower Member Shares	CCU's	Grower Member Shares
<b>Directors</b>										
SC Boydell (Chairman)	555,883	800	-	-	-	-	-	-	555,883	800
RA Anderson	-	-	-	-	-	-	-	-	-	-
M Boyce	775,272	-	-	-	-	-	-	-	775,272	-
B Coulton	-	800	-	-	-	-	-	-	-	800
G Price	373,292	1,600	-	-	-	-	-	-	373,292	1,600
R Green	-	-	-	-	-	-	-	-	-	-
T Watson	-	800	-	-	-	-	320,000	-	320,000	800
<b>Executives</b>										
J Callachor	4,000	-	-	-	-	-	-	-	4,000	-
D Lindsay	25,000	-	-	-	-	-	-	-	25,000	-
B Garcha	-	-	-	-	-	-	-	-	-	-
S Greenwood	6,000	-	-	-	-	-	-	-	6,000	-
S McGregor	2,000	-	-	-	-	-	-	-	2,000	-
	<b>1,741,447</b>	<b>4,000</b>	-	-	-	-	<b>320,000</b>	-	<b>2,061,447</b>	<b>4,000</b>

Year ended 28 February 2015	Balance held 1 March 2014		Granted as Remuneration		On Exercise of Option		Net Change Other		Balance held 28 February 2015	
	CCU's	Grower Member Shares	CCU's	Grower Member Shares	CCU's	Grower Member Shares	CCU's	Grower Member Shares	CCU's	Grower Member Shares
<b>Directors</b>										
SC Boydell (Chairman)	555,883	800	-	-	-	-	-	-	555,883	800
RA Anderson	-	-	-	-	-	-	-	-	-	-
M Boyce	775,272	-	-	-	-	-	-	-	775,272	-
BS Longworth <sup>1</sup>	473,387	800	-	-	-	-	(15,874)	-	457,513	800
B Coulton	-	800	-	-	-	-	-	-	-	800
G Price	373,292	1,600	-	-	-	-	-	-	373,292	1,600
R Green	-	-	-	-	-	-	-	-	-	-
T Watson <sup>2</sup>	-	800	-	-	-	-	-	-	-	800
<b>Executives</b>										
J Callachor	4,000	-	-	-	-	-	-	-	4,000	-
D Lindsay	25,000	-	-	-	-	-	-	-	25,000	-
B Garcha	-	-	-	-	-	-	-	-	-	-
S Greenwood	6,000	-	-	-	-	-	-	-	6,000	-
S McGregor	2,000	-	-	-	-	-	-	-	2,000	-
	<b>2,214,834</b>	<b>4,800</b>	-	-	-	-	<b>(15,874)</b>	-	<b>2,198,960</b>	<b>4,800</b>

<sup>1</sup> Resigned on 17 December 2014.

<sup>2</sup> Appointed on 17 December 2014

All shares above are held in the disclosing parent entity Namoi Cotton Co-operative Limited.

All Co-operative Capital Unit (CCU) transactions by the co-operative with KMP are made through the ASX on normal commercial terms other than those issued to executives through participation in the distribution reinvestment plan and to directors through participation in the distribution reinvestment plans.

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**d) Loans to KMP**

The following loans remain outstanding from KMP as part of the Employee Incentive Scheme that was suspended in August 2004 (refer to note 18 to the financials). The amounts owed by KMP at yearend were \$2,660 (with no movements during the year) and as at prior yearend \$2,660 (with a repayment of \$120 made during the prior year).

**e) Marketing and ginning transactions and balances with KMP**

Transactions with directors and their related parties were in accordance with the rules of the co-operative, under terms and conditions applicable to all members. Under the rules of the co-operative, grower directors are required to conduct a minimum of 20% of their total cotton business with Namoi Cotton. 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:

Name	Consolidated and Parent entity					
	Cotton Purchases		Ginning Charges Levied		Grain & Seed Purchases	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
Mr SC Boydell	-	1,984,657	-	299,184	-	299,184
Mr BS Longworth <sup>1</sup>	n/a	1,211,918	n/a	172,519	n/a	754,950
Mr B Coulton	2,504,480	2,671,652	501,343	636,798	698,271	787,707
Mr G Price	1,867,212	4,220,886	259,795	584,187	373,761	587,515
Mr T Watson <sup>2</sup>	852,807	597,966	793,748	617,945	409,546	127,005
	<b>5,224,499</b>	<b>10,687,079</b>	<b>1,554,886</b>	<b>2,310,633</b>	<b>1,481,578</b>	<b>2,556,361</b>

<sup>1</sup> Resigned on 17 December 2014.

<sup>2</sup> Appointed on 17 December 2014.

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 NCA joint venture.
- 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.

**f) 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 include:

- Buybacks of marketing contracts as a result of production shortfalls;

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## Namoi Cotton Co-operative Limited

- Currency, cotton futures, options and brokerage costs, losses and profits charged or credited directly to the account of the director;
- Purchase of grower supplies;
- Marketing and ginning rebate;
- Costs associated with the provision of crop finance; and
- Grower member share fixed capital entitlement in aggregate \$10,800 (2015: \$10,800).

### g) Compensation Options

Namoi Cotton does not currently and has not historically offered any options over its shares. As such, no options have either been granted or exercised during the period or are on offer at the end of the period.

### Group financial performance and position

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

	2016	2015	2014	2013	2012
Earnings per CCU (cents)	(6.9)	5.7	(0.1)	(70.7)	2.0
Distribution per CCU (cents) <sup>1</sup>	-	0.5	-	-	-
CCU price at year end (cents)	34.0	31.0	29.0	35.5	18.5
CCU buyback average (cents)	N/a	N/a	N/a	N/a	N/a
Net assets (\$m)	123.5	124.6	118.8	109.9	108.3
Net assets per share (cents)	112.5	113.4	110.4	115.0	113.4

<sup>1</sup> Represents amounts paid during the financial year (refer note 6).

### Directors' interests in the grower member shares and capital stock of the co-operative

As at the date of this report, the interest of the directors and their related parties in the grower member shares and capital stock of the co-operative were as set out on page 25.

### Environmental performance & regulation

The directors regularly review the business activities of the co-operative to ensure it operates within the environmental laws established by regulatory authorities.

### Indemnification and insurance of directors and officers

Under the Rules of Namoi Cotton, every person who is or has been a director of the co-operative is indemnified, to the maximum extent permitted by law, out of the property of the co-operative against any liability to another person (other than the co-operative) 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 co-operative.

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, the Company 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.

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### **Risk management**

The board includes a marketing and financial risk management committee (MFRMC), which identifies and monitors the co-operative's risk profile on a timely basis in addition to reviewing management of portfolio exposures. The MFRMC ensures Namoi Cotton's financial and risk management policies are aligned to its corporate philosophies and principles. The MFRMC regularly reports to the full board.

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 MFRMC has developed comprehensive policies and procedures to monitor, assess and manage all our major business risks.

Key responsibilities of the MFRMC include:

- Monitoring and reviewing the policies and limits in the Risk Management Policy;
- Monitoring and reviewing the performance of management's marketing committee;
- Monitoring and reviewing procedures for treasury and hedging functions;
- Monitoring and reviewing marketing products;
- Monitoring and reviewing hedging strategies;
- Monitoring and reviewing co-operative wide value at risk results;
- Receiving external reports relative to risk management activities;
- Monitoring and reviewing funding and liquidity structure and management; and
- Monitoring the development of long-term strategic initiatives for marketing and risk management.

### **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 published in the 2016 Annual Report due in June 2016 and is also available on Namoi Cotton's public website at [www.namoi cotton.com.au](http://www.namoi cotton.com.au)

### **Non-audit services**

Non-audit services were provided by the entity's auditor, Ernst & Young, as described in Note 25 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 29 of the financial 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 clause 10(6) of the Co-operatives (Accounts and Audit) Regulations and class order 98/0100 of the *Corporations Act 2001*.

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

On behalf of the board



S C BOYDELL  
Director  
Toowoomba  
26 April 2016

## Auditor's independence declaration to the directors of Namoi Cotton Co-operative Limited

As lead auditor for the audit of Namoi Cotton Co-operative Limited for the financial year ended 29 February 2016, 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 Co-operative Limited and the entities it controlled during the financial year.



Ernst & Young



Mark Hayward  
Partner  
26 April 2016

## Independent auditor's report to the members of Namoi Cotton Co-operative Limited

### Report on the financial report

We have audited the accompanying financial report of Namoi Cotton Co-operative Limited, which comprises the balance sheet as at 29 February 2016, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility 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, the *Co-operatives National Law (NSW)* and *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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## Opinion

In our opinion:

- a. the financial report of Namoi Cotton Co-operative Limited is in accordance with *Co-operatives National Law (NSW)* and *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 29 February 2016 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 29 February 2016. 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.

## Opinion

In our opinion, the Remuneration Report of Namoi Cotton Co-operative Limited for the year ended 29 February 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Mark Hayward  
Partner  
Brisbane  
26 April 2016

## **DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Namoi Cotton Co-operative Limited, I state that:

In the opinion of the directors:

- a) the financial statement, notes and the additional disclosures included in the directors' report designated as audited, of the co-operative and of the consolidated entity are in accordance with the Co-operatives National Law (NSW) and the Corporations Act 2001, including:
  - i) giving a true and fair view of the co-operative's and consolidated entity's financial position as at 29 February 2016 and of their 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 co-operative 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 29 February 2016.

On behalf of the board



S C BOYDELL  
Director  
Toowoomba  
26 April 2016

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February 2016

	Note	Consolidated \$'000		Parent \$'000	
		29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
Revenue from continuing operations	2a	279,713	420,440	279,476	420,127
Financial instrument gains/(losses)					
Commodity derivatives		-	-	-	-
Currency derivatives		(121)	929	(121)	928
Cottonseed purchase contracts		(5,218)	(16,376)	(5,218)	(16,376)
Cottonseed sales contracts		5,027	16,135	5,027	16,135
Net financial instrument gains/(losses)		(312)	688	(312)	687
Other income	2b	26	104	26	104
Share of profit/(loss) of associates and joint ventures	10	(4,139)	3,437	(78)	65
Changes in inventories of finished goods		(2,771)	785	(2,771)	785
Raw materials and consumables used		(249,855)	(365,732)	(249,767)	(365,665)
Employee benefits expense	2c	(15,712)	(23,599)	(15,712)	(23,599)
Depreciation		(6,171)	(9,939)	(6,171)	(9,939)
Finance costs	2d	(2,650)	(3,773)	(2,671)	(3,782)
Other expenses	2e	(8,827)	(13,309)	(8,826)	(13,314)
<b>Profit/(loss) before income tax</b>		<b>(10,698)</b>	<b>9,102</b>	<b>(6,806)</b>	<b>5,469</b>
Income tax (expense)/benefit	3	3,140	(2,793)	2,024	(1,648)
<b>Profit/(loss) from continuing operations</b>		<b>(7,558)</b>	<b>6,309</b>	<b>(4,782)</b>	<b>3,821</b>
<b>Other comprehensive income items that will not be reclassified subsequently to profit and loss:</b>					
Increment/(decrement) to asset revaluation reserve (net of tax)		6,504	-	6,504	-
<b>Profit/(loss) and total comprehensive income attributable to the members of Namoi Cotton Co-operative Ltd</b>		<b>(1,054)</b>	<b>6,309</b>	<b>1,722</b>	<b>3,821</b>

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

## BALANCE SHEET

as at 29 February 2016

	Note	Consolidated \$'000		Parent \$'000	
		29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>Current assets</b>					
Cash and cash equivalents	6	1,790	170	1,785	166
Trade and other receivables	7	4,561	5,360	9,992	10,956
Inventories	8	5,901	8,590	5,882	8,572
Prepayments		372	336	372	336
Derivative financial instruments	9	4,352	39	4,352	39
<b>Total current assets</b>		<b>16,976</b>	<b>14,495</b>	<b>22,383</b>	<b>20,069</b>
<b>Non-current assets</b>					
Trade and other receivables	7	-	-	41,820	41,820
Investments in associates and joint ventures	10	41,966	49,675	99	177
Property, plant and equipment	13	140,910	131,253	140,910	131,253
Deferred tax assets	3	-	-	-	343
<b>Total non-current assets</b>		<b>182,876</b>	<b>180,928</b>	<b>182,829</b>	<b>173,593</b>
<b>Total assets</b>		<b>199,852</b>	<b>195,423</b>	<b>205,212</b>	<b>193,662</b>
<b>Current liabilities</b>					
Trade and other payables	14	5,022	3,964	22,753	18,123
Interest bearing liabilities	15	59,270	2,215	59,270	2,215
Provisions	16	2,062	3,517	2,062	3,517
Derivative financial instruments	9	5,463	1,429	5,463	1,429
<b>Total current liabilities</b>		<b>71,817</b>	<b>11,125</b>	<b>89,548</b>	<b>25,284</b>
<b>Non-current liabilities</b>					
Trade and other payables		456	-	456	-
Interest bearing liabilities	15	1,409	56,749	3,458	58,798
Provisions	16	799	771	799	771
Deferred tax liabilities	3	1,379	1,732	420	-
Co-operative grower member shares	17	447	447	447	447
<b>Total non-current liabilities</b>		<b>4,490</b>	<b>59,699</b>	<b>5,580</b>	<b>60,016</b>
<b>Total liabilities</b>		<b>76,307</b>	<b>70,824</b>	<b>95,128</b>	<b>85,300</b>
<b>NET ASSETS</b>		<b>123,545</b>	<b>124,599</b>	<b>110,084</b>	<b>108,362</b>
<b>Equity</b>					
Parent entity interest					
Contributed equity	18	1,098	1,098	1,098	1,098
Reserves	19	101,845	95,341	101,845	95,341
Retained earnings		20,602	28,160	7,141	11,923
<b>Total parent entity interest in equity</b>		<b>123,545</b>	<b>124,599</b>	<b>110,084</b>	<b>108,362</b>
<b>TOTAL EQUITY</b>		<b>123,545</b>	<b>124,599</b>	<b>110,084</b>	<b>108,362</b>

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

## STATEMENT OF CASH FLOWS

for the year ended 29 February 2016

	Note	Consolidated \$'000		Parent \$'000	
		29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>Cash flows from operating activities</b>					
Receipts from customers		306,374	462,057	306,128	461,739
Commodity/currency derivative flows		(365)	1,070	(365)	1,070
Payments to suppliers and employees		(62,924)	(127,768)	(62,652)	(127,428)
Payments to growers		(238,028)	(327,410)	(238,028)	(327,410)
Interest received		5	33	-	28
Borrowing costs		(2,741)	(3,321)	(2,761)	(3,330)
Rebates paid to grower members		(502)	-	(502)	-
<b>Net cash inflow/(outflow) from operating activities</b>	6b	<b>1,819</b>	<b>4,661</b>	<b>1,820</b>	<b>4,669</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(5,675)	(834)	(5,675)	(834)
Payments for Joint Venture acquisition		-	(9,481)	-	(9,481)
Proceeds from sale of property, plant and equipment		165	207	165	207
Loans advanced		(4)	(68)	(4)	(68)
Proceeds from loans receivable		33	39	33	39
Distributions received (partnership and JV)		3,570	3,926	3,570	3,926
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(1,911)</b>	<b>(6,211)</b>	<b>(1,911)</b>	<b>(6,211)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of grower member shares		9	9	9	9
Payments for repurchases of grower member shares		(9)	(9)	(9)	(9)
Proceeds from borrowings		9,555	19,998	9,555	19,998
Repayment of borrowings		(8,059)	(16,920)	(8,059)	(16,920)
Loans advanced to growers		(5,360)	(260)	(5,360)	(260)
Proceeds from repayment of grower loans		5,360	260	5,360	260
Repayment of finance lease and hire purchase		(201)	(477)	(201)	(477)
Distribution paid to capital stockholders		-	(549)	-	(549)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>1,295</b>	<b>2,052</b>	<b>1,295</b>	<b>2,052</b>
<b>Net increase/(decrease) in cash</b>		<b>1,203</b>	<b>502</b>	<b>1,204</b>	<b>510</b>
Add cash at the beginning of the financial year		(1,487)	(1,989)	(1,491)	(2,001)
<b>Cash at end of the financial year</b>	6a	<b>(284)</b>	<b>(1,487)</b>	<b>(287)</b>	<b>(1,491)</b>

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

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## STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2016

	Issued Capital	CCU Premium Reserve (Note 20)	Asset Revaluation Reserve (Note 20)	Retained Earnings	Total Equity
<b>Consolidated \$'000</b>					
<b>Total equity at 1 March 2015</b>	1,098	35,382	59,959	28,160	124,599
Net profit/(loss) for the period	-	-	-	(7,558)	(7,558)
Asset Revaluation (net of tax)	-	-	6,504	-	6,504
<b>Total equity at 29 February 2016</b>	<b>1,098</b>	<b>35,382</b>	<b>66,463</b>	<b>20,602</b>	<b>123,545</b>

	Issued Capital	CCU Premium Reserve (Note 20)	Asset Revaluation Reserve (Note 20)	Retained Earnings	Total Equity
<b>Parent \$'000</b>					
<b>Total equity at 1 March 2015</b>	1,098	35,382	59,959	11,923	108,362
Net profit/(loss) for the period	-	-	-	(4,782)	(4,782)
Asset Revaluation (net of tax)	-	-	6,504	-	6,504
<b>Total equity at 29 February 2016</b>	<b>1,098</b>	<b>35,382</b>	<b>66,463</b>	<b>7,141</b>	<b>110,084</b>

	Issued Capital	CCU Premium Reserve (Note 20)	Asset Revaluation Reserve (Note 20)	Retained Earnings	Total Equity
<b>Consolidated \$'000</b>					
<b>Total equity at 1 March 2014</b>	1,098	35,382	59,959	22,400	118,840
Net profit/(loss) for the period	-	-	-	6,309	6,309
Equity dividends	-	-	-	(549)	(549)
<b>Total equity at 28 February 2015</b>	<b>1,098</b>	<b>35,382</b>	<b>59,959</b>	<b>28,160</b>	<b>124,600</b>

	Issued Capital	CCU Premium Reserve (Note 20)	Asset Revaluation Reserve (Note 20)	Retained Earnings	Total Equity
<b>Parent \$'000</b>					
<b>Total equity at 1 March 2014</b>	1,098	35,382	59,959	8,651	105,090
Net profit/(loss) for the period	-	-	-	3,821	3,821
Equity dividends	-	-	-	(549)	(549)
<b>Total equity at 28 February 2015</b>	<b>1,098</b>	<b>35,382</b>	<b>59,959</b>	<b>11,923</b>	<b>108,362</b>

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

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

The 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 includes separate financial statements for Namoi Cotton Co-operative Limited as an individual entity (under CO 10/654) and the consolidated entity consisting of Namoi Cotton Co-operative Limited and its subsidiaries.

For the purposes of disclosure of events occurring after balance date the Directors have authorised this financial report for issue on 26 April 2016 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, the Co-operatives National Law (NSW) and Corporations Act 2001.

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

#### **Deficiency of Current Assets to Current Liabilities**

As at Balance Date Namoi Cotton had not completed execution of its 2016 finance facility renewal, however, has subsequently done so. The renewal included the extension of term debt maturity dates from February 2017 to February 2018, the extension of the working capital facility from March 2016 to March 2017 and other minor reporting obligations (refer to note 15). Given the period between balance date and expiry of the facilities was less than 12 months, the debt facilities have been categorised as current liabilities within these financial statements.

#### **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 1j) and derivative financial instruments (refer to Note 1k);
- Impairment testing of property plant and equipment (refer to Note 1m);
- Fair value of ginning assets (refer Note 1m);
- Classification of associates (refer to Note 1c);
- Treatment of deferred tax balances including tax loss recognition (refer to Note 1f); and
- Assessment of the useful lives of assets (refer to Note 1m)

#### **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 2015 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.

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments effective 1 March 2015;
- AASB 2014-1 Amendments to Australian Accounting Standards Part A - Annual Improvements to IFRSs 2010-2012 Cycle [AASB 2, AASB 3, AASB 8, AASB 116 & AASB 138, AASB 124] effective 1 March 2015;

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Certain new accounting standards and interpretations have been published that are not mandatory for 29 February 2016 reporting periods and have not yet been applied in the consolidated Financial statements. These are:

- AASB 9 Financial Instruments effective 1 March 2018;
- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 & AASB 138) effective 1 March 2016;
- AASB 15 Revenue from Contracts with Customers effective 1 March 2018;
- AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements effective 1 March 2016;
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture effective 1 March 2016;
- AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 5, AASB 7, AASB 119, AASB 134] effective 1 March 2016;
- AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 effective 1 March 2016;
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality* effective 1 March 2016; and
- AASB 16 Leases effective 1 March 2019.

A review of the impacts has commenced, but at this time the Group is not aware of what the impacts (if any) will be.

#### **b) Seasonality of operations**

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

Namoi Cotton's marketing segment, represented by sales to NCA and its residual 51% share in the joint venture, generally takes delivery of lint cotton from growers in the first half of the year predominately from March to August. Under NCA's accounting policies, profits on lint marketing occur when the joint venture takes delivery of the lint cotton from the grower.

#### **c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Namoi and its subsidiaries as at 29 February 2016. Control is achieved when Namoi 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 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 has less than a majority of the voting or similar rights of an investee, Namoi 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
- The Namoi's voting rights and potential voting rights.

Namoi 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 obtains control over the subsidiary and ceases when Namoi 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 gains control until the date Namoi 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 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's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Namoi 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 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 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'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'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'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's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, Namoi recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between Namoi and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of Namoi'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 outside operating profit 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. When necessary, adjustments are made to bring the accounting policies in line with those of Namoi.

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

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or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a 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 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 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 recognises the following at 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.

#### **d) 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 Co-operative 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.

#### **e) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### **Sale of lint cotton, cotton seed and grain commodities**

Sales revenue is brought to account when the terms of delivery under the sales contract have been satisfied.

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

#### **Derivatives**

Derivatives including forward cotton seed commodity purchase and sale contracts and forward exchange contracts are stated at fair value with any gains or losses arising from changes in fair value taken directly to the statement of comprehensive income.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

### **Ginning revenue**

Ginning charges are invoiced to growers for services connected with the processing of seed cotton to lint cotton. Revenue is brought to account on all production performed during the period.

### **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.

## **f) 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 Co-operative Limited is the head entity of the tax consolidated group comprising all wholly owned controlled entities. The group has applied the group allocation method in determining the appropriate amount of current and deferred taxes to allocate to the members of the tax consolidated group.

### **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.

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**g) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated in accordance with the depreciation methodology applicable for the type of asset subject to the lease. However, if no reasonable certainty exists to indicate the asset will be acquired at the end of the lease term the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis over the period of the operating lease.

**h) 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.

**i) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment for any uncollectible debts. 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 doubtful debts is made when collection of the full nominal amount is no longer probable. Bad debts are written off as incurred.

**j) 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.

***Grain commodities and consumables***

Grain commodities and consumables (operating supplies and spares) are carried at the lower of average 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.

#### **k) Derivative financial instruments**

The group uses derivative financial instruments such as foreign currency futures and options contracts to manage the risks associated with foreign currency. Such derivative financial instruments are stated at fair value with any gains or losses arising from changes in fair value taken directly to the statement of comprehensive income.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of cotton futures and options contracts is determined by reference to commodity prices with similar maturity profiles.

Forward commodity purchase and sale contracts are classified as derivatives measured at fair value. Fair value is determined with reference to prevailing prices at reporting date.

The group uses interest rate derivatives to manage its risks associated with interest rate fluctuations. These derivatives have not been designated as hedging instruments and are accordingly initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured to fair value. Changes in fair value are recognised directly in the statement of comprehensive income as finance costs. Fair value is determined by reference to market values for similar instruments.

#### **l) Recoverable amounts of 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.

#### **m) Property, plant and equipment**

##### ***Cost and valuation***

Gin, warehouse, other infrastructure and major equipment assets are measured at fair value (refer to Note 1x) 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 recognized in the income statement, in which case, the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement, except to the extent that it offsets an existing surplus on the same asset recognized 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 are carried at cost less accumulated depreciation and any accumulated impairments in value.

##### ***Depreciation***

Ginning infrastructure assets are depreciated on a units of production basis over their estimated remaining useful lives ranging from 10 to 20 years. All other property, plant and equipment, other than freehold land, is

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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	10 to 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.

### **n) 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.

### **o) 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.

### **p) 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.

A provision for distribution is recognised as a liability when the dividends are declared, determined or publicly recommended on or before the reporting date.

### **q) Capital stock**

Capital stock is recognised at the fair value of the consideration received. Any transaction costs arising on transactions relating to the issue or redemption of capital stock are recognised directly in equity as a reduction of the consideration received or as an increase to the consideration paid.

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**r) Grower member share capital**

Grower member share (co-operative grower member share) capital is recognised as a liability in the balance sheet due to their fixed entitlement to the return of capital in the amount of \$2.70 per grower member share per the co-operative rules.

The classification as debt is in strict compliance with AASB 132 Financial Instruments: Presentation. The equitable rights attached to the grower member shares regarding voting capital entitlements and rebate eligibility has not changed as a result of this reclassification.

Rebates payable to active grower member shareholders are recorded in the statement of comprehensive income as other expenses.

**s) 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.

**t) 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.

**u) 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; and
- fair value movements in interest rate derivatives.

**v) Earnings per unit**

Basic earnings per unit 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 units.

Diluted earnings per unit 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 units and potential dilutive shares.

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## w) 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".

## x) Fair value measurement

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

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 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.



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For assets and liabilities that are recognised in the financial statements on a recurring basis, Namoi 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'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 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'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 and Compliance Committee and Namoi's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, Namoi 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.

### **y) 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 clause 10(6) of the Co-operatives (Accounts and Audit) Regulations and class order 98/0100 of the Corporations Act 2001. The co-operative is an entity to which the class order applies.

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## 2. Revenue and Expenses

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>a) Revenue from continuing operations</b>				
Sale of goods at fair value	248,770	358,742	248,533	358,430
Rendering of services	30,500	61,198	30,500	61,198
Rental revenue	200	197	200	197
Financial service provider revenue	242	274	242	274
Finance revenue	1	29	1	28
	<b>279,713</b>	<b>420,440</b>	<b>279,476</b>	<b>420,127</b>
<i>Breakdown of finance revenue:</i>				
Interest revenue from grower finance	-	4	-	4
Interest revenue from non-related entities	1	24	1	24
	<b>1</b>	<b>28</b>	<b>1</b>	<b>28</b>
<b>b) Other income</b>				
Net gain on disposal of property, plant and equipment	26	104	26	104
	<b>26</b>	<b>104</b>	<b>26</b>	<b>104</b>
<b>c) Employee benefits expense</b>				
Salaries, wages, on-costs and other employee benefits	14,670	22,211	14,670	22,211
Defined contribution benefits expense	1,042	1,388	1,042	1,388
	<b>15,712</b>	<b>23,599</b>	<b>15,712</b>	<b>23,599</b>
<b>d) Finance costs</b>				
Interest on bank loans and overdrafts	2,657	3,209	2,678	3,218
Interest expense - interest rate derivatives	(7)	564	(7)	564
	<b>2,650</b>	<b>3,773</b>	<b>2,671</b>	<b>3,782</b>
<b>e) Other expenses</b>				
Maintenance	2,926	4,905	2,926	4,905
Insurance	874	1,295	874	1,295
Motor vehicle	862	1,230	862	1,230
Minimum operating lease payments	503	479	503	479
Rebate on Co-operative member shares	-	502	-	502
Other	3,662	4,898	3,661	4,903
	<b>8,827</b>	<b>13,309</b>	<b>8,826</b>	<b>13,314</b>

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### 3. Income Tax

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>Statement of Changes in Equity</b>				
Income tax expense items debited/(credited) directly to equity:				
Net gain on revaluation of assets	2,787	-	2,787	-
<b>Statement of Comprehensive Income</b>				
Accounting profit from continuing operations before income tax expense	(10,698)	9,102	(6,806)	5,469
At the Group's statutory income tax rate of 30% (2015: 30%)	(3,210)	2,731	(2,042)	1,641
Non-assessable income	(1)	(63)	-	(20)
Non-allowable expenditure	18	28	18	26
Tax loss incurred - not recognised	120	339	-	-
Filing differences	-	(171)	-	-
Tax losses previously not recognised <sup>1</sup>	(67)	(71)	-	-
<b>Income tax expense/(benefit) recorded in the statement of comprehensive income</b>	<b>(3,140)</b>	<b>2,793</b>	<b>(2,024)</b>	<b>1,648</b>

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**Deferred Tax Liabilities**  
 Accelerated depreciation for tax purposes and revaluations  
 Timing of Joint Venture and Investments Income recognition

**Deferred Tax Assets**  
 Deferred costs  
 Provisions and accruals  
 Recognised losses available for offsetting against future taxable income <sup>1,2</sup>

**Net deferred tax assets/(liabilities)**  
**Deferred tax expense/(income)**

Unrecognised deferred tax assets  
 Unrecognised deferred tax liabilities  
 Unrecognised tax losses  
**Unrecognised net deferred tax assets**

Balance Sheet				Statement of Profit and Loss and Other Comprehensive Income			
Consolidated \$'000		Parent \$'000		Consolidated \$'000		Parent \$'000	
29-Feb 2016	28-Feb 2015	29-Feb 2016	28-Feb 2015	29-Feb 2016	28-Feb 2015	29-Feb 2016	28-Feb 2015
(28,719)	(26,029)	(28,720)	(26,030)	2,690	(274)	2,690	(274)
(148)	(631)	(418)	(520)	(483)	(3,093)	(102)	(1,846)
(28,867)	(26,660)	(29,138)	(26,550)	2,207	(3,367)	2,588	(2,120)
550	705	550	700	155	104	155	104
1,129	1,580	1,129	1,585	451	(338)	451	(338)
25,809	22,643	27,039	24,608	(3,166)	6,394	(2,431)	4,001
27,488	24,928	28,718	26,893	(2,560)	6,160	(1,825)	3,767
(1,379)	(1,732)	(420)	343	(353)	2,793	763	1,647
16	3	-	-				
(45)	(65)	-	-				
1,435	1,382	-	-				
1,406	1,320	-	-				

**Reconciliation of net deferred tax assets/(liabilities)**

**Opening balance as of 1 March**  
 Tax income/(expense) during the period recognised in profit or loss  
 Tax income/(expense) during the period recognised in other comprehensive income  
**Closing balance as at 28 February**

Consolidated \$'000		Parent \$'000	
29-Feb 2016	28-Feb 2015	29-Feb 2016	28-Feb 2015
(1,732)	1,061	343	1,991
3,140	(2,793)	2,024	(1,648)
(2,787)	-	(2,787)	-
(1,379)	(1,732)	(420)	343

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<sup>1</sup>In prior years, sufficient prior year and current year tax losses were recognised as a deferred tax asset to offset the deferred tax liability that arose from asset revaluation increments.

<sup>2</sup>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 Co-operative Limited is the head entity of the tax consolidated group comprising all wholly owned controlled entities. The group has applied the group allocation method in determining the appropriate amount of current and deferred taxes to allocate to the members of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in these financial statements in respect of this agreement on the basis that the possibility of default is remote.

**4. Earnings per Unit**

Basic earnings per unit amounts are calculated by dividing the net profit after rebate (if applicable) for the year attributable to the unit holders of the parent divided by the weighted average number of co-operative capital units outstanding during the year.

There were no potentially dilutive equity balances at 29 February 2016 and 28 February 2015.

The following reflects the income and equity data used in the basic and diluted earnings per unit computations:

	Consolidated \$'000	
	29 Feb 2016	28 Feb 2015
Profit attributable to Co-operative capital stock holders of the parent	(7,558)	6,309
Weighted average number of Co-operative capital stock units	No. 109,843,279	No. 109,843,279

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## 5. Distributions Paid or Provided on Co-operative Capital Units

	Consolidated \$'000	
	29 Feb 2016	28 Feb 2015
<i>Distributions declared and paid during the year (unfranked)</i>		
Interim distribution for the year ended 29 February 2016 of 0.0 cents per unit of Capital Stock (2015: 0.5 cents)	-	549
Final distribution for the year ended 28 February 2015 of 0.0 cents per unit of Capital Stock (2014: 0.0 cents)	-	-
Net distributions during the year	-	549

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
Franking credits available for subsequent financial years based on a tax rate of 30% (2015: 30%)	-	-	-	-

No franking account debits or credits are expected to arise from either the payment of income tax, the payment of distributions nor from the receipt of dividends.

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## 6. Cash and Cash Equivalents

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>(a) Reconciliation to Statement of Cash Flows</b>				
For the purposes of the Statement of Cash Flows, cash comprises the following items:				
Cash at bank and in hand	1,790	170	1,785	166
Bank Overdraft	(2,072)	(1,657)	(2,072)	(1,657)
	<b>(282)</b>	<b>(1,487)</b>	<b>(287)</b>	<b>(1,491)</b>
<b>(b) Reconciliation of net cash provided by operating activities to operating profit after income tax.</b>				
Operating profit/(loss) after income tax	(7,560)	6,309	(3,667)	3,821
<i>Adjustments for non-cash items:</i>				
Depreciation	6,171	9,939	6,171	9,939
(Gain)/loss on sale of property, plant and equipment	(26)	(183)	(26)	(183)
(Gain)/loss on sale of investments	-	-	-	-
Foreign exchange (gain)/loss on finance leases	-	-	-	-
Provision for bad debts	(50)	407	(50)	412
Provision for employee benefits	(925)	189	(925)	189
Provision other	(502)	502	(502)	502
Share of associates (profits)/losses	4,139	(3,437)	78	(65)
	<b>8,807</b>	<b>7,417</b>	<b>4,746</b>	<b>10,794</b>
<i>Changes in operating assets and liabilities</i>				
(Increase)/decrease in accounts receivable	820	2,941	986	3,208
(Increase)/decrease in inventories	2,690	(503)	2,689	(503)
(Increase)/decrease in other assets	(36)	270	(36)	270
(Increase)/decrease in derivatives	(280)	795	(280)	795
Increase/(decrease) in creditors	691	(12,328)	694	(12,331)
Increase/(decrease) in other liabilities	(171)	(3,033)	(171)	(3,033)
Increase/(decrease) in deferred tax asset	(3,140)	2,793	(3,140)	1,648
Net cash inflow/(outflow) from operating activities	<b>1,821</b>	<b>4,661</b>	<b>1,821</b>	<b>4,669</b>
<b>(c) Disclosure of financing activities</b>				
Refer to Note 15.				

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**(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 \$417,652 (2015: \$2,907,655) by means of finance leases.

*(ii) Distribution Reinvestment Plan*

No distributions were paid via the issue of units in 2016 (2015: nil). Refer note 5 and note 18.

**(e) Fair Value**

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

**7. Trade and Other Receivables**

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<i>Current</i>				
Trade debtors <sup>1</sup>	4,901	5,746	4,901	5,746
Less: allowance for impairment loss	(449)	(499)	(449)	(499)
Trade debtors from an associate	29	25	29	25
	<b>4,481</b>	<b>5,272</b>	<b>4,481</b>	<b>5,272</b>
Loans to growers <sup>2</sup>	5	29	5	29
Less: allowance for impairment loss	-	-	-	-
	<b>5</b>	<b>29</b>	<b>5</b>	<b>29</b>
Funds due from futures brokers <sup>3</sup>	1	5	1	1
Less: allowance for impairment loss	(5)	(5)	-	-
	<b>(4)</b>	<b>-</b>	<b>1</b>	<b>1</b>
Loans to associates <sup>4</sup>	53	4	53	4
Loans to employees <sup>5</sup>	26	55	26	55
Loans to controlled entities	-	-	5,426	5,595
	<b>4,561</b>	<b>5,360</b>	<b>9,992</b>	<b>10,956</b>
<i>Non-current</i>				
Loans to controlled entities	-	-	41,820	41,820
	<b>-</b>	<b>-</b>	<b>41,820</b>	<b>41,820</b>

<sup>1</sup> 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.

<sup>2</sup> Grower loans represent interest bearing crop finance facilities offered to growers secured by crop mortgage. Interest rate margins are determined based on the level of risk associated with the individual loan.

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As at 29 February 2016 Namoi Cotton had committed \$nil (2015: \$nil) in credit term facilities to growers which had not been drawn.

<sup>3</sup> Funds due from futures brokers represent funds on deposit to offset unfavourable futures mark-to-market values and futures contract maintenance margins. Funds are denominated in United States dollars and bear a nominal rate of interest.

<sup>4</sup> Loans to associates represent working capital financing provided to Australian Classing Services Pty Ltd. The loan bears interest at a fixed rate of 7.0% (2015: 7.0%) and is repayable on demand.

<sup>5</sup> Loans to employees represent non-interest bearing loans advanced under the Namoi Cotton employee incentive share plan (refer note 18) and other staff advances.

<sup>6</sup> 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 loans are carried at amortised cost.

*Allowance for impairment loss*

An allowance for impairment loss is recorded where objective evidence exists that an individual receivable is impaired taking into account the likelihood of recovery of any collateral and/or trade credit insurance. Individual receivables are written off only upon exhaustion of all means of recovery and only with Board approval. Impairment losses have been recognised by the group and the parent entity in the current year of \$nil (2015: \$503,936). This amount was included in the other expenses item in the statement of profit and loss and other comprehensive income.

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
At 1 March 2015	504	97	500	88
Charge for the year	-	412	-	412
Foreign exchange translation	38	-	38	-
Amounts written off	(88)	(5)	(88)	-
Recoveries	-	-	-	-
At 29 February 2016	<b>454</b>	<b>504</b>	<b>450</b>	<b>500</b>

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

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>Total outstanding</b>	5,015	5,863	52,261	53,276
<b>Unimpaired</b>				
Within terms	4,535	5,309	51,780	52,726
Past Due 1 - 30 days	7	4	7	4
Past Due 31 - 60 days	-	3	-	3
Past Due 60+ days	19	43	24	43
<b>Impaired</b>				
Past Due 60+ days	454	504	450	500

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Receivables past due but not considered impaired are: Group \$454,068 (2015: \$50,392); Parent \$449,533 (2015: \$50,392). 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.

*Fair value, foreign exchange and credit risk*

All receivables are carried at fair value based on observable market data. Details regarding foreign exchange and interest rate risk are disclosed in Note 26. The maximum exposure to credit risk is the fair value of receivables less insurance recoverables.

## 8. Inventories

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
Cotton seed (at fair value less costs to sell)	781	3,552	781	3,552
Grain (at cost)	19	19	-	-
Operating supplies and spares (at cost)	5,101	5,019	5,101	5,020
	<b>5,901</b>	<b>8,590</b>	<b>5,882</b>	<b>8,572</b>

The fair value of cotton seed inventory is determined by reference to observable markets and valuation techniques.

## 9. Derivative Financial Instruments

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>Current assets</b>				
Foreign exchange contracts	22	-	22	-
Cotton seed sale contracts	4,330	-	4,330	-
Cotton seed purchase contracts	-	39	-	39
	<b>4,352</b>	<b>39</b>	<b>4,352</b>	<b>39</b>
<b>Current liabilities</b>				
Foreign exchange contracts	-	219	-	219
Interest rate swap contracts	284	513	284	513
Cotton seed sale contracts	-	697	-	697
Cotton seed purchase contracts	5,179	-	5,179	-
	<b>5,463</b>	<b>1,429</b>	<b>5,463</b>	<b>1,429</b>

Derivatives are used by the group to manage trading and financial risks as detailed in note 26.

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 within the statement of comprehensive income in the period they occur. The net fair value gain on foreign exchange contracts during the year was \$22,114 for the group (2015: Loss \$219,056) and \$22,114 (2015: Loss \$219,056) for the parent entity.

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 net fair value gain on cotton seed sale contracts during the year was \$4,330,139 for the group (2015: Loss \$696,898) and \$4,330,139 (2015: Loss \$696,898) for the parent entity.

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 net fair value loss on cotton seed purchase contracts during the year was \$5,179,076 for the group (2015: Gain \$38,899) and \$5,179,076 (2015: Gain \$38,899) for the parent entity.

Interest bearing loans of the group incurred an average variable interest rate of 3.3% (2015: 3.4%). Swaps in place at the comparative reporting date accounted for approximately 44.3% (2015: 45.5%) of the principal outstanding. The average fixed interest rates were 3.0% (2015: 3.0%) and the average variable rates were 2.59% (2015: 2.2%) at balance date. The net fair value loss on interest rate swaps was \$283,605 (2015: \$513,122).

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

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
	Investment in associates (material)	3,473	3,788	-
Investment in joint ventures (material)	39,950	46,941	-	-
Investment in joint ventures (non material)	(1,457)	(1,054)	99	177
	<b>41,966</b>	<b>49,675</b>	<b>99</b>	<b>177</b>

### (a) Ownership interest

Name	Balance Date	% Ownership interest held by consolidated entity	
		29 Feb 2016	28 Feb 2015
<i>Investments in Associates</i>			
Cargill Oilseeds Australia Partnership (COA)	31 May	15%	15%
Cargill Processing Ltd (CPL) <sup>1</sup>	31 May	15%	15%
<i>Investments in Joint Ventures</i>			
Australian Classing Services Pty Ltd (ACS) <sup>1</sup>	29 February	50%	50%
Namoi Cotton Alliance (NCA)	29 February	51%	51%
NC Packing Services Pty Ltd (NCPS) <sup>1</sup>	29 February	51%	51%

<sup>1</sup> Incorporated in Australia

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

- COA processes and markets cotton seed, canola and other oilseeds.
- CPL owns facilities used in the processing and marketing of cotton seed, canola and other oilseeds by COA.
- ACS provides independent classing services to the Australian cotton industry.
- NCA markets Australian lint cotton and owns significant up-country warehousing and logistics facilities to support the marketing operations
- 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.

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(c) Significant influence

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

	Consolidated			
	\$'000			
	29 Feb 2016		28 Feb 2015	
	COA	CPL	COA	CPL
<i>(d) Material Investments in Associates</i>				
<i>(i) Associates results</i>				
Revenue	249,277	21,569	309,186	23,623
Profit/(Loss)	(2,520)	413	(1,903)	537
<b>Group share of associates profit/(loss)</b>	<b>(378)</b>	<b>62</b>	<b>(285)</b>	<b>80</b>
<i>(ii) Associates assets and liabilities:</i>				
Current assets	56,112	6,460	53,133	12,222
Non-current assets	0	17,369	2	14,441
Current liabilities	(55,233)	(1,461)	(49,835)	(4,707)
Non-current liabilities	-	-	-	-
<b>Associates net assets</b>	<b>879</b>	<b>22,368</b>	<b>3,300</b>	<b>21,956</b>
<b>Group share of associates net assets</b>	<b>132</b>	<b>3,355</b>	<b>495</b>	<b>3,293</b>
<i>(iii) Carrying amount of investments in associates:</i>				
Balance at the beginning of the financial year	495	3,293	2,666	3,213
Distribution paid out of retained earnings	-	-	(1,886)	-
Share of associates profits/(losses) for the financial year	(378)	62	(285)	80
<b>Carrying amount of investment in associates at the end of the financial year</b>	<b>117</b>	<b>3,355</b>	<b>495</b>	<b>3,293</b>
<i>(iv) Share of contingent liabilities of associate:</i>				
	-	-	-	-
<i>(iv) Share of associates commitments:</i>				
	-	-	-	-

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	Consolidated \$'000	
	29 Feb 2016	28 Feb 2015
<i>(e) Material Investments in Joint Ventures: NCA</i>		
<i>(i) Joint Venture results (for the period since inception)</i>		
Revenue	202,460	311,565
Depreciation and Amortisation	(2,077)	(1,935)
Interest Expense	(759)	(429)
Interest Income	338	731
Profit/(loss) before income tax expense	(6,707)	9,230
Income tax expense <sup>(a)</sup>	-	-
<b>Joint Venture net profit/(loss)</b>	<b>(6,707)</b>	<b>9,230</b>
<sup>(a)</sup> The Joint Venture is a partnership for tax purposes accordingly is not a taxable entity		
<b>Group share of joint venture net profit/(loss)</b>	<b>(3,421)</b>	<b>4,707</b>
<i>(ii) Joint venture assets and liabilities:</i>		
Current assets		
Cash and cash equivalents	6,745	38,647
Other	42,198	34,400
Non-current assets	60,111	59,050
Current liabilities		
Financial liabilities	(18,710)	(33,470)
Other	(9,659)	(4,856)
Non-current liabilities		
Financial liabilities	(2,275)	-
Other	(76)	(1,730)
<b>Joint Venture net assets</b>	<b>78,334</b>	<b>92,041</b>
<b>Group share of joint venture net assets</b>	<b>39,950</b>	<b>46,941</b>
<i>(iii) Carrying amount of investments in joint ventures:</i>		
Balance at the beginning of the financial year	46,941	44,274
Acquisition of joint venture	-	-
Contribution to working capital	-	-
Distribution paid out of retained earnings	(3,570)	(2,040)
Share of joint venture profits/(losses) for the financial year	(3,421)	4,707
<b>Carrying amount of investments in joint ventures at the end of the financial year</b>	<b>39,950</b>	<b>46,941</b>
<i>(iv) Share of contingent liabilities of joint venture:</i>		
	-	-
<i>(v) Share of joint venture commitments:</i>		
	-	-
<i>(f) Share of Non Material Investments in Joint Ventures: ACS and NCPS</i>		
<i>(i) Non Material Joint Venture Results</i>		
<b>Profits/(Losses) and total comprehensive income from continuing operations</b>	<b>(402)</b>	<b>(1,065)</b>

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## 11. Interest in Joint Operations

### (a) Ownership interest

Name	Balance Date	% Ownership interest held by consolidated entity	
		29 Feb 2016	28 Feb 2015
Wathagar Ginning Company (WGC)	29 February	50%	50%
Moomin Ginning Company (MGC)	29 February	50%	50%

### (b) Principal activities

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

### (c) Impairment

No assets employed in the jointly controlled operation were impaired during the year (2015: \$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, with a book carrying value of \$2.3m at 29 February 2016 (2015: \$2.8m).

There were no material contingent liabilities or capital expenditure commitments in respect of jointly controlled assets at balance date.

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### 13. Property, Plant and Equipment

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>Gin Assets</b>				
<i>Ginning infrastructure and major equipment</i>				
at fair value	119,571	129,936	119,571	129,936
Provision for depreciation and impairment	-	(15,649)	-	(15,649)
	119,571	114,287	119,571	114,287
Revaluation to fair value	7,818	-	7,818	-
Closing written down value at fair value	127,389	114,287	127,389	114,287
<i>Other ginning equipment</i>				
Cost	6,909	12,156	6,909	12,156
Provision for depreciation and impairment	(3,641)	(3,639)	(3,641)	(3,639)
Closing written down value at cost	3,268	8,517	3,268	8,517
<b>Net Gin Assets</b>	<b>130,657</b>	<b>122,804</b>	<b>130,657</b>	<b>122,804</b>
<b>Other Assets</b>				
<i>Other infrastructure and major equipment</i>				
at fair value	4,880	4,757	4,880	4,757
Provision for depreciation and impairment	-	(286)	-	(286)
	4,880	4,471	4,880	4,471
Revaluation to fair value	1,473	-	1,473	-
Closing written down value at fair value	6,353	4,471	6,353	4,471
<i>Other equipment</i>				
Cost	10,366	10,410	10,366	10,410
Provision for depreciation and impairment	(8,154)	(7,928)	(8,154)	(7,928)
Closing written down value at cost	2,212	2,482	2,212	2,482
<b>Net Other Assets</b>	<b>8,565</b>	<b>6,953</b>	<b>8,565</b>	<b>6,953</b>
<b>Capital work in progress ('CWIP') at cost</b>	<b>1,688</b>	<b>1,496</b>	<b>1,688</b>	<b>1,496</b>
Total written down value at fair value	133,742	118,758	133,742	118,758
Total written down value at cost	7,168	12,495	7,168	12,495
Total written down value for property, plant & equipment	<b>140,910</b>	<b>131,253</b>	<b>140,910</b>	<b>131,253</b>

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

	Consolidated and Parent		Consolidated and Parent	
	\$'000		\$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
Ginning infrastructure and major equipment	60,633	54,206	60,633	54,206
Other infrastructure and major equipment	4,314	4,115	4,314	4,115
	<b>64,947</b>	<b>58,321</b>	<b>64,947</b>	<b>58,321</b>

#### 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 valuations (prior years prepared by CBRE) in determining the fair value of the relevant properties and assets was the Discounted Cash Flow (DCF) approach as the primary method and the Net Maintainable Earnings approach as the secondary method. The DCF method provides a valuation based on the formulation of projected future cash flows over a ten year period (plus a terminal value), which was then discounted at an appropriate discount rate. The Net Maintainable Earnings approach was used to support the DCF method results.

An updated 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, effective at 29 February 2016. Colliers International ("Colliers") were engaged for this purpose. The methodology applied by Colliers to value the ginning assets was a net maintainable earnings approach. An assessed sustainable EBITDA was multiplied by an appropriate earnings multiple derived from market sources. The external valuation obtained for the ginning assets was then used to support the Discounted Cash Flow (DCF) model.

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 29 February 2016 included:

- Sustainable bales. The average annual sustainable ginning bales have been assessed for the valuation period incorporating a grower by grower assessment of production areas, seasonal rotation, estimated yields and reliability of contracting. The measure is inclusive of Namoi's respective shares of throughputs of the joint venture cotton gins. The number being approximately a 28% market share of an Australian sustainable crop size of 3.2 million bales which also approximates the average number of bales achieved over the last 7 years, noting that individual seasons can fluctuate significantly dependent upon water availability;
- Growth rate - revenues 1.65% (2015 - 1.65%)
- Growth rate - expenses 2.20% (2015 - 2.20%)
- Discount rate of 16% (2015 - 15.0%)

Any significant increases/(decreases) in sustainable bales volumes, changes to EBITDA from ginning revenue per bale, or throughput rate (production cost impact) or changes to the discount rate, in isolation, would result in a significantly higher/(lower) fair value.

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**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 carrying values exceed the estimated recoverable amount (refer to Note 1), 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.

<b>Year Ended 29 February 2016 (\$'000)</b>	<b>Gins</b>	<b>Other</b>	<b>CWIP</b>
<i>Consolidated and parent entity</i>			
Written down value - 1 March 2015	122,804	6,953	1,496
Additions and Transfer to/(from) CWIP	5,394	1,111	192
Disposals	(55)	(107)	-
Depreciation	(5,305)	(865)	-
Revaluation increments/(decrements)	7,818	1,473	-
Written down value - 29 February 2016	<b>130,656</b>	<b>8,565</b>	<b>1,688</b>
<b>Year Ended 28 February 2015 (\$'000)</b>			
<i>Consolidated and parent entity</i>			
Written down value - 1 March 2014	114,177	5,045	8,908
Additions and Transfer to/(from) CWIP	17,774	2,586	(7,412)
Disposals	(23)	(1)	-
Depreciation	(9,124)	(677)	-
Revaluation increments/(decrements)	-	-	-
Written down value - 28 February 2015	<b>122,804</b>	<b>6,953</b>	<b>1,496</b>

**14. Trade and Other Payables**

	<b>Consolidated \$'000</b>		<b>Parent \$'000</b>	
	<b>29 Feb 2016</b>	<b>28 Feb 2015</b>	<b>29 Feb 2016</b>	<b>28 Feb 2015</b>
<i>Current</i>				
Trade creditors and accruals <sup>1</sup>	4,988	3,755	4,988	3,751
Grower deposits	34	38	34	38
Customer deposits	-	171	-	171
Loans from controlled entities	-	-	17,731	14,163
	<b>5,022</b>	<b>3,964</b>	<b>22,753</b>	<b>18,123</b>

<sup>1</sup> 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.

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## 15. Interest Bearing Liabilities

The extent to which the economic entity's finance facilities provided by Commonwealth Bank of Australia (CBA) were utilised at 29 February 2016 is listed below.

	Facility Use - AUD \$'000			
	Consolidated		Parent	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<i>Current</i>				
<i>AUD Facility Use</i>				
Short term	2,072	1,657	2,072	1,657
Working capital finance <sup>1</sup>	9,000	-	9,000	-
Term debt <sup>2</sup>	47,481	-	47,481	-
	<b>58,553</b>	<b>1,657</b>	<b>58,553</b>	<b>1,657</b>
Lease liability	717	558	717	558
	<b>717</b>	<b>558</b>	<b>717</b>	<b>558</b>
	<b>59,270</b>	<b>2,215</b>	<b>59,270</b>	<b>2,215</b>
<i>Non Current</i>				
Loans from controlled entities	-	-	2,049	2,049
Working capital finance <sup>1</sup>	-	10,000	-	10,000
Term debt <sup>2</sup>	-	44,980	-	44,980
Lease liability	1,409	1,769	1,409	1,769
	<b>1,409</b>	<b>56,749</b>	<b>3,458</b>	<b>58,798</b>
<b>Total Current and Non-Current</b>	<b>60,679</b>	<b>58,964</b>	<b>62,728</b>	<b>61,013</b>

<sup>1</sup> Working capital lines are utilised to fund day to day expenses of the business including specific funding needs for cotton seed inventory and debtors.

<sup>2</sup> Term debt lines are provided to fund fixed assets of the business.

### Other liabilities

Interest bearing liabilities are carried at amortised cost.

Hire purchase contracts on equipment have an average term of 3 years with the average interest rate implicit in the contracts of 5.7% (2015: 5.9%).

Details of interest rate risk, foreign exchange risk and liquidity risk are disclosed in Note 26.

### Facility limits

The seasonal finance facilities limit excluding term debt at 29 February 2016 was \$12.5 million (2015: \$12.5 million) including operating overdrafts.

At balance date CBA had provided Namoi Cotton with secured \$47.5 million (2015: \$45 million) debt facility with core components maturing on 28 February 2017. Security is provided by a fixed and floating charge over the assets and undertakings of the group.

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	Facility Limit - AUD \$'000			
	Consolidated		Parent	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<i>AUD Facility Limit</i>				
Short term	2,500	2,500	2,500	2,500
Working capital finance	10,000	10,000	10,000	10,000
Term debt	47,480	44,980	47,480	44,980
	<b>59,980</b>	<b>57,480</b>	<b>59,980</b>	<b>57,480</b>

*Financing arrangements*

Borrowings, have increased by \$1.7m during the financial year with new drawings to fund the Bourke cotton gin acquisition partially offset by scheduled lease payments from operating cash flows.

*Finance renewal*

On 26 April 2016, Namoi Cotton negotiated the following finance facility limits with CBA:

- Committed term debt facility (non-amortising) - facility limit of AUD\$25 million (2015: AUD\$25 million) with a facility end date of 28 February 2018;
- Committed term debt facility (non-amortising) - facility limit of AUD\$10.5 million (2015: AUD\$10.5 million) with a facility end date of 28 February 2018;
- Committed term debt facility (non-amortising) - facility limit of AUD\$12.0 million (2015: AUD\$9.5 million) with a facility end date of 28 February 2018; and
- Committed cotton seed, ginning consumables and general working capital needs under a multi option working capital facility (non-amortising) - facility limit of AUD\$10 million (2015: AUD\$10 million) with a facility end date of 17 March 2017.
- The terms are materially consistent with the previous facilities.

The group has agreed to certain financial covenants with CBA under the new finance facilities at what are considered appropriate levels to meet the needs of the business.

The Directors at the date of this report expect the facilities (working capital) will be renewed thereafter and at appropriate levels for FY 2018 operations.

**16. Provisions**

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
	<i>Current</i>			
Employee leave entitlements	2,040	2,239	2,040	2,239
Employee variable compensation	22	776	22	776
Co-operative member rebate	-	502	-	502
	<b>2,062</b>	<b>3,517</b>	<b>2,062</b>	<b>3,517</b>
<i>Non-current</i>				
Employee leave entitlements	799	771	799	771
	<b>799</b>	<b>771</b>	<b>799</b>	<b>771</b>

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## 17. Co-operative Grower Member Shares

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
Grower member shares - fixed capital entitlement	447	447	447	447
	No.		No.	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<i>1 cent Grower member shares (fully paid)</i>				
Shares at the beginning of the financial year	165,600	165,600	165,600	165,600
Shares issued during the year	-	3,200	-	3,200
Shares repurchased/forfeited during the year	-	(3,200)	-	(3,200)
Shares at the end of the financial year	<b>165,600</b>	<b>165,600</b>	<b>165,600</b>	<b>165,600</b>

### Terms and conditions

- Grower shares may only be held by active members;
- Grower shareholders have one vote at member meetings, regardless of the number of grower shares held;
- Grower shares can be issued and are redeemable for a fixed amount of \$2.70 per share, but have no entitlement to surplus repayments;
- Grower shares have no dividend entitlement;
- Grower shareholders appoint the directors of Namoi Cotton, subject to the stockholders right to nominate up to three non-grower directors;
- Grower shareholders are entitled to a rebate, if applicable, for each bale of cotton ginned and/or marketed with Namoi Cotton.

### Minimum holding and forfeiture rules

Rule 6 of the rules of the co-operative requires active members to hold 800 shares, produce cotton from a minimum 40 hectares and conduct a minimum 20% of the member's cotton business with the co-operative in order to be eligible for a rebate of ginning and marketing charges levied by the co-operative. The board may declare membership of a member cancelled where the grower is inactive for two years, whereby grower shares are forfeited and the grower is repaid an amount equal to the initial issue price.

## 18. Contributed Equity

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
Capital Stock	1,098	1,098	1,098	1,098
<i>1 cent Capital Stock (fully paid)</i>				
Capital stock at the beginning of the financial year	109,843	109,843	1,098	1,098
Issued during the year	-	-	-	-
Redeemed through on-market buy-back	-	-	-	-
Capital stock at the end of the financial year	109,843	109,843	1,098	1,098
Net tangible assets per co-operative capital unit	\$ 1.12	\$ 1.13		

### Terms and conditions

- 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.

### 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 \$25,188 (2015: \$25,188).

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 141,000 units (2015: 141,000 units) under escrow.

### Rebate reinvestment plan

The rebate reinvestment plan did not operate in relation to the rebate payable for the year ended 29 February 2016.

### Distribution reinvestment plan

Capital stock issued under the distribution reinvestment plan is issued at a discount of 5% to the weighted average market price of Namoi capital stock sold on the ASX on the first day on which Namoi capital stock is quoted ex distribution in relation to the distribution to which the allotment relates and the following four business days.

### *Capital management*

Namoi Cotton manages capital through the payment of dividends and participation in the on-market buy back of its Namoi Capital Stock. Decisions on capital management are made having regard to compliance with externally imposed capital requirements principally through maintaining a minimum level of net assets.

## **19. Nature and Purpose of Reserves**

### *Capital stock (CCU) premium reserve*

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

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

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

### *Asset revaluation reserve*

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

## **20. 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 chief executive officer (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 and 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

The ginning business operates 12 cotton gins (incorporating 2 joint venture gins, referred to in note 11) 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.

#### 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. Subsequent to the formation of NCA, bales procured by Namoi from growers are on-sold to NCA with approximately 99% of NCA

## Namoi Cotton Co-operative Limited

sales ultimately being to Asia. The NCA joint venture manages its marketing risks by utilising cotton futures and options and foreign currency contracts under strict risk management policies.

### Commodities

The controlled entity Namoi Cotton Commodities Pty Ltd procures various grain and pulse crops from Australian growers and sells these into various domestic and international markets.

### 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 and Cargill);
- 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 not disclosed as part of this report.

Business Segments Year ended 29 February 2016	Ginning \$'000	Marketing <sup>1,2</sup> \$'000	Commodities \$'000	Unallocated \$'000	Consolidated \$'000
<b>Revenue</b>					
Sales to external customers	98,242	180,791	237	-	279,270
Other revenues from external customers	242	-	-	-	242
<b>Total consolidated revenue</b>	<b>98,484</b>	<b>180,791</b>	<b>237</b>	<b>-</b>	<b>279,512</b>
Non-segment revenues					
Interest revenue	-	-	-	1	1
Rental revenue	-	-	-	200	200
	<b>98,484</b>	<b>180,791</b>	<b>237</b>	<b>201</b>	<b>279,713</b>
<b>Results</b>					
Profit/(loss) before tax and finance costs	3,238	(908)	30	(6,269)	(3,909)
Finance costs	(2,616)	-	21	(55)	(2,650)
Share of profit from associates	(316)	(3,823)	-	-	(4,139)
<b>Net Profit before tax</b>	<b>306</b>	<b>(4,731)</b>	<b>51</b>	<b>(6,324)</b>	<b>(10,698)</b>
<b>Other segment information</b>					
Depreciation	(5,648)	(35)	(117)	(371)	(6,171)

Included in the unallocated results for the period are:

Interest Revenue	1
Rental Revenue	200
<b>Total Unallocated Revenue</b>	<b>201</b>
Share of profit/(loss) of other associates	-
Employee benefits expense	(3,397)
Depreciation	(371)
Finance costs	(55)
Other corporate administrative expenses	(2,702)
<b>Total Unallocated Result</b>	<b>(6,324)</b>

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

<sup>2</sup> Marketing results include the net result for the NCA joint venture.

<b>Business Segments</b>	<b>Ginning</b>	<b>Marketing</b>	<b>Commodities</b>	<b>Unallocated</b>	<b>Consolidated</b>
<b>Year ended 28 February 2015</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>					
Sales to external customers	165,302	254,325	312	-	<b>419,939</b>
Other revenues from external customers	274	-	-	-	<b>274</b>
<b>Total consolidated revenue</b>	<b>165,576</b>	<b>254,325</b>	<b>312</b>	<b>-</b>	<b>420,213</b>
<b>Non-segment revenues</b>					
Interest revenue	-	-	-	29	<b>29</b>
Rental revenue	-	-	-	197	<b>197</b>
	<b>165,576</b>	<b>254,325</b>	<b>312</b>	<b>226</b>	<b>420,439</b>
<b>Results</b>					
Profit/(loss) before tax and finance costs	15,998	548	133	(7,241)	<b>9,438</b>
Finance costs	(3,683)	-	10	(100)	<b>(3,773)</b>
Share of profit from associates	(205)	3,642	-	-	<b>3,437</b>
<b>Net Profit before tax</b>	<b>12,110</b>	<b>4,190</b>	<b>143</b>	<b>(7,341)</b>	<b>9,102</b>
<b>Other segment information</b>					
Depreciation	(9,593)	(27)	(117)	(202)	<b>(9,939)</b>

(i) Included in the unallocated results for the period are:

Interest Revenue	29
Rental Revenue	197
<b>Total Unallocated Revenue</b>	<b>226</b>
Share of profit/(loss) of associates	-
Employee benefits expense	(4,335)
Depreciation	(202)
Finance costs	(100)
Other corporate administrative expenses	(2,930)
<b>Total Unallocated Result</b>	<b>(7,341)</b>

#### Geographic Area

The economic entity operates in two separate geographic areas.

Namoi Cotton 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:

<b>Geographic Areas</b>	<b>Australia</b>	<b>Asia</b>	<b>Consolidated</b>
<b>Year ended 29 February 2016</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Sales to external customers	266,925	12,345	<b>279,270</b>
Other revenues from external customers	242	-	<b>242</b>
<b>Total consolidated revenue</b>	<b>267,167</b>	<b>12,345</b>	<b>279,512</b>
<b>Geographic Areas</b>			
<b>Year ended 28 February 2015</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Sales to external customers	392,984	26,956	<b>419,940</b>
Other revenues from external customers	274	-	<b>274</b>
<b>Total consolidated revenue</b>	<b>393,258</b>	<b>26,956</b>	<b>420,214</b>

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## 21. Commitments and Contingencies

Commitments for capital expenditure

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>Property, plant and equipment</b>				
Estimated capital expenditure contracted for at balance date but not provided for:				
Payable within one year	591	376	591	376

Operating lease commitments – group as lessee

The group has entered into commercial leases in respect of land and buildings which have an average life of between 5 and 7 years. Options to renew are included in the contracts for commercial buildings only. There are no restrictions placed upon the lessee by entering into these leases.

The future minimum rentals payable under the non-cancellable operating leases are as follows:

<b>Operating lease commitments - Group as lessee</b>				
Not later than 1 year	656	633	656	633
Later than 1 year and not later than 5 years	289	824	289	824
Later than 5 years	-	-	-	-
	<b>945</b>	<b>1,457</b>	<b>945</b>	<b>1,457</b>

Operating lease commitments receivable – group as lessor

The group has entered into non-cancellable commercial property leases on its surplus office building and into cancellable residential accommodation leases for certain employees in remote areas. The commercial lease allows for an annual increase in line with Consumer Price Index movements while residential leases are subject to periodic market assessment.

Future minimum rentals receivable under non-cancellable operating leases as at 29 February 2016 are as follows:

Not later than 1 year	88	85	88	85
Later than 1 year and not later than 5 years	39	116	39	116
	<b>127</b>	<b>201</b>	<b>127</b>	<b>201</b>

Finance lease and hire purchase commitments – group as lessee

The group has finance leases and hire purchase contracts for gin packaging and logistics supply chain equipment with a carrying value of \$2,525,241 (2015: \$2,722,160) for both the group and the co-operative.

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Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
Within one year	818	678	818	678
After one year but within five years	1,498	1,927	1,498	1,927
<b>Total minimum lease payments</b>	<b>2,316</b>	<b>2,605</b>	<b>2,316</b>	<b>2,605</b>
Unexpired finance charges	(191)	(278)	(191)	(278)
<b>Present value of minimum lease payments</b>	<b>2,125</b>	<b>2,327</b>	<b>2,125</b>	<b>2,327</b>

The weighted average interest rate implicit in the contracts for both the group and parent is 5.7% (2015: 5.9%).

### Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:

Within one year	143	450	143	450
After one year but within five years	-	143	-	143

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of KMP referred to in the Remuneration Report of the Directors Report that are not recognised as liabilities and are not included in the compensation of KMP.

### Contingent liabilities

Namcott Investments Pty Ltd, a controlled entity of the co-operative, is a partner of the COA, Namcott Investments Pty Ltd is jointly and severally liable for the COA liabilities. At 29 February 2016 the assets of COA exceeded its liabilities.

## 22. Significant Events after Balance Date

No events of a material nature have occurred between balance date and the date of this report, other than as disclosed elsewhere in this report (refer to Note 15).

## 23. Related Party Disclosures

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

### Ownership and investment

Name of entity	Equity Interest		Investment	
	%		\$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
Australian Raw Cotton Marketing Corp. Pty Ltd	100%	100%	-	-
Namcott Investments Pty Limited	100%	100%	-	-
Namoi Cotton Superannuation Pty Ltd	100%	100%	-	-
Namoi Cotton Pty Ltd	100%	100%	-	-
Namcott Marketing Pty Ltd	100%	100%	-	-
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
			<b>1,830</b>	<b>1,830</b>
Investments held in controlled entities			(1,830)	(1,830)
			-	-

### Principal activities

- Namcott Investments Pty Ltd, a subsidiary of Namoi Cotton, is the beneficial owner of the interests in CPL and COA Partnership. Namoi Oilseeds Trust formerly held the interest in the partnership.
- Namoi Cotton Superannuation Pty Ltd is trustee of the co-operative's former superannuation fund, which was wound up in June 2000.
- Namoi Cotton Pty Ltd is a non-trading company.
- Namcott Marketing Pty Ltd, a subsidiary of Namoi Cotton, is the beneficial owner of the interests in NCPS shares and NCA Partnership.
- 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.

### 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 other related parties

ACS leased HVI machines from the parent during the period for \$89,978 (2015: \$56,408).

Sales of white cotton seed to the COA Partnership were \$18,473,678 (2015: \$32,160,155) and purchases of white cotton seed from the COA Partnership were \$1,002,982 (2015: \$765,992).

### Transactions with NCA

Management fees received by Namoi for services provided to Namoi Cotton Alliance \$0.2m (inclusive of bale handling fees) (2015: \$2.5m).

Lint Cotton Sales from Namoi to Namoi Cotton Alliance \$187.2m (2015: \$254.2m).

Insurance on-charged by Namoi to Namoi Cotton Alliance \$0.4m (2015: \$0.5m).

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## 24. Directors' and Executive Disclosure

Compensation by category of KMP

	Consolidated		Parent	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
Short-term	1,774,506	2,168,940	1,774,506	2,168,940
Post Employment	174,312	127,021	174,312	127,021
Other Long-term	(23,162)	22,661	(23,162)	22,661
Termination Benefits	-	-	-	-
Share-based Payment	-	-	-	-
	<b>1,925,656</b>	<b>2,318,622</b>	<b>1,925,656</b>	<b>2,318,622</b>

Marketing and ginning transactions and balances with KMP

Transactions with directors and their related parties were in accordance with the rules of the co-operative, under terms and conditions applicable to all members. Under the rules of the co-operative, grower directors are required to conduct a minimum of 20% of their total cotton business with Namoi Cotton. 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 and Parent entity					
Cotton Purchases		Ginning Charges Levied		Grain & Seed Purchases	
29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
5,224,500	10,687,079	1,554,886	2,310,633	1,481,578	2,556,361

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.

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## 25. Remuneration of Auditors

	Consolidated and Parent Entity	
	29 Feb 2016	28 Feb 2015
Remuneration for the audit and review of the financial reports of the parent entity and the consolidated entity	165,500	155,500
Remuneration for other services provided to the parent entity and the consolidated entity:		
- Audit of AFSL licence	5,000	5,000
- Other assurance services	19,500	-
	<b>190,000</b>	<b>160,500</b>

### Independence

The audit and compliance committee routinely considers audit independence including the nature of all non-audit services and is of the opinion that Ernst & Young has performed the audits on an independent basis. Ernst & Young has confirmed to the audit and compliance committee, in relation to both years, that it has complied with all professional regulations relating to auditor independence.

During both years, Ernst & Young has not provided any book keeping, accounting, legal, banking, systems design, internal audit, valuation or management reporting services or acted as broker, authorised, executed, recommended or conducted any transaction on behalf of the economic entity. Ernst & Young was appointed as auditor of the economic entity in 1989. The board has a policy of limiting the number of years a signing partner can form an audit opinion on the financial statements to five years.

## 26. 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 exposed to by Namoi or later by the NCA joint venture 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 later NCA enters 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 MFRMC ensures 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 1e to the financial statements.

### Risk Exposure and Responses

#### Price risk

Namoi Cotton 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 the NCA JV. The co-operative is also exposed to movements to 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		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>Financial Assets</b>				
Derivatives	4,330	92	4,330	92
	<b>4,330</b>	<b>92</b>	<b>4,330</b>	<b>92</b>
<b>Financial Liabilities</b>				
Derivatives	(5,179)	(750)	(5,179)	(750)
	<b>(5,179)</b>	<b>(750)</b>	<b>(5,179)</b>	<b>(750)</b>
<b>Net Exposure</b>	<b>(849)</b>	<b>(658)</b>	<b>(849)</b>	<b>(658)</b>

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*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 29 February 2016 and 28 February 2015, 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	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>Consolidated</b>				
+\$10/Mt (cotton seed)	115	111	-	-
-\$5/Mt (cotton seed)	(58)	(56)	-	-
<b>Parent entity</b>				
+\$10/Mt (cotton seed)	115	111	-	-
-\$5/Mt (cotton seed)	(58)	(56)	-	-

*Interest rate risk*

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

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>Financial Assets</b>				
Cash and cash equivalents	1,790	170	1,785	165
Trade and other receivables	59	103	59	103
	<b>1,849</b>	<b>273</b>	<b>1,844</b>	<b>268</b>
<b>Financial Liabilities</b>				
Interest bearing loans and borrowings	(60,678)	(58,964)	(60,678)	(58,964)
Derivatives	(284)	(513)	(284)	(513)
	<b>(60,962)</b>	<b>(59,477)</b>	<b>(60,962)</b>	<b>(59,477)</b>
<b>Net Exposure</b>	<b>(59,113)</b>	<b>(59,204)</b>	<b>(59,118)</b>	<b>(59,209)</b>

Interest rate swap contracts, with a fair value loss of \$283,605 (2015 \$513,122) at reporting date to both the group and parent, are exposed to value movements if interest rates change.

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At reporting date, after taking into account the effect of interest rate swaps, 44.3% (2015: 45.5%) of the group's borrowings are at a fixed rate of interest 3.0% (2015: 3.0%). 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 29 February 2016 and 28 February 2015, 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	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>Consolidated</b>				
+100 basis points	(335)	(316)	-	-
-50 basis points	168	158	-	-
<b>Parent entity</b>				
+100 basis points	(335)	(316)	-	-
-50 basis points	168	158	-	-

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 NCA) or a US dollar cotton seed sale commitment.

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Namoi Cotton Co-operative Limited

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

	Consolidated \$'000		Parent \$'000	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>Financial Assets</b>				
Cash and cash equivalents	284	82	284	82
Trade and other receivables	1,289	1,190	1,289	1,190
Derivatives	30	43	30	43
	<b>1,603</b>	<b>1,315</b>	<b>1,603</b>	<b>1,315</b>
<b>Financial Liabilities</b>				
Trade and other payables	-	(142)	-	(142)
Derivatives	(8)	(959)	(8)	(959)
	<b>(8)</b>	<b>(1,101)</b>	<b>(8)</b>	<b>(1,101)</b>
<b>Net Exposure</b>	<b>1,595</b>	<b>214</b>	<b>1,595</b>	<b>214</b>

Foreign exchange contracts that are subject to fair value movements through the statement of comprehensive income as foreign exchange rates move.

	Notional Amount AUD \$'000		Average Exchange Rate	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<i>Foreign exchange contracts held at balance date</i>				
<b>Group</b>				
Sell US\$/Buy AUD\$ maturity 0-12 months	1,567	1,404	0.7025	0.7728
Buy US\$/Sell AUD\$ maturity 0-12 months	-	(515)	-	0.7767
<b>Parent</b>				
Sell US\$/Buy AUD\$ maturity 0-12 months	1,567	1,404	0.7025	0.7728
Buy US\$/Sell AUD\$ maturity 0-12 months	-	(515)	-	0.7767

Priced cotton seed sales contracts are treated as financial instruments under AASB 139.

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The following sensitivity analysis is based upon foreign currency exposures that existed at 29 February 2016 and 28 February 2015, 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	
	29 Feb 2016	28 Feb 2015	29 Feb 2016	28 Feb 2015
<b>Consolidated</b>				
AUD/USD +100 basis points	(41)	(37)	-	-
AUD/USD -50 basis points	21	19	-	-
<b>Parent entity</b>				
AUD/USD +100 basis points	(41)	(37)	-	-
AUD/USD -50 basis points	21	19	-	-

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 later NCA exports 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 (seed) or NCA (lint cotton) to a financial loss.

Trade receivables outstanding from international counterparties are 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 recoverables.

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

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*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.

<b>Year ended 29 February 2016</b>	<b>≤6 Months \$'000</b>	<b>6-12 Months \$'000</b>	<b>1-5 Years \$'000</b>	<b>&gt;5 Years \$'000</b>	<b>Total \$'000</b>
<b>Consolidated</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	1,790	-	-	-	<b>1,790</b>
Trade and other receivables	4,536	25	-	-	<b>4,561</b>
Derivatives <sup>1</sup>	2,837	1,516	-	-	<b>4,353</b>
	<b>9,163</b>	<b>1,541</b>	-	-	<b>10,704</b>
<b>Financial Liabilities</b>					
Trade and other payables	(4,359)	(121)	-	-	<b>(4,480)</b>
Interest bearing loans and borrowings <sup>2</sup>	(58,896)	(373)	(2,408)	-	<b>(61,677)</b>
Derivatives <sup>1</sup>	(3,650)	(1,813)	-	-	<b>(5,463)</b>
Co-operative grower member shares	-	-	-	(447)	<b>(447)</b>
	<b>(66,905)</b>	<b>(2,307)</b>	<b>(2,408)</b>	<b>(447)</b>	<b>(72,067)</b>
<b>Net Exposure</b>	<b>(57,742)</b>	<b>(766)</b>	<b>(2,408)</b>	<b>(447)</b>	<b>(61,363)</b>
<b>Year ended 28 February 2015</b>	<b>≤6 Months \$'000</b>	<b>6-12 Months \$'000</b>	<b>1-5 Years \$'000</b>	<b>&gt;5 Years \$'000</b>	<b>Total \$'000</b>
<b>Consolidated</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	170	-	-	-	<b>170</b>
Trade and other receivables	5,335	25	-	-	<b>5,360</b>
Derivatives <sup>1</sup>	92	-	-	-	<b>92</b>
	<b>5,597</b>	<b>25</b>	-	-	<b>5,622</b>
<b>Financial Liabilities</b>					
Trade and other payables	(3,851)	(71)	-	-	<b>(3,922)</b>
Interest bearing loans and borrowings <sup>2</sup>	(1,932)	(283)	(56,749)	-	<b>(58,964)</b>
Derivatives <sup>1</sup>	(1,207)	(275)	-	-	<b>(1,482)</b>
Co-operative grower member shares	-	-	-	(447)	<b>(447)</b>
	<b>(6,990)</b>	<b>(629)</b>	<b>(56,749)</b>	<b>(447)</b>	<b>(64,815)</b>
<b>Net Exposure</b>	<b>(1,393)</b>	<b>(604)</b>	<b>(56,749)</b>	<b>(447)</b>	<b>(59,193)</b>

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<b>Year ended 29 February 2016</b>	<b>≤6 Months \$'000</b>	<b>6-12 Months \$'000</b>	<b>1-5 Years \$'000</b>	<b>&gt;5 Years \$'000</b>	<b>Total \$'000</b>
<b>Parent</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	1,785	-	-	-	<b>1,785</b>
Trade and other receivables	9,966	25	-	-	<b>9,991</b>
Derivatives <sup>1</sup>	4,352	-	-	-	<b>4,352</b>
	<b>16,103</b>	<b>25</b>	-	-	<b>16,128</b>
<b>Financial Liabilities</b>					
Trade and other payables	(4,358)	(17,853)	-	-	<b>(22,211)</b>
Interest bearing loans and borrowings <sup>2</sup>	(59,596)	(373)	(1,708)	(2,049)	<b>(63,726)</b>
Derivatives <sup>1</sup>	(3,650)	(1,813)	-	-	<b>(5,463)</b>
Co-operative grower member shares	-	-	-	(447)	<b>(447)</b>
	<b>(67,604)</b>	<b>(20,039)</b>	<b>(1,708)</b>	<b>(2,496)</b>	<b>(91,847)</b>
<b>Net Exposure</b>	<b>(51,501)</b>	<b>(20,014)</b>	<b>(1,708)</b>	<b>(2,496)</b>	<b>(75,719)</b>

<b>Year ended 28 February 2015</b>	<b>≤6 Months \$'000</b>	<b>6-12 Months \$'000</b>	<b>1-5 Years \$'000</b>	<b>&gt;5 Years \$'000</b>	<b>Total \$'000</b>
<b>Parent</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	165	-	-	-	<b>165</b>
Trade and other receivables	7,812	25	-	-	<b>7,837</b>
Derivatives <sup>1</sup>	92	-	-	-	<b>92</b>
	<b>8,069</b>	<b>25</b>	-	-	<b>8,094</b>
<b>Financial Liabilities</b>					
Trade and other payables	(3,847)	(14,233)	-	-	<b>(18,080)</b>
Interest bearing loans and borrowings <sup>2</sup>	(1,932)	(283)	(56,749)	(2,049)	<b>(61,013)</b>
Derivatives <sup>1</sup>	(1,207)	(275)	-	-	<b>(1,482)</b>
Co-operative grower member shares	-	-	-	(447)	<b>(447)</b>
	<b>(6,986)</b>	<b>(14,791)</b>	<b>(56,749)</b>	<b>(2,496)</b>	<b>(81,022)</b>
<b>Net Exposure</b>	<b>1,083</b>	<b>(14,766)</b>	<b>(56,749)</b>	<b>(2,496)</b>	<b>(72,928)</b>

<sup>1</sup> Derivatives reflect the actual cashflow and are net settled.

<sup>2</sup> 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 \$302,713 (2015: \$338,349) and for the 6-12 month period of \$nil (2015: nil).

Namoi Cotton's risk management policy in respect to funding and liquidity risk reflects actual and forecast seasonal borrowing requirements not exceeding 95% of the group's total approved banking facilities.

Namoi Cotton is unable at this time to provide guidance on individual components of liquidity for the financial year ended 29 February 2016 due to the cash flow components being contingent on forward crop commodity purchase and sale contracts.

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*Fair value*

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

**Level 1**

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

**Level 2**

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

**Level 3**

The fair value is estimated using inputs for the asset or liability that are not based on observable market data. Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps and foreign exchange contracts not traded on a recognised exchange.

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 unlisted debt securities are based on valuation techniques using market data that is not observable. The grower shares are issued and can be redeemed for a fixed amount of \$2.70 per share. Disclosures of movements in member shares are reconciled in note 18 of the financial accounts.

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 29 February 2016	Level 1 Quoted market prices \$'000	Level 2 Market observable inputs \$'000	Level 3 Non-market observable inputs \$'000	Total \$'000
<b>Consolidated</b>				
<b>Current assets</b>				
Foreign exchange contracts	-	22	-	22
Cotton seed sale contracts	-	4,330	-	4,330
	-	<b>4,352</b>	-	<b>4,352</b>
<b>Current liabilities</b>				
Interest rate swap contracts	-	(284)	-	(284)
Cotton seed purchase contracts	-	(5,179)	-	(5,179)
	-	<b>(5,463)</b>	-	<b>(5,463)</b>

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	Level 1 Quoted market prices \$'000	Level 2 Market observable inputs \$'000	Level 3 Non-market observable inputs \$'000	Total \$'000
--	---	---	---	-----------------

**Year ended 28 February 2015**

**Consolidated**

**Current assets**

Cotton seed purchase contracts	-	39	-	39
	-	39	-	39

**Current liabilities**

Foreign exchange contracts	-	(219)	-	(219)
Interest rate swap contracts	-	(513)	-	(513)
Cotton seed sale contracts	-	(697)	-	(697)
	-	(1,429)	-	(1,429)

	Level 1 Quoted market prices \$'000	Level 2 Market observable inputs \$'000	Level 3 Non-market observable inputs \$'000	Total \$'000
--	---	---	---	-----------------

**Year ended 29 February 2016**

**Parent**

**Current assets**

Foreign exchange contracts	-	22	-	22
Cotton seed sale contracts	-	4,330	-	4,330
	-	4,352	-	4,352

**Current liabilities**

Interest rate swap contracts	-	(284)	-	(284)
Cotton seed purchase contracts	-	(5,179)	-	(5,179)
	-	(5,463)	-	(5,463)

	Level 1 Quoted market prices \$'000	Level 2 Market observable inputs \$'000	Level 3 Non-market observable inputs \$'000	Total \$'000
--	---	---	---	-----------------

**Year ended 28 February 2015**

**Parent**

**Current assets**

Cotton seed purchase contracts	-	39	-	39
	-	39	-	39

**Current liabilities**

Foreign exchange contracts	-	(219)	-	(219)
Interest rate swap contracts	-	(513)	-	(513)
Cotton seed sale contracts	-	(697)	-	(697)
	-	(1,429)	-	(1,429)

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## 27. Other Non-Financial Information

Namoi Cotton Co-operative Limited

ABN 76 010 485 588

AFSL 267863

*Registered Office*

Pilliga Road

Wee Waa NSW 2388

*Principal place of business*

Pilliga Road

Wee Waa NSW 2388

Phone: 61 2 6790 3000

Facsimile: 61 2 6790 3087

*Share Register*

Computershare Investor Services Pty Ltd

GPO Box 7045

Sydney NSW 1115

Investor Inquiries: 1300 855 080

*Bankers*

Commonwealth Bank of Australia

*Auditors*

Ernst & Young

Brisbane, Australia

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# CORPORATE GOVERNANCE STATEMENT 2016

Namoi Cotton's corporate governance practices are outlined in this Corporate Governance Statement. In developing the governance framework for Namoi Cotton the Board has taken into account the Corporate Governance Principles and Recommendations ("Best Practice Recommendations") published by the ASX Corporate Governance Council ("ASX CGC"). Namoi Cotton believes that its corporate governance practices comply in all substantial respects with the Best Practice Recommendations released by the ASX CGC. However, where Namoi Cotton has not followed a recommendation, this has been identified along with reasons why it has not been followed. Copies of all of the Namoi Cotton Key Policies and Charters for Namoi Cotton and the Board and its current Board Committees referred to in the statement are available in the Corporate Governance section of Namoi Cotton's website at [www.namoicotton.com.au](http://www.namoicotton.com.au) (collectively such policies known as the "Corporate Governance Documents").

The 2016 Corporate Governance Statement is dated 21 June 2016 and covers the corporate governance practices and policies in place during the 2016 Financial Year. The 2016 Corporate Governance was approved by the Board on 21 June 2016.

The Board has established a number of sub Committees to assist the Board in discharging its responsibilities. The sub Committees review certain matters designated within its Charter and make recommendations to the Board. The Committees include:

- Audit and Compliance Committee;
- Marketing and Financial Risk Management Committee ("MFRM Committee"); and
- Nomination and Remuneration Committee.

The various Board Committees are governed by the relevant adopted Charter which sets out the Committee's purpose, responsibilities, role, membership, meeting process, Board reporting obligations and assessment of performance.

During the 2016 Financial Year the various Committees composition and attendance is set out in the Directors Report.



## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### **Recommendation 1.1 – Recognise and publish the respective roles of the Board and Management**

Fundamentally, the Board operates in accordance with the principles set out in the National Co-operatives Law, Namoi Cotton Rules and Board Charter. The Board of Directors for Namoi Cotton are responsible to its stakeholders, which includes Grower Members and Namoi Capital Stockholders. The Board's main responsibilities and reserved decision making parameters are set out in the Board Charter. The roles and responsibilities of the Board are defined in the Board Charter, Audit and Compliance Committee Charter, Marketing & Financial Risk Management Charter and the Nomination and Remuneration Committee Charter.

The Board has delegated the day to day management, operation and administration of Namoi Cotton to the Chief Executive Officer, Mr Jeremy Callachor who sub-delegates duties to various members of the Management team. The Chief Executive Officer has the authority to sub-delegate and is accountable to the Board. The Board is responsible for reviewing the performance of the Chief Executive Officer.

Namoi Cotton has written agreements with all Directors and Senior Executive setting out the key terms of such appointment.

### **Recommendation 1.2 – Undertake appropriate background checks on Directors and information to be given for election of directors**

The Board will undertake appropriate checks before appointing a person or putting forward a person for election as director. If Grower Members or Namoi Capital Stockholders are making a decision whether to elect or not to elect or re-elect the Board will provide the Grower Members and/or the Namoi Capital Stockholders with all the relevant information in its possession.

### **Recommendation 1.3 – A listed entity should have a written agreement with each Director and Senior Executive**

Namoi Cotton has written agreements with all Directors and Senior Executives setting out the key terms of such appointment. These documents in conjunction with Corporate Governance Documents and the Namoi Cotton delegation matrix outline the responsibilities and duties.

### **Recommendation 1.4 – The Company Secretary accountable to the Board, through the Chair, on matters with proper functioning of the Board**

The Company Secretary has access to all Board members. The role of the Company Secretary is outlined in the Board Charter. The Company Secretary does assist and advise the Board on governance and compliance from time to time.

### **Recommendation 1.5 – The listed entity should have a diversity policy with set parameters**

Namoi Cotton has a diversity and inclusive strategy. Diversity within Namoi Cotton is created by an inclusive working environment. Namoi Cotton has a publicly released Diversity Policy on its website which promotes gender, cultural and leadership diversity.

The intention is to achieve the objectives over time as employment positions become available.

Namoi Cotton's Workplace Gender Equality Act public report for 2015 is available on its website.

Namoi Cotton at the time of this report has 20% of women employed on a full time basis across all sites and locations. Namoi Cotton does not currently have any women in senior executive positions or on its Board. However Namoi Cotton is committed to a diversity strategy aimed to promote the appointment of qualified, experienced and diverse Directors, Management and Employees in order to achieve Namoi Cotton's objectives on diversity. The Namoi Cotton Diversity Policy also sets out measurable objectives.

In respect of the diversity strategy the Board and Management will:

- promote diversity in the Namoi Cotton workplace;
- support equal opportunity in the recruitment, selection and promotion of employees from different backgrounds, knowledge, gender and experience. The Namoi Cotton recruitment process is structured to provide equality in recruitment and unbiased selection and promotion decisions;
- reward excellence on agreed goals to remove bias and promote equality; and
- identify and implement initiatives that encourage development of careers and enhance skills.

The Namoi Cotton existing diversity policies include the recruitment policy, paid parental leave, carer's leave, flexible work arrangements and mentoring programs. The Board in consultation with the Nomination and Remuneration Committee will set measurable objectives for achieving diversity, in particular gender diversity.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Measurable diversity metrics may include:

- representation of roles by age and gender for Management and Board levels;
- gender salary comparison in same role and same level positions;
- gender representation in talent and succession planning; and
- setting diversity targets.

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- representation of roles by age and gender for Management and Board levels;
- gender salary comparison in same role and same level positions;
- gender representation in talent and succession planning; and
- setting diversity targets.

Namoi Cotton at present have the following Diversity Measurable Objectives:

1. Ensure employees are selected from a diverse pool. Candidates to be interviewed with equality and unbiased – Completed - Ongoing
2. Provide flexible work practices where possible and as required – Completed - Ongoing
3. Increase improve women in Management and Board positions – one senior executive by February 2019, as Namoi Cotton is a small group and comprises of long term employees this objective will be assessed against position criteria and applicant qualifications
4. Have current second line female Management employees participate in a formal mentoring program – February 2018

### **Recommendation 1.6 – Board Performance and Evaluation**

The Board conducts annual evaluations of its performance and the performance of its Committees. The process of performance review enables the Board to identify areas for improvement. The Board performance evaluation, amongst other things, is based on Namoi Cotton's performance against long term objectives, the business plan and budgeted performance. An internal performance evaluation for the Board and its Committees has taken place in the reporting period in accordance with the process disclosed.

### **Recommendation 1.7 – Management Performance and Evaluation**

Namoi Cotton's Corporate Governance Documents details the procedures for performance review and evaluation. Senior Management are evaluated against individual performance and business measures on an ongoing basis.

### **Recommendation 2.1 – The Board should have a Nomination and Remuneration Committee**

Namoi Cotton has established a Nomination and Remuneration Committee to assist the Board in reviewing Namoi Cotton's succession planning, remuneration policies and practices. The Board has adopted a Charter for the Nomination and Remuneration Committee which sets out the Committees responsibilities, structure, access to resources and information, meeting processes and performance evaluation. In addition the Board has adopted a Remuneration Policy which is available on the Namoi Cotton website.

The Nomination and Remuneration Committee conducts an annual assessment of the performance of the Board, Committees, the Directors, the Chief Executive Officer and Senior Management. It is the Board's responsibility to ensure that Namoi Cotton has the appropriate remuneration policies in place, which are designed to meet the needs of Namoi Cotton and enhance corporate and individual performance.

The primary function of the Nomination and Remuneration Committee is to assist the Board in fulfilling its corporate governance responsibilities that:

- executive remuneration and incentive policies take into account market practices and trends;
- remuneration packages for the Chief Executive Officer and Management are fair and reasonable;
- incentive schemes align with the interest of Namoi Cotton performance;
- the remuneration framework for Directors is fair and reasonable; and
- ensure appropriate succession planning and retention is taking place for Namoi Cotton.

Namoi Cotton may pay retirement benefits to directors from time to time in accordance with Namoi Cotton Rules and the Co-operatives Act.

It meets at least six monthly and comprises of four independent directors and an independent chairperson. The qualifications of members of the Committee are set out in the Directors Report and Annual Report for 2016 and attendance at meetings is included in the Directors Report.

**Recommendation 2.2, 2.3, 2.4, 2.5 and 2.6  
- Board skills matrix, Board Independence,  
Majority of Board being Independent, the  
Chairperson being Independent and Inducting  
New Directors and provide professional  
development opportunities**

**Composition of the Board**

The Board is to be comprised of individuals with an appropriate mix of skills, knowledge, qualifications and experience. The Namoi Cotton Rules provide that the Board may comprise a maximum of seven (7) Directors and a minimum of five (5) Directors. The Namoi Cotton Rules provide that the Board may include two but not more than three Non Grower Directors, with the balance to be made up of Grower Directors, with the overriding requirement that at all times the majority of Directors must be Grower Directors. The composition of the Board is reviewed annually by the Board, to ensure it meets the requirements of the Namoi Cotton Rules and the National Co-operatives Law. The qualifications and experience of each Director is set out in the Directors Report. With the Board composition requirements of the Namoi Cotton Rules, Namoi Cotton aims to achieve a mix of industry, finance, governance, trading, risk management, compliance, IT and strategy experience.

**Independence**

The Board supports the principle that a majority of the Board should be independent. When determining the independent status of a Director, the Board considers whether the Director:

- is a substantial shareholder of Namoi Cotton or an officer of, or otherwise associated directly with, a substantial shareholder of Namoi Cotton;
- is employed, or has previously been employed in an executive capacity by Namoi Cotton or another member of the Namoi Cotton group, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to Namoi Cotton or another member of the Namoi Cotton group, or an employee materially associated with the service provided;
- is a material supplier or customer of Namoi Cotton or another member of the Namoi Cotton group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has a material contractual relationship with Namoi Cotton or another member of the Namoi Cotton group other than as a director.

The Board, when assessing materiality, takes a qualitative approach rather than setting quantitative thresholds. In accordance with the Namoi Cotton policies a relationship will be assessed as "material" in context of the nature, circumstance and activities of Namoi Cotton and in context of the Director's activities or its affiliates' activities.

The Board recognises the need to have a majority of

independent Directors but also recognises that Board members must add value in context of Namoi Cotton's business. The Board recognises the need for the Board to comprise Directors that have a strong understanding of the Namoi Cotton business, cotton industry and co-operative principles, however with the ability to bring independent views and judgement to Board decision making and deliberations.

As a co-operative the Board must have Grower Directors who are required to have business relationships with Namoi Cotton for the ginning and marketing of cotton and related commodities. Additionally the Grower directors do have skills, knowledge, qualifications and experience necessary to the proper functioning of the Board.

Each of Mr Boydell, Mr Coulton, Mr Watson and Mr Price, as Grower Directors, are cotton producers and sell cotton to Namoi Cotton and use Namoi Cotton's ginning services. The Board regularly assesses whether or not the nature and extent of those transactions would cause these Directors not to be independent. The Board is satisfied each of these Directors are independent as the nature and magnitude of their dealings with Namoi Cotton do not cause the Board to consider that the relationship could materially interfere with the independent exercise of their judgment.

Mr Green is Chief Executive Officer of Louis Dreyfus Company Australia Pty Limited, a related entity of Namoi Cotton's joint venture partner in Namoi Cotton Alliance and which also holds 13% of Namoi Capital Stock. The Board considers that Mr Green's experience with the Louis Dreyfus Group and business expertise in a range of soft commodity products will be invaluable to Namoi Cotton in advancing its business activities. Having considered Mr Green's relationship with the Louis Dreyfus Group and the principle of independence referred to above, the Board does not consider Mr Green to be an independent Director having regard to the significance of Namoi Cotton's relationship with the Louis Dreyfus Group. However the Board is confident that Mr Green will be able to exercise an independent judgment on all Board decisions. The appointment of Mr Robert Green as a Director of Namoi Cotton is an integral part of the overall arrangements between Louis Dreyfus and Namoi Cotton which the Board believes will continue to be of significant benefit to Namoi Cotton. Since the appointment of Mr Robert Green as a Director of Namoi Cotton the Board considers that Mr Robert Green has shown independent judgment on all Board decisions.

**Chairperson**

The Board Charter provides that the Chairperson is to be appointed by the Board and must be a Non-Executive Grower Director. Mr Stuart Boydell is the Chairman, he is a Non-Executive Grower Director and has been determined by the Board as independent.

**Director Induction**

Namoi Cotton has a program and process to induct new Directors. New Directors and existing Directors are offered to undertake professional development opportunities and training internally and externally. Each Director may take independent legal advice at the expense of Namoi Cotton in accordance with the Corporate Governance Documents.

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

### Recommendation 3.1 – Listed entity should have a code of conduct and securities trading policy

#### Code of Conduct

The Board has established a Code of Conduct, which guides and applies to the Directors, the Chief Executive Officer, Management, employees and third parties dealing with Namoi Cotton. The Code of Conduct is to guide the practices necessary to maintain confidence in Namoi Cotton's integrity and ethical practice. The Board is committed to ensuring that all business affairs of Namoi Cotton must be conducted legally, ethically, honestly and with integrity. The Code of Conduct is available on the Namoi Cotton website. The Code of Conduct addresses Namoi Cotton's position on ethical conduct requirements, compliance with laws, privacy, safety, conflicts of interest, gifts and gratuities. The Board of Namoi Cotton has adopted the Code of Conduct which sets out the conduct and behaviour expected for employees, consultants, contractors and business partners of Namoi Cotton.

#### Share Trading Policy

The Board has adopted a Namoi Capital Stock Trading Policy, which regulates dealing in Namoi Cotton Securities by Key Management Personnel (including Directors) and employees. Directors, Management and employees must comply with the Namoi Capital Stock Trading Policy. Key Management Personnel, employees and other persons must not deal in Namoi Cotton Securities if they are in possession of unpublished information that, if generally available, might affect the price of Namoi Cotton Securities. Under the Namoi Capital Stock Trading Policy Key Management Personnel and employees must not buy, sell or subscribe for Namoi Capital Stock except during permitted periods. Key Management Personnel and employees may only trade in Namoi Capital Stock in accordance with the Namoi Capital Stock Trading Policy. The Namoi Capital Stock Trading Policy is available on the Namoi Cotton website.

The Namoi Capital Stock Trading Policy provides:

The Directors, Key Management Personnel, Employees and Related Parties may only deal in Namoi Capital Stock during the following periods:

- 30 Business Days commencing 48 hours after the date the full year financial results for Namoi Cotton are received and announced to the general market by the ASX;
- 30 Business Days commencing 48 hours after the date the half year financial results are received and announced to the general market by the ASX;
- 30 Business Days commencing 48 hours after the close of the Annual General Meeting of Namoi Cotton; and
- at any other time for a specified period determined by the Board of Namoi Cotton.

Prior to any Director or Key Management Personnel dealing in Namoi Capital Stock or options or other securities for Namoi Cotton, they must advise the relevant Notification Officer (Company Secretary or as otherwise listed).

The Director or Key Management Personnel proposing to deal in Namoi Capital Stock (or enter into an agreement to do so) must first complete and forward to the Company Secretary the notification form to deal. If a Director or Key Management Personnel deal in Namoi Capital Stock, then the individual must notify the Company Secretary the details for the deal which includes:

- the number of Namoi Capital Stock for the trade; and
- the unit price paid or received for the Namoi Capital Stock.

A breach of the Namoi Capital Stock Trading Policy will be regarded by Namoi Cotton as serious misconduct which may lead to disciplinary action and/or dismissal.

#### Whistleblower Policy

Namoi Cotton has adopted a Whistleblowing Policy, under its Whistleblowing Policy Namoi Cotton encourages all Employees to report to the Whistleblower Protection Officer, misconduct and unethical behaviour in relation to Namoi Cotton. Such reports can be made by anonymous reporting to allay fear of retribution. The Namoi Cotton Whistleblower Policy is available on the Namoi Cotton website.

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

**Recommendation 4.1, 4.2 and 4.3 – Listed entity should have an Audit Committee, CEO and CFO declarations and Auditors available at the AGM to answer questions**

### Audit and Compliance Committee

The Board has established an Audit and Compliance Committee which is governed by the Audit and Compliance Committee Charter. The Charter for the Audit and Compliance Committee sets out its authority, objectives, structure, responsibilities, membership, meeting protocols, access to company personnel and information, reporting requirements and performance evaluation.

The Committee's Charter provides that the Committee be structured to have at least three (3) members and that at least one (1) member has financial expertise. The Committee Chairperson, Mr Richard Anderson and Committee members Mr Michael Boyce and Mr Robert Green have previously held senior executive accounting roles. Details of member qualifications can be found in the Directors Report and Annual Report.

The Audit and Compliance Committee is to assist the Board on:

- the systems of control which Management have established effectively safeguard the assets of Namoi Cotton;
- the accounting records are properly maintained in accordance with statutory requirements;
- financial information provided to the Board, shareholders, potential investors and to the public is relevant and reliable and to review, assess and approve the annual report and make the appropriate recommendations to the Board ;
- the full-year and half-year audits are conducted appropriately;
- the accounting policies and practices adopted by Namoi Cotton are appropriate, up-to-date and relevant;

- make appropriate recommendations to the Board as to whether the financial statements should be approved;
- review and discuss with the External Auditors any relationship that may impact on the auditors objectivity and independence;
- review and approve the level of non-audit services provided by the External Auditor and ensure it does not impact the independence of the External Auditor;
- review and monitor related party transactions; and
- review the External Auditors performance.

The Audit and Compliance Committee receives updates from the Chief Executive Officer, Chief Financial Officer, Management and the External Auditor. The Committee meets with the External Auditor at least three times a year. Ernst and Young was appointed as the External Auditor for Namoi Cotton for the Financial Year ending 29th February 2016.

In accordance with the Corporations Act 2001, the lead audit partner and the review partner of the external auditor will be rotated every five years. The external auditor as previously is invited to the Namoi Cotton Annual General Meeting to be available to answer questions from Namoi Stockholders and Grower Members.

Prior to approving Namoi Cotton's financial statements for FY2016 (29 February 2016) the Board received from the CEO and CFO a declaration in their opinion, the financial records of the entity have been properly maintained and the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Namoi Cotton, and that the opinion has been formed on the basis of a sound system of risk management and control which is operating effectively.

The Auditors independence declaration forms part of the Director's Report.

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## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

### Recommendation 5.1 – Make timely exposure and set policies to meet ASX Listing Rule Disclosure

The Board respects the rights of its Grower Members and Namoi Capital Stockholders to receive effective communications, having access to balanced and up to date information about Namoi Cotton. The Company Secretary has been nominated as the person responsible for communication with the ASX. The Board, with a Disclosure Committee, authorises all disclosures necessary to ensure compliance with the ASX Listing Rules. Namoi Cotton has a Disclosure and Communications Policy which is available on the Namoi Cotton website. The Board is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. Namoi Cotton's Disclosure and Communications Policy has been adopted to ensure:

- the timely release of accurate information to all Grower Members, Namoi Capital Stockholders and market participants regarding Namoi Cotton including its financial performance, strategy and material activities; and

- the Grower Members and Namoi Capital Stockholders have equal access to the information issued by Namoi Cotton and it is disseminated fairly, is cost efficient to access and is delivered in a timely manner.

Namoi Cotton's website contains copies of ASX releases covering such publications as market updates, annual and half yearly financial statements and material business updates. Significant ASX announcements are to be approved by the Board.

The Namoi Cotton Disclosure and Communications Policy is to establish guidelines to facilitate compliance with the ASX Listing Rules by:

- identifying the requirements and types of information subject to disclosure under the ASX Listing Rules;
- providing quantitative and qualitative materiality guidance on whether information should be considered material;
- guidance on whether information is subject to the ASX Listing Rules Confidentiality Exception; and
- establishing procedures and processes for evaluating whether information is market sensitive which may require disclosure.

## PRINCIPLE 6: RESPECT THE RIGHTS OF GROWER MEMBERS AND NAMOI CAPITAL STOCKHOLDERS

### Recommendation 6.1, 6.2, 6.3 and 6.4 – Respect rights of security holders

The Board and Management are committed to Grower Members and Namoi Capital Stockholders are informed and kept up to date with Namoi Cotton's activities. All information disclosed to the ASX is posted to Namoi Cotton's website [www.namoicotton.com.au](http://www.namoicotton.com.au) after it is disclosed to the ASX. A copy of Namoi Cotton's Annual Report is issued to Grower Members and Namoi Capital Stockholders who have requested one. The financial and annual reports for the past five years for Namoi Cotton are archived and available on the Namoi Cotton website.

Namoi Cotton has established a Disclosure and Communication Policy which is available on the Namoi Cotton website. The Disclosure and Communication Policy requires communication with Grower Members and Namoi Capital Stockholders in an open, balanced, timely manner in order for market participants to make informed decisions on Namoi Cotton. The Board is committed to improving Grower Member and Namoi Capital Stockholder communication practices with technological developments and regulatory changes.

The Board is committed to enabling Grower Members and Namoi Capital Stockholders to effectively participate in general meetings by:

- Namoi Cotton adopting in all substantial respects ASX Corporate Governance Principles and Guidelines for improving stakeholder communication and participation; and
- attendance of its external auditors at the Annual General Meeting to answer questions about the Namoi Cotton audit and contents of the Auditor's Report.

Notice of Meetings are provided to Grower Members and Namoi Capital Stockholders and posted on the Namoi Cotton website, both classes of stakeholders are encouraged to attend the Annual General Meeting.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

### **Recommendation 7.1. 7.2 and 7.3 – Risk Management Committee, Review of Risk Management Framework and Internal Audit Function**

The Board has established a Marketing and Financial Risk Management Committee (MFRM Committee). The MFRM Committee has adopted a Charter which sets out its role, responsibilities, access to management and information protocols, meeting processes and performance evaluation. The general function of the Committee is to review the risk management policies and framework for Namoi Cotton and make recommendations to the Board.

At Namoi Cotton risk management is a continuous and ongoing process. The Chief Executive Officer and Chief Financial Officer provide written statements on the financial accounts to the Board that:

- the integrity of Namoi Cotton’s financial statements are prepared on the basis that there are appropriate internal controls and that there is sufficient compliance with their controls to ensure no material misstatement of Namoi Cotton’s affairs and financial position; and
- Namoi Cotton’s risk management and control systems are operating effectively in all material aspects.

Namoi Cotton’s management has reported to the Board as to the effectiveness of Namoi Cotton’s management of its material business risks.

The CEO and CFO have given the Board their declaration in accordance with section 295A of the Corporations Act 2001. The CEO and CFO have confirmed that the declarations are founded on a sound system of risk management and internal control and also that the system is operating effectively in all material respects in relation to financial risks.

Namoi Cotton has established policies for the management and governance of material business risks for Namoi Cotton. The risk management framework for Namoi Cotton covers:

- financial risk – risks associated with financial outcomes. These risks include market risk, credit risk, liquidity risk;
- operational risk – risks associated with normal operations. These risks include project management, systems, fraud and day to day running risks; and
- regulatory and compliance risk – failure to comply with legislative requirements corporate and operational.

Namoi Cotton recognises the importance of the environment and occupational health and safety issues and is committed to advancements of safety systems, protective equipment and capital expenditure to mitigate environmental, occupational health and safety risks.

Broadly the MFRM Committee is responsible for:

- reviewing and monitoring the policies and limits in the risk management policy;
- reviewing and monitoring the procedures adopted for treasury functions;
- reviewing and monitoring hedging strategies adopted by Namoi Cotton;
- receiving external reports relating to risk management activities.

The Namoi Cotton Alliance joint venture (in which Namoi Cotton is a substantial 51% shareholder), has the potential exposure to a number of market and financial risks associated primarily with its cotton lint marketing business, which may include movements in commodity and currency markets. The MFRM Committee and the Namoi Cotton Board regularly receives reporting on the risk positions held by Namoi Cotton Alliance. The MFRM Committee will review and monitor these risk positions and provide guidance on these matters to the Namoi Cotton Board. The Namoi Cotton Alliance business comprises a Joint Venture Committee and Risk Management Committee to monitor that, Namoi Cotton Alliance Management is complying with the comprehensive Namoi Cotton Alliance Risk Management Policy. The risks governed by the Namoi Cotton Alliance Risk Management Policy includes cotton price risk, cotton basis risk, cotton futures spread risk, foreign exchange risk, interest rate risk, credit risk, cotton grade risk and funding and liquidity risks. The Namoi Cotton Alliance Risk Management Committee and Namoi Cotton Alliance Joint Venture Committee, along with Namoi Cotton Co-operative Ltd (indirectly) monitor compliance with the Namoi Cotton Alliance Risk Management Policy from time to time to ensure risks are managed within the appropriate risk parameters.

The MFRM Committee, Management and the Board reviews Namoi Cotton's risk management framework annually to satisfy itself the framework continues to be sound.

Namoi Cotton does not have an internal audit function. The Board considers that due to the size of Namoi Cotton such function would not be cost effective. However certain employee task segregation for example back office and front office treasury and payment functions. The Board may engage an independent third party to undertake an internal audit if necessary at any time.

**Recommendation 7.4 – Should disclose whether it has material exposure to economic, environmental and social sustainability risks and if so how such risks are intended to be managed**

Namoi Cotton is committed to identifying and managing economic, environment, and social sustainability risks which may create material exposure for Namoi Cotton in the short, medium and long term.

Economic Sustainability risks for Namoi Cotton are financial management, maintaining market share, retaining existing ginning clients and obtaining new ginning clients, managing and trading the cotton seed business prudently. In addition a major economic risk is the performance and distribution pursuant to the Namoi Cotton Alliance Joint Venture. Namoi Cotton Alliance key economic risks are supply and demand risks which can be impacted by cotton futures and foreign exchange trading conditions, overseas demand and regulatory conditions.

Namoi Cotton and Namoi Cotton Alliance have risk management policies ("RMP's") which considers and provides limits for economic risk exposures. The Board exercise economic risk management by fiscal control on capital projects and approval of budgets.

Namoi Cotton manages risks in relation to environmental sustainability include spills at gin sites, air and noise pollution or EPA license breaches. Namoi Cotton during 2014 and 2015 conducted independent environmental risk assessments for each ginning site.

Internally Namoi Cotton on an annual basis conducts environmental audits. Namoi Cotton does not believe it has any material exposure to such environmental risks.

Namoi Cotton is primarily based in regional locations, the sustainability of these communities is important to Namoi Cotton. When possible Namoi Cotton supports local communities and organisations. Namoi Cotton has various charity events in which it supports local regional schools, clubs, hospitals and emergency services.



## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Namoi Cotton is committed to ensuring that remuneration packages for Directors and Management are fair and reasonable. Namoi Cotton has established a Nomination and Remuneration Committee to assist the Board in reviewing Namoi Cotton remuneration policies and practices. The Board has adopted a Charter for the Nomination and Remuneration Committee which sets out the Committees responsibilities, structure, access to resources and information, meeting processes and performance evaluation. In addition the Board has adopted a Remuneration Policy which is available on the Namoi Cotton website.

The Nomination and Remuneration Committee conducts an annual assessment of the performance of the Board, Committees, the Directors, the Chief Executive Officer and Senior Management. It is the Board's responsibility to ensure that Namoi Cotton has the appropriate remuneration policies in place, which are designed to meet the needs of Namoi Cotton and enhance corporate and individual performance.

The primary function of the Nomination and Remuneration Committee is to assist the Board in fulfilling its corporate governance responsibilities that:

- executive remuneration and incentive policies take into account market practices and trends;

- remuneration packages for the Chief Executive Officer and Management are fair and reasonable;
- incentive schemes align with the interest of Namoi Cotton performance;
- the remuneration framework for Directors is fair and reasonable; and
- ensure appropriate succession planning and retention is taking place for Namoi Cotton.

Namoi Cotton may pay retirement benefits to directors from time to time in accordance with Namoi Cotton Rules and the Co-operatives Act.

The Directors Remuneration is subject to annual approval by Namoi Capital Stockholders for Non-Grower Directors and then by the Grower Members and Grower Directors Remuneration is subject to annual approval by Grower Members.

Senior Executive remuneration for any increase is reviewed on an annual basis. To assist in Director or Senior Executive remuneration reviews the Board may seek bench marking from external advisers.

## ASX ADDITIONAL INFORMATION FOR THE YEAR ENDED 29 FEBRUARY 2016

Additional information required by the Australian Stock Exchange. This information is current as at 1 June 2016.

### DISTRIBUTION OF NAMOI CAPITAL STOCKHOLDERS

	Number of holders	Number of Namoi Capital Stock	%
1 - 1,000	150	72,401	0.07
1,001 - 5,000	537	1,618,586	1.47
5,001 - 10,000	282	2,267,413	2.06
10,001 - 100,000	503	17,008,649	15.48
100,001 and over	136	88,876,230	80.91
<b>Total</b>	<b>1,608</b>	<b>109,843,279</b>	<b>100.00</b>

### TOP 20 NAMOI CAPITAL STOCKHOLDERS

Rank	Name	Number of Namoi Capital Stock	% held
1	LOUIS DREYFUS COMPANY ASIA PTE LTD	14,327,384	13.04
2	AUSTRALIAN RURAL CAPITAL LIMITED	11,857,249	10.79
3	NATIONAL NOMINEES LIMITED	8,663,981	7.89
4	CITICORP NOMINEES PTY LIMITED	5,872,764	5.35
5	JVH COTTON PTY LIMITED	4,110,353	3.74
6	BRAZIL FARMING PTY LTD	2,279,803	2.08
7	MR ROSS ALEXANDER MACPHERSON	1,250,000	1.14
8	GRANTULLY INVESTMENTS PTY LIMITED	1,139,000	1.04
9	MRS FRANCES CLAIRE FOX <THOMAS J BERESFORD WILL A/C>	1,009,386	0.92
10	BELFORT INVESTMENT ADVISORS LIMITED	840,929	0.77
11	BRUCE CLYDE BAILEY + JANET BEATRICE SHAFIK BAILEY	820,122	0.75
12	DUDDY MANAGEMENT PTY LTD	809,720	0.74
13	AVENUE 8 PTY LIMITED <GAN SUPER FUND A/C>	800,000	0.73
14	MR PETER SINCLAIR GURNER <GIT A/C>	790,041	0.72
15	BOYCE FAMILY SUPERANNUATION FUND PTY LIMITED <BOYCE FAMILY S/F A/C>	775,272	0.71
16	GIBBS FAMILY SUPER PTY LTD <MICHAEL GIBBS FAMILY S/F A/C>	740,291	0.67
17	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	718,450	0.65
18	MR FRANKLIN C HADLEY	642,605	0.59
19	MR ALBERT JOHN PANIZZA + MS KIM DIANNA BROADFOOT <ALKIRA SUPER FUND A/C>	630,504	0.57
20	MR BRUCE CLYDE BAILEY	604,485	0.55
<b>Total</b>		<b>58,682,339</b>	<b>53.42</b>

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## RESTRICTED SECURITIES

### Namoi Cotton Employee Incentive Plan

The Board of Namoi Cotton suspended the Namoi Cotton Employee Incentive Plan indefinitely from 28 August 2004. Namoi Capital Stock previously issued under the Plan is subject to a three year restriction period from the date of allotment (or until the interest free loan provided under the Plan to acquire the Namoi Capital Stock has been repaid in full.) The following Namoi Capital Stock was allotted pursuant to offers made under Employee Incentive Plan and quoted on the ASX.

No. of Namoi Capital Stock allotted and issued	Issue Price - \$	Allotment Date	End of restriction date*
141,000	0.8000	31 March 1998	31 March 2001
151,000	0.7500	31 December 1998	31 January 2001
140,000	0.6700	31 January 2000	31 January 2003
99,500	0.5024	6 December 2000	6 December 2003
104,000	0.3700	19 June 2001	19 June 2004
69,000	0.2213	13 December 2001	13 December 2004
55,000	0.2480	12 June 2002	12 June 2005
50,000	0.2150	4 December 2002	4 December 2005
34,000	0.2906	29 May 2003	29 May 2006
57,000	0.3895	18 June 2004	18 June 2007
<b>TOTAL 900,500</b>			

\*The Namoi Capital Stock remains restricted after this time if the interest free loan has not been repaid in full.

## THE ANNUAL GENERAL MEETING

Namoi Cotton's Annual General Meeting will be held at the Town and Country Club, 7 Frome Street, Moree, NSW on Tuesday, 26 July 2016 at 10.30am.

## NAMOI CAPITAL STOCKHOLDERS MEETING

A meeting of Namoi Capital Stockholders will be held at the Town and Country Club, 7 Frome Street, Moree, NSW on Tuesday, 26 July 2016 at 10.30am in conjunction with the Annual General Meeting.

## DISTRIBUTION

No final distribution will be paid to Namoi Capital Stockholders for the year ended 29 February 2016.

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## OTHER SHAREHOLDER INFORMATION

### Distribution - lodge your tax file number (TFN), Australian Business Number (ABN) or exemption

You are strongly recommended to lodge your TFN, ABN or exemption with our Share Registry. If you choose not to provide these details to the Share Registry, then we are required to deduct tax at the highest marginal tax rate (plus the Medicare levy) from any distribution payment. To lodge your details, you should contact our Share Registry or download a form from the Computershare website at [www.computershare.com.au](http://www.computershare.com.au) (under investors/investorservices/downloadableforms).

### Change of Address

Changes of address of shareholders or other key details should be notified to the Share Registry in writing without delay. Change of address and other forms can be downloaded from the Computershare website at [www.computershare.com.au](http://www.computershare.com.au) (under investors/investorservices/downloadableforms). Shareholdings, which are broker sponsored on the CHESS sub-register, should contact their broker without delay.

### Distribution Payments

Dividend and distribution payments can be credited directly into any nominated bank, building society or credit union account in Australia. To request this service, you should contact our Share Registry or download a form from the Computershare website at [www.computershare.com.au](http://www.computershare.com.au) (under investors/investorservices/downloadableforms).

## MAJOR ASX ANNOUNCEMENTS FOR 2015 - 2016

Date	ASX Releases
27/04/2016	ASX Release FY2016
27/04/2016	Preliminary Report
27/12/2015	Corporate Advisor Appointment
19/11/2015	Change in substantial holding
27/10/2015	Half Year Results Namoi Cotton Media Release
27/10/2015	Half Yearly Report and Accounts
28/07/2015	Results of Meeting
28/07/2015	Chairman's and CEO Address to Shareholders
24/06/2015	Notice of Annual General Meeting/Proxy Form
24/06/2015	Annual Report to shareholders
05/06/2015	North Bourke Gin Acquisition
26/05/2015	Change of Director's Interest Notice

## DIRECTORY

### OFFICES

#### Wee Waa (Head Office)

Pilliga Road  
Wee Waa NSW 2388  
Telephone: 02 6790 3000  
Fax: 02 6790 3087

#### Goondiwindi

139 Marshall St  
Goondiwindi QLD 4390  
Telephone: 07 4671 6900  
Fax: 07 4671 6999

#### Moree

49 Greenbah Rd  
Moree NSW 2400  
Telephone: 02 6752 5599  
Fax: 02 6752 5357

#### Trangie

Trangie Gin  
Old Warren Road  
Trangie NSW 2823  
Telephone: 02 6888 9611  
Fax: 02 6888 9678

#### Toowoomba (Corporate Office)

1B Kitchener St  
Toowoomba QLD 4350  
Telephone: 07 4631 6100  
Fax: 07 4631 6184

### GINS

#### Ashley Cotton Gin

Mungindi Road  
Ashley NSW 2400  
Telephone: 02 6754 2150

#### Boggabri Cotton Gin

Blairmore Road  
Boggabri NSW 2382  
Telephone: 02 6743 4084

#### Hillston Cotton Gin

Roto Road  
Hillston NSW 2675  
Telephone: 02 6967 2951

#### Macintyre Cotton Gin

Kildonan Road  
Goondiwindi QLD 4390  
Telephone: 07 4671 2277

#### Merah North Cotton Gin

Middle Route  
Merah North NSW 2385  
Telephone: 02 6795 5124

#### Mungindi Cotton Gin

Boomi Road  
Mungindi NSW 2406  
Telephone: 02 6753 2145

#### North Bourke Cotton Gin

Wanaaring Road  
North Bourke NSW 2840  
Telephone: 02 6872 1453

#### Trangie Cotton Gin

Old Warren Road  
Trangie NSW 2823  
Telephone: 02 6888 9729

#### Yarraman Cotton Gin

Burren Road  
Wee Waa NSW 2388  
Telephone: 02 6795 5196

### NAMOI COTTON ALLIANCE JOINT VENTURE

#### Macintyre Warehouse

Kildonan Road  
Goondiwindi QLD 4390  
Telephone: 07 4671 1449

#### Warren Warehouse

Red Hill, Warren NSW 2824  
Telephone: 02 6847 3746

#### Wee Waa Warehouse

Pilliga Road  
Wee Waa NSW 2388  
Telephone: 02 6790 3139

#### Jakarta, Indonesia

Jakarta Representative Office  
Gedung Manggala Wanabakti  
Blok IV, Lantai 5, Ruang no. 511 B  
Jln. Gatot Subroto, Senayan  
Jakarta 10270  
Indonesia  
Telephone: 62 21 5790 2977  
Fax: 62 21 5790 2945

### JOINT VENTURE GINS

#### Moomin Cotton Gin

Moomin Ginning Co (Namoi Cotton/Harris  
Parties Joint Venture)  
Merrywinebone  
Via Rowena NSW 2387  
Telephone: 02 6796 5102

#### Wathagar Cotton Gin

Wathagar Ginning Co (Namoi Cotton/  
Sundown Pastoral Co Pty Ltd)  
Collarenebri Road  
Moree NSW 2400  
Telephone: 02 6752 5200

### CLASSING ROOMS

#### Australian Classing Services

(Namoi Cotton/Twynam Agricultural Group  
Joint Venture)  
Pilliga Road  
Wee Waa NSW 2388  
Telephone: 02 6790 3053  
Fax: 02 6790 3030

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## REGISTERED OFFICE

### Registered Office

Namoi Cotton Co-operative Ltd  
ABN 76 010 485 588  
AFSL 267863  
Pilliga Road  
Wee Waa NSW 2388  
Australia  
Telephone: 61 2 6790 3000  
Facsimile: 61 2 6790 3087  
[www.namoicotton.com.au](http://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

### Auditors

Ernst & Young

### Key Bankers

Commonwealth Bank of Australia

### Annual General Meeting and Meeting of Namoi Capital Stockholders

26 July 2016 at 10.30am at the Moree Town and Country Club at 7 Frome Street, Moree, NSW.

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