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NAMOI
5337
COTTON
AUSTRALIA

2017

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 2017 FINANCIAL YEAR IN REVIEW

FY2017 SUMMARY

Financial Summary	FY2017 (\$,000)	FY2016 (\$,000)
Revenue from continuing operations	355,344	279,713
EBITDA ¹	8,855	(1,877)
EBIT ²	2,649	(8,048)
Income Tax Benefit/(Expense)	245	3,140
Net profit/(loss) after tax	283	(7,558)
Earnings per Namoi Capital Stock	0.3 cents	(6.9) cents
Distribution per Namoi Capital Stock (unfranked)	Nil	Nil
Rebate payable to Grower Members	Nil	Nil
Total assets	210,713	199,852
Interest bearing debt	59,920	60,679
Term (core) debt	47,481	47,481
Stakeholders equity	123,828	123,545
Net tangible assets per Namoi Capital Stock	113 cents	112 cents
Capital expenditure ³	5,267	6,093

¹EBITDA defined as earnings before interest, tax, depreciation and amortisation.

²EBIT defined as earnings before interest and tax.

Both of the above terms are non IFRS financial information.

³Includes \$821k (FY2017) and \$418k (FY2016) acquisitions by means of finance leases.

COTTON PRODUCTION

	2017 Season Forecast ⁽¹⁾ Production	2016 Season Actual ⁽²⁾ Production
Region	Bales	Bales
NSW		
Upper Namoi	233,500	239,030
Lower Namoi	429,000	238,375
Gwydir	580,000	327,120
Mungindi	86,000	94,050
Walgett	163,500	37,970
Macquarie	254,000	146,505
Bourke	90,000	32,003
Lachlan	124,000	118,020
Tandou	-	-
Murrumbidge	425,500	513,172
TOTAL NSW	2,385,500	1,746,245
QLD		
MacIntyre Valley	504,000	232,358
Central Queensland	162,500	132,561
Dawson-Callide	42,000	33,005
Darling Downs	490,000	407,380
St George	177,000	126,000
Dirranbandi	139,250	35,000
TOTAL QLD	1,514,750	966,304
GRAND TOTAL	3,900,250	2,712,548

⁽¹⁾ Namoi Cotton's estimate of the total Australian production for 2017 as at 1st June 2017

⁽²⁾ 2016 Adjusted Figures from The Australian Cotton Grower, Cotton Yearbook 2016

CHAIRMAN & CHIEF EXECUTIVE OFFICER REPORT

RESULT IN REVIEW FOR 2016/17

Namoi Cotton recorded a consolidated net profit after tax and rebate from continuing operations of \$0.3 million for the full year ended 28 February 2017, compared to a net loss of \$7.6 million for the year ending 29 February 2016. Positive cash flows from operating activities were recorded at \$5.5 million.

Overall financial performance has improved substantially year on year. Cotton ginning and seed volumes improved as a function of the national crop size increase to 2.7m bales and targeted market share strategies. This delivered an improvement in net contribution for the ginning segment despite facing heavy competition for bales in central growing regions. Consistent ginning throughput rates and scaled work systems ensured effective management of ginning variable costs. Seed trading margins were again strong supported by domestic feed demand and Chinese imports. The challenging market conditions facing Namoi Cotton Alliance's (NCA's) lint marketing business for the prior 2015 crop eased slightly through the year generating improved margins on a greater volume of bales marketed from the 2016 crop. NCA's commodity packing operations benefitted from increased volumes associated with a large chick pea harvest associated with record prices. Finance costs have remained constant year on year, with the continuing low interest rate environment prevailing throughout the period.

During the year Namoi Cotton's term debt facilities with CBA were extended until 2020 with amortisations to recommence in FY2018.

2016 AUSTRALIAN COTTON PRODUCTION

The 2016 Australian cotton crop had overall production recorded at 2.7 million bales up 17% from the 2.3 million bales produced in 2015. The volume of planted crop was again impacted by a general lack of available irrigation water in public dams and on farm water storages. The crop benefited from excellent pre-planting and in crop growing conditions resulting in historically high yields for both irrigated and dryland crops.

SEASON OPERATIONS IN REVIEW

2016 Ginning Season

Namoi Cotton ginned 689,000 bales including 100% of joint venture bales of the 2016 crop compared to 535,000 bales of the 2015 crop. The 29% increase in volumes demonstrated the impact of a considered market share campaign for irrigated cotton and increased dryland volumes in core areas, underpinned by consistent throughput rates and scaled works systems allowing effective management of ginning variable costs. Overall ginning contribution improved by 27% year-on-year on the back of improved volumes. Key ginning achievements for 2016 included:

- maintenance of comprehensive occupational health, safety and environmental standards;
- improved capture of important safety related statistics;
- Boggabri gin recording its second highest ginning volume in the past 15 years;
- several gins bettered their previously achieved record daily ginning throughputs;
- successful commissioning of a \$1 million press upgrade at the Mungindi gin;
- installation of Uster Intellegin units at Wathagar and MacIntyre II gins;
- Australian industry first successful installation and operation of an automated bale bagging system at Wathagar gin; and
- extensive offseason maintenance and downtime reduction projects.

These achievements are a credit to our ginning and operations employee teams and our continued investment in the ginning network to deliver industry leading services.

Market Performance

The cotton market opened the financial year with the spot May 2016 cotton futures contract trading above 56 US cents per pound. These were the lowest levels cotton futures had posted since July 2009 and when combined with the Australian dollar, grower harvest prices were around \$430 per bale. This compares to the previous year when growers achieved \$500 per bale at the start of harvest. Growers on average achieved pricing for the 2016 season between \$420 and \$525 per bale.

Cotton posted its lows in the first quarter as a risk off sentiment saw commodities including cotton move lower. By the start of the second quarter cotton had started its move higher. Cotton futures found support from the speculative buying in the commodities complex generally. This move provided Australian cotton growers the opportunity to market their crop at \$450+ per bale by mid harvest. This was a welcome relief as growers marketed their excess bales from the record yielding season. By the end of the second quarter cotton futures had steadily gained 10 US cents per pound.

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The start of the third quarter saw cotton futures appreciate another 10 US cents per pound in the 1st month. The Dec'16 contract fell just short of 78 US cents per pound as it posted its calendar year high. The market found support from the uptake of cotton offered under the Chinese reserve selling program and the continuing increase in open interest supported by speculator buying. The sustained break higher saw the last of the Australian old crop and a proportion of new crop transfer to merchants as prices reached the low AUD\$500 per bale in both crop years. Cotton futures finished the year at the mid seventy US cents per pound levels.

As the fourth quarter commenced grower's attention moved to the new crop being planted. Grower pricing steadily rose over this period in line with cotton futures and by the end of the quarter, grower pricing was again above \$500 for the current and new crops. The trend higher was continued in the first quarter and by mid-February, the May17 cotton futures contract pushed through 78 US cents and finished February some 20 US cents per pound higher than 12 months earlier. This rally higher was credited to an increase in global demand, the speculators large long position and US sales pace, which was reducing the US carry out even with a better than expected US crop.

The Australian dollar (AUD) spent the end of the first quarter and the start of the second quarter moving higher and posted its highs for the year above 78 cents. The AUD was supported by a dovish tone from the US Federal reserve and the market adjusting for the 1st rate rise in the US. Australia was also supported with firmer commodity prices, which included iron ore and coal. The Australian dollar then moved into a sideways pattern for the third quarter. As momentum for the first US rate raise built, the Australian economy continued to perform above expectations with support from firmer commodity prices. The fourth quarter saw the US elections concluded, which was the catalyst for a US dollar (USD) rally as Trumps pro-growth campaign was priced into the market. The start of the first quarter saw the AUD drift back to pre-election levels as the administration's inability to follow through on its campaign promises saw the USD par back its gains. The AUD finished the year 4 cents higher and 2 cents off its high.

Cotton Seed Business and Cargill Oilseeds Australia Partnership

Our cotton seed business traded 172,000mt compared with 158,000mt the previous year. This incorporated a

reduction of 10% in trade cotton seed volume offset by increased grower cotton seed procurement, up 31% on the prior year. Prices have remained higher than historical levels supported by local feed demand associated with the dry conditions and import demand from China. The latter resulting from a reduction in China's own cotton seed production creating demand from the dairy sector, turning to Australia for imports to meet the demand requirement. This import demand has ultimately led to margins widening despite high prices and 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 contributed a loss of \$0.8 million compared to a loss of \$0.3 million in the previous year. This was primarily a function of lower cotton seed crush volumes and competing demand for whole cotton seed exports. The continuing higher domestic cotton seed prices has challenged operating margins with pressure also evident from declining meal demand within the dairy and beef sectors.

Namoi Cotton Alliance (NCA)

NCA's total cotton lint marketing volumes procured for the 2016 season reflected 507,000 bales compared with 378,000 bales for the 2015 season reflecting a 2.3% improvement in market share.

The improvement in market share was achieved through effective basis position management despite a competitive origination environment with the lower than optimum volume Australian crop. The challenging cotton marketing conditions impacting NCA in the prior year arising from the eroding basis for Australian cotton whilst persisting into FY2017 subsided during the year with improved trading results leading to widening margins. This resulted in a \$3.5 million improvement in Namoi Cotton's share of NCA's lint marketing business over the prior year.

The NCA commodity packing business delivered a significant contribution from record packing volumes of 226,000mt compared with 150,000mt in the preceding year. Commodities packed included cotton seed, coarse grain and pulses, principally chick peas. The prevailing environment of high prices encouraged growers into large plantings of chick peas, a crop also presenting agronomic and crop rotational benefits. Prior year investments in storage and intake capability have been instrumental in ensuring record volumes, efficient operations and a sound financial result.

LOOKING FORWARD

2017 Season

The widespread rainfall throughout the 2016 winter and spring filled many cotton area public dams and majority of on farm storages in addition to providing excellent soil moisture profiles. These events supported an increased planted area to 472,000 hectares nationally. Post planting however, there were patchy rainfall events along with exceptionally hot and dry conditions in January and February 2017. These post planting conditions have significantly impacted dryland cotton crops and reduced yields of irrigated crops. Despite these factors, Namoi Cotton currently estimates the 2017 Australian cotton crop will produce 3.9 million bales.

Namoi Cotton presently anticipates that it will gin between 1.05 million and 1.1 million bales of the 2017 crop, including 100% of joint venture gins. This represents an improvement of between 52% and 60% from the previous year. In advance of the commencement of operations for the 2017 season, Namoi Cotton intends to deliver on the following projects in its ginning business:

- a yard upgrade at the Merah North gin doubling seed cotton intake storage capacity;
- completion of a major press upgrade at Merah North gin delivering improved operating and utility efficiencies;
- installation of a third gin stand and associated line of processing and cleaning equipment at the North Bourke gin;
- installation of a fourth gin stand and associated line of processing and cleaning equipment and significant press upgrade at the Boggabri gin providing greater capacity for the expansion of production in the upper Namoi valley, particularly to the south; and
- installation of a new gin stand and associated Australian industry first cleaning equipment at the Ashley gin.

It is expected that our cotton seed business will trade more than 290,000mt in the coming financial year, up 69% from the prior year. Cotton seed trading margins continue to be supported by local demand and trading opportunities with China, albeit early yield indications reflect production decreases which are expected to pressure cotton seed contributions over the course of the year.

NCA's lint marketing volumes are now estimated to be between 600,000 and 650,000 bales from the 2017 crop, representing an increase of between 18% and 28% from the prior crop. Lint marketing margins are anticipated to be supported by strong demand from the sub-continent markets of Bangladesh and India, whilst China will

continue to be the major importer of Australian cotton. NCA's containerised commodity packing volumes are again anticipated to be underpinned by a solid chickpea plant.

Namoi Cotton's operations in 2017 are predicted to deliver an improved financial result predominantly flowing from volume increases. Production efficiencies from commissioning key gin upgrades, undertaken post the 2016 season, are expected to assist in the efficient and cost effective processing of the increased volumes ahead.

2018 Season and Beyond

The excessive hot conditions that occurred in the first two months of 2017 resulted in irrigated cotton growers utilising significantly more on farm water than planned. In the southern valleys, public water storages remain reasonably close to full, however in the central and northern valleys dam and river systems have been drawn down through utilisation of allocations. Coming out of the summer cropping season all public dams servicing cotton growing regions remain at percentage full levels greater than this time in 2016 which is positive for 2018 crop plantings. The current industry outlook for the 2018 Australian cotton crop reflects approximately 4 million to 4.5 million bales of production.

Namoi Cotton is targeting maximising market share in both ginning and cotton seed trading volumes. NCA is focused on increasing its lint cotton marketing volumes from the current year through effective basis position management and strong export market access. The commodity packing business will be looking to increase volumes and broader commodity exposure. A strong focus will be on improving financial performance in the 2018 season.

Board and Strategy

During the year, the Board advised of the key elements of Namoi Cotton's strategic plan and that a single ASX listed class of share structure which recognizes growers is the most suitable future corporate structure for the Namoi Cotton business to facilitate the outcomes contemplated by the strategic plan. The Board worked through a consultative process via stakeholder briefing meetings with Grower Members and CCU holders to discuss the proposed restructure in more detail. Based on generally supportive feedback Namoi Cotton has moved to the next phase in its journey towards a single ASX listed ordinary share structure which recognizes growers. Detailed documentation drafting has commenced and is required before regulatory approvals can be sought. Namoi Cotton is targeting Grower Member and CCU holder meetings around the middle of this financial year to approve the restructure. The restructure remains at this stage subject to stakeholder and regulatory approval.

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BOARD OF DIRECTORS



Stuart Boydell – Chairman, Non-Executive Director – 70

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 – 74



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 – 71



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 2016 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 – 62

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 – 60

B Bus (QAC), MAICD

Mr Green was appointed to the Board as a Non-Grower Director on 27 May 2013. He was most recently re-elected to the board at the 2016 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 – 61

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 – 55

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, MAICD

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.



NAMOI COTTON CO-OPERATIVE LTD

ABN 76 010 485 588

FINANCIAL REPORT – YEAR ENDED 28 FEBRUARY 2017



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APPENDIX 4E

The information contained in this report is for the full-year ended 28 February 2017 and the previous corresponding period, 29 February 2016.

RESULTS FOR ANNOUNCEMENT TO MARKET

	% Change	to	\$'000
Revenues from ordinary activities	Up 27%		355,344
Profit/(Loss) from ordinary activities after tax attributable to members	n/c		283
Net profit/(loss) for the period attributable to members	n/c		283

Dividends (distributions)	Amount per Security	Unfranked Amount per Security
Final distribution - (Refer Note 5)	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 improved substantially year on year. Cotton ginning and seed volumes have improved through the crop size increase to 2.7m bales and targeted market share strategies delivering an improvement in a net contribution for the ginning segment despite facing heavy competition for bales in central growing regions. Consistent ginning throughput rates and scaled work systems ensured effective management of ginning variable costs. Seed trading margins again were strong supported by domestic feed demand and Chinese imports. The challenging market conditions facing Namoi Cotton Alliance's (NCA's) lint marketing business for the prior 2015 crop eased slightly through the year generating improved margins on the greater volume of bales marketed from the 2016 crop. NCA's commodity packing operations benefitted from increased volumes associated with a large chick pea harvest associated with record prices.

For further explanation of the annual financial results please refer to the Review of Operations shown in Page 4 of this report.

Earnings per share

	28 February 2017	29 February 2016
Basic earnings per ordinary security	0.3 cents	(6.9 cents)

Net tangible assets per security

	28 February 2017	29 February 2016
Net tangible asset backing per ordinary security	113 cents	112 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 28 February 2017

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 28 February 2017.

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.

2016-2017 full year financial results

Namoi Cotton recorded a consolidated net profit after tax and rebate from continuing operations of \$0.3 million for the full year ended 28 February 2017 (2016: a net loss of \$7.6 million). Positive cash flows from operating activities were recorded at \$5.5 million.

Overall financial performance has improved substantially year on year. Cotton ginning and seed volumes have improved through the crop size increase to 2.7m bales and targeted market share strategies delivering an improvement in a net contribution for the ginning segment despite facing heavy competition for bales in central growing regions. Consistent ginning throughput rates and scaled work systems ensured effective management of ginning variable costs. Seed trading margins again were strong supported by domestic feed demand and Chinese imports. The challenging market conditions facing Namoi Cotton Alliance's (NCA's) lint marketing business for the prior 2015 crop eased slightly through the year generating improved margins on the greater volume of bales marketed from the 2016 crop. NCA's commodity packing operations benefitted from increased volumes associated with a large chick pea harvest associated with record prices.

Net assets during the period have increased by \$0.3 million (2016: decreased by \$1.1 million) representing a net tangible asset backing of \$1.13 per unit of Namoi Capital Stock (2016: \$1.12).

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 (2016: nil cents) per unit of Namoi Capital Stock amounting to \$nil (2016: \$nil million). The Directors have determined not to pay a rebate to grower members in respect to the period (2016: \$nil).

Review of operations

The 2016 Australian cotton crop had overall production recorded at 2.7 million bales (2015 crop: 2.3 million bales) an increase of 17%. The volume of planted crop was again impacted by a general lack of available irrigation water in public dams and on farm water storages. The crop benefited from excellent pre-planting and in crop growing conditions resulting in historically high yields for both irrigated and dryland crops.

Namoi Cotton ginned 689,000 bales (including 100% of joint venture bales) of the 2016 crop (2015 crop: 535,000 bales). The 29% increase in volumes demonstrated the impact of a considered market share campaign for irrigated cotton and increased dryland volumes in core areas which has been underpinned by consistent throughput rates and scaled works systems allowing effective management of ginning variable costs. Overall ginning contribution improved by 27% on the back of improved volumes. The Boggabri facility increased ginning volumes by 33% from the 2015 crop due to the increased dryland crops in the Upper Namoi valley and recorded its second highest annual production year in the last 15 years.

Namoi Cotton has continued to invest in its core infrastructure introducing the latest technology to provide improved services to growers. The Mungindi gin successfully commissioned a \$1m upgrade to its press delivering greater reliability to ginning operations whilst Uster Intellegin units were installed at Wathagar and Macintyre II along with an automated bagging system also at Wathagar. Post season investment in our ginning network has continued with the more significant undertakings including a yard upgrade at Merah North doubling existing capacity along with a further major press upgrade at that site, the installation of a third gin stand and associated line of processing equipment at North Bourke, the installation of a fourth gin stand and associated line of processing equipment and press upgrade at Boggabri along with installation of an upgraded gin stand and

associated lint cleaning equipment at Ashley. These projects are all destined to deliver improved services for growers and variable cost savings for the business.

Our cotton seed trading business shipped and handled 172,000mt (2015 crop: 158,000mt) incorporating a reduction of 10% in trade seed volume and increased grower seed procurement, up 31% on the prior year. Prices have remained higher than historical levels supported by local feed demand associated with the dry conditions and import demand from China. The latter resulting from a reduction in China's own cotton production in turn creating a shortfall in available cotton seed volumes and the dairy sector turning to Australia for imports to meet the demand requirement. This import demand has ultimately led to margins widening despite high prices and 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 \$0.8million (2016: loss of \$0.3 million). This was primarily a function of lower cotton seed crush volumes and competing demand for whole cotton seed exports. The continuing higher domestic cotton seed prices has challenged operating margins with pressure also evident from declining meal demand within the dairy and beef sectors.

NCA's total cotton lint marketing volumes procured for the 2016 season reflected 507,000 bales (2015 season: 378,000 bales). This reflects a 2.3% improvement in market share, achieved through effective basis offerings and management, despite a competitive environment through the continuing lower overall available Australian crop volumes. The challenging cotton marketing conditions impacting NCA in 2015 arising from the eroding basis for Australian cotton whilst persisting into FY2017 have subsided with improved trading results now leading to widening margins. This resulted in a \$3.5m improvement in Namoi Cotton's share of NCA's lint business in the financial results over the prior year.

During the year, the NCA commodity packing business delivered a significant contribution from a record packing volume of 225,856mt (2015 crop: 150,000mt) including coarse grain and pulses principally chick peas. The prevailing environment of high prices encouraged growers into large plantings of chick peas, a crop also presenting agronomic and crop rotational benefits. Prior year investments in storage and intake capability have been instrumental in ensuring efficient operations and a sound financial result.

Finance costs have remained constant year on year, with the continuing low interest rate environment prevailing throughout the period. Namoi Cotton was not required to complete any term debt amortisation during the financial year. Term debt facilities were extended until 2020 during the year with amortisations to recommence in FY2018.

During the year, the Board advised of the key elements of Namoi Cotton's strategic plan and that a single ASX listed class of share structure which recognizes growers is the most suitable future corporate structure for the Namoi Cotton business to facilitate the outcomes contemplated by the strategic plan. The Board worked through a consultative process via stakeholder briefing meetings with Grower Members and CCU holders to discuss the proposed restructure in more detail. Based on generally supportive feedback Namoi Cotton has moved to the next phase in its journey towards a single ASX listed ordinary share structure which recognizes growers. Detailed documentation drafting has commenced and is required before regulatory approvals can be sought. Namoi Cotton is targeting Grower Member and CCU holder meetings around the middle of this financial year to approve the restructure. The restructure remains at this stage subject to stakeholder and regulatory approval.

Likely developments

2017 Season

The widespread rainfall throughout the 2016 winter and spring filled many cotton area public dams and majority of on farm storages in addition to providing excellent soil moisture profiles. These events supported an increased planted area to 472,000 hectares nationally. Since planting however, there have been patchy rainfall events along with exceptionally hot and dry conditions in January and February. These post planting conditions have significantly impacted dryland cotton crops and tempered yield expectations of irrigated crops. Despite these factors, Namoi Cotton estimates the 2017 Australian cotton crop will at this stage still produce a little over 4.0 million bales.

Namoi Cotton anticipates that it will gin between 1.05 million and 1.15 million bales from the 2017 crop, including 100% of joint venture gins. This represents an improvement of between 52% and 67% from the previous year.

Namoi Cotton Co-operative Limited

It is expected that our cotton seed business will trade more than 260,000mt in the coming financial year, up 31% from the prior year. Cotton seed trading margins continue to be supported by local and export demand particularly from China, albeit early yield indications reflect production decreases which are expected to pressure cotton seed contributions over the course of the year.

NCA's lint marketing volumes are estimated to be between 600,000 and 700,000 bales from the 2017 crop, representing an increase of between 18% and 38% from the prior crop. Lint marketing margins are anticipated to be supported by strong demand from the sub-continent markets of Bangladesh and India, whilst China will continue to be the major importer of Australian cotton. The containerised commodity packing volumes are forecast to be consistent with the current record year, again underpinned by a large chickpea plant.

Namoi Cotton's operations in 2017 are predicted to deliver an improved financial result from the foregoing volume increases. Production efficiencies from commissioning key gin upgrades, undertaken post the 2016 season, are expected to assist in the efficient and cost effective processing of volumes ahead.

2018 Season

The excessive hot conditions that occurred in the first two months of this year resulted in irrigated cotton growers utilising significantly more on farm water than planned. In the southern valleys, public water storages remain reasonably close to full, however in the central and northern valleys dam and river systems have been drawn down through utilisation of allocations. Despite this the current industry outlook for the 2018 Australian cotton crop reflects approximately 4.5 million bales of production.

Namoi Cotton is targeting maximising market share in both ginning and cotton seed trading volumes. NCA is focused on increasing its lint cotton marketing volumes from the current year through effective basis position management and strong export market access. The commodity packing business will be looking to increase volumes and broader commodity exposure. A strong focus will be on improving financial performance in the 2018 season.

Rebate

Namoi Cotton will not pay a rebate to active grower members for the 2016 crop (2015 crop: \$0.0m).

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 C Boydell, Chairman, Non-executive Director, 70

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, 71, 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 2016 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.

Michael Boyce, Non-executive Director, 74, 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, 62

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, 61, 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 L Green, Non-executive Director, 60, 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 Commodities Australia Pty Ltd. Mr Green is a member of the audit and compliance 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, 55

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, 43, 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 ¹	Committee Meetings ¹		
		Audit and Compliance	Marketing and Financial Risk Management	Remuneration
SC Boydell (Chairman)	15	4	3	1
RA Anderson	15	4	3	1
M Boyce	16	4	-	1
B Coulton	15	-	-	-
G Price	15	-	3	-
R Green	16	4	-	1
T Watson	16	-	-	-

¹ All board members were available to attend directors' meetings and relevant committee meetings.

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	Marketing and Financial Risk Management	Remuneration
RA Anderson (Chairman)	RA Anderson (Chairman)	SC Boydell (Chairman)
M Boyce	SC Boydell	RA Anderson
SC Boydell	G Price	R Green
R Green		M Boyce

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 calibre executives;
- Link executive rewards to company performance and shareholder value;
- A portion of executive compensation is '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.

The Remuneration Committee engaged Mercer Consulting to provide recommendations relating to the renewal of the CEO's contract during the year. Those charged with governance are satisfied that the advice received was free from undue influence from the KMP to whom the remuneration recommendations applied, as Mercer Consulting reported directly to the Remuneration Committee.

The recommendations along with other factors were considered in the negotiation of the contract renewal. The fees paid to Mercer consulting totalled \$8,000.

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 28 February 2017 is detailed on page 23 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.

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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.

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.

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, is discretionary, is additional to the fixed compensation noted below and is not subject to any predefined KPI's.

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 2017 financial year, 0% (2016: 0% amounting to \$nil) of the STI compensation (both components) was accrued in the financial statements.

v) Contract for Services

Major provisions of KMP employment agreements are set out below.

Mr Jeremy Callachor, Chief Executive Officer

- Term of agreement - open
- Fixed compensation, inclusive of superannuation, for the year ended 28 February 2017 of \$450,000 (29 February 2016: \$450,000)
- Variable compensation, for the year ended 28 February 2017 of \$nil (29 February 2016: \$nil)
- Payment of a retention benefit in the event of takeover, acquisition or merger, equal to 50% of annual commencing fixed compensation
- Payment of a termination benefit on termination equal to 50% of annual commencing fixed compensation
- Period of notice to be given by employee or employer - 12 weeks

Mr Stuart Greenwood, Chief Financial Officer

- Term of agreement – open
- Fixed compensation, inclusive of superannuation, for the year ended 28 February 2017 of \$260,595 (29 February 2016: \$260,595)
- Variable compensation, for the year ended 28 February 2017 of \$nil (29 February 2016: \$nil)
- 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 28 February 2017 of \$265,423 (29 February 2016: \$265,423)
- Variable compensation, for the year ended 28 February 2017 of \$nil (29 February 2016: \$nil)
- 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 28 February 2017 of \$286,307 (29 February 2016: \$286,307)
- Variable compensation, for the year ended 28 February 2017 of \$nil (29 February 2016: \$nil)
- 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 28 February 2017 of \$293,839 (29 February 2016: \$293,725)
- Variable compensation, for the year ended 28 February 2017 of \$nil (29 February 2016: \$nil)
- 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

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 for the financial year are as follows:

vi) Compensation of Key Management Personnel for the Year Ended 28 February 2017

	Short-term Employee benefits			Post-employment Benefits		Long-term Benefits	Termination Benefits	Total	% Performance Related
	Salary & Fees	Cash Bonus	Non-Monetary Benefits	Superannuation	Retirement Benefits ¹	Employee Leave Benefits			
Directors									
SC Boydell	75,288	-	-	7,152	-	-	-	82,440	-
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	14,250	-	-	66,463	-
T Watson	35,135	-	-	3,338	7,000	-	-	45,473	-
Executives									
J Callachor ²	432,803	-	(2,044)	17,974	-	(12,312)	-	436,421	-
D Lindsay ²	257,863	-	14,884	24,176	-	(1,730)	-	295,193	-
B Garcha	249,482	-	816	16,599	-	7,522	-	274,419	-
S Greenwood	223,874	-	17,763	14,825	-	4,515	-	260,977	-
S McGregor	270,305	-	4,047	25,283	-	4,960	-	304,595	-
	1,773,126	-	35,466	131,043	21,250	2,955	-	1,963,840	

¹ Movement in accrued retirement benefits for the year ended 28 February 2017.

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

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vii) 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	Superannuation	Retirement	Employee Leave Benefits	Termination Benefits		
			Benefits		Benefits ¹				
Directors									
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	-
Executives									
J Callachor	416,516	-	3,108	36,005	-	5,838	-	461,467	-
D Lindsay ²	265,195	-	215	21,322	-	(5,377)	-	281,355	-
B Garcha	249,510	-	705	16,142	-	(34)	-	266,323	-
S Greenwood ²	234,413	-	7,451	15,742	-	(23,997)	-	233,609	-
S McGregor ²	270,596	-	(12,002)	24,415	-	408	-	283,417	-
	1,775,029	-	(523)	145,812	28,500	(23,162)	-	1,925,656	

¹ Movement in accrued retirement benefits for the year ended 29 February 2016.

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

c) Shareholdings of KMP¹

Year ended 28 February 2017	Balance held 1 March 2016		Granted as Remuneration		On Exercise of Option		Net Change Other		Balance held 28 February 2017	
	CCU's	Grower Member	CCU's	Grower Member	CCU's	Grower Member	CCU's	Grower Member	CCU's	Grower Member
		Shares		Shares		Shares		Shares		
Directors										
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	320,000	800	-	-	-	-	87,720	-	407,720	800
Executives										
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	-
	2,061,447	4,000	-	-	-	-	87,720	-	2,149,167	4,000

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

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 year end were D. Lindsay \$2,630 (2016: \$2,630) and S. McGregor \$30 (2016: \$30).

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	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Mr SC Boydell	308,479	-	38,633	-	64,388	-
Mr B Coulton	3,489,599	2,504,480	569,508	501,343	899,036	698,271
Mr G Price	2,120,215	1,867,212	267,297	259,795	395,138	373,761
Mr T Watson	752,413	852,807	543,066	793,748	455,345	409,546
	6,670,706	5,224,499	1,418,504	1,554,886	1,813,907	1,481,578

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;
- 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 (2016: \$10,800).

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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.

	2017	2016	2015	2014	2013
Earnings per CCU (cents)	0.3	(6.9)	5.7	(0.1)	(70.7)
Distribution per CCU (cents)	-	-	0.5	-	-
CCU price at year end (cents)	49.0	34.0	31.0	29.0	35.5
CCU buyback average (cents)	N/a	N/a	N/a	N/a	N/a
Net assets (\$m)	123.8	123.5	124.6	118.8	109.9
Net assets per share (cents)	112.7	112.5	113.4	110.4	115.0

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 15.

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.

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.

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Namoi Cotton Co-operative Limited

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 2017 Annual Report due in June 2017 and is also available on Namoi Cotton's public website at www.namoicotton.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 28 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 ASIC Corporations (Rounding in Financial Directors Reports) Instrument 2016/191. The co-operative is an entity to which this legislative instrument applies.

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

On behalf of the board



S C BOYDELL
Director
Toowoomba
27 April 2017

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Auditor's independence declaration to the directors of Namoi Cotton Co-Operative Ltd

As lead auditor for the audit of Namoi Cotton Co-operative Ltd for the financial year ended 28 February 2017, 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 Ltd and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

PMcLuskie

Paula McLuskie
Partner
27 April 2017

Independent Auditor's Report to the members of Namoi Cotton Co-operative Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Namoi Cotton Co-operative Ltd (the company), including its subsidiaries (the Group), which comprises:

- the Group consolidated and Company balance sheets as at 28 February 2017,
- the Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended,
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

In our opinion, the accompanying financial report is in accordance with the Co-operatives National Law (NSW) and the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 28 February 2017 and of their financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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

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Key audit matters

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

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

1. Fair value of ginning assets

Why significant

The Company and the Group have adopted a fair value policy in measuring ginning infrastructure assets ("ginning assets") as disclosed in Note 1(m) to the financial statements. The Group's ginning assets represents a significant portion of the total assets (60.4% of Group and 59.0% of the Company) and are valued at an amount of \$127.3million (\$127.3 million for the Company).

The Group uses management's discounted cash flow model to determine the fair value of the ginning assets supported by an external valuation performed every three years. The latest external valuation was performed as at 29 February 2016. The valuation of the ginning assets at fair value is highly dependent on estimates and assumptions, such as sustainable bales, discount rates, market knowledge, bale contributions and revenue growth rates.

The assumptions relating to the valuations are disclosed in note 13 and policy note 1(m), given the estimation uncertainty and sensitivity of the valuations. Given the quantum and complexity of the valuation of ginning assets and the level of the disclosures relating to the assumptions used in the valuation, this was determined to be a key audit matter.

How our audit addressed the key audit matter

We evaluated the input assumptions and estimates made by the Group in the valuation methodology including sustainable bales and earnings against average production and earnings over the previous six years (covering a broad spread of high and low production seasons) to take into account the seasonal variations. We compared the assumptions to those used in prior year.

We involved our valuation specialists to assist in assessing the modelling used by the Group to support the valuation, by evaluating the model calculation methodology and discount rates used.

In the prior year we involved our valuation specialists to assess the independence and competencies of the external valuers and the prior year external valuation report's methodology and content.

We also assessed the adequacy of the disclosures relating to the assumptions utilised and related sensitivity disclosures.

2. Investment in Namoi Cotton Alliance Joint Venture

Why significant

At 28 February 2017 the Group held a 51% stake in the Namoi Cotton Alliance ("NCA") joint venture.

As explained in Note 1 to the financial report, this investment was accounted for under the equity method in accordance with Australian Accounting Standards. An equity accounted

How our audit addressed the key audit matter

In order to obtain sufficient audit evidence over the carrying value of Namoi's investment in NCA and the equity accounted result, we:

- ▶ Assessed the audited financial statements of NCA for the year ended 28 February 2017;

investment of \$40.01m was recorded on the Group's consolidated balance sheet and an equity accounted profit of \$0.06m contributed to the overall result of the Group.

We performed the audit of the financial statements of NCA.

This is a key audit matter due to the financial significance of the investment and its contribution to Group profit, and its significance to the valuation of assets. Details of the Group's investment in this joint venture are outlined in note 10 to the financial report.

- ▶ Evaluated scoping of key audit areas, planning and execution of audit procedures, significant areas of estimation and judgement, and audit findings for the year ended 28 February 2017;
- ▶ Enquired of NCA management in relation to updates on key accounting issues and areas of judgements and movements in the balance sheet and income statement at year-end and subsequently up to the date of the auditor's report of Namoi;
- ▶ Assessed monthly management reporting during the year; and
- ▶ Recalculated Namoi's share of the equity-accounted result and dividends for the year ended 28 February 2017.

3. Reassessment of depreciation useful life of Ginning Infrastructure assets

Why significant

The change in estimate has been disclosed in Note 13 to the financial report.

The estimation of the useful life of ginning infrastructure assets requires significant estimation. The useful life estimate is a key input into the calculation of depreciation expense. Ginning infrastructure assets are depreciated on a units of production basis over their rolling estimated remaining useful lives of 20 years (previously 16 years). The ginning infrastructure assets represent a significant portion of the Group's total assets.

How our audit addressed the key audit matter

In performing audit procedures over the useful life estimation of Ginning Infrastructure assets, we:

- Reviewed the Group's accounting paper on the re-estimate and assessed their assumptions;
- Assessed whether any change should be classified as a change in accounting estimate;
- Tested the calculation with the re-estimate in the fixed asset register; and
- Assessed the adequacy of the disclosures relating to the change in estimate in the financial report.

Information Other than the Financial Statements and Auditor's Report

The directors are responsible for the other information. The other information comprises the information in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report prior to the date of this auditor's report and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Directors' responsibilities 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 the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the remuneration report

Opinion on the remuneration report

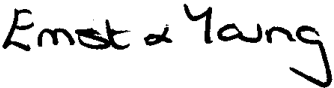
We have audited the remuneration report included in pages 19 to 26 of the directors' report for the year ended 28 February 2017.

In our opinion, the remuneration report of Namoi Cotton Co-operative Ltd for the year ended 28 February 2017, complies with section 300A of the *Corporations Act 2001*.

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Responsibilities

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



Ernst & Young



Paula McLuskie
Partner
Brisbane
27 April 2017

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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 28 February 2017 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 28 February 2017.

On behalf of the board



S C BOYDELL
Director
Toowoomba
27 April 2017

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STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2017

	Note	Consolidated \$'000		Parent \$'000	
		28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Revenue	2a	355,344	279,713	355,043	279,476
Financial instrument gains/(losses)					
Currency derivatives		557	(121)	557	(121)
Cottonseed purchase contracts		19,400	(5,218)	19,400	(5,218)
Cottonseed sales contracts		(18,471)	5,027	(18,471)	5,027
Net financial instrument gains/(losses)		1,486	(312)	1,486	(312)
Other income	2b	60	26	60	26
Share of profit/(loss) of associates and joint ventures	10	(90)	(4,139)	56	(78)
Changes in inventories of finished goods		993	(2,771)	1,011	(2,771)
Raw materials and consumables used		(320,203)	(249,855)	(320,169)	(249,767)
Employee benefits expense	2c	(18,309)	(15,712)	(18,309)	(15,712)
Depreciation		(6,206)	(6,171)	(6,206)	(6,171)
Finance costs	2d	(2,611)	(2,650)	(2,639)	(2,671)
Other expenses	2e	(10,426)	(8,827)	(10,424)	(8,826)
Profit/(loss) before income tax		38	(10,698)	(91)	(6,806)
Income tax (expense)/benefit	3	245	3,140	26	2,024
Profit/(loss) attributable to the members of Namoi Cotton Co-operative Ltd.		283	(7,558)	(65)	(4,782)
Other comprehensive income items that will not be reclassified subsequently to profit and loss:					
Increment/(decrement) to asset revaluation reserve (net of tax)		-	6,504	-	6,504
Profit/(loss) and total comprehensive income attributable to the members of Namoi Cotton Co-operative Ltd		283	(1,054)	(65)	1,722

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

BALANCE SHEET

as at 28 February 2017

	Note	Consolidated \$'000		Parent \$'000	
		28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Current assets					
Cash and cash equivalents	6	2,256	1,790	2,135	1,785
Trade and other receivables	7	5,288	4,561	10,540	9,992
Inventories	8	7,614	5,901	7,614	5,882
Prepayments		541	372	541	372
Derivative financial instruments	9	14,665	4,352	14,665	4,352
Total current assets		30,364	16,976	35,495	22,383
Non-current assets					
Trade and other receivables	7	-	-	41,820	41,820
Investments in associates and joint ventures	10	41,876	41,966	155	99
Property, plant and equipment	13	138,473	140,910	138,473	140,910
Total non-current assets		180,349	182,876	180,448	182,829
Total assets		210,713	199,852	215,943	205,212
Current liabilities					
Trade and other payables	14	8,401	5,022	26,131	22,753
Interest bearing liabilities	15	16,590	59,270	16,590	59,270
Provisions	16	1,979	2,062	1,979	2,062
Derivative financial instruments	9	14,141	5,463	14,141	5,463
Total current liabilities		41,111	71,817	58,841	89,548
Non-current liabilities					
Trade and other payables		-	456	-	456
Interest bearing liabilities	15	43,330	1,409	45,379	3,458
Provisions	16	863	799	863	799
Deferred tax liabilities (net)	3	1,134	1,379	394	420
Co-operative grower member shares	17	447	447	447	447
Total non-current liabilities		45,774	4,490	47,083	5,580
Total liabilities		86,885	76,307	105,924	95,128
NET ASSETS		123,828	123,545	110,019	110,084
Equity					
Parent entity interest					
Contributed equity	18	1,098	1,098	1,098	1,098
Reserves	19	101,845	101,845	101,845	101,845
Retained earnings		20,885	20,602	7,076	7,141
Total parent entity interest in equity		123,828	123,545	110,019	110,084
TOTAL EQUITY		123,828	123,545	110,019	110,084

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

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STATEMENT OF CASH FLOWS

for the year ended 28 February 2017

	Note	Consolidated \$'000		Parent \$'000	
		28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Cash flows from operating activities					
Receipts from customers		391,605	306,374	391,300	306,128
Currency derivative flows		165	(365)	165	(365)
Payments to suppliers and employees		(66,742)	(62,924)	(66,507)	(62,652)
Payments to growers		(316,437)	(238,027)	(316,455)	(238,028)
Interest received		1	6	1	1
Borrowing costs		(3,114)	(2,741)	(3,142)	(2,762)
Rebates paid to grower members		-	(502)	-	(502)
Net cash inflow from operating activities	6b	5,478	1,821	5,362	1,820
Cash flows from investing activities					
Payments for property, plant and equipment		(4,446)	(5,675)	(4,446)	(5,675)
Proceeds from sale of property, plant and equipment		195	165	195	165
Loans advanced		(23)	(4)	(23)	(4)
Proceeds from loans receivable		16	33	16	33
Distributions received (partnership and JV)		-	3,570	-	3,570
Net cash outflow from investing activities		(4,258)	(1,911)	(4,258)	(1,911)
Cash flows from financing activities					
Proceeds from issue of grower member shares		-	9	-	9
Payments for repurchases of grower member shares		-	(9)	-	(9)
Proceeds from borrowings		28,530	9,555	28,530	9,555
Repayment of borrowings		(28,027)	(8,059)	(28,026)	(8,059)
Loans advanced to growers		(2,287)	(5,360)	(2,287)	(5,360)
Proceeds from repayment of grower loans		2,287	5,360	2,287	5,360
Repayment of finance lease and hire purchase		(4)	(201)	(5)	(201)
Net cash inflow from financing activities		499	1,295	499	1,295
Net increase in cash		1,719	1,205	1,603	1,204
Add cash at the beginning of the financial year		(282)	(1,487)	(287)	(1,491)
Cash at end of the financial year	6a	1,437	(282)	1,316	(287)

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 28 February 2017

Consolidated \$'000	Issued Capital	CCU Premium Reserve (Note 19)	Asset Revaluation Reserve (Note 19)	Retained Earnings	Total Equity
Total equity at 1 March 2016	1,098	35,382	66,463	20,602	123,545
Net profit for the period	-	-	-	283	283
Total equity at 28 February 2017	1,098	35,382	66,463	20,885	123,828

Parent \$'000	Issued Capital	CCU Premium Reserve (Note 19)	Asset Revaluation Reserve (Note 19)	Retained Earnings	Total Equity
Total equity at 1 March 2016	1,098	35,382	66,463	7,141	110,084
Net profit for the period	-	-	-	(65)	(65)
Total equity at 28 February 2017	1,098	35,382	66,463	7,076	110,019

Consolidated \$'000	Issued Capital	CCU Premium Reserve (Note 19)	Asset Revaluation Reserve (Note 19)	Retained Earnings	Total Equity
Total equity at 1 March 2015	1,098	35,382	59,959	28,160	124,599
Net loss for the period	-	-	-	(7,558)	(7,558)
Asset Revaluation (net of tax)	-	-	6,504	-	6,504
Total equity at 29 February 2016	1,098	35,382	66,463	20,602	123,545

Parent \$'000	Issued Capital	CCU Premium Reserve (Note 19)	Asset Revaluation Reserve (Note 19)	Retained Earnings	Total Equity
Total equity at 1 March 2015	1,098	35,382	59,959	11,923	108,362
Net loss for the period	-	-	-	(4,782)	(4,782)
Asset Revaluation (net of tax)	-	-	6,504	-	6,504
Total equity at 29 February 2016	1,098	35,382	66,463	7,141	110,084

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 27 April 2017 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

The Group's current liabilities exceed current assets. The net current liability position is mainly caused by the classification of the working capital facility as current. This facility is renewed each year for seasonal reasons and is not expected to be repaid in the next 12 months.

Prior to balance date Namoi Cotton completed execution of its 2017 finance facility renewal. The renewal included the extension of term debt maturity dates from February 2018 to February 2020, the extension of the working capital facility from March 2017 to March 2018 and other minor reporting obligations (refer to note 15).

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 1) and derivative financial instruments (refer to Note 1);
- 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 2016 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 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality* effective 1 March 2016;
- AASB 2014-4 Amendments to Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 & AASB 138) effective 1 March 2016;
- AASB 1057 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-14 Cycle effective 1 March 2016;

- AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements 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;

Certain new accounting standards and interpretations have been published that are not mandatory for 28 February 2017 reporting periods and have not yet been applied in the consolidated Financial statements. These are:

- AASB 9 Financial Instruments effective 1 March 2018;
- AASB 15 Revenue from Contracts with Customers effective 1 March 2018;
- 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 2018;
- AASB 16 Leases effective 1 March 2019.
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112] effective 1 March 2017;
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 *Statement of Cash Flows* effective 1 March 2017;

A workshop has been undertaken in relation to AASB 9 and 15 as part of commencing a project to assess the impacts of these new standards, however, the actual impacts and the quantum of any impacts has yet to be finalised.

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 28 February 2017. 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,

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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,

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Namoi calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as '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.

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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.

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.

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k) Derivative financial instruments

The group uses derivative financial instruments such as foreign exchange contracts to manage the risks associated with foreign currency 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

A change in the assessment of the remaining useful life of ginning assets (which is a change in estimate) was made at the start of the 2017 financial year. The change has increased the remaining useful life of the ginning assets with the effect of reducing depreciation for the year from \$7.3m to \$6.2m. Any impact in the next financial year will be dependent upon actual ginning volumes at the time.

Ginning infrastructure assets are depreciated on a units of production basis over their rolling estimated remaining useful lives of 20 years (2016: 10 to 20 years). All other property, plant and equipment, other than freehold land, is depreciated on a straight-line basis at rates calculated to allocate the cost less estimated residual value at the end of the useful lives of the assets against revenue over their estimated useful lives.

Major depreciation rates are:

Ginning assets	20 years (2016: 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.

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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.

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.

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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.

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

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- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, Namoi 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 ASIC Corporations (Rounding in Financial Directors Reports) Instrument 2016/191. The co-operative is an entity to which this legislative instrument applies.

2. Revenue and Expenses

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
a) Revenue from continuing operations				
Sale of goods at fair value	315,310	248,770	315,009	248,533
Rendering of services	39,620	30,500	39,620	30,500
Rental revenue	213	200	213	200
Financial service provider revenue	200	242	200	242
Finance revenue	1	1	1	1
	355,344	279,713	355,043	279,476
<i>Breakdown of finance revenue:</i>				
Interest revenue from grower finance	(2)	-	(2)	-
Interest revenue from non-related entities	3	1	3	1
	1	1	1	1
b) Other income				
Net gain on disposal of property, plant and equipment	60	26	60	26
	60	26	60	26
c) Employee benefits expense				
Salaries, wages, on-costs and other employee benefits	17,116	14,670	17,116	14,670
Defined contribution benefits expense	1,193	1,042	1,193	1,042
	18,309	15,712	18,309	15,712
d) Finance costs				
Interest on bank loans and overdrafts	2,596	2,657	2,624	2,678
Interest expense - interest rate derivatives	15	(7)	15	(7)
	2,611	2,650	2,639	2,671
e) Other expenses				
Maintenance	3,681	2,926	3,681	2,926
Insurance	725	874	725	874
Motor vehicle	964	862	964	862
Consulting	368	728	368	728
Rent	554	539	554	539
Safety	447	314	447	314
Travel	403	471	403	471
Minimum operating lease payments	518	503	518	503
Strategic restructuring-consulting ¹	620	119	620	119
Other	2,146	1,491	2,144	1,490
	10,426	8,827	10,424	8,826

¹ Includes the engagement of external corporate, legal and taxation advisors in relation to the corporate restructure proposal.

3. Income Tax

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Statement of Changes in Equity				
Income tax expense items debited/(credited) directly to equity:				
Net gain on revaluation of assets	-	(2,787)	-	(2,787)
Statement of Comprehensive Income				
Accounting profit from continuing operations before income tax expense	38	(10,698)	(91)	(6,806)
At the Group's statutory income tax rate of 30% (2015: 30%)				
Non-assessable income	11	(3,210)	(27)	(2,042)
Non-allowable expenditure	(20)	(1)	-	-
Tax loss incurred - not recognised	52	18	28	18
Filing differences	-	120	-	-
Tax losses previously not recognised ¹	(8)	-	(8)	-
	(280)	(67)	(19)	-
Income tax expense/(benefit) recorded in the statement of comprehensive income	(245)	(3,140)	(26)	(2,024)

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

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	Balance Sheet				Statement of Profit and Loss and Other Comprehensive Income			
	Consolidated \$'000		Parent \$'000		Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Deferred Tax Liabilities								
Accelerated depreciation for tax purposes and revaluations	(28,532)	(28,719)	(28,532)	(28,720)	187	2,690	187	2,690
Timing of Joint Venture and Investments Income recognition	(897)	(148)	(352)	(418)	(756)	(483)	66	(102)
	(29,429)	(28,867)	(28,884)	(29,138)	(569)	2,207	253	2,588
Deferred Tax Assets								
Deferred costs	419	550	419	550	(130)	155	(130)	155
Provisions and accruals	1,658	1,129	1,658	1,129	529	451	529	451
Recognised losses available for offsetting against future taxable income ^{1,2}	26,218	25,809	26,413	27,039	(499)	(3,166)	(195)	(2,431)
	28,295	27,488	28,490	28,718	(100)	(2,560)	204	(1,825)
Net deferred tax assets/(liabilities)	(1,134)	(1,379)	(394)	(420)				
Deferred tax expense/(income)					(669)	(353)	457	763
Unrecognised deferred tax assets	18	16	-	-				
Unrecognised deferred tax liabilities	(76)	(45)	-	-				
Unrecognised tax losses	1,182	1,435	-	-				
Unrecognised net deferred tax assets	1,124	1,406	-	-				

Reconciliation of net deferred tax assets/(liabilities)

Opening balance as of 1 March				
Tax income/(expense) during the period recognised in profit or loss	245	3,140	26	2,024
Tax income/(expense) during the period recognised in other comprehensive income	-	(2,787)	-	(2,787)
Closing balance as at 28 February	(1,134)	(1,379)	(394)	(420)

Consolidated \$'000		Parent \$'000	
28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
(1,379)	(1,732)	(420)	343
245	3,140	26	2,024
-	(2,787)	-	(2,787)
(1,134)	(1,379)	(394)	(420)

For persons

¹Tax losses recognised for individual entities in the tax consolidated group

²The 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 28 February 2017 and 29 February 2016.

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

	Consolidated \$'000	
	28 Feb 2017	29 Feb 2016
Profit attributable to Co-operative capital stock holders of the parent	283	(7,558)
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	
	28 Feb 2017	29 Feb 2016
<i>Distributions declared and paid during the year (unfranked)</i>		
Interim distribution for the year ended 28 February 2017 of 0.0 cents per unit of Capital Stock (2016: 0.0 cents)	-	-
Final distribution for the year ended 29 February 2016 of 0.0 cents per unit of Capital Stock (2015: 0.0 cents)	-	-
Net distributions during the year	-	-

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Franking credits available for subsequent financial years based on a tax rate of 30% (2016: 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	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
(a) Reconciliation to Statement of Cash Flows				
For the purposes of the Statement of Cash Flows, cash comprises the following items:				
Cash at bank and in hand	2,256	1,790	2,135	1,785
Bank Overdraft	(819)	(2,072)	(819)	(2,072)
	1,437	(282)	1,316	(287)
(b) Reconciliation of net cash provided by operating activities to operating profit after income tax.				
Operating profit/(loss) after income tax	283	(7,558)	(65)	(4,782)
<i>Adjustments for non-cash items:</i>				
Depreciation	6,206	6,171	6,206	6,171
(Gain)/loss on sale of property, plant and equipment	(60)	(26)	(60)	(26)
Provision for bad debts	(449)	(50)	(449)	(50)
Provision for employee benefits	(19)	(925)	(20)	(925)
Provision other	(200)	(502)	(200)	(502)
Share of associates (profits)/losses	90	4,139	(56)	78
	5,568	8,807	5,421	4,746
<i>Changes in operating assets and liabilities</i>				
(Increase)/decrease in accounts receivable	(272)	820	(92)	986
(Increase)/decrease in inventories	(1,513)	2,690	(1,532)	2,689
(Increase)/decrease in other assets	(169)	(36)	(169)	(36)
(Increase)/decrease in derivatives	(1,635)	(280)	(1,635)	(280)
Increase/(decrease) in creditors	3,329	691	3,328	694
Increase/(decrease) in other liabilities	132	(173)	132	(173)
Increase/(decrease) in deferred tax asset	(245)	(3,140)	(26)	(2,024)
Net cash inflow/(outflow) from operating activities	5,478	1,821	5,362	1,820

(c) Disclosure of financing activities

Refer to Note 15.

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

Equipment Finance Transactions

During the financial year, the consolidated entity acquired plant and equipment with an aggregate fair value of \$821,261 (2016: \$417,652) by means of finance leases.

(e) Fair Value

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

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7. Trade and Other Receivables

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
<i>Current</i>				
Trade debtors ¹	4,955	4,901	4,955	4,901
Less: allowance for impairment loss	(5)	(454)	-	(449)
Trade debtors from an associate	-	29	-	29
	4,950	4,476	4,955	4,481
Loans to growers ²	302	5	302	5
Less: allowance for impairment loss	-	-	-	-
	302	5	302	5
Funds due from futures brokers ³	-	1	-	1
Less: allowance for impairment loss	-	-	-	-
	-	1	-	1
Loans to associates ⁴	3	53	3	53
Loans to employees ⁵	33	26	33	26
Loans to controlled entities ⁶	-	-	5,247	5,426
	5,288	4,561	10,540	9,992
<i>Non-current</i>				
Loans to controlled entities ⁶	-	-	41,820	41,820
	-	-	41,820	41,820

¹ Trade debtors arise from the following:

Domestic sales of white cotton seed, grain commodities and ginning by-products. These debtors are settled under a range of agreed payment terms. These debtors are non-interest bearing.

The group maintains trade credit insurance over non-related party domestic debtors to minimise credit risk.

² Grower loans represent 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.

As at 28 February 2017 Namoi Cotton had committed \$nil (2016: \$nil) in credit term facilities to growers which had not been drawn.

³ 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.

⁴ 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% (2016: 7.0%) and is repayable on demand.

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

⁶ 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, however, have not been discounted given that the loan has an undefined term.

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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 (2016: \$nil). This amount was included in the other expenses item in the statement of profit and loss and other comprehensive income.

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
At 1 March 2016	454	504	449	499
Charge for the year	-	-	-	-
Foreign exchange translation	(22)	38	-	38
Amounts written off	(427)	(88)	(449)	(88)
Recoveries	-	-	-	-
At 28 February 2017	5	454	0	449

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

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Total outstanding	5,000	5,015	52,067	52,262
Unimpaired				
Within terms	4,525	4,535	51,592	51,780
Past Due 1 - 30 days	355	7	355	7
Past Due 31 - 60 days	5	-	5	-
Past Due 60+ days	110	19	115	24
Impaired				
Past Due 60+ days	5	454	0	451

Receivables past due but not considered impaired are: Group \$470,115 (2016: \$454,068); Parent \$474,650 (2016: \$449,533). 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.

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8. Inventories

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Cotton seed (at fair value less costs to sell)	1,792	781	1,792	781
Grain (at cost)	-	19	-	-
Operating supplies and spares (at cost)	5,822	5,101	5,822	5,101
	7,614	5,901	7,614	5,882

Refer to Note 26 for further information relating to the valuation techniques for determining the fair value of Cotton Seed.

9. Derivative Financial Instruments

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Current assets				
Foreign exchange contracts	444	22	444	22
Cotton seed sale contracts	-	4,330	-	4,330
Cotton seed purchase contracts	14,221	-	14,221	-
	14,665	4,352	14,665	4,352
Current liabilities				
Interest rate swap contracts	-	284	-	284
Cotton seed sale contracts	14,141	-	14,141	-
Cotton seed purchase contracts	-	5,179	-	5,179
	14,141	5,463	14,141	5,463

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 at year end was \$444,464 for the group (2016: \$22,114) and \$444,464 (2016: \$22,114) 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 fair value of the open cotton seed sale contracts at year end was a derivative liability (unrealised loss) of \$14,141,183 for the group (2016: Gain \$4,330,139) and \$14,141,183 (2016: Gain \$4,330,139) 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 fair value of the open cotton seed purchase contracts at year end was a derivative asset (unrealised gain) of \$14,220,718 for the group (2016: Loss \$5,179,076) and \$14,220,718 (2016: Loss \$5,179,076) for the parent entity.

Interest bearing loans of the group incurred an average variable interest rate of 3.1% (2016: 3.3%). Swaps in place at the comparative reporting date accounted for approximately nil% (2016: 44.3%) of the principal outstanding. The average fixed interest rates were nil% (2016: 3.0%) and the average variable rates were nil% (2016: 2.59%) at balance date. The net fair value loss on interest rate swaps was \$nil (2016: \$283,605).

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

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Investment in associates (material)	2,671	3,473	-	-
Investment in joint ventures (material)	40,010	39,950	-	-
Investment in joint ventures (non material)	(805)	(1,457)	155	99
	41,876	41,966	155	99

(a) Ownership interest

Name	Balance Date	% Ownership interest held by consolidated entity	
		28 Feb 2017	29 Feb 2016
<i>Investments in Associates</i>			
Cargill Oilseeds Australia Partnership (COA)	31 May	15%	15%
Cargill Processing Ltd (CPL) ¹	31 May	15%	15%
<i>Investments in Joint Ventures</i>			
Australian Classing Services Pty Ltd (ACS) ¹	28 February	50%	50%
Namoi Cotton Alliance (NCA)	28 February	51%	51%
NC Packing Services Pty Ltd (NCPS) ¹	28 February	51%	51%

¹ 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.

(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			
	28 Feb 2017		29 Feb 2016	
	COA	CPL	COA	CPL
<i>(d) Material Investments in Associates</i>				
<i>(i) Associates results</i>				
Revenue	250,872	23,417	249,277	21,569
Profit/(Loss)	(5,777)	670	(2,520)	413
Group share of associates profit/(loss)	(867)	101	(378)	62
<i>(ii) Associates assets and liabilities:</i>				
Current assets	52,731	5,640	56,112	6,460
Non-current assets	-	19,152	-	17,369
Current liabilities	(57,629)	(1,955)	(55,233)	(1,461)
Non-current liabilities	-	-	-	-
Associates net assets	(4,899)	22,837	879	22,368
Group share of associates net assets	(735)	3,426	132	3,355
<i>(iii) Carrying amount of investments in associates:</i>				
Balance at the beginning of the financial year	117	3,355	495	3,293
Distribution paid out of retained earnings	-	-	-	-
Share of associates profits/(losses) for the financial year	(872)	70	(378)	62
Carrying amount of investment in associates at the end of the financial year	(755)	3,425	117	3,355
<i>(iv) Share of contingent liabilities of associate:</i>				
	-	-	-	-
<i>(iv) Share of associates commitments:</i>				
	-	-	-	-

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	Consolidated \$'000	
	28 Feb 2017	29 Feb 2016
<i>(e) Material Investments in Joint Ventures: NCA</i>		
<i>(i) Joint Venture results (for the period since inception)</i>		
Revenue	281,989	202,460
Depreciation and Amortisation	(2,315)	(2,077)
Interest Expense	(995)	(759)
Interest Income	186	338
Profit/(loss) before income tax expense	118	(6,707)
Income tax expense ^(a)	-	-
Joint Venture net profit/(loss)	118	(6,707)
^(a) The Joint Venture is a partnership for tax purposes accordingly is not a taxable entity		
Group share of joint venture net profit/(loss)	60	(3,421)
<i>(ii) Joint venture assets and liabilities:</i>		
Current assets		
Cash and cash equivalents	11,755	6,745
Other	58,093	42,198
Non-current assets	62,027	60,111
Current liabilities		
Financial liabilities	(47,028)	(18,710)
Other	(4,276)	(9,659)
Non-current liabilities		
Financial liabilities	(2,027)	(2,275)
Other	(92)	(76)
Joint Venture net assets	78,452	78,334
Group share of joint venture net assets	40,011	39,950
<i>(iii) Carrying amount of investments in joint ventures:</i>		
Balance at the beginning of the financial year	39,950	46,941
Acquisition of joint venture	-	-
Contribution to working capital	-	-
Distribution paid out of retained earnings	-	(3,570)
Share of joint venture profits/(losses) for the financial year	60	(3,421)
Carrying amount of investments in joint ventures at the end of the financial year	40,011	39,950
<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>		
Profits/(Losses) and total comprehensive income from continuing operations	652	(402)

11. Interest in Joint Operations

(a) Ownership interest

Name	Balance Date	% Ownership interest held by consolidated entity	
		28 Feb 2017	29 Feb 2016
Wathagar Ginning Company (WGC)	28 February	50%	50%
Moomin Ginning Company (MGC)	28 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 (2016: \$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 \$2.28m at 28 February 2017 (2016: \$2.33m).

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

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13. Property, Plant and Equipment

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Gin Assets				
<i>Ginning infrastructure and major equipment</i>				
at fair value	127,388	119,571	127,388	119,571
Provision for depreciation and impairment	(4,694)	-	(4,694)	-
	122,694	119,571	122,694	119,571
Revaluation to fair value	-	7,818	-	7,818
Closing written down value at fair value	122,694	127,389	122,694	127,389
<i>Other ginning equipment</i>				
Cost	9,002	6,909	9,002	6,909
Provision for depreciation and impairment	(4,430)	(3,641)	(4,430)	(3,641)
Closing written down value at cost	4,572	3,268	4,572	3,268
Net Gin Assets	127,266	130,657	127,266	130,657
Other Assets				
<i>Other infrastructure and major equipment</i>				
at fair value	6,353	4,880	6,353	4,880
Provision for depreciation and impairment	(243)	-	(243)	-
	6,110	4,880	6,110	4,880
Revaluation to fair value	-	1,473	-	1,473
Closing written down value at fair value	6,110	6,353	6,110	6,353
<i>Other equipment</i>				
Cost	10,183	10,366	10,183	10,366
Provision for depreciation and impairment	(8,420)	(8,154)	(8,420)	(8,154)
Closing written down value at cost	1,763	2,212	1,763	2,212
Net Other Assets	7,873	8,565	7,873	8,565
Capital work in progress ('CWIP') at cost	3,334	1,688	3,334	1,688
Total written down value at fair value	128,804	133,742	128,804	133,742
Total written down value at cost	9,669	7,168	9,669	7,168
Total written down value for property, plant & equipment	138,473	140,910	138,473	140,910

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

	Consolidated and Parent			
	\$'000		\$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Ginning infrastructure and major equipment	59,891	60,633	59,891	60,633
Other infrastructure and major equipment	3,422	4,314	3,422	4,314
	63,313	64,947	63,313	64,947

Revaluation of Ginning Assets

Effective 29 February 2012, the group changed its accounting policy for the measurement of ginning assets from deemed cost to fair value.

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

Effective 29 February 2016 an independent valuation of the ginning assets was commissioned by the Group to provide external support for the Directors assessment of fair value for financial reporting purposes. 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 results of a DCF model for the prior year. The directors continue to utilise this DCF method to determine the fair value of ginning assets. Management calculated the fair value as at 28 February 2017 and determined that the carrying value of the assets is in line with the fair value and, therefore, no further revaluations were recorded.

The fair value measurement of ginning assets outlined above uses significant unobservable inputs and are classified as level 3 in the financial reporting fair value measurement hierarchy. Significant unobservable valuation inputs as at 28 February 2017 included:

- Sustainable bales. The average annual sustainable ginning bales have been included following a grower by grower assessment of production areas, seasonal rotation, estimated yields and reliability of contracting. The measure is inclusive of Namoi's respective shares of throughputs of the joint venture cotton gins. The number being approximately a 28 % (2016: 28%) market share of an Australian sustainable crop size of 3.2 million bales (2016: 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% (2016 - 1.65%)
- Growth rate - expenses 2.20% (2016 - 2.20%)
- Pre-tax discount rate of 16% (2016 – 16.0 %)

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

Impairment of Assets at Cost

Impairment losses are determined with reference to the items recoverable amount calculated as the greater of fair value less costs to sell or its value in use. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying values exceed the estimated recoverable amount (refer to Note 1), the assets or cash-generating units are written down to their recoverable amount.

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Reconciliations

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

Year Ended 28 February 2017 (\$'000)	Gins	Other	CWIP
<i>Consolidated and parent entity</i>			
Written down value - 1 March 2016	130,657	8,565	1,688
Additions and Transfer to/(from) CWIP	1,968	290	1,646
Disposals	(39)	(96)	-
Depreciation ¹	(5,320)	(886)	-
Written down value - 28 February 2017	127,266	7,873	3,334
<i>Year Ended 29 February 2016 (\$'000)</i>			
<i>Consolidated and parent entity</i>			
Written down value - 1 March 2015	122,805	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	130,657	8,565	1,688

¹Change in Depreciation Policy

A change in the assessment of the remaining useful life of ginning assets (which is a change in estimate) was made at the start of the 2017 financial year. The change has increased the remaining useful life of the ginning assets with the effect of reducing depreciation for the year from \$7.3m to \$6.2m. Any impact in the next financial year will be dependent upon actual ginning volumes at the time.

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

14. Trade and Other Payables

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
<i>Current</i>				
Trade creditors and accruals ¹	7,938	4,988	7,936	4,988
Grower deposits	38	34	38	34
Customer deposits	132	-	132	-
Trade creditors to an associate	293	-	293	-
Loans from controlled entities	-	-	17,732	17,731
	8,401	5,022	26,131	22,753

¹ Trade and other payables are non-interest bearing and are settled under a variety of terms dependent upon the transaction arrangements and the counterparty. The carrying amount of trade and other payables approximates their fair value.

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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 28 February 2017 is listed below.

	Facility Use - AUD \$'000			
	Consolidated		Parent	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
<i>Current</i>				
<i>AUD Facility Use</i>				
Short term	819	2,072	819	2,072
Working capital finance ¹	9,500	9,000	9,500	9,000
Term debt ²	5,500	47,481	5,500	47,481
	15,819	58,553	15,819	58,553
Lease liability	771	717	771	717
	771	717	771	717
	16,590	59,270	16,590	59,270
<i>Non Current</i>				
Loans from controlled entities	-	-	2,049	2,049
Term debt ²	41,980	-	41,980	-
Lease liability	1,350	1,409	1,350	1,409
	43,330	1,409	45,379	3,458
Total Current and Non-Current	59,920	60,679	61,969	62,728

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

² Term debt lines are utilised to fund capital projects relating to the plant, property and equipment of the business.

Other liabilities

Interest bearing liabilities are carried at amortised cost.

Hire purchase contracts on equipment have an average term of 2.5 years with the average interest rate implicit in the contracts of 4.9% (2016: 5.7%).

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 28 February 2017 was \$12.5 million (2016: \$12.5 million) including operating overdrafts. A higher limit of \$17.5 million applies from 1 March 2017 to 30 June 2017

At balance date CBA had provided Namoi Cotton with a secured \$47.5 million (2016: \$47.5 million) debt facility with core components maturing on 28 February 2020. 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	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
<i>AUD Facility Limit</i>				
Short term	2,500	2,500	2,500	2,500
Working capital finance ⁴	10,000	10,000	10,000	10,000
Term debt - A ¹	35,000	25,000	35,000	25,000
Term debt - B ²	12,480	10,500	12,480	10,500
Term debt - C ³	-	11,980	-	11,980
	59,980	59,980	59,980	59,980

Financing arrangements

The Sixth Variation Deed was executed on 24 February 2017 consolidating the term debt C into term debts A and B and increasing the seasonal finance facilities inner limit to \$17.5 million from 1 March 2017 to 30 June 2017.

Finance renewal

Finance facility limits negotiated with CBA as per above:

¹Committed term debt facility (non-amortising) - facility limit of AUD\$35 million (2016: AUD\$25 million) with a facility end date of 28 February 2020;

²Committed term debt facility (amortising) - facility limit of AUD\$12.5 million (2016: AUD\$10.5 million) with a facility end date of 28 February 2020;

³Committed term debt facility (non-amortising) - facility limit of AUD\$nil as consolidated into term debt A and B (2016: AUD\$11.98 million); and

⁴Committed cotton seed, ginning consumables and general working capital needs under a multi option working capital facility (non-amortising) - facility limit of AUD\$10 million (2016: AUD\$10 million) with a facility end date of 17 March 2018.

With the exception of the maturity of the facilities, the terms and conditions 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. Financial covenants under the previous agreements were complied with during the year.

The Directors at the date of this report expect the working capital facility will be renewed thereafter and at appropriate levels for FY 2019 operations.

16. Provisions

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
<i>Current</i>				
Employee leave entitlements	1,979	2,040	1,979	2,040
Employee variable compensation	-	22	-	22
	1,979	2,062	1,979	2,062
<i>Non-current</i>				
Employee leave entitlements	863	799	863	799
	863	799	863	799

17. Co-operative Grower Member Shares

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Grower member shares - fixed capital entitlement	447	447	447	447
	No.	No.	No.	No.
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
<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	-	-	-	-
Shares repurchased/forfeited during the year	-	-	-	-
Shares at the end of the financial year	165,600	165,600	165,600	165,600

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	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Capital Stock	1,098	1,098	1,098	1,098

	Consolidated and Parent No. '000		Consolidated and Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
<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	\$ 1.13	\$ 1.12		

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 \$24,441 (2016: \$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 (2016: 141,000 units) under escrow.

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Rebate reinvestment plan

There were no transactions under the rebate reinvestment plan during the year ended 28 February 2017 (2016: \$nil).

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.

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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 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.

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Business Segments Year ended 28 February 2017	Ginning \$'000	Marketing ^{1,2} \$'000	Commodities \$'000	Unallocated \$'000	Consolidated \$'000
Revenue					
Sales to external customers	112,222	242,407	301	-	354,930
Other revenues from external customers	200	-	-	-	200
Total consolidated revenue	112,422	242,407	301	-	355,130
Non-segment revenues					
Interest revenue	-	-	-	1	1
Rental revenue	-	-	-	213	213
	112,422	242,407	301	214	355,344
Results					
Profit/(loss) before tax and finance costs	8,054	1,291	105	(6,710)	2,740
Finance costs	(2,556)	-	28	(84)	(2,612)
Share of profit from associates	(802)	712	-	-	(90)
Net Profit before tax	4,696	2,003	133	(6,794)	38
Other segment information					
Depreciation	(5,684)	(35)	(142)	(345)	(6,206)

Included in the unallocated results for the period are:

Interest Revenue	1
Rental Revenue	213
Total Unallocated Revenue	214
Share of profit/(loss) of other associates	-
Employee benefits expense	(3,426)
Depreciation	(345)
Finance costs	(84)
Other corporate administrative expenses	(3,153)
Total Unallocated Result	(6,794)

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

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

Business Segments Year ended 29 February 2016	Ginning \$'000	Marketing \$'000	Commodities \$'000	Unallocated \$'000	Consolidated \$'000
Revenue					
Sales to external customers	98,241	180,791	237	-	279,269
Other revenues from external customers	242	-	-	-	242
Total consolidated revenue	98,483	180,791	237	-	279,511
Non-segment revenues					
Interest revenue	-	-	-	1	1
Rental revenue	-	-	-	200	200
	98,483	180,791	237	201	279,712
Results					
Profit/(loss) before tax and finance costs	3,238	(909)	30	(6,269)	(3,910)
Finance costs	(2,616)	-	21	(55)	(2,650)
Share of profit from associates	(316)	(3,823)	-	-	(4,139)
Net Profit before tax	306	(4,732)	51	(6,324)	(10,699)
Other segment information					
Depreciation	(5,648)	(34)	(117)	(371)	(6,170)

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

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

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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:

Geographic Areas	Australia	Asia	Consolidated
Year ended 28 February 2017	\$'000	\$'000	\$'000
Revenue			
Sales to external customers	338,109	16,821	354,930
Other revenues from external customers	200	-	200
Total consolidated revenue	338,309	16,821	355,130
Geographic Areas			
Year ended 29 February 2016	\$'000	\$'000	\$'000
Revenue			
Sales to external customers	266,925	12,345	279,270
Other revenues from external customers	242	-	242
Total consolidated revenue	267,167	12,345	279,512

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21. Commitments and Contingencies

Commitments for capital expenditure

	Consolidated \$'000		Parent \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Property, plant and equipment				
Estimated capital expenditure contracted for at balance date but not provided for:				
Payable within one year	5,870	591	5,870	591

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 less than 1 year. 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:

Operating lease commitments - Group as lessee				
Not later than 1 year	307	656	307	656
Later than 1 year and not later than 5 years	-	289	-	289
	307	945	307	945

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 28 February 2017 are as follows:

Operating lease commitments receivable - Group as lessor				
Not later than 1 year	44	88	44	88
Later than 1 year and not later than 5 years	-	39	-	39
	44	127	44	127

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 \$2,701,735 (2016: \$2,525,241) for both the group and the co-operative. The equipment is mainly presented in Gin Assets in Note 13. Property, Plant and Equipment.

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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	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Within one year	844	818	844	818
After one year but within five years	1,379	1,498	1,379	1,498
After five years	44	-	44	-
Total minimum lease payments	2,267	2,316	2,267	2,316
Unexpired finance charges	(146)	(191)	(146)	(191)
Present value of minimum lease payments	2,121	2,125	2,121	2,125

The weighted average interest rate implicit in the contracts for both the group and parent is 4.9% (2016: 5.7%).

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 28 February 2017 the liabilities of COA exceeded its assets. Refer to Note 10. Investments in Associates and Joint Ventures.

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).

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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	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
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
			1,830	1,830
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 \$35,906 (2016: \$89,978).

Sales of white cotton seed to the COA Partnership were \$19,454,562 (2016: \$18,473,678) and purchases of white cotton seed from the COA Partnership were \$nil (2016: \$1,002,982).

Transactions with NCA

Management fees received by Namoi for services provided to Namoi Cotton Alliance \$2.5m (inclusive of bale handling fees) (2016: \$0.2m).

Lint Cotton Sales from Namoi to Namoi Cotton Alliance \$239.9m (2016: \$187.2m).

Insurance on-charged by Namoi to Namoi Cotton Alliance \$0.4m (2016: \$0.4m).

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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 28 February 2017 the liabilities of COA exceeded its assets and therefore has contributed to a negative investment in COA. Refer to Note 10. Investments in Associates and Joint Ventures.

24. Directors' and Executive Disclosure

Compensation by category of KMP

	Consolidated		Parent	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Short-term	1,808,592	1,774,506	1,808,592	1,774,506
Post Employment	152,293	174,312	152,293	174,312
Other Long-term	2,955	(23,162)	2,955	(23,162)
	1,963,840	1,925,656	1,963,840	1,925,656

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	
28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
6,670,705	5,224,500	1,418,504	1,554,886	1,813,908	1,481,578

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.

25. Remuneration of Auditors

	Consolidated and Parent Entity	
	28 Feb 2017	29 Feb 2016
Remuneration for the audit and review of the financial reports of the parent entity and the consolidated entity	173,900	165,500
Remuneration for other services provided to the parent entity and the consolidated entity:		
- Other assurance services	27,000	19,500
	200,900	185,000

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	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Financial Assets				
Derivatives	14,221	4,330	14,221	4,330
	14,221	4,330	14,221	4,330
Financial Liabilities				
Derivatives	(14,141)	(5,179)	(14,141)	(5,179)
	(14,141)	(5,179)	(14,141)	(5,179)
Net Exposure	80	(849)	80	(849)

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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 28 February 2017 and 29 February 2016, whereby if the cotton seed price had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity (excluding the effect of net profit) would have changed as follows:

	Post Tax Profit Higher/(Lower) \$'000		Equity Higher/(Lower) \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Consolidated				
+\$10/Mt (cotton seed)	51	115	-	-
-\$5/Mt (cotton seed)	(25)	(58)	-	-
Parent entity				
+\$10/Mt (cotton seed)	51	115	-	-
-\$5/Mt (cotton seed)	(25)	(58)	-	-

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	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Financial Assets				
Cash and cash equivalents	2,176	1,790	2,055	1,785
Trade and other receivables	349	59	349	59
	2,525	1,849	2,404	1,844
Financial Liabilities				
Interest bearing loans and borrowings	(59,840)	(60,678)	(59,840)	(60,678)
Derivatives	-	(284)	-	(284)
	(59,840)	(60,962)	(59,840)	(60,962)
Net Exposure	(57,315)	(59,113)	(57,436)	(59,118)

Interest rate swap contracts, with a fair value loss of \$nil (2016 \$283,605) at reporting date to both the group and parent, are exposed to value movements if interest rates change.

At reporting date, after taking into account the effect of interest rate swaps, nil% (2016: 44.3%) of the group's borrowings are at a fixed rate of interest nil% (2016: 3.0%). The group continually monitors its interest rate exposure with regard to existing and forecast working capital and term debt requirements.

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The following sensitivity analysis is based upon interest rate exposures that existed at 28 February 2017 and 29 February 2016, whereby if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity (excluding the effect of net profit) would have changed as follows:

	Post Tax Profit Higher/(Lower) \$'000		Equity Higher/(Lower) \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Consolidated				
+100 basis points	(576)	(335)	-	-
-50 basis points	288	168	-	-
Parent entity				
+100 basis points	(576)	(335)	-	-
-50 basis points	288	168	-	-

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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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	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Financial Assets				
Cash and cash equivalents	464	284	464	284
Trade and other receivables	659	1,289	659	1,289
Derivatives	444	30	444	30
	1,567	1,603	1,567	1,603
Financial Liabilities				
Trade and other payables	(118)	-	(118)	-
Derivatives	-	(8)	-	(8)
	(118)	(8)	(118)	(8)
Net Exposure	1,449	1,595	1,449	1,595

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

	Post Tax Profit Higher/(Lower) \$'000		Equity Higher/(Lower) \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Consolidated				
AUD/USD +100 basis points	(34)	(41)	-	-
AUD/USD -50 basis points	17	21	-	-
Parent entity				
AUD/USD +100 basis points	(34)	(41)	-	-
AUD/USD -50 basis points	17	21	-	-

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 28 February 2017 and 29 February 2016, whereby if the AUD had moved (relative to the USD), as illustrated in the table below, with all other variables held constant, post tax profit and equity (excluding the effect of net profit) would have changed as follows:

	Post Tax Profit Higher/(Lower) \$'000		Equity Higher/(Lower) \$'000	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Consolidated				
AUD/USD +100 basis points	(34)	(41)	-	-
AUD/USD -50 basis points	17	21	-	-
Parent entity				
AUD/USD +100 basis points	(34)	(41)	-	-
AUD/USD -50 basis points	17	21	-	-

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.

Year ended 28 February 2017	≤6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	>5 Years \$'000	Total \$'000
Consolidated					
Financial Assets					
Cash and cash equivalents	2,256	-	-	-	2,256
Trade and other receivables	5,264	24	-	-	5,288
Derivatives ¹	14,566	99	-	-	14,665
	22,086	123	-	-	22,209
Financial Liabilities					
Trade and other payables	(8,244)	(157)	-	-	(8,401)
Interest bearing loans and borrowings ²	(10,736)	(5,853)	(43,288)	(43)	(59,920)
Derivatives ¹	(9,192)	(4,949)	-	-	(14,141)
Co-operative grower member shares	-	-	-	(447)	(447)
	(28,172)	(10,959)	(43,288)	(490)	(82,909)
Net Exposure	(6,086)	(10,836)	(43,288)	(490)	(60,700)
Year ended 29 February 2016	≤6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	>5 Years \$'000	Total \$'000
Consolidated					
Financial Assets					
Cash and cash equivalents	1,790	-	-	-	1,790
Trade and other receivables	4,536	25	-	-	4,561
Derivatives ¹	2,837	1,516	-	-	4,353
	9,163	1,541	-	-	10,704
Financial Liabilities					
Trade and other payables	(4,359)	(121)	-	-	(4,480)
Interest bearing loans and borrowings ²	(58,896)	(373)	(2,408)	-	(61,677)
Derivatives ¹	(3,650)	(1,813)	-	-	(5,463)
Co-operative grower member shares	-	-	-	(447)	(447)
	(66,905)	(2,307)	(2,408)	(447)	(72,067)
Net Exposure	(57,742)	(766)	(2,408)	(447)	(61,363)

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Year ended 28 February 2017	≤6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	>5 Years \$'000	Total \$'000
Parent					
Financial Assets					
Cash and cash equivalents	2,135	-	-	-	2,135
Trade and other receivables	10,516	24	-	-	10,540
Derivatives ¹	14,566	99	-	-	14,665
	27,217	123	-	-	27,340
Financial Liabilities					
Trade and other payables	(8,242)	(17,889)	-	-	(26,131)
Interest bearing loans and borrowings ²	(10,736)	(5,853)	(43,288)	(2,092)	(61,969)
Derivatives ¹	(9,192)	(4,949)	-	-	(14,141)
Co-operative grower member shares	-	-	-	(447)	(447)
	(28,170)	(28,691)	(43,288)	(2,539)	(102,688)
Net Exposure	(953)	(28,568)	(43,288)	(2,539)	(75,348)

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

¹ Derivatives reflect the actual cashflow and are net settled.

² In addition to the maturity profile of interest bearing loans and borrowings, there are actual cashflows in relation to interest for the 6-month period of \$1.32 million (2016: \$0.30 million), for the 6-12 month period of \$1.09 million (2016: nil) and for the 1-5 year period \$3.77 million (2016: 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 28 February 2017 due to the cash flow components being contingent on forward crop commodity purchase and sale contracts.

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Application of fair value hierarchy to Namoi's financial statements

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

The fair value of Cotton Seed Contracts (Purchase and Sale) and Cotton Seed Inventory (at fair value less cost to sell) is determined with reference to an observable market, reports and adjustments for freight premiums and discounts which are unobservable. During the period there has not been a change in unobservable inputs (i.e. freight premiums, discounts and cost to sell), accordingly no gains or losses have been recognised as a result in changes of unobservable inputs during the year. (2016: nil). The nature of the market used to determine the Cotton Seed Price is assessed as being illiquid given the low volume of transactions, accordingly the contracts are classified as level 3.

The fair value of unlisted debt securities 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 17 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 28 February 2017	Level 1 Quoted market prices \$'000	Level 2 Market observable inputs \$'000	Level 3 Non-market observable inputs \$'000	Total \$'000
Consolidated				
Current assets				
Foreign exchange contracts	-	444	-	444
Cotton seed purchase contracts	-	-	14,221	14,221
	-	444	14,221	14,665
Current liabilities				
Cotton seed sale contracts	-	-	(14,141)	(14,141)
	-	-	(14,141)	(14,141)

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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 29 February 2016				
Consolidated				
Current assets				
Foreign exchange contracts	-	22	-	22
Lint cotton and cotton seed sale contracts	-	-	4,330	4,330
	-	22	4,330	4,352
Current liabilities				
Interest rate swap contracts	-	(284)	-	(284)
Cotton seed purchase contracts	-	-	(5,179)	(5,179)
	-	(284)	(5,179)	(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 2017				
Parent				
Current assets				
Foreign exchange contracts	-	444	-	444
Cotton seed purchase contracts	-	-	14,221	14,221
	-	444	14,221	14,665
Current liabilities				
Cotton seed sale contracts	-	-	(14,141)	(14,141)
	-	-	(14,141)	(14,141)

	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
	-	22	4,330	4,352
Current liabilities				
Interest rate swap contracts	-	(284)	-	(284)
Cotton seed purchase contracts	-	-	(5,179)	(5,179)
	-	(284)	(5,179)	(5,463)

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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2017 CORPORATE GOVERNANCE STATEMENT

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 (collectively such policies known as the "Corporate Governance Documents").

The 2017 Corporate Governance Statement is dated 20 June 2017 and covers the corporate governance practices and policies in place during the 2017 Financial Year. The 2017 Corporate Governance was approved by the Board on 20 June 2017.

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 2017 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 advises 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 2016 is available on its website.

Namoi Cotton at the time of this report has 26% 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.

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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.

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.

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 2019

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 28th February 2017.

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 FY2017 (28 February 2017) 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 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 28 FEBRUARY 2017

Additional information required by the Australian Stock Exchange. This information is current as at 2 June 2017.

DISTRIBUTION OF NAMOI CAPITAL STOCKHOLDERS

	Number of holders	Number of Namoi Capital Stock	%
1 - 1,000	140	66,860	0.06
1,001 - 5,000	515	1,544,695	1.41
5,001 - 10,000	264	2,132,402	1.94
10,001 - 100,000	480	16,298,572	14.84
100,001 and over	133	89,800,750	81.75
Total	1,532	109,843,279	100.00

TOP 20 NAMOI CAPITAL STOCKHOLDERS

Rank	Name	Number of Namoi Capital Stock	% held
1.	LOUIS DREYFUS COMMODITIES ASIA PTE LTD	14,327,384	13.04
2.	AUSTRALIAN RURAL CAPITAL LIMITED	11,857,249	10.79
3.	NATIONAL NOMINEES LIMITED	8,915,981	8.12
4.	CITICORP NOMINEES PTY LIMITED	5,827,664	5.31
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.	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,057,828	0.96
9.	MRS FRANCES CLAIRE FOX <THOMAS J BERESFORD WILL A/C>	1,009,386	0.92
10.	MR ALBERT JOHN PANIZZA + MS KIM DIANNA BROADFOOT <ALKIRA SUPER FUND A/C>	903,344	0.82
11.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	880,395	0.80
12.	BELFORT INVESTMENT ADVISORS LIMITED	840,929	0.77
13.	GRANTULLY INVESTMENTS PTY LIMITED	839,000	0.76
14.	BRUCE CLYDE BAILEY + JANET BEATRICE SHAFIK BAILEY	820,122	0.75
15.	DUDDY MANAGEMENT PTY LTD	809,720	0.74
16.	MR MARK JOSEPH PANIZZA + MRS SUSAN KATHLEEN PANIZZA <SUMA SUPER FUND A/C>	802,734	0.73
17.	AVENUE 8 PTY LIMITED <GAN SUPER FUND A/C>	800,000	0.73
18.	MR PETER SINCLAIR GURNER <GIT A/C>	790,041	0.72
19.	BOYCE FAMILY SUPERANNUATION FUND PTY LIMITED <BOYCE FAMILY S/F A/C>	775,272	0.71
20.	GIBBS FAMILY SUPER PTY LTD <MICHAEL GIBBS FAMILY S/F A/C>	740,291	0.67
Total		59,637,469	54.29

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
TOTAL 900,500			

*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 Wee Waa Bowling Club, 69 Alma Street, Wee Waa, NSW on Friday, 28 July 2017 at 10am.

NAMOI CAPITAL STOCKHOLDERS MEETING

A meeting of Namoi Capital Stockholders will be held at the Wee Waa Bowling Club, 69 Alma Street, Wee Waa, NSW on Friday, 28 July 2017 at 10am in conjunction with the Annual General Meeting.

DISTRIBUTION

No final distribution will be paid to Namoi Capital Stockholders for the year ended 28 February 2017.

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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 (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 (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 (under investors/investorservices/downloadableforms).

MAJOR ASX ANNOUNCEMENTS FOR 2016 - 2017

Date	ASX Releases
30/05/2017	Change of Directors Interest – Appendix 3Y – Tim Watson
30/05/2017	2017 AGM Notice of Meeting
30/05/2017	Namoi Cotton Full Year 2016/17 Financial Results
30/05/2017	Full Year Accounts Financial Year 2017
21/10/2016	Stakeholder Briefing – Corporate Structure 2016
24/06/2016	Grower Member Proxy Form
24/06/2016	Namoi Stockholders Proxy Form
24/06/2016	Annual Report 2016
21/06/2016	App 4G Corporate Governance
20/06/2016	2016 AGM Notice of Meeting
27/04/2016	Namoi Cotton Full Year 2015/16 Financial Results
29/02/2016	Full Year Accounts Financial Year 2016

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

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

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