NAMOI COTTON LIMITED
ABN 76 010 485 588

NAMOI COTTON
Growing Together

ANNUAL REPORT 2022

STRENGTHEN, STRATEGY & EXECUTION

CONTENTS

02
WHO WE ARE

16
OUR PERFORMANCE

23
COMMUNITY &
RELATIONSHIPS

WHO WE ARE

Namoi Cotton's business spans fibre, feed, supply chain and marketing, with ginning being at the core. Our Vision and Mission is to be the leading Australian cotton agribusiness by independently linking growers to global markets. Our network of 9 cotton gin locations in NSW and southern QLD is supported by warehousing and packing, connected by rail and road to container ports.

COTTON GINNING

Network 9 gins in 6 valleys
serving >200 growers

Gin 830,000 bales[1]

Capacity 1.5m bales

COTTONSEED MARKETING

Network of 9 sheds

Marketing cottonseed to
30+ feed buyers
selling to both the domestic and export market

LINT MARKETING

Cotton classing

Lint origination & trading

Exporting to 8+ countries
(managed by NCMA)

SUPPLY CHAIN

3 warehouses and 2 grain storages with 3 terminals

Packing export containers
(managed by NCA)

1 Based on 10 year moving average of total ginning volume

ABOUT THIS REPORT

Welcome to our FY2022 Annual Report, which forms part of our corporate reporting suite for the 2022 financial year.

Structure and content

The elements of the Directors' Report, required by Australian Securities and Investments Commission (ASIC) Regulatory Guide 247, are covered on pages 30 to 42. This includes the Review and Results of Operations which is presented on pages 19 to 21. The basis of preparation of our financial statements is outlined on page 56.

This report covers all Namoi Cotton operations over which, unless otherwise stated, we have control for the financial year ending 28 February 2022 (collectively 'the Namoi Cotton Group', or 'the Group'). Monetary amounts in this document are subject to rounding and are reported in Australian dollars, unless otherwise stated.

Verification and assurance

The Remuneration Report (pages 34 to 42) and Financial Statements (pages 50 to 108) have been independently audited by EY. Detailed information on the audit process and opinion is provided in the Audit Report on pages 43 to 48. All unaudited information contained in this report has been subject to an internal review and approval process.

Forward-looking statements

This report may contain forward-looking statements, including statements of current intention, opinion and predictions regarding the Group's present and future operations, possible future events, and future financial prospects. While these statements reflect expectations at the date of this report, they are, by their nature, not certain and are susceptible to change. Namoi Cotton makes no representation, assurance or guarantee as to the accuracy of or likelihood of fulfilling any such forward-looking statements (whether express or implied) and, except as required by applicable law or the ASX Listing Rules, disclaims any obligation or undertaking to publicly update such forward-looking statements.

We are reporting on the topics that matter most to our stakeholders, including:

Business performance and resilience

Maintaining strong economic performance and growth and ensuring that our operations and supply chains remain resilient by anticipating and managing ongoing disruption events. This includes managing risk with applicable risk management policies.

Safety and security

Ensuring the safety of our people, customers, and communities in which we operate, and the security of our products and operations, including managing risks. This includes managing the impacts of COVID-19 on our people and the communities in which we operate.

Technology, innovation, and products

Investing in technology and innovation to optimise business performance and deliver innovative solutions that enhance customer experience.

FY2022 YEAR IN REVIEW

71

NET PROMOTER SCORE[1]

53%

EMPLOYEE ENGAGEMENT

(TARGET 65% BY JANUARY 2023)

ZERO

SIGNIFICANT ENVIRONMENTAL INCIDENTS

EBITDA[2]

$1.6m

15

SAFETY LTIFR

(TARGET 10)

SAFETY SEVERITY = 2 SHIFTS PER LTI

30%

GEARING

1 Net Promoter Score is a metric that assesses the willingness of customers to recommend a company's products or services to other customers

2 EBITDA is a non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation, and amortisation including share of profit from associates and joint ventures and excluding impairment charges

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.2A and Appendix 4E for the consolidated entity Namoi Cotton Limited ('**Namoi Cotton** or '**Company**') and its controlled entities ('**Namoi Cotton Group** or '**The Group**'), for the year ended 28 February 2022 ('**FY2022** or **FY22**') and the previous corresponding period, 28 February 2021 ('**FY2021** or **FY21**').

Financial results and key financial items from continuing operations are included in the following table. For further explanation of the annual financial results refer to the FY2022 Annual Report.

FOR THE YEARS ENDED 28 FEBRUARY		FY2022	FY2021	Movement		
Production						
NSW and QLD Cotton Production	000' bales	2,677	503	2,174	432%	↑
Namoi Cotton Catchment Area Production	000' bales	1,294	287	1,007	351%	↑
Volumes						
Ginned cotton	000' bales	493.0	124.2	368.8	297%	↑
Cottonseed marketed	000' tonnes	129.8	34.1	95.7	280%	↑
Earnings & Cashflow						
Revenue & Income[1]	$m	47.0	18.8	28.1	149%	↑
EBITDA[2]	$m	1.6	(12.7)	14.3	112%	↑
Earnings of JVs and Associates	$m	0.3	(9.0)	9.3	104%	↑
Loss after tax[3]	$m	(4.4)	(14.4)	10.0	69%	↑
Net cash (outflow)[4]	$m	(7.5)	(3.4)	(4.1)	-122%	↓
Balance Sheet						
Capital Employed[5]	$m	161.2	152.6	8.6	6%	↑
Net Assets	$m	115.6	106.8	8.8	8%	↑
Net debt[6]	$m	48.6	50.8	(2.2)	4%	↓
Analysis						
Gearing ratio[7]	%	29.6	32.2	(2.6)		↓
Diluted earnings per share[8]		(0.03)	(0.10)	0.7	75%	↑
Net tangible asset value per share	cents	0.67	0.76	(0.09)	-12%	↓

Notes:

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

2 EBITDA is a non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation, and amortisation including share of profit from associates and joint ventures and excluding impairment charges

3 Loss attributable to the members of Namoi Cotton Limited

4 Net cash (outflow)/inflow from operating activities and investing activities

5 Total assets less current liabilities

6 Interest bearing liabilities less cash and cash equivalents

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

8 Residual capital stock unconverted has not been included in the calculation because they are antidilutive

Dividends

Namoi Cotton will not pay any dividends in respect of the year ended 28 February 2022 (FY2021: nil).

Audit Status

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


JCB
JCB

LETTER FROM OUR CHAIR AND CEO

At this time last year, we spoke about simplifying and strengthening our business whilst pursuing a strategy to create premium value for growers and returns to shareholders through the cycle.

We have built an executive team with strong general business and agricultural experience, led by our new Chief Executive Officer (CEO) John Stevenson, who are guiding our business through this transition to maximise the opportunities with increased volume and growth potential.

We completed the restructure of our Namoi Cotton Alliance (NCA) joint venture in 2021, separating the warehouse and supply chain assets from the lint cotton trading business. Namoi Cotton maintains 51% ownership of Namoi Cotton Alliance and 15% ownership of Namoi Cotton Marketing Alliance 'NCMA'. This has significantly reduced our debt and risk profile from global market volatility, whilst maintaining access to a world class lint cotton trading network.

We have also made considerable progress to strengthen our balance sheet over the past year to ensure we are gin-ready for the 2022 season. We appreciate the ongoing support of our equity and debt stakeholders, where in:

- May 2021, we raised $10.3 million in equity (after costs). These proceeds, combined with operating cashflow, have been used to reduce core debt by $4.7 million and support $8.5 million additional expenditure to prepare for the anticipated above average volume in the 2022 season (Gin-ready Program).
- September 2021, we renewed our partnership with the Commonwealth Bank of Australia (CBA)

until October 2024, increasing our working capital facilities to fund the expected increase in cottonseed marketing inventory for the 2022 and 2023 seasons and day to day expenses.

Safety and customers

Safety is our number one priority. In FY2022 we implemented a new safety management system to improve hazard tracking and reduction. We are focussed not only on delivering improved safety performance, but also in winning the hearts and minds of our people to ensure everyone goes home safe and happy each and every day.

Our long-term injury frequency rate (LTIFR) increased this year versus last (LTIFR of 15 in FY2022 versus 9 in FY2021), however the average number of shifts lost from each injury has been reduced to our lowest level (2 shifts per LTI in FY2022 versus 12 in FY2021).

We are committed to our customers. We operated 8 out of 9 gins in FY2022 with most operating on a single shift basis to manage cost. We secured labour despite ongoing Covid-19 restrictions.

We delivered a premium service in the 2021 season with 93% of cotton ginned by the end of August 2021, an important factor for grower cotton lint pricing and cashflow. This was demonstrated by strong grower satisfaction with an NPS of 71.

Positive Operating result

We are pleased to report a positive EBITDA of $1.6 million, the first since FY2019, on the back of improving but still below average ginning volume. Net Profit after Tax (NPAT) was $4.4 million loss.

Our focus is to grow market share and margin through premium service and targeted investment. We will deliver increased earnings and cashflow in the coming years on the back of expected above average seasons by balancing competitive pricing and cost control in an inflationary environment.

The return to positive EBITDA in FY2022, in a season where the volume was 40% below average, was achieved through:

- Strong cost discipline in FY2022 with operating staff cost per bale being 9% lower compared to FY2020 (a year in which we ginned a comparable volume), and
- Contribution in FY2022 from our joint ventures in supply chain and lint marketing following their restructure in 2021 (FY2022 share of joint venture EBITDA contribution of $1.8 million versus ($6.6) million in FY2021).

4PP Strategy

Last year we announced our 4PP Strategy that is built on 4 strategic planks:

1. Leading service and cost position – partner growers with our superior ginning network.
2. Innovative solutions – empower growers with differentiated products.
3. Broaden revenue base – geographically diversify our network and grow the core.
4. Great place to work – attract and retain talented staff.

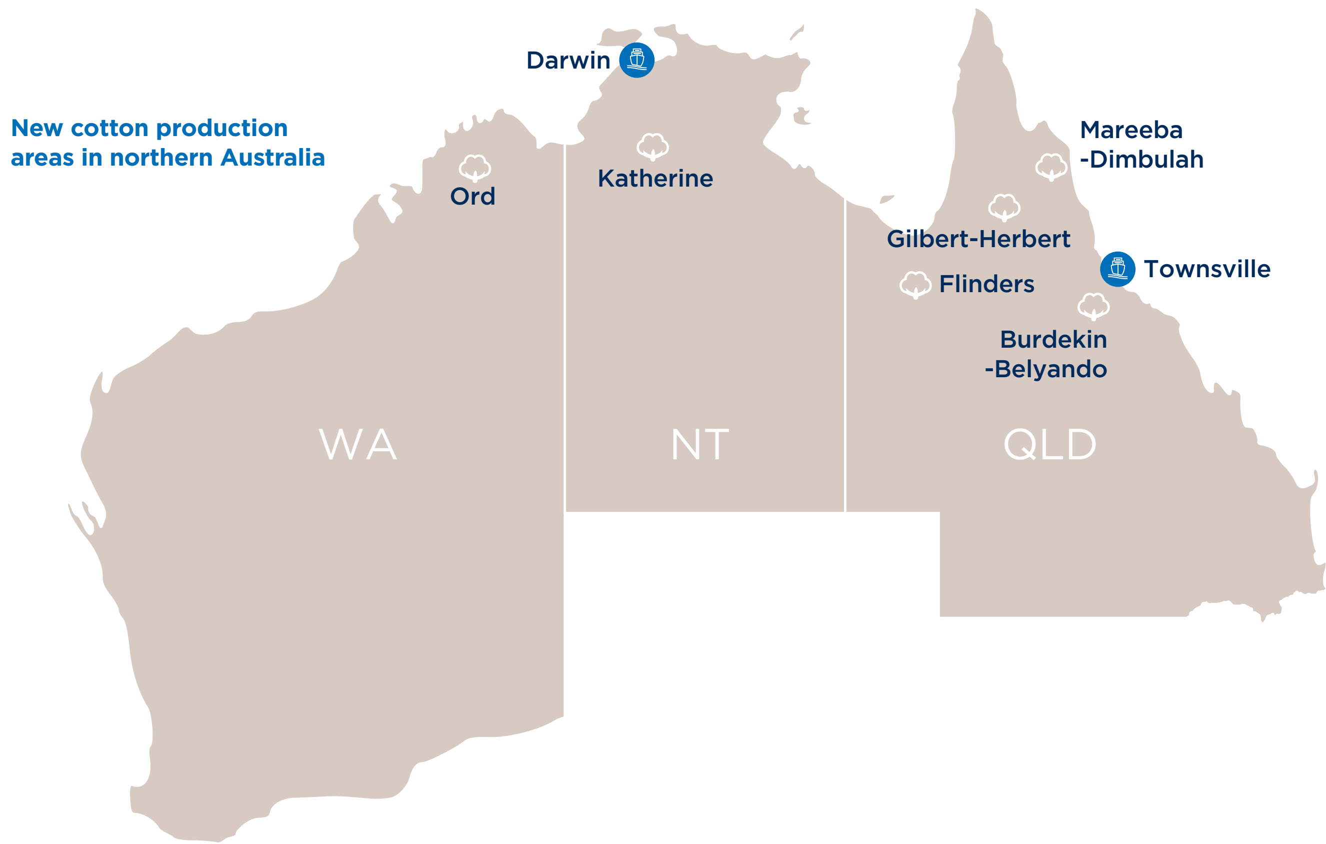
The 4PP Strategy is targeting to increase through the cycle EBITDA over the next 5 years from initiatives to reduce cost and access new revenue sources. This will be supported by an investment in growth projects in ginning productivity and value-add capability.

The 4PP Strategy in the first year of this 4-year program will deliver incremental earnings in the 2022 season (FY23) and beyond that include:

- $2.1 million upgrade at our Merah North gin will be ready for the 2022 season. The increased productivity will improve ginned cotton quality for growers and reduce variable operating costs by 10%.
- $2.5 million new cottonseed shed at Boggabri will be ready to store cottonseed before the end of the 2022 season. This will enable us to better service the local livestock market and significantly reduce transport costs.

These projects will be completed in one year despite significant supply chain and contractor challenges, which is testament to our in-house engineering and maintenance team.

New drying and cleaning gin equipment at Merah North



Northern Australia

Northern Australia is forecast to produce over 0.4 million bales of cotton by 2027. As part of the 4PP Strategy we are exploring opportunities to deploy our capability to grow our ginning footprint in northern Australia where we are:

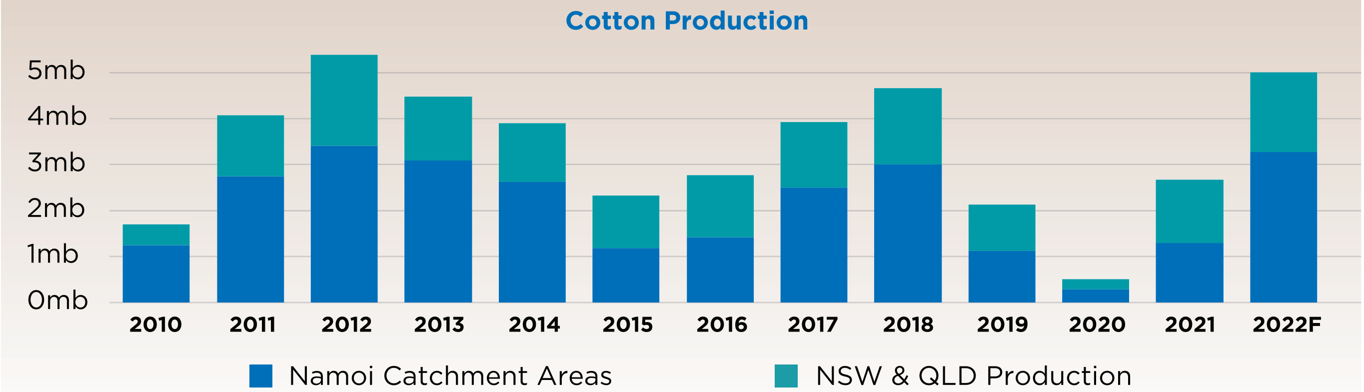
- In discussion with Kimberley Cotton Company, with a planned gin to service the Ord River WA, based on a planned 10% equity investment and managing their gin.
- Exploring the construction of a joint venture gin with local grower(s) in northern QLD.

The benefits from these potential growth projects will be in addition to our targets for the 4PP Strategy outlined above.

Positive outlook for 2022 (FY23) and beyond

We leave a period of drought (2019 – 2021 seasons) with a significantly improved outlook for the 2022 season (FY2023) with near record cotton production where:

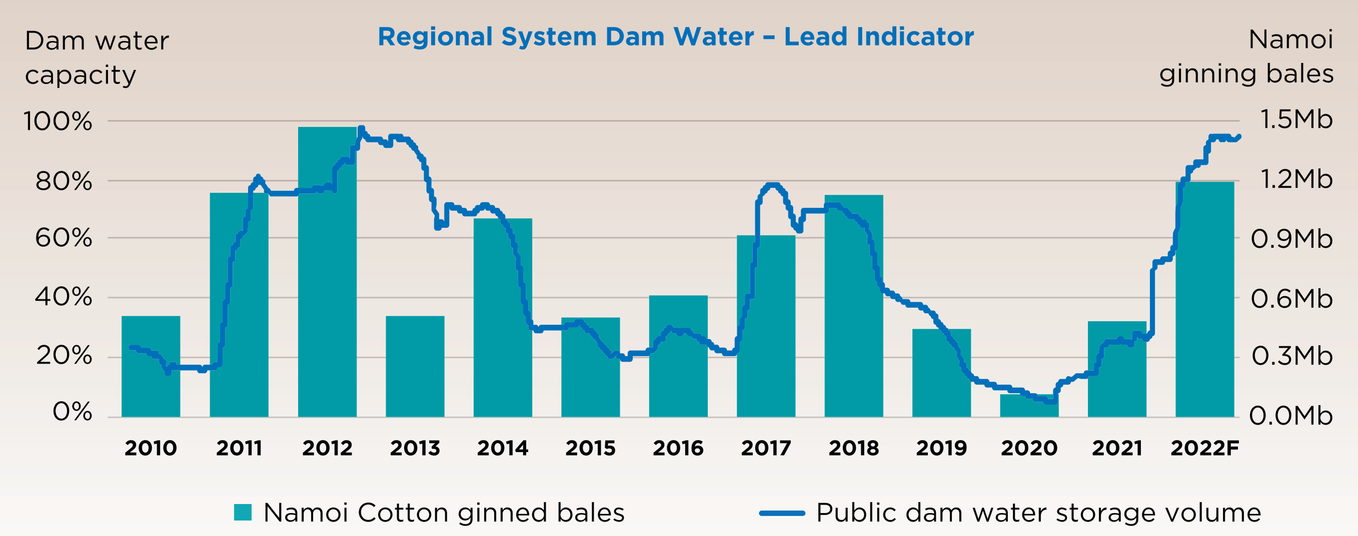
- ABARES is forecasting cotton production of 5.0 million bales in the 2022 season in NSW and Queensland. This represents a 90% increase versus the 2021 season.
- Cotton Compass is forecasting cotton production of 3.27 million bales in the 2022 season in our catchment area. This represents a 150% increase versus the 2021 season.



Source: ABARES (March 2022) - NSW and QLD Production. Cotton Compass (March 2022) - Namoi catchment area

The medium-term outlook for cotton production for the 2023 season is exceptional where:

- Good water availability, as indicated by the current public regional dam water storage levels in our catchment areas that is at 10-year highs at 94%.
- Above average cotton prices that is expected to continue into 2023, driven by strong global demand, will encourage growers to continue planting cotton in line with water availability.



Source: Bureau of Meteorology (BOM) – March 2022

Gin-ready Program

We are preparing to gin 1.1 – 1.2 million bales in 2022 (2021: 0.5 million bales). This represents a 140% increase over our 2021 season volume and 40% higher than our average ginning volume of around 830,000 bales.

We are targeting to gin 95% of this cotton by the end of August 2022 to maximise returns for growers and provide time to undertake maintenance to prepare for the following 2023 season.

We are executing plans to operate all gins with all (except North Bourke) operating 24 hours a day. This involves managing the current shortage of regional staff by:

- Pioneering the development of a skilled overseas ginning workforce where we are contracting 13 overseas qualified ginners from cotton producing areas of Africa,
- Filling 300 casual positions this season, predominantly with overseas workers, and
- Employing 7 apprentices to support our trades team for the maintenance of our gins.

We have spent an additional $8.5 million in FY2022 versus FY2021 to ensure we are gin-ready for the 2022 season. This included 4PP Strategy projects, additional preventative maintenance, staff capability and the pre-ordering of imported consumables for ginning.

And we are delivering on our promise of innovative solutions that enhance customer service and ginned cotton quality in the 2022 season, that include:

- Digital and technology solutions to provide more information to make better decisions. This includes the installation of Uster IntelliGin systems to track cotton quality received into the gin and provide real time information through our grower portal.
- New module cash advance program that will enable growers to access cash for their picked cotton prior to ginning.
- Bale pad tenders that will enable growers to access more buyers for their ginned cotton.

Accordingly, we are well positioned to capture the opportunities with the return to above average seasons and by managing the current challenges. However, input costs for labour, fuel and consumables and supply chain disruptions are growing at a faster rate versus revenue which may have a short-term negative impact on our margins.

Commitment

Execution excellence is our immediate focus.

Namoi Cotton is a great place to work because we are committed to creating a workplace and culture where our people are energised by the work they do, empowered to achieve their full potential, and inspired to have a positive impact on others. This is reflected in a significant increase in staff engagement in 2021.

This will lay the groundwork for a stronger business that will give us the impetus to continue delivering on our 4PP Strategy and improve returns through the cycle.

On behalf of our Board and the Executive Team, thank you to the entire Namoi Cotton team who continue to demonstrate our values despite the challenges. Also, thank you to the Namoi Cotton Directors who continue to guide and support the business.

Importantly, we thank you, our shareholders, for your continued support and investment in Namoi Cotton.

Tim Watson
Chair

John Stevenson
CEO

OUR BUSINESS

VALUES AND STRATEGY

Our purpose is to provide cotton growers an independent pathway to market whilst adding value along the supply chain.

SAFETY

We place safety and health first

TEAMWORK

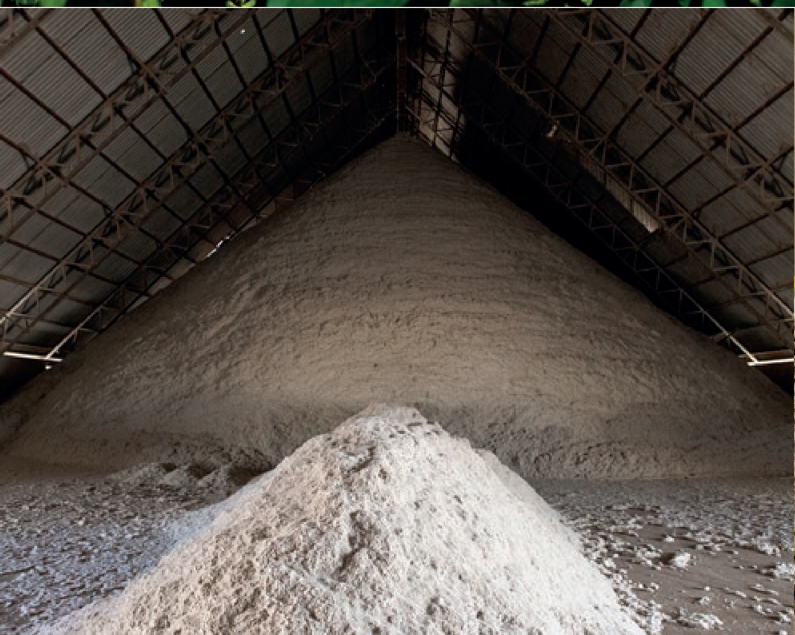
We build strong partnerships with our customers & each other

INTEGRITY

We deliver on our promises

EXCELLENCE

We are efficient and effective and get the job done



Namoi Cotton is the leading Australian cotton agribusiness with ginning being at our core

GINNING

LINT MARKETING

COTTONSEED MARKETING

SUPPLY CHAIN

STAKEHOLDERS

Our purpose is to provide cotton growers an independent pathway to market whilst adding value along the supply chain.

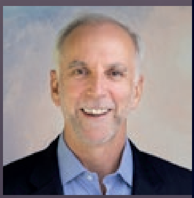
Stakeholder	What issues are important?	How we respond to create value
Employees and contractors	– Safety, health, and wellbeing – Skills and capability development to meet future of work – Career and progression opportunities – Leadership – Diversity and inclusion	– Developing a culture of safety, and providing safe systems of work – Growing our focus on mental health and wellbeing – Enabling continuous learning opportunities, with a focus on skills for the future – Providing performance-driven rewards and advancement opportunities – Building leadership focused on developing trust and empowering their teams – Setting diversity and inclusion targets – Growing our commercial and operational female talent pipeline
Customers/Growers	– Superior service, reliability, and safety – Competitive price – Added value through product innovation and new technologies	– Delivering on our customer promise to provide the highest standards of safety, service, quality, and value – Leveraging our capability and investment in solutions to improve productivity and quality.
Shareholders, debt investors and analysts	– Company performance and growing shareholder value – Company strategy and business model – Management of variability through the cycle – Management of short, medium, and long-term risks – Corporate governance	– Adapting to a variable and changing environment – Disclosure and transparency of financial and non-financial performance
Suppliers and business partners	– Business resilience and continuity – Security of supply – Managing supply chain risks, including ESG risks	– Partner key suppliers to supply reliable and quality inputs – Providing clear guidance to suppliers on our safety and ESG requirements – Working with suppliers to address legislative requirements and societal expectations on ethical supply chains

Local communities	- Product safety and security - Local operational impacts including water, air, and noise - Economic opportunities including employment and procurement - Investment in communities - Ethical business conduct and transparent communication - Strong partnerships	- Engaging our communities and other stakeholders on our safety approach - Working to improve environmental outcomes - Supporting our communities impacted by crises including COVID-19 and extreme weather events - Increasing our financial contribution and developing a more targeted community investment approach - Embedding a shared value approach
Government and regulators	- Regulatory compliance, good governance, and ethical business conduct - Socio-economic contribution - Community contribution and impacts - Innovation, research, and development	- Complying with all relevant legislation and regulation - Actively engaging and participating with government and industry on policy matters - Providing insight to support evolving policy frameworks - Fostering innovation, research and development
Industry associations	- Industry-specific issues and strategy	- Engaging openly and transparently to identify opportunities for collaboration - Advocating responsibly and consistently in line with our policy commitments, including opportunities to raise industry performance to meet our standards - Providing input into industry responses to government consultations

OUR PERFORMANCE

Executive Leadership Team – driving performance

Our Executive Leadership Team (ELT) supports the CEO to run our day-to-day operations based on authority delegated by the Board. The ELT is responsible for executing our strategy, driving financial performance, and enabling an engaging and inclusive culture.



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

John commenced in March 2020 as CFO before being appointed as acting Interim and then CEO on 7 June 2021. John has over 30 years' experience across a range of sectors including agribusiness in executive roles in finance as well as CFO and CEO.

Sonya Ryan, Chief Financial Officer, GradDip Adv Accounting, CPA, B.Bus major Accountancy, AICD

Sonya was appointed in January 2022 and has a wealth of Financial and Risk Management experience gained from working across national and international companies.

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

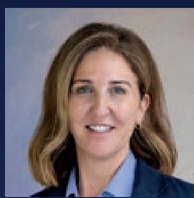
Shane has thirty years of experience in the cotton industry with Namoi Cotton ranging from export logistics and warehousing, cotton lint classification and marketing, cottonseed trading and cotton ginning operations.

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

Prue commenced in 2020 and has comprehensive experience across various agribusinesses from the origination of the commodity through operations and the supply chain, and marketing domestically or for export with several Australian public companies.

Neil Johns, Executive General Manager Strategy & Business Development, BCom, MCom, MBus

Neil commenced in 2020 and has more than 30 years of agribusiness and supply chain experience in strategy, business development, M&A and operations.



Milena McKenzie, Executive General Manager, People, Safety & Culture, BBus, Accredited Executive Coach

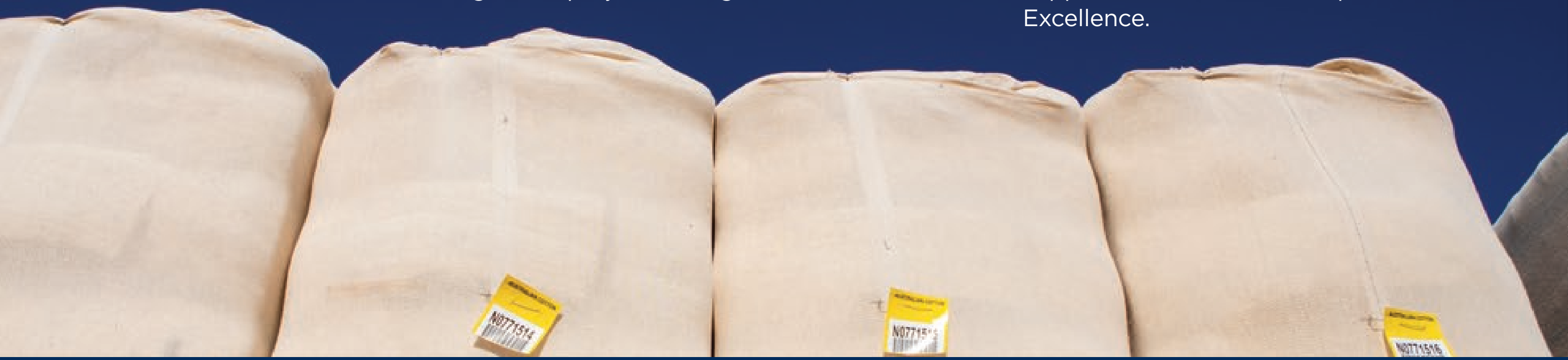
Milena commenced in 2020 and has more than 25 years of extensive experience across numerous industries in Human Resources specialising in culture and organisational change.

Grant Ambrose, Engineering Manager, Adv.Dip Electrical Engineering

Grant was appointed Engineering Manager in 2021. He has 17 years of experience in the cotton industry with Namoi Cotton in roles such as electrical services, maintenance and trades manager and project manager.

Ross Kealy, Operations Manager, BEng (Chem), MBA

Ross joined Namoi Cotton in 2021 bringing with him extensive experience in Food, FMCG and Chemical Manufacturing. His background in Development of People, Plant and Processes supports Namoi Cotton's Operational Excellence.



REVIEW AND RESULTS OF OPERATIONS

FY2022 vs FY2021 HIGHLIGHTS				
Ginned Bales	**NPAT**	**EBITDA**	**Core Debt**	**LTIFR**
0.49mb ↑ 0.12mb	$(4.4)m ↑ $(14.4)m	$1.6m ↑ $(12.7)m	$45.1m ↓ $49.9m	15 ↑ 9

mb = million bales

Volume and Operations

NSW and QLD cotton crop production for the 2021 season (FY2022) was 2.7 million bales [2020 season: 0.5 million bales] of which 1.3 million bales were grown in Namoi Cotton's catchment area.

Namoi Cotton's ginning volume, on the back of increased cotton production, increased to 493,000 bales in FY2022 representing an estimated 38% market share in our catchment area. This improved volume is 40% less than our average ginning volume of 830,000 bales.

In addition to ginning, the volume of our other products also increased around four-fold:

- Namoi Cotton markets co-products from ginning. In FY2022 we marketed 130,000 tonnes of cottonseed [FY2021: 34,000 tonnes] and we sold waste (moss) lint into overseas markets.
- NCA provides logistics services for cotton lint and other products. In FY2022 NCA shipped 678,000 bales through it warehouses and supply chain [FY2021: 131,000 bales]. NCA also packed 124,000 tonnes of grain and cottonseed product in FY2022 [FY2021: 100,000 tonnes].

FOR THE YEARS ENDED 28 FEBRUARY		FY2022	FY2021	Movement	
Cotton Production					
NSW and QLD cotton Production [1]	million bales	2.7	0.5	432%	↑
Namoi Cotton Catchment Area [2]	million bales	1.3	0.3	351%	↑
Namoi Cotton Volume Metrics					
Ginned cotton	thousand bales	493	124	297%	↑
Cottonseed sold	thousand tonnes	130	34	280%	↑
Warehouse shipped	thousand bales	678	131	417%	↑
Packing (grain and cottonseed)	thousand tonnes	124	100	25%	↑

Notes:
1 ABARES March 2022
2 Cotton Compass March 2022

Earnings

Namoi Cotton generated an EBITDA of $1.6 million [FY2021: EBITDA $(12.7) million]. This included $0.3 million from the share of profit from joint ventures and associates (i.e. NCA and NCMA) who provide integrated supply chain and lint marketing services [FY2021: Loss of $(8.7) million].

Namoi Cotton generated a Gross EBITDA of $2.8 million (i.e. excluding JobKeeper payment and adding back depreciation and interest from its share of NCA) [FY2021: Loss of $(12.7) million].

Gross EBITDA increased $15.4 million in FY2022 versus FY2021 across our business segments, comprising:

Ginning services: $10.0 million increase in EBITDA contribution from ginning that include the marketing of co-products with increased ginning volume:

- Include $2.0 million in additional maintenance to be gin-ready for the 2022 season.
- Lower margins in marketing cottonseed with softer feed prices given the end of drought.
- Maintained operational efficiencies. When compared against FY2020, a year in which we ginned comparable volume (i.e. 450,000 bales), operating labour cost per ginned bale was 9% less.

Supply chain and Marketing: $7.2 million increase in EBITDA contribution from our share of joint ventures (NCA and NCMA) and other operations:

- Restructured joint ventures returned them to positive EBITDA.
- Despite increased volume, margins were negatively impacted by supply chain disruption which resulted in increased costs that were not able to be fully passed on to customers.

Unallocated: $1.8 million increase in unallocated (corporate) cost excluding JobKeeper payment. This included $1.4 million in additional staff capability to support the above average 2022 season.

FOR THE YEARS ENDED 28 FEBRUARY		FY2022	FY2021	Movement	
EBITDA Reconciliation ($m)					
Loss before tax	**$m**	**(5.7)**	**(16.5)**	**10.8**	↑
Add back:					
Depreciation	$m	5.1	3.2		
Decrements/Impairments	$m	(0.2)	(1.1)		
Finance costs	$m	2.3	1.6		
EBITDA (1)	**$m**	**1.6**	**(12.7)**	**14.3**	↑
Add back JV depreciation and interest (2)	$m	1.4	2.1		
Deduct Jobkeeper payment	$m	(0.2)	(2.1)		
Gross EBITDA	**$m**	**2.8**	**(12.7)**	**15.4**	↑
Split per Segment ($m)					
Ginning Services	$m	9.2	(0.8)	10.0	↑
Supply Chain (3)	$m	2.1	(5.1)	7.2	↑
Unallocated (4)	$m	(8.5)	(6.8)	(1.8)	↓
Gross EBITDA	**$m**	**2.8**	**(12.7)**	**15.4**	↑

Notes:

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

2 Share of NCA EBITDA and share of NCMA profit

3 Includes share of JVs and associates and add back share of NCA depreciation and interest

4 Excludes JobKeeper payment

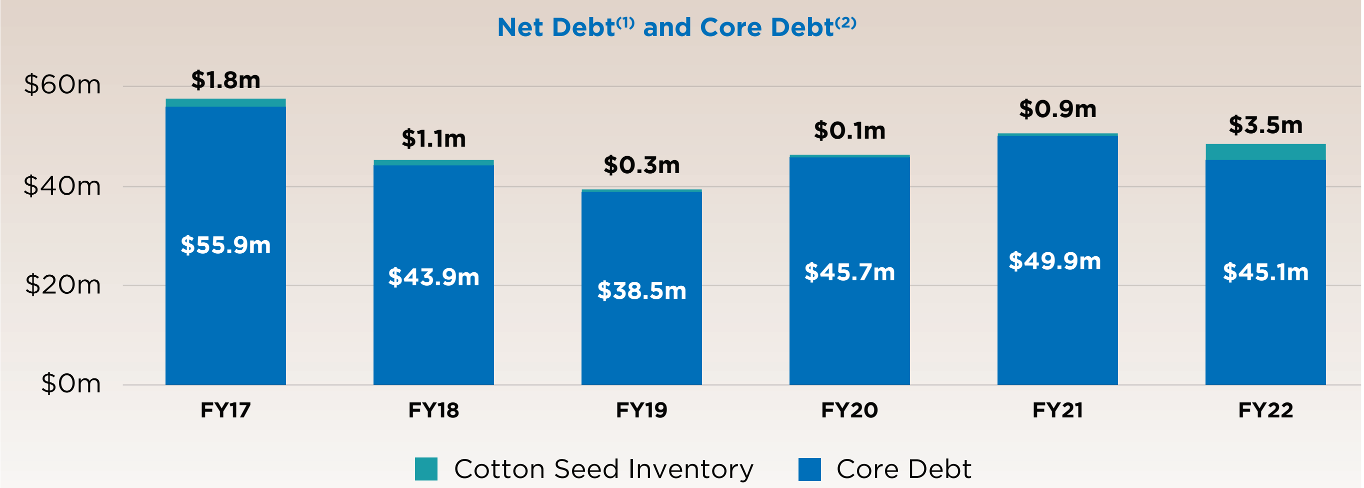
Balance Sheet, Cashflow and Debt

Net assets is $115.6 million at FY2022 year end, a $8.8 million increase on the prior year [FY2021: $106.8 million]. This included $4.3 million revaluation of Plant, Property and Equipment to fair value.

Net cash outflow (operating and investing) in FY2022 was $7.5 million [FY2021: $3.5 million]. This included $8.5 million of additional cash outflow in FY2022 versus FY2021 for 4PP Strategy projects and the gin-ready program to prepare for the above average volume for the 2022 season that include:

- Capex: $4 million that include 4PP Strategy projects.
- Maintenance: $2 million for additional preventative maintenance of the gins.
- Operating supplies: $1 million in inventory for ginning consumables.
- Capability: $1.4 million in support staff (most on term contracts)

Gearing ratio has reduced from 32% in FY2021 to 30% at FY2022 year end. FY2022 net debt(1) has reduced by $2.2 million to $48.6 million and core debt(2) (excluding cottonseed inventory for marketing) has reduced by $4.7 million to $45.1 million.



1) Net Debt is interest bearing liabilities less cash
2) Core Debt is Net Debt less cottonseed inventory held for marketing

SAFE AND RESPONSIBLE BUSINESS

Safety is our number one priority, always. We pride ourselves on conducting our business safely and responsibly.

We are committed to improving our safety performance by understanding and addressing the causes of incidents and injuries. We focus on developing our leaders' capability to identify, assess and mitigate hazards and risks as well as enhancing the culture of safety first in all instances. Our safety strategic plan provides us with a road map for improving not only our safety performance but the hearts and minds of our people to ensure everyone goes home happy and safe, each and every day.

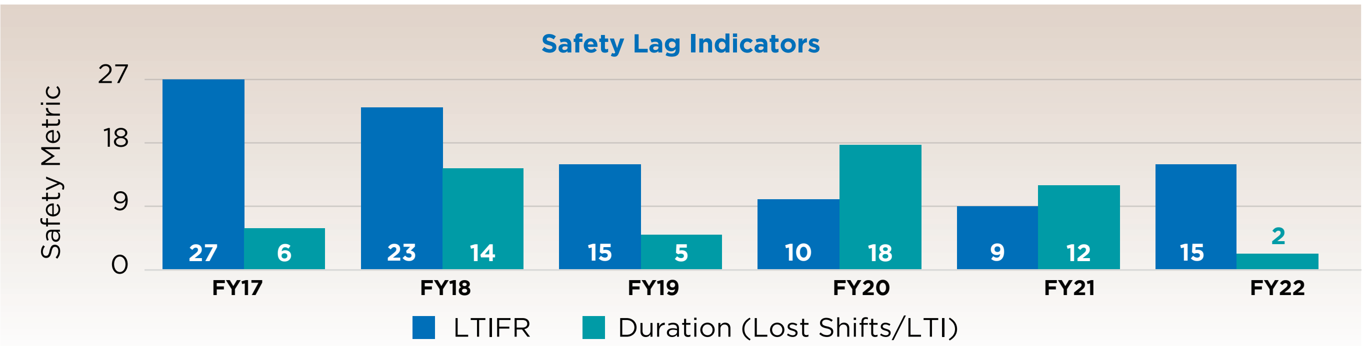
Safety Performance

We incurred seven injuries resulting in lost time (LTI) from ~500,000 hours worked during FY2022, leading to a Lost Time Injury Frequency Rate (LTIFR) of 15 (FY2021: LTIFR 9 from 2 LTI's from ~200,000 hours worked).

We have recorded a significant reduction in the duration and frequency of injuries, with our Injury/Illness Statistical Index (IISI) score down 69% year on year, and the average time lost per injury in FY2022 equal to 2 shifts (FY2021: average 12 shifts lost per injury).

We continue to focus on the reporting of injuries and incidents and improving the culture of hazard prevention, supported with a hands-on Safety, Health & Environment (SHE) team who are there to coach train and support our staff to know how to be safe, manage fatigue and work towards creating a safe place to work.

We discuss hazards and risks and incidents and injuries to understand why and how they might be occurring and respond by implementing safety action plans and prioritising these across each site.



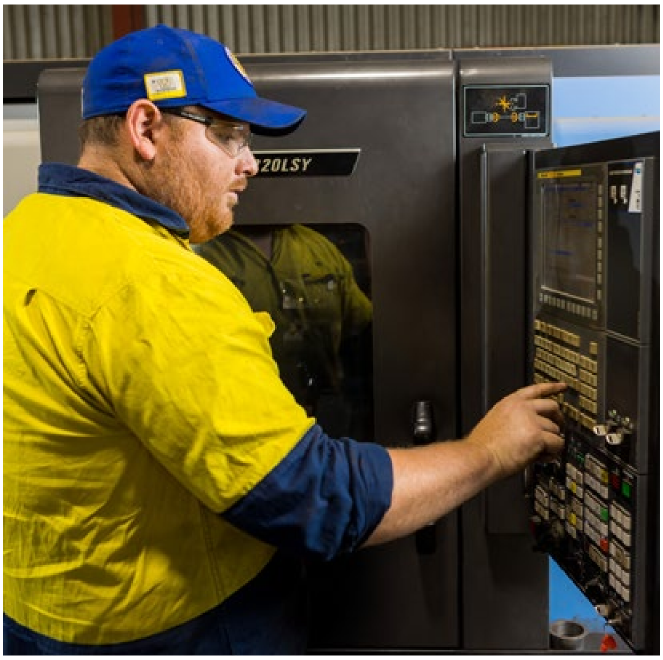
Developing Safe Leaders

We recognise that developing safety performance and culture change is through capable leaders. We are continuing to deploy a safety leadership program delivering a style which drives improved safety performance on the ground with confidence.

Physical and Mental Health in the workplace

We know that the past year has seen our staff being tested with lock downs, lack of connectedness with peers, their communities and uncertainty of their health and wellbeing We implemented a series of activities to help our staff get access to the support and information they need to keep safe.

Our employee assistance program (EAP) was on offer to all staff and extended to immediate family members if they need support. We encourage staff at all levels of the company to take advantage of this confidential company funded service to ensure they can seek out independent support.



We introduced regular zoom company-wide catch-ups to check in on each other, provide updates as well as discuss coping strategies for staff while we were navigating COVID and the ever-changing protocols. Our staff found this helpful in keeping connected and broke the monotony.

A SHE working group and SHE executive committee were formed to improve communication and decision making on safety improvements across all levels of the organisation. These forums take place monthly and provide transparency as well as direct access to leadership to help remove obstacles and prioritise safety related decisions.

PEOPLE AND CULTURE

The loyalty, passion and determination of our talented workforce are key to our competitive advantage. We are committed to creating a workplace and culture where our people are energised by the work they do, empowered to achieve their full potential, and inspired to have a positive impact on others.

The People and Culture strategy is focused on four key areas:

Attracting Talent during a Pandemic

In a seasonal business that relies on a large transient workforce, we are faced with talent shortages due to restrictions on international travel. We have had to plan, test, adapt, change the way we do things and work with our people to find new ways of attracting talent.

Resetting company values and new ways of working

With a change of leadership and the opportunity to re-organise the business, our focus has been on re-establishing the way we communicate; open, transparent and with one voice. Re-engaging our people around the newly defined strategic direction and values, providing certainty and clarifying roles across the business so that everyone understands their contribution, how to work together as one team.

Staff Engagement - Listening and responding to our people’s voice

We recognise that for our company to succeed and flourish during these turbulent times we need to listen and respond to our people’s views. With our second staff engagement survey completed in November 2021, we saw engagement rise more than 20% in less than nine months.

Reflecting on the year of disruption

This year has been difficult for our teams who continue to deal with the challenges caused by the Covid pandemic, as well as increasing seasonal volumes and flooding. Our people have found diverse ways to tackle problems and challenges as one team. These behaviours have equipped us to adapt to and deal with uncertainty.

The safety, health and wellbeing of our people has been our number one priority. We are proud of our teams, who have demonstrated incredible resilience, and commitment to our purpose and upholding our values, even in the most challenging circumstances.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

We want to acknowledge the issues, the role our company plays, and the direction that we need to be heading to do our part to address them across all streams of ESG. We are establishing a long-term vision together with a realistic strategy and a series of credible short-term goals, together with a reporting framework.

The Australian cotton industry is committed to demonstrate its sustainability credentials. Through Cotton Australia and the Cotton Research and Development Corporation, the industry has committed to undertaking(1):

- Sustainability reporting every five years against agreed targets.
- Stakeholder engagement on sustainability and opportunities for improvement.
- Independent assessments of sustainability and environmental performance every 10 years.

Namoi Cotton operates within the cotton industry. Our direct environmental impact is limited to a subset of the overall cotton industry impacts and our immediate sustainability priorities are:

1. Industry

Namoi Cotton is committed to work with the cotton industry and growers to meet their sustainability targets through myBMP/Better Cotton program and other CRDC initiatives. These programs build on the sustainability achievements made to date that include 3% CAGR reduction in water use and 10% CAGR reduction in pesticide use.

2. Waste

Cotton ginning generates around 49kg of organic trash and module plastic waste per cotton bale. We are developing initiatives to reuse this waste through:

- Using cotton trash as a soil conditioner or into other uses.
- Recycling 100% of plastic waste.

3. Carbon footprint

Cotton ginning generates around 35kg of carbon per cotton bale of which 85% is Scope 2. We are developing initiatives to reduce our carbon footprint through:

- Use of solar power at cotton gins.
- Deployment of new equipment to reduce energy consumption.

(1) Cotton Australia is the peak representative body for the Australian cotton growing industry (https://cottonaustralia.com.au/sustainability)

GOVERNANCE AND RISK

BOARD OF DIRECTORS

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

Tim Watson, Chair, Independent Non-executive Grower Director, 60, GAICD

Mr Watson was appointed to the Board on 18 December 2014 and appointed as Chair for Namoi Cotton Limited from 29 August 2018. He is a member of the People, Culture and Nominations Committee. Until early 2022, Mr Watson grew cotton in the Hillston Region and has been involved in the cotton industry since 2000 and as a member of the Hillston District Irrigators Association, the Lachlan River Customer Service Committee and the Lachlan Valley Water Users Association. He brings with him extensive industry and commercial expertise in the cotton and general agricultural industry. He was also recognised by the cotton industry by being the recipient of the 2014 Australian Cotton Grower of the Year Award.

Joseph Di Leo, Independent Non-executive Director, 65, M.Bus.Acct. & Fin., FAICD

Mr Di Leo was appointed to the Board on 7 June 2018 as a casual Director appointment and was elected at the 2018 general meeting. He is Chair of the Safety Committee, a member of the Audit, Risk and Compliance Committee and a member of the People Culture and Nomination Committee. Mr Di Leo has extensive experience in the agribusiness sector in Executive and Non-Executive roles. He is currently a Non-Executive Director and Chair of LUCRF Super.

Ian Wilton, Independent Non-executive Director, 69, MSc, FCCA, FCPA, FAICD, CA

Mr Wilton was appointed to the Board on 17 June 2020 as a casual Director appointment. He was elected at the 2020 annual general meeting. He is currently Chair of the People, Culture and Nomination Committee. Mr Wilton is an experienced Non-Executive Director, having served on the boards of both listed and unlisted companies. He also has significant executive experience in the agribusiness sector. Mr Wilton is currently Chair of the Board of Elders Limited.

Juanita Hamparsum, Independent Non-executive Grower Director, 51, B.Bus. (UTS), CA, FPCT, GAICD

Mrs Hamparsum was appointed to the Board on 7 June 2018 as a casual Director appointment and was elected at the 2018 general meeting. She is Chair of the Audit, Risk and Compliance Committee and a member of the Safety Committee. Mrs Hamparsum grows cotton and grains in the Upper Namoi region and has been involved in the cotton industry since 1998. Mrs Hamparsum has extensive financial, agricultural and natural resource management experience. She is a chartered accountant and currently a Director and chair of the audit committee of Cotton Seed Distributors Ltd.

Robert Green, Independent Non-executive Director, 65, B.Bus. (QAC) MAICD

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

Company Secretaries

Sonya Ryan, GradDip Adv Accounting, CPA, B.Bus major Accountancy, AICD

John Stevenson, FCA, GAICD, FGIA, B.Bus.

Nicole Scott resigned from the role of Company Secretary and General Counsel on 16th March 2022.

GOVERNANCE

Our Board is committed to conducting business ethically and to the highest standards of corporate governance. This is a pre-requisite to maintaining stakeholder confidence. Good corporate governance creates value by ensuring the interests of management are aligned with our stakeholders, cultivating a company culture of integrity, and facilitating better decision-making through clearly defined roles and responsibilities, and robust processes.

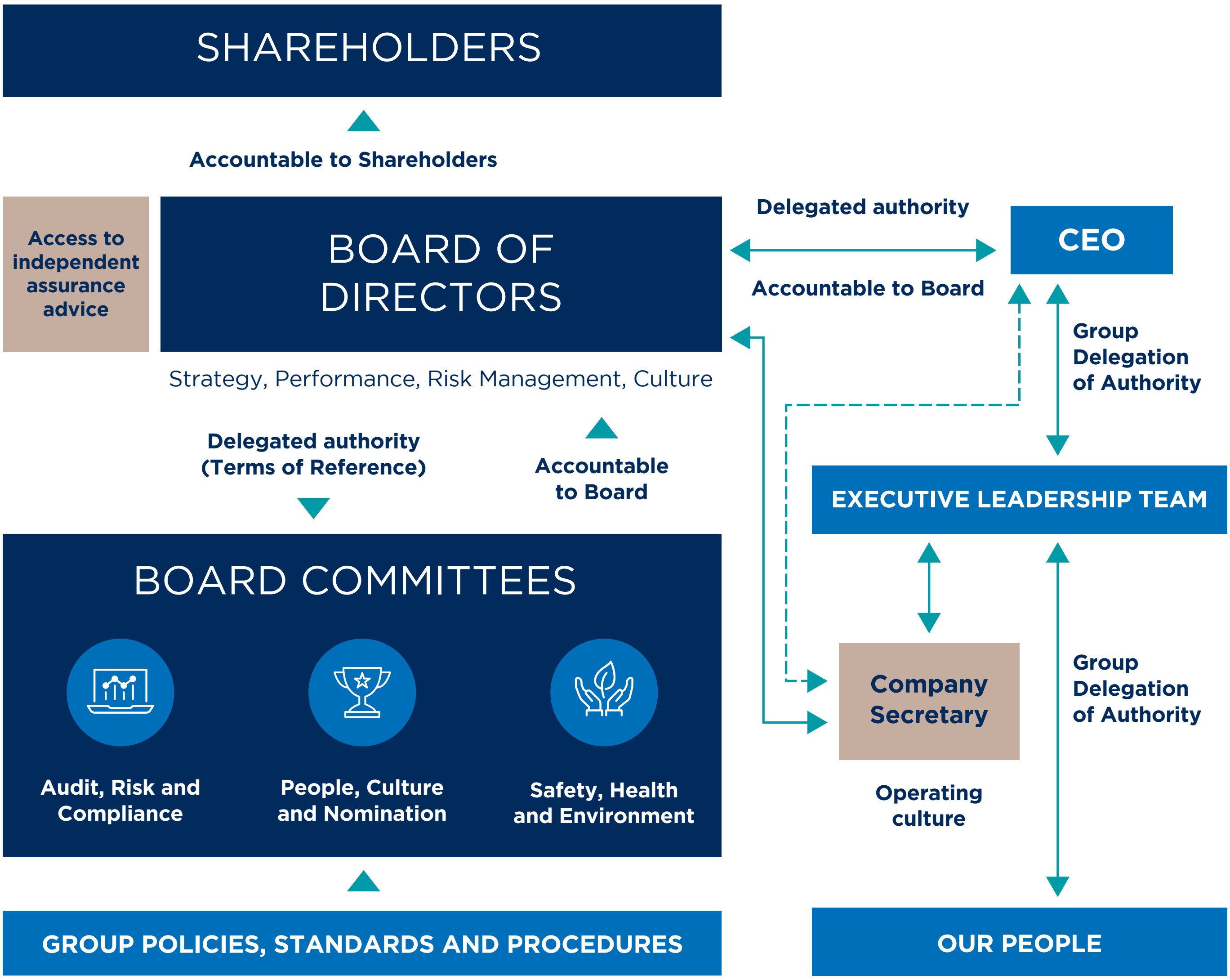
To align our approach with best practice, we periodically review and update our corporate governance documents and practices. Our FY2022 governance arrangements comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition) (ASX Principles and Recommendations). The company's corporate governance statement is to be submitted to the ASX and published prior to the issuance of the AGM notice in June. It will also be available on Namoi Cotton's public website (www.namoicotton.com.au) at that time.

Role of our Board

The Board oversees the business and affairs of the Group. They set our strategic direction, oversee performance and risk management, and provide leadership and direction on workforce culture and values. There are three[(1)] Board Committees: The Board Audit, Risk and Compliance Committee, the People, Culture and Nomination Committee, and the Safety, Health and Environment Committee. Each Committee has its own Charter which sets out its roles and responsibilities. They are available in the Investors section of our website. Day-to-day responsibility for managing the Group is delegated to our CEO, who operates within delegated authority limits determined by our Board.

(1) The Trading and Operating Risk Committee was restructured due to a reduction in the lint cotton trading activities of the Group and its functions were assumed by the Audit, Risk and Compliance Committee effective from 28 September 2021.

Corporate governance framework



Board Committees

Committees assist the Board in fulfilling its statutory and regulatory responsibilities. Committees have the authority and power to exercise their role and responsibilities as set out in their Charter and granted to them under any separate resolutions of the Board from time to time. Committees are empowered to investigate any matter necessary to carry out their duties. The Committee's functions do not relieve the Board from any of its responsibilities.

Audit, Risk and Compliance

The role and responsibility of the Audit, Risk and Compliance Committee is to assist and advise the Board on matters relating to:

- Corporate Reporting
- External Audit
- Internal Audit
- Risk Management, fraud and internal control
- Compliance and ethics
- Trading Risk
- Any other matters as the Board may refer to it from time to time

People, Culture and Nomination

The role and responsibility of the People, Culture and Nomination Committee is to assist and advise the Board on matters relating to:

- Organisation Structure, Remuneration and Benefits
- People and Culture Generally
- Board Selection, Appointment and Review
- CEO Selection, Appointment, Review and Succession Planning
- Succession planning for the Executive Leadership Team
- Remuneration Report
- Related disclosures matters
- Any other matters as the Board may refer to it from time to time

Safety, Health and Environment

The role and responsibility of the Safety, Health and Environment Committee is to assist and advise the Board on matters relating to:

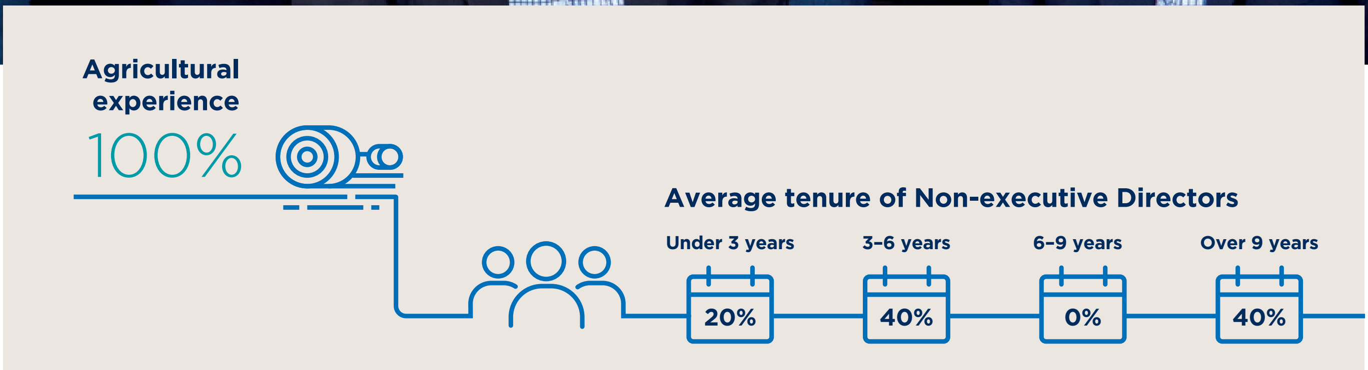
- Healthy and safe working environment and culture for all employees, contractors, clients and other visitors to the Group's work premises
- Safety, Health and Environment Strategy and Framework and all associated policies and initiatives
- External safety, health and environment auditing
- Serious incidents and reportable environmental matters
- Any other matters as the Board may refer to it from time to time

Committee Membership

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

Audit, Risk and Compliance	People, Culture and Nomination	Safety, Health and Environment	Trading and Operating Risk (1)
J Hamparsum (Chair)	I Wilton (Chair)	J Di Leo (Chair)	R Green (Chair)
J Di Leo	T Watson	J Hamparsum	I Wilton
G Price (retired 20 July, 2021)	R Green	G Price (retired 20 July, 2021)	G Price (retired 20 July, 2021)
R Green (appointed 20 July, 2021)	J Di Leo		

(1) The Trading and Operating Risk Committee was restructured due to a reduction in the lint cotton trading activities of the Group and its functions were assumed by the Audit, Risk and Compliance Committee effective from 28 September 2021.



Board Composition

Delegated responsibility for Board composition and succession planning rests with our People, Culture and Nomination Committee. In considering potential candidates for appointment to the Board, the Committee complete a thorough review of the skills, experience, and competencies of candidates in relation to the Board's current and future skill and experience requirements, as well as diversity considerations.

One half of the Directors are to be Grower Directors, in accordance with our Constitution. This requirement stems from our origins as a Grower Co-Operative organisation.

A summary of the collective skills held by our Board include:

- Leadership
- Governance
- Health and Safety
- Financial And Business Acumen
- Strategy
- People And Culture
- Risk Management
- Capital Projects, Mergers and Acquisitions
- Stakeholder Engagement
- Digital Transformation
- Industry Expertise

MANAGING RISK

Risk management is fundamental to informing and executing our strategic direction in support of value creation for our stakeholders. We take a proactive approach to identify and capitalise on opportunities, whilst managing risks appropriately, which goes hand in hand with operating a safe and responsible business.

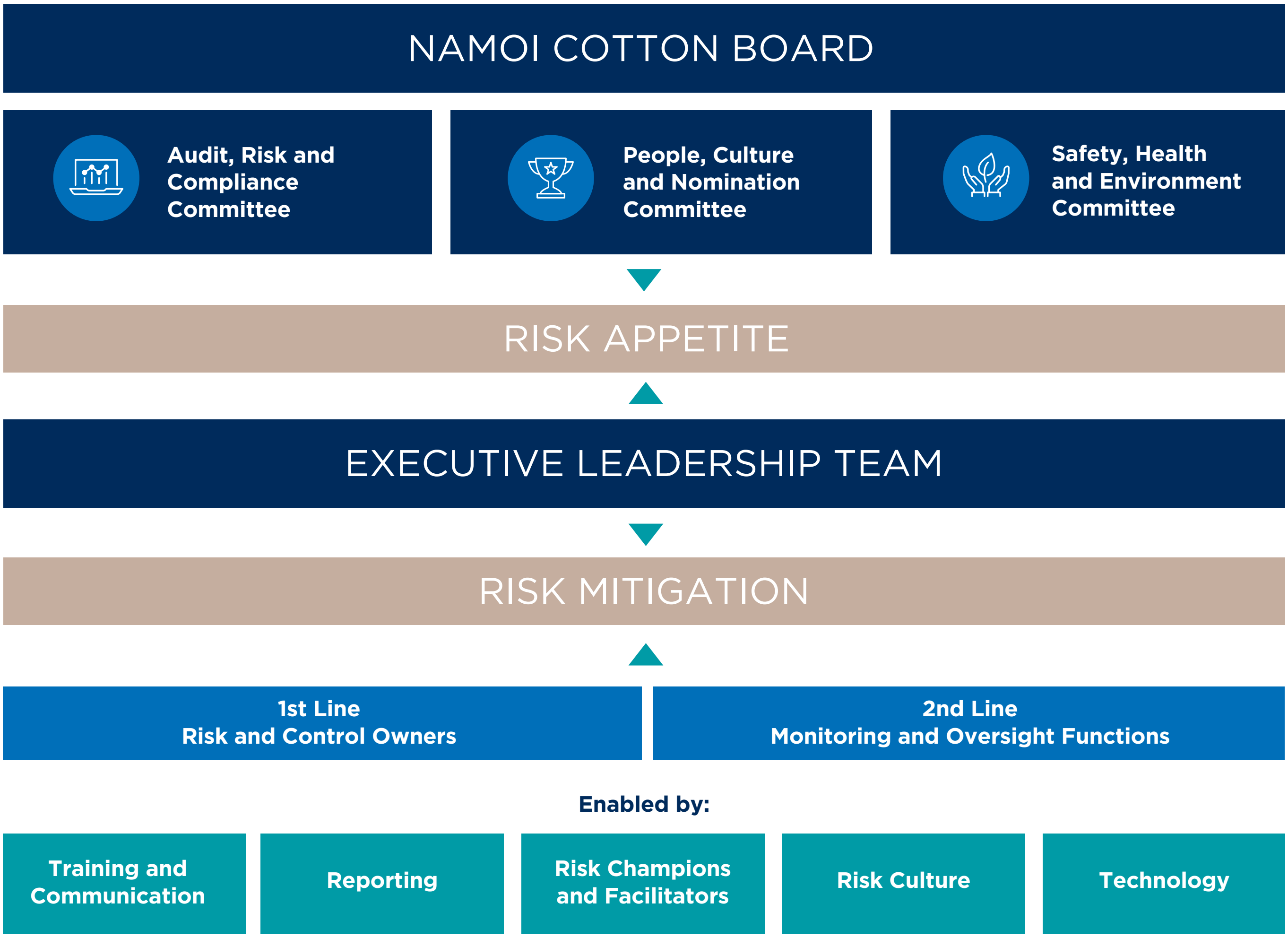
Our risk management approach is designed to focus on the key existing and emerging risks that could significantly impact the delivery of our strategy and vision.

Board

The Board has overall responsibility for making sure we manage risks in line with our approved risk appetite settings and are maintaining our internal control systems. It regularly reviews, either directly or through its committees, how our risk management processes are performing across the business. The Board Audit, Risk and Compliance Committee has oversight of the effectiveness of the Group's risk management framework and processes.

Executive Leadership Team

The Executive Leadership Team owns our material risks and is responsible for interrogating the effectiveness of risk mitigation strategies and for monitoring our performance against the approved risk appetite settings.



RISK APPETITE FRAMEWORK

We enhanced our risk management system in FY2022 by defining risk appetite statements for the material risk categories of our business.

Risk appetite statements, settings and risk limits are important to set the boundaries for the decisions we make, ensuring we understand how to remain within the risk appetite set by the Board, while establishing clear triggers for action in the event of change.

RISK APPETITE STATEMENTS AND SETTINGS

A qualitative view on how willing the Board is to assume risk for each material risk category after considering our control environment, strategy, business environment and the risk/reward trade-off.

KEY RISK INDICATORS AND RISK LIMITS

A defined set of quantitative indicators and risk limits (guardrails) to execute decisions and manage business performance. Exceeding risk limits will act as a trigger for management and/or Board action.

Namoi Cotton manage risks against its defined risk appetite for key risk categories as outlined in the table below. We periodically review and confirm the risks currently faced by the business.

Namoi Cotton manage risks against its defined risk appetite for key risk categories as outlined in the table below. We periodically review and confirm the risks currently faced by the business.

Risk Category	Activities
Financial	• Financial reporting/transaction. • Credit risk • Commodity price risk • Fraud
People and Culture	• People selection and performance • Ethics/corruption • Work, Health and Safety • Change management
Operations	• Products and services • Physical assets • IT systems and cyber • Change management
Regulatory and Compliance	• Regulation • Tax • Legal
Strategic	• Planning

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Namoi Cotton Limited ('the Company' or 'Namoi Cotton') and the entities it controlled (collectively 'The Namoi Cotton Group' or 'the Group') at the end of or during the year ended 28 February 2022 ('FY2022').

Directors

The directors that held office throughout the financial year and up to the date of this report, unless otherwise indicated, are as follows:

- Tim Watson, Chair
- Glen Price (retired 20 July, 2021)
- Robert L Green
- Juanita Hamparsum
- Joseph Di Leo
- Ian Wilton

Namoi Cotton would like to thank Mr Glen Price for his services to the company during his tenure as a Non-executive Director.

Directors Meetings

The number of Directors' meetings(1)(2) (including meetings of committees of Directors) held and attended by each of the directors of the Company during the financial year are listed below:

Director	Board Meetings	Committee Meetings			
		Audit, Risk & Compliance	People, Culture & Nomination	Safety	Trading & Operating (3)
Current					
Tim Watson	11	-	7	-	-
Robert L Green	11	3	6	-	3
Juanita Hamparsum	11	9	-	5	-
Joseph Di Leo	11	9	7	5	-
Ian Wilton	11	-	7	-	3
Former					
Glen Price (4)	7	5	-	2	2

(1) All board members were available to attend Directors' meetings and relevant committee meetings, except where noted in the table above.
(2) The CEO and CFO is invited to attend all meetings.
(3) The Trading and Operating Risk Committee was restructured due to a reduction in the lint cotton trading activities of the Group and its functions were assumed by the Audit, Risk and Compliance Committee effective from 28 September 2021.
(4) Glen Price retired on 20 July 2021.

Directors' interests in share capital

The relevant interest of each Director in the share capital of the Company is disclosed in the Remuneration Report.

Principal activities

Namoi Cotton is an Australian domiciled public company listed on the Australian Stock Exchange. The principal activities of the entities in the Namoi Cotton consolidated group in FY2022 were the ginning and marketing of cotton including its by products such as cottonseed and moss/mote.

Likely Developments

Likely developments in the operations of the Group and the expected results of those operations are covered generally in the review of operations and financial performance of the Group in the Annual Report.

Review And Results of Operations

A review of the operations of the Group during the financial year and of the results of those operations is contained on pages 19 to 21 of the Annual Report.

Changes In the State of Affairs

There were no significant changes in the state of affairs of the Group during the year ended 28 February 2022 other than as disclosed elsewhere in this report.

Dividends

Dividends paid or declared since the end of the previous financial year were: $Nil.

Since the end of the financial year, the Directors have declared that no dividend will be paid for FY2022.

Events Subsequent to Balance Date

The Directors have not become aware of any other significant matter or circumstance that has arisen since 28 February 2022, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

Environmental performance & regulation

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

Indemnification and insurance of Directors and officers

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

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

Indemnification of auditors

To the extent permitted by law, Namoi Cotton has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Corporate governance

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

Non-audit services

Any non-audit services provided by the entity's auditor, Ernst & Young, are described in Note 23 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 43 of the Annual Report.

REMUNERATION REPORT INTRODUCTION (UNAUDITED)

Following is the Remuneration Report of the company for the year ended 28 February 2022. The report provides shareholders with details of our remuneration policies and how these link to the performance based remuneration outcomes of our people, particularly Key Management Personnel (KMP).

Performance alignment and key decisions during FY2022

The 2022 financial year has seen us register our first positive EBITDA[1] result since FY2019 on significantly lower than average seasonal volumes, and despite the ongoing COVID-19 pandemic, trade tensions and global trade volatility. With the disruption from COVID-19 more prolonged than previously anticipated, we have remained focused on the safety and wellbeing of our people.

Seasonal conditions have improved during 2022 which has resulted in an increase in maintenance, capacity and planning in preparation for a forecast above average season in the 2022 calendar year.

At the executive leadership level, we confirmed the appointment of John Stevenson as Chief Executive Officer (CEO) on 7 June 2021, following his acting in the Interim CEO position since 10 February 2021, whilst at the same time performing the role of Chief Financial Officer (CFO).

Given our financial performance, the following key decisions were made during the year:

- On his appointment as Interim Acting CEO, the Board increased Mr Stevenson's fixed remuneration to be equal with the previous incumbent. There was no further change to Mr Stevenson's fixed remuneration upon his appointment as CEO on 7 June 2021.
- The FY2022 fees paid to individual Board directors did not change compared to the previous year

Outcomes under Namoi Cotton incentive plans

The average Executive Short Term Incentive (STI) scorecard outcome for FY2022 was 83% driven by positive EBITDA, progress against key strategic objectives, plant readiness, as well as positive engagement outcomes with external and internal stakeholders. We consider the non-financial components of the Executive STI scorecards to be of the utmost importance to running a safe and successful business. STI payments were awarded to all members of the Executive Team for FY2022.

The Executive Long Term Incentive's (LTI) awarded in FY2020 and FY2021 have not reached their vesting dates of 28 February 2023 and 29 February 2024 respectively.

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

REMUNERATION REPORT CONTENTS

REMUNERATION REPORT (AUDITED)

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

1. Key Management Personnel (KMP)

The table below lists the Executives of the Company who, together with the Non-Executive Directors, were defined as Key Management Personnel (KMP) under Australian Accounting Standards for FY2022.

Changes to KMP in FY2022 included the appointment of John Stevenson as our CEO on 7 June 2021, as well as the retirement of Glen Price as a Director on 20 July 2021.

Name	Role in FY2022	Commencement date in role
Executive KMP		
John Stevenson (1)	CEO	7 June 2021
	Acting Interim CEO	10 February 2021
	CFO	30 March 2020
Sonya Ryan	CFO	7 January 2022
Shane McGregor	EGM of Operations	10 December 2010
Prue Turnbull	EGM of Customer Engagement	13 April 2020
Neil Johns	EGM of Strategy and Business Development	5 October 2021
Milena McKenzie	EGM of People, Culture and Safety	5 October 2021
Current Directors		
Mr T J Watson	Chair, non-executive	18 December 2014
Mr R Green	Director, non-executive	27 May 2013
Ms J Hamparsum	Director, non-executive	7 June 2018
Mr J Di Leo	Director, non-executive	7 June 2018
Mr I Wilton	Director, non-executive	17 June 2020

(1) John Stevenson ceased in the role of Acting Interim CEO upon his appointment as CEO on 7 June 2021 and ceased in the role of CFO upon the appointment of Sonya Ryan as CFO on 7 January 2022

2. Remuneration Framework

2.1 Compensation Policy

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

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

2.2 Compensation Structure

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

2.3 Non-executive director Compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain Directors with the appropriate qualifications, experience and skills and compensate Directors for the time required to exercise their duties as a Director.

Structure

The Constitution for Namoi Cotton Limited provides for aggregate Directors' fees of up to $850,000 per annum to be paid to Directors. For the FY2022 financial year the aggregate Directors' fees paid was $533,203.

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

Any Director in office at 10 October 2017 who had served two terms (6 years) is entitled to a retirement benefit equivalent to two year's remuneration based on their remuneration for the 2017-18 financial year. One retired Director was paid this benefit in FY2022 whilst no other incumbent Director is entitled to this benefit.

The compensation of non-executive Directors for the period ending 28 February 2022 is detailed on page 38 of this report.

2.4 Executive Compensation

Objective

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

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

Structure

Employment agreements have been agreed with the CEO and other KMP. Details of these contracts are provided on page 37 of this report.

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

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

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

2.5 Executive Fixed Compensation

Objective

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

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms which in FY2022 included cash, superannuation, motor vehicles and any associated fringe benefits.

2.6 Executive Variable Compensation – STI

Objective

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

Structure

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

For FY2022 the STI compensation included:

- an element linked to company financial performance; and
- elements that are dependent upon the achievement of individual KPI's which include, but are not limited to, critical operational, profit, safety, development and strategic targets.

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

2.7 Executive Variable Compensation – LTI

Objective

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

Structure

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

- The Board may make offers to Eligible Employees to apply for a grant of Rights upon the terms of the Plan to receive shares in Namoi Cotton Limited,
- For each financial year onward commencing 1 March 2020 and ending 28 February, there is a target opportunity of $200,000 for the CEO and 25% of fixed remuneration for all other eligible employees. For 2021, 2022 and 2023 the number of rights granted is determined using the hurdle price determined by the Directors set out in the terms of the relevant offer for each year,
- The vesting of these performance rights will be subject to achievement of company performance measures and other service conditions over a 3-year period.

3. KMP Remuneration

3.1 Executive KMP Employment Agreements

Major provisions of KMP employment agreements are set out below.

Mr John Stevenson, Chief Executive Officer

- Fixed compensation, inclusive of superannuation, for the period ended 28 February 2022 of $400,000 (28 February 2021: $300,000 whilst in the role of CFO) per annum on a pro-rata basis.
- Short Term Incentive (STI) compensation for the year ended 28 February 2022 of $100,313 (28 February 2021: $Nil).
- Long Term Incentive (LTI) compensation of 557,965 rights for the period beginning 01 March 2021 with a value on issue date of $16,158 (28 February 2021: 224,551 rights value $1,342).
- Period of notice to be given by employee or employer – 6 months.

Ms Sonya Ryan, Chief Financial Officer (Appointed 7 January 2022)

- Fixed compensation, inclusive of superannuation, for the period ended 28 February 2022 of $300,000 per annum on a pro-rata basis.
- Short Term Incentive (STI) compensation for the year ended 28 February 2022 of $Nil.
- Long Term Incentive (LTI) compensation – $Nil.
- Period of notice to be given by employee or employer – 3 months.

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

- Fixed compensation, inclusive of superannuation, for the year ended 28 February 2022 of $275,000 (28 February 2021: $275,674) per annum on a pro-rata basis.
- Short Term Incentive (STI) compensation for the year ended 28 February 2022 of $58,520 (28 February 2021: $Nil).
- Long Term Incentive (LTI) compensation of 219,200 rights for the period beginning 01 March 2021 with a value on issue date of $6,348 (28 February 2021: 205,838 rights value $1,230).
- Payment of a benefit on termination equal to 50% of annual fixed compensation.
- Period of notice to be given by employee or employer – 3 months.

Ms Prue Turnbull, EGM of Customer Engagement (formerly Customer Operations)

- Fixed compensation, inclusive of superannuation, for the year ended 28 February 2022 of $262,800 (28 February 2021: $230,000) per annum on a pro-rata basis.
- Short Term Incentive (STI) compensation for the year ended 28 February 2022 of $53,611 (28 February 2021: $Nil).
- Long Term Incentive (LTI) of 191,302 rights for the period beginning 01 March 2021 with a value on issue date of $5,540 (28 February 2020: 164,671 rights value $984).
- Period of notice to be given by employee or employer – 3 months.

Mr Neil Johns, EGM of Strategy and Business Development

- Fixed compensation, inclusive of superannuation, for the year ended 28 February 2022 of $240,000 (28 February 2021: $Nil) per annum on a pro-rata basis.
- Short Term Incentive (STI) compensation for the year ended 28 February 2022 of $63,750 (28 February 2021: $Nil).
- Long Term Incentive (LTI) for the period ended 28 February 2022 of $Nil. (28 February 2021: $Nil).
- Period of notice to be given by employee or employer – 3 months.

Ms Milena McKenzie, EGM of People, Culture and Safety

- Fixed compensation, inclusive of superannuation, for the year ended 28 February 2022 of $228,800 (28 February 2021: $Nil) per annum on a pro-rata basis.
- Short Term Incentive (STI) compensation for the year ended 28 February 2022 of $48,620 (28 February 2021: $Nil).
- Long Term Incentive (LTI) for the period ended 28 February 2022 of $Nil. (28 February 2021: $Nil).
- Period of notice to be given by employee or employer – 3 months.

3.2 Executive Short-term incentive outcomes – link to performance

Consistent with the prior year, progress made during FY2022 against each safety, health and environment, stakeholder engagement, financial and strategic metric has been assessed as part of each Executive's performance review.

Based on this performance assessment, the Executive KMP FY2022 STI scorecard outcomes delivered payments between 80% and 85% of target. The scorecard outcomes were predominantly driven by positive financial performance versus target, as well as in delivering key strategic objectives, plant readiness, as well as positive engagement outcomes with external and internal stakeholders. These priorities were determined and approved by the Board at the commencement of FY2022.

In accordance with the Namoi Cotton STI program and the respective employment agreements, the Board resolved that a total STI compensation of $324,814 would be accrued to Executives in FY2022, payable in cash in May 2022 (2021: $Nil).

3.3 Executive Long-term incentive outcome

In accordance with the Namoi Cotton LTI program and the respective employment agreements, the Board issued a total of 968,467 rights to Executive KMP's in FY2022 for the period beginning 01 March 2021 (FY2021: 1,493,264 rights).

The table below summarises the LTI Plan awards tested in the current financial year, all of which remain unvested.

Plan	Grant	Performance Period	Performance measures applicable to award (1)	Outcome
LTIP	FY2021	FY2021 – FY2023	Total Shareholder Return (TSR) and Workplace Fatalities	Not yet tested
LTIP	FY2022	FY2022 – FY2024	Total Shareholder Return (TSR) and Workplace Fatalities	Not yet tested

(1) TSR Hurdle will be based on the Company's TSR relative to an absolute hurdle.

The TSR Hurdle outcome will be calculated by an external provider. Namoi Cotton Ltd TSR growth will be calculated as the difference between the 6 months VWAP of NAM shares of the start and end date performance period, and adjusted for capital movements, and inclusive of dividends on a reinvested basis at the ex-div date. Namoi Cotton Ltd TSR will be rounded to the nearest whole percentage.

The proportion of the Performance Rights that vest at the end of the Performance Period will be determined based on the hurdle price for the rights calculated as the 6 months VWAP of NAM shares plus a 15% compound annual growth rate (CAGR).

3.4 KMP Remuneration Table

The table below sets out the remuneration paid or payable to the Directors, CEO and Executive KMP for the financial year ended 28 February 2022.

Year ended 28 February 2022	Short-term Employee benefits		Post-employment Benefits		Long-term Benefits				
	Salary & Fees [1]	STI Bonus [12]	Super-annuation	Retirement Benefits [2]	LTI – Share Rights [3]	Long Service Leave [4]	Termination Benefits	Total	% At Risk [5]
Directors									
T Watson	110,000		10,831					120,831	0%
G Price[6]	27,192		2,612	75,000[(13)]				104,804	0%
R Green	70,000		6,892					76,892	0%
J Hamparsum	70,000		6,892					76,892	0%
J Di Leo	70,000		6,892					76,892	0%
I Wilton	70,000		6,892					76,892	0%
Executives									
J Stevenson[7]	398,231	100,313	27,184		16,158	649		542,535	21.5%
S Ryan[8]	41,107	-	3,779			-		44,886	0%
S McGregor	262,538	58,520	24,123		6,348	(4,669)	54,119[9]	410,317	15.8%
P Turnbull	227,594	53,611	23,392		5,540	380		310,517	19.0%
N Johns[10]	88,430	63,750	8,601			-		160,781	39.7%
M McKenzie[11]	80,360	48,620	7,901			-		136,881	35.5%
	1,515,452	**324,814**	**135,991**	**75,000**	**28,046**	**5,698**	**54,119**	**2,139,120**	16.5%

1. Salary & Fees plus cost of accrued annual leave for the period.
2. Payment on retirement of previously accrued entitlements.
3. Long Term Incentive (LTI) Share Based Payment – Value of Rights to take up shares under the Namoi Cotton Limited Equity Plan as at issue date.
4. Cost of long service leave entitlement accrued during the period. Negative amount reflects change in liability.
5. The percentage that the 'at risk' STI and LTI forms part of total remuneration.
6. Retired 20 July 2021.
7. Appointed as Acting Interim CEO effective 10 February 2021. Appointed CEO effective 7 June 2021.
8. Appointed as CFO effective 7 January 2022.
9. Accrued termination benefit due to the EGM Commercial role being made redundant
10. Appointed EGM Strategy and Business Development on 5 October 2021.
11. Appointed EGM of People Culture and Safety on 5 October 2021.
12. STI bonus (inclusive of superannuation) accrued in FY2022 and paid in cash in May 2022
13. No further Directors are entitled to this benefit. Refer to Section 2.3 of the FY2022 Remuneration Report

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

Year ended 29 February 2021	Short-term Employee benefits		Post-employment Benefits		Long-term Benefits				
	Salary & Fees [1]	STI Bonus [13]	Super-annuation	Retirement Benefits [2]	LTI – Share Rights [3]	Long Service Leave [4]	Termination Benefits	Total	% At Risk [5]
Directors									
T Watson	110,000	-	10,450	-	-	-	-	120,450	-
SC Boydell [6]	150,000	-	-	(150,000)	-	-	-	-	-
G Price	70,000	-	6,650	-	-	-	-	76,650	-
R Green	70,000	-	6,650	-	-	-	-	76,650	-
J Jackson [7]	14,269	-	1,356	-	-	-	-	15,625	-
J Hamparsum	70,000	-	6,650	-	-	-	-	76,650	-
J Di Leo	70,000	-	6,650	-	-	-	-	76,650	-
I Wilton [8]	49,269	-	4,578	-	-	-	-	53,847	-
Executives									
M Renehan [9]	368,816	-	29,237	-	5,369	-	222,587	626,009	-
J Stevenson [10]	264,423	-	23,170	-	1,342	415	-	289,350	-
S McGregor	261,823	-	22,097	-	1,230	(7,399)	-	277,751	-
P Turnbull [11]	195,987	-	18,602	-	984	311	-	215,884	-
E Mollica [12]	199,749	-	17,802	-	-	-	-	217,551	-
	1,894,336	**-**	**153,892**	**(150,000)**	**8,925**	**(6,673)**	**222,587**	**2,123,067**	

1. Salary & Fees plus cost of accrued annual leave for the period.
2. Payment on retirement of previously accrued entitlements.
3. Long Term Incentive (LTI) Share Based Payment – Value of Rights to take up shares under the Namoi Cotton Limited Equity Plan as at issue date.
4. Cost of long service leave entitlement accrued during the period. Negative amount reflects change in liability.
5. The percentage that the 'at risk' STI and LTI forms part of total remuneration.
6. Resigned on 20 January 2020 and was paid previously accrued retirement benefits.
7. Resigned on 13 May 2020.
8. Appointed on 17 June 2020.
9. Resigned on 10 February 2021. Non-monetary benefits included in Termination Benefits for relocation expenses and out-placement fees of $30,000.
   Employee rights to take up shares under the Namoi Cotton Limited Equity Plan subsequently cancelled upon resignation. Termination benefits net of previously accrued LSL as not payable.
10. Appointed on 27 March 2020 effective 30 March 2020. Appointed acting interim CEO effective on 7 February 2021.
11. Appointed 7 April 2020.
12. Appointed 13 April 2020, resigned on 8 January 2021.

3.5 KMP Shareholdings [1]

	Balance held 1 March 2021	Granted as Remuneration	On Exercise of Rights [2]	Net Change Other [3]	Balance held [4] 28 February 2022
Year ended 28 February 2022	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**
Directors					
T Watson (Chairman)	2,399,159			264,705	2,663,864
R Green	-			149,868	149,868
J Hamparsum	235,145			176,470	411,615
J Di Leo	-			75,000	75,000
I Wilton	700,000			161,733	861,733
Executives					
J Stevenson	-			-	-
S Ryan	-			-	-
S McGregor	2,000			-	2,000
P Turnbull	-			17,857	17,857
N Johns	-			49,411	49,411
M McKenzie	-			-	-
	3,336,304			**845,633**	**4,231,348**

1. Includes ordinary shares that are held directly, indirectly and beneficially by KMP.
2. A number of rights have been granted to executives during the year (Refer Note 26 table). They represent all current rightsand none of these rights are exercisable at balance date.
3. Net Change Other includes shares held at appointment and retirement.
4. Note that there were no movements in shareholdings between year end and the date the Directors Report was signed.

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

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

3.6 Marketing and ginning transactions and balances with KMP

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

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

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

Name	Consolidated							
	Cotton Purchases		Other Services		Ginning Charges Levied		Grain & Seed Purchases	
	28 Feb 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021
	$	$	$	$	$	$	$	$
Mr T Watson	723,491	-	9,294	19,000	179,442	72,040	103,723	5,269
Mr G Price	2,242,346	538,225	26,221	18,915	252,831	60,131	294,872	154,207
Ms J Hamparsum	575,133	274,670	24,327	-	145,961	89,324	194,615	206,939
	3,540,970	**812,895**	**59,842**	**37,915**	**578,234**	**221,495**	**593,210**	**366,415**

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

Marketing contracts require delivery of a quantity of lint cotton. The contract price per bale may be fixed in Australian or United States dollars, determined under a pool arrangement, set as a guaranteed minimum price or by way of basis fixations, cotton futures and foreign currency hedging. Price is adjusted for grade. Payment may be made by Namoi Cotton either within 14 days of ginning, or on a deferred schedule. The actual sales to spinning mills are made by the Namoi Cotton Alliance ("NCA") and/or Namoi Cotton Marketing Alliance ("NCMA") joint ventures.

Ginning contracts require the delivery of a quantity or acreage of seed cotton gin landed. The price is a fixed amount per bale. Payment is either effected by the grower as an offset against marketing proceeds or collected from the marketing merchant in the case of contract ginning with Namoi Cotton.

Seed contracts require the delivery of a quantity or acreage of seed gin landed. The price is a fixed amount per bale. Payment is either made by Namoi Cotton in conjunction with marketing proceeds, or in conjunction with ginning costs in the case of contract ginning with Namoi Cotton. Growers have the option of retaining their seed for a handling fee.

3.7 Other transactions with KMP

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

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

4. Remuneration Governance

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

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

Activities of the Committee are governed by its Terms of Reference, which are available in the Investor section of our website.

In considering the impact of the Group's performance on shareholder wealth, the Directors have regard to various factors including the table of metrics detailed on page 6 – Results For Announcement to the Market.

5. Group financial performance and position – five-year comparison

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

	2022	2021	2020	2019	2018
Earnings per Ordinary Share (diluted)	(2.6)	(10.3)	(7.8)	(0.4)	4.7
Dividend per Ordinary Share (cents/share) [1]	-	-	-	1.9	-
Share price at year end (cents)	43.5	35.5	30.0	40.0	53.0
Net assets ($m)	115.6	106.8	121.4	129.8	131.8
Net assets per ordinary share (cents) - basic [2]	67.1	76.0	86.6	94.7	103.4
Net assets per ordinary share (cents) - diluted [3]	66.4	74.9	85.2	93.0	92.4

1 Represents amounts paid during thefinancial year (refer note 5)
2 Ordinary shares on issue at balance date
3 Diluted for conversion of residual capital stock to ordinary shares

End of Remuneration Report

Rounding

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

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

On behalf of the board

T WATSON

Director

Toowoomba

26 April 2022

AUDITOR'S INDEPENDENCE DECLARATION

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

As lead auditor for the audit of the financial report of Namoi Cotton Limited for the financial year ended 28 February 2022, 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;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Wade Hansen
Partner
Brisbane
26 April 2022

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

Opinion

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

- the consolidated statement of financial position as at 28 February 2022;
- the consolidated statement of profit and loss and other comprehensive income, statement of changes in equity and statement of changes cash flows for the year then ended;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 28 February 2022 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Building a better working world

Key audit matters

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

1. Fair value of ginning assets

Why significant	How our audit addressed the key audit matter
The Company and the Group measure ginning infrastructure assets ("ginning assets") at fair value as disclosed in Note 1(p) to the financial statements. Ginning assets represent 64% of total assets of the Company and 52% of total assets of the Group. The Group uses a discounted cash flow model to determine the fair value of the ginning assets supported by periodic valuations conducted by external experts on a three-year rolling basis. Consistent with the Group's practice of obtaining periodic independent valuation of ginning assets, the Group commissioned an external expert assessment of fair value as at 28 February 2022. The valuation of the ginning assets at fair value is highly dependent on estimates and assumptions, such as sustainable bales, market share, discount rates, bale ginning contributions and revenue growth rates. The key assumptions relating to the valuations are disclosed in Note 13 and Note 1(p). Given the value and complexity of the valuation of ginning assets and the extent of the disclosures relating to the assumptions used in the valuation, this was determined to be a key audit matter.	Our audit procedures included the following: ▸ Evaluated the key input assumptions and estimates made by the Group in applying its valuation methodology, including sustainable bales and earnings against average production and earnings over the previous nine years (covering a broad spread of high and low production seasons) to take into account the seasonal variations and considered any changes or lack of changes in other assumptions or estimates since the prior year including growth rates and discount rates. ▸ Evaluated the qualifications, competence and objectivity of the Group's external expert used to support the Group's assessment of the fair value of its ginning assets. ▸ With involvement of our valuation specialists, we considered: ▪ The forecast assumptions, such as sustainable bales, discount rates, bale ginning contributions and revenue growth rates used by the Group and its external expert in the determination of the fair value of the Group's ginning assets.

Why significant	How our audit addressed the key audit matter
	▪ Understood the differences, including the financial impact (if any), between the Group and external expert's respective fair value estimates. ▪ Considered the financial modelling methodology, used by the Group and its external expert to measure fair value of the ginning assets, for consistency with the requirements of Australian Accounting Standards. ► Assessed the adequacy of the related financial report disclosures.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report other than the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 35 to 42 of the directors' report for the year ended 28 February 2022.

In our opinion, the Remuneration Report of Namoi Cotton Limited for the year ended 28 February 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
26 April 2022

DIRECTORS' DECLARATION

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

In the opinion of the directors:

a) the financial statement, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

   i) giving a true and fair view of the company's and consolidated entity's financial position as at 28 February 2022 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 company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 28 February 2022.

On behalf of the board

T Watson

Director

Toowoomba

26 April 2022

CONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2022

NAMOI COTTON LIMITED
ABN 76 010 485 588

NAMOI COTTON Growing Together

CONSOLIDATED FINANCIAL REPORT CONTENTS

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Consolidated $'000 28 Feb 2022	28 Feb 2021
Revenue from customers	2a	3,006	542
Revenue - other	2a	360	311
Revenue		3,366	853
Trading margin gains	2a	43,454	15,222
Other income/(loss)	2b	152	2,761
Share of profit/(loss) of associates and joint ventures	10	315	(8,704)
Processing and distribution costs		(15,479)	(3,388)
Employee benefits expense	2c	(19,483)	(11,027)
Depreciation		(5,097)	(3,246)
Fair value increment - ginning assets	13	181	-
Impairment reversal - joint venture	10	-	1,126
Finance costs	2d	(2,337)	(1,634)
Other expenses	2e	(10,748)	(8,420)
Profit/(loss) before income tax		**(5,676)**	**(16,458)**
Income tax (expense)/benefit	3	1,276	2,040
Profit/(loss) attributable to the members of Namoi Cotton Limited		**(4,400)**	**(14,418)**
Other comprehensive income items that will not be reclassified subsequently to profit and loss:			
Increment/(decrement) to asset revaluation reserve (net of tax)	13	2,888	(264)
Profit/(loss) and other comprehensive income attributable to the members of Namoi Cotton Limited		**(1,512)**	**(14,682)**

	Note	Cents 28 Feb 2022	28 Feb 2021
Earnings per ordinary share			
Basic earnings per share	4	(2.6)	(10.3)
Diluted earnings per share	4	(2.6)	(10.3)

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

STATEMENT OF FINANCIAL POSITION

	Note	Consolidated $'000 28 Feb 2022	28 Feb 2021
Current assets			
Cash and cash equivalents	6	367	497
Trade and other receivables	7	4,202	2,196
Inventories	8	11,020	7,445
Assets held for sale		-	837
Prepayments		557	767
Derivative financial instruments	9	62,142	7,481
Total current assets		**78,288**	**19,223**
Non-current assets			
Investments in associates and joint ventures	10	21,498	21,300
Property, plant and equipment	13	134,019	129,703
Total non-current assets		**155,517**	**151,003**
Total assets		**233,805**	**170,226**
Current liabilities			
Trade and other payables	14	5,657	4,315
Interest bearing liabilities	15	3,593	5,664
Provisions	16	2,309	1,671
Derivative financial instruments	9	61,063	5,996
Total current liabilities		**72,622**	**17,646**
Non-current liabilities			
Interest bearing liabilities	15	45,422	45,639
Provisions	16	172	185
Deferred tax liabilities (net)	3	-	-
Total non-current liabilities		**45,594**	**45,824**
Total liabilities		**118,216**	**63,470**
NET ASSETS		**115,589**	**106,756**
Equity			
Contributed equity	17	47,984	37,639
Reserves	17	72,991	70,075
Retained earnings / (deficit)		(5,386)	(958)
Total parent entity interest in equity		**115,589**	**106,756**
TOTAL EQUITY		**115,589**	**106,756**

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

STATEMENT OF CHANGES IN CASHFLOWS

	Note	Consolidated $'000 28 Feb 2022	Consolidated $'000 28 Feb 2021
Cash flows from operating activities			
Receipts from customers		294,821	79,724
Government grants		237	2,088
Currency derivative flows		(584)	(25)
Payments to suppliers and employees		(63,641)	(30,014)
Payments to growers		(233,691)	(55,771)
Interest received		6	8
Borrowing costs		(1,332)	(1,627)
Net cash (outflow)/inflow from operating activities	6b	**(4,184)**	**(5,617)**
Cash flows from investing activities			
Payments for property, plant and equipment		(4,184)	(170)
Proceeds from sale of property, plant and equipment		417	2,816
Proceeds from loans receivable		-	1
Loan payments (partnership and JV)		-	(400)
Partnership distributions received		473	-
Net cash (outflow)/inflow from investing activities		**(3,294)**	**2,247**
Cash flows from financing activities			
Proceeds from issuing ordinary shares		10,345	-
Proceeds from borrowings		4,100	8,500
Repayment of borrowings		(8,250)	(4,350)
Repayment of equipment loans		(544)	(1,007)
Payment of principal portion of lease liabilities		(437)	(234)
Net cash (outflow)/inflow from financing activities	6c	**5,214**	**2,909**
Net increase/(decrease) in cash		(2,264)	(461)
Add cash at the beginning of the financial year		270	731
Cash at end of the financial year	6a	**(1,994)**	**270**

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

STATEMENT OF CHANGES IN EQUITY

Consolidated $'000	Issued Capital	Asset Revaluation Reserve (Note 18)	Share Rights Reserve (Note 18)	Retained Earnings	Total Equity
Total equity at 1 March 2021	37,639	70,066	9	(958)	106,756
Ordinary shares issued	10,345			-	10,345
Net loss for the period	-	-	28	(4,428)	(4,400)
Other comprehensive income/(loss)	-	2,888	-	-	2,888
	-	2,888	28	(4,428)	(1,512)
Equity dividends	-	-	-	-	-
Total equity at 28 February 2022	**47,984**	**72,954**	**37**	**(5,386)**	**115,589**

Consolidated $'000	Issued Capital	Asset Revaluation Reserve (Note 18)	Share Rights Reserve (Note 18)	Retained Earnings	Total Equity
Total equity at 1 March 2020	37,639	70,330	-	13,469	121,483
Net loss for the period	-	-	9	(14,427)	(14,418)
Other comprehensive income/(loss)	-	(264)	-	-	(264)
	-	(264)	9	(14,427)	(14,682)
Equity dividends	-	-	-	-	-
Total equity at 28 February 2021	**37,639**	**70,066**	**9**	**(958)**	**106,756**

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

The financial report presents the consolidated entity consisting of Namoi Cotton Limited and its subsidiaries.

For the purposes of disclosure of events occurring after balance date the Directors have authorised this financial report for issue on 22 April 2022 in accordance with a resolution of the Board of Directors.

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

a) Basis of preparation

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

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

Statement of compliance

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

Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements over the following primary areas:

- Determination of fair value on cotton seed inventory (refer to Note 1m and Note 24) and derivative financial instruments (refer to Note 1n and Note 9);
- Fair value of ginning assets (refer Note 1p and Note 13);
- Impairment testing of property plant and equipment (refer to Note 1p and Note 13);
- Classification of associates and joint ventures (refer to Note 1d and Note 11);
- Treatment of deferred tax balances including tax loss recognition (refer to Note 1i and Note 3); and
- Assessment of the useful lives of assets (refer to Note 1p)
- COVID-19 (refer to description below)

Impact of COVID-19

The Group continues to actively monitor the impact of the COVID-19 pandemic, including the impact on economic activity and financial reporting. During the period the Group incurred incremental directly attributable costs including those associated with the increased provision of health and hygiene services, the impacts of maintaining social distancing requirements and other charges caused COVID-19.

"As the pandemic continues to evolve, with the extent and timing of impacts varying across the Group's key operating locations, it remains difficult to predict the full extent and duration of resulting operational impacts for the Group. Despite the current uncertainty associated with COVID-19, the Directors are confident that there has been no impact on the Group's asset capacity and potential to service forecast ginning volumes and therefore also has no material impact on the fair value of ginning assets as at 28 February 2022.

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 2021 have been adopted by the Group. The adoption of these standards had no material financial impact on the current period or any prior period and is not likely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 28 February 2022 reporting period and have not yet been applied in the consolidated Financial Statements. These new Standards are as follows and where appropriate commentary as to their likely impact has been included:

- IFRS 17 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2023)
- Amendments to IFRS 3: Definition of Business (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendments to IAS 1 Classification of Liabilities (effective for reporting periods beginning on or after 1 January 2023)

- Amendments to IAS 16 Property, Plant and Equipment (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendments to IAS 37 Onerous Contracts (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendment to IAS 41 Agriculture (effective for annual reporting periods beginning on or after 1 January 2022)
- These new standards and amendments are not expected to have a material impact on the Group.

b) Going Concern

The Group's debt financing facilities (as detailed in Note15) were renewed in September 2021, and the maturity dates were extended to 1 October 2024.

The financial report has been prepared on the going concern basis that assumes the continuity of normal business activities and the realisation of assets and the discharge of liabilities as and when they fall due, in the ordinary course of business.

c) Seasonality of operations

Cotton Ginning, one of Namoi Cotton's business segments, operates on a seasonal basis whereby ginning normally occurs during the first half of financial year. Accordingly, that segment traditionally generates net income in the first half of the year and incurs net expenditure in the second half of the year during the ensuing maintenance period.

The ginning segment takes delivery of cottonseed from growers largely in the first half of the year. Under Namoi Cotton's accounting policies, profits on cottonseed are fully recognised when delivery to end user customers occurs.

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

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Namoi Cotton and its subsidiaries as at 28 February 2022. Control is achieved when Namoi Cotton is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any noncontrolling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if Namoi had directly disposed of the related assets or liabilities.

Investment in associates and joint ventures

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

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

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

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

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

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

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

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

Joint operations

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

Namoi Cotton recognises the following as its share:

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

Jointly controlled assets

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

e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

f) Foreign currency translation

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

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

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

g) Revenue from contracts with customers

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

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Group apportions the transaction price to the separate performance obligations. The Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer where relevant.

Contract Balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

h) Revenue recognition

Revenue from customers

Sale of By-products

The performance obligation is satisfied upon transfer of control under the terms of sale. This is a combination of delivered container terminal and ex-gin. Payment is due 30 days end of week from shipping.

Classing Revenue

Classing is the process of mechanically and visually inspecting cotton to determine grade characteristics. Classing is provided to both related and non-related cotton merchants and has been treated as revenue from contracts with customers under AASB15. The Group recognises revenue from classing services at the point in time the performance obligation is satisfied upon provision of results to the lint marketer or customer. Payment is due within 30 days of the date of issue of the classing invoice.

Revenue – other

Interest revenue

Interest revenue is brought to account when entitlement to interest occurs using the effective interest method.

Dividend revenue

Dividend revenue is brought to account when the group's right to receive is established.

Rental revenue

Rental income is brought to account when received.

Trading margin

Ginning revenue

Ginning is the mechanical process of separating raw seed cotton into resultant lint cotton bales and cotton seed for cotton growers. The Group provides ginning services that are bundled together with the purchase of cotton seed. As these contracts are accounted for under AASB 9 they are excluded from the treatment as a sale to a customer under AASB 15.

Sale of lint cotton

Sales revenue is brought to account when the terms of delivery under the sales contract have been satisfied. As lint sales between the Group and NCMA (Associate) are accounted for under AASB 9 they are excluded from treatment as a sale to a customer under AASB 15. There are no fair value adjustments required for forward lint cotton sales due to the contractual relationship between the Group and NCMA.

Sale of cotton seed

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

Government Grants

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

Derivatives

Derivatives including forward cotton seed commodity purchase and sale contracts and forward exchange contracts are stated at fair value with any gains or losses arising from changes in fair value taken directly to the statement of profit and loss and other comprehensive income. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

i) Taxes

Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based upon the prevailing income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and as to available carried forward taxation losses.

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

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

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

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

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

Tax consolidation legislation

Namoi Cotton Limited is the head entity of the tax consolidated group comprising all wholly owned controlled entities. The group has applied the group allocation method in determining the appropriate amount of current and deferred taxes to allocate to the members of the tax consolidated group.

Goods and services tax (GST)

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

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

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

j) Leases

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

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

The lease payments are discounted using the lessee's incremental borrowing, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

k) Cash and cash equivalents

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

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

l) Trade and other receivables

Trade receivables are recognised initially at 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.

The simplified method is utilised to determine expected credit losses. In applying this method, the expected credit losses are calculated by reference to not only historical collection history but rely on forward estimations and the expected lifetime credit loss is recognised. The methodology applies to trade debtors, grower loans and certain intercompany balances which are eliminated within consolidated balances.

m) Inventories

Cotton seed

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

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

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

Operating supplies and spares

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

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

n) Financial instruments

AASB 9 contains three principal classification categories for financial assets: Amortised Cost, Fair Value Through Other Comprehensive Income (FVOCI), and Fair Value Through Profit and Loss (FVTPL).

Debt financial instruments are subsequently measured at amortised cost, FVOCI or FVTPL. The classification is based upon two criteria:

- The Group's business model for managing the assets;
- Whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding ('the SPPI criterion').

The classification and measurement of the Group's financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold financial assets to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Cash and cash equivalents and Trade & other receivables.
- Financial assets at FVTPL comprise derivative instruments. This category would also include debt instruments whose cash flow characteristics fail SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. This category includes the Group's Foreign exchange contracts, interest rate derivatives and also forward commodity purchase and sales contracts.

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

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

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

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

The Group recognises gains or losses on financial liabilities, designated at inception to be measured at fair value, in profit or loss. The Group has had no material change in the credit risk of these financial liabilities during the period.

Trade and other payables are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms.

o) Recoverable amounts of non-financial assets

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

p) Property, plant and equipment

Cost and valuation

Gin, warehouse, other infrastructure and major equipment assets

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

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

Other assets

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

Depreciation

Ginning infrastructure assets

Ginning infrastructure assets are depreciated on a units of production basis over their rolling estimated remaining useful lives of 20 years of sustainable bales (2021: 20 years). Sustainable bales is determined to be the ten year average annual sustainable ginning bales.

Other property, plant and equipment

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

Major depreciation rates are:

Ginning assets	20 years (2021: 20 years)
Other assets	3 to 44 years

Impairment

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

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

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Disposal

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

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

q) Intangible assets

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

r) Trade and other payables

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

s) Interest-bearing loans and borrowings

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

t) Provisions

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

u) Share-based payment transactions

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

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

v) Employee benefits

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

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

w) Finance costs

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

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

x) Earnings per share

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

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

y) Segment reporting

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

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

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

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

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

z) Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

At each reporting date, the Directors analyse the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per Namoi Cotton's accounting policies.

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

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

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

aa) Cash Dividends

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

bb) Rounding of amounts

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

cc) Changes to comparatives

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

2. Revenue and Expenses

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
a) Revenue		
i) Revenue from customers		
By type of goods or service		
Sale of by-products	32	74
Classing services	688	169
Moss	1,991	295
Other	295	4
	3,006	**542**
ii) Other revenue		
Rental revenue	128	93
Other service revenue	226	209
Finance revenue	6	8
	360	**311**
Total revenue	**3,366**	**853**
iii) Trading margin gains		
Ginning services and seed sales	43,312	15,185
Lint Handling	142	37
	43,454	**15,222**
b) Other income		
Government grants	237	2,088
Net gain/(loss) on disposal of property, plant and equipment	(85)	673
	152	**2,761**
c) Employee benefits expense		
Salaries, wages, on-costs and other employee benefits	18,375	10,178
Defined contribution benefits expense	1,108	849
	19,483	**11,027**

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
d) Finance costs		
Interest on bank loans and overdrafts	2,202	1,522
Interest expense - leases	87	49
Finance charges payable under equipment loans	31	55
Interest expense - interest rate derivatives	17	8
	2,337	**1,634**
e) Other expenses		
Maintenance	3,343	1,297
Insurance	1,236	1,020
Motor vehicle related	835	584
Consulting	1,153	1,990
Audit fees	285	346
Business travel	402	425
Other	2,451	2,198
Safety	438	269
Utilities	605	291
	10,748	**8,420**

3. Income Tax

	Consolidated $'000 28 Feb 2022	Consolidated $'000 28 Feb 2021
Statement of Comprehensive Income		
Accounting profit/(loss) from continuing operations before income tax expense	(5,676)	(16,458)
At the Group's statutory income tax rate of 30% (2021: 30%)	(1,703)	(4,937)
Other	51	301
Tax losses previously not recognised [1]	(30)	(44)
Tax loss incurred - not recognised - tax consolidated group	406	2,640
Income tax expense/(benefit) recorded in the statement of comprehensive income	**(1,276)**	**(2,040)**

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

	Balance Sheet Consolidated $'000 28 Feb 2022	Balance Sheet Consolidated $'000 28 Feb 2021	Statement of Profit and Loss and Other Comprehensive Income Consolidated $'000 28 Feb 2022	Statement of Profit and Loss and Other Comprehensive Income Consolidated $'000 28 Feb 2021
Deferred Tax Liabilities				
Accelerated depreciation for tax purposes and revaluations	(29,163)	(27,832)	(2,586)	(1,255)
Timing of Joint Venture and Investments Income recognition	1,679	1,894	278	493
	(27,484)	(25,938)	(2,308)	(762)
Deferred Tax Assets				
Deferred costs	321	389	(76)	(7)
Provisions and accruals	819	523	(384)	(681)
Recognised losses available for offsetting against future taxable income [1, 2]	26,344	25,026	(1,634)	(6,561)
	27,484	25,938	(2,094)	(7,249)
Net deferred tax assets/(liabilities)				
Deferred tax expense/(income)	-	-	**(4,402)**	**(8,011)**

	Consolidated $'000	
	28 Feb 2022	**28 Feb 2021**
Unrecognised deferred tax liabilities	(39)	(24)
Tax loss incurred - not recognised (outside tax consolidated group)	1,042	1,048
Tax loss incurred - not recognised (tax consolidated group)	406	2,640
Unrecognised net deferred tax assets	**1,409**	**3,664**

	Consolidated $'000	
Reconciliation of net deferred tax assets/(liabilities)	**28 Feb 2022**	**28 Feb 2021**
Opening balance as of 1 March	-	**(2,067)**
Tax income/(expense) during the period recognised in profit or loss	1,276	2,040
Tax income/(expense) during the period recognised in other comprehensive income	(1,276)	27
Reversal of prior year unrecognised Deferred Tax Assets		
Closing balance as at 28 February	**-**	**-**

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

2 The benefits in respect of tax losses will only be obtained if:

a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax consolidated group and tax sharing arrangements

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

4. Earnings per Share

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

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

	Consolidated $'000	
	28 Feb 2022	**28 Feb 2021**
Consolidated loss attributable to ordinary shares	(4,400)	(14,418)
	No.	No.
Earnings per share - basic (cents)	(2.6)	(10.3)
Earnings per share - diluted (cents) [1]	(2.6)	(10.3)
Weighted average number of ordinary shares for basic EPS	166,467,933	140,407,713
Weighted number unconverted residual capital stock	1,843,037	2,245,894
Weighted average number of ordinary shares adjusted for the effect of dilution	168,310,970	142,505,324

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

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

5. Distributions Paid or Provided on Ordinary Shares

	Consolidated $'000	
	28 Feb 2022	**28 Feb 2021**
Final distribution for the year ended 28 February 2022 of 0.0 cents per ordinary share (2021: 0.0 cents)	-	-
	-	-
Net distributions during the year	**-**	**-**

6. Cash and Cash Equivalents

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
Cash at bank and in hand	367	497

Cash at bank earns interest at floating rates based upon daily bank deposit rates.

(a) Reconciliation to Statement of Cash Flows

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
For the purposes of the Statement of Cash Flows, cash comprises the following items:		
Cash at bank and in hand	367	497
Bank Overdraft (Refer Note 15)	(2,361)	(227)
	(1,994)	**270**

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
(b) Reconciliation of net cash provided by operating activities to operating profit after income tax.		
Operating profit/(loss) after income tax	(4,400)	(14,418)
Adjustments for non-cash items:		
Depreciation	5,097	3,246
(Gain)/loss on sale of property, plant and equipment	85	(673)
(Gain)/loss on sale of investments	-	-
Impairment	-	-
Foreign exchange (gain)/loss on finance leases	21	(40)
Provision for bad debts		1
Provision for employee benefits	358	(238)
Share-based payments expense	-	9
Provision other	-	(377)
Fair value increment on revaluation of ginning assets	(181)	-
Share of associates (profits)/losses	(315)	7,616
	5,064	**9,544**

	Consolidated $'000	
	28 Feb 2022	**28 Feb 2021**
Changes in operating assets and liabilities		
(Increase)/decrease in accounts receivable	(1,542)	869
(Increase)/decrease in inventories	(3,795)	407
(Increase)/decrease in other assets	220	(96)
(Increase)/decrease in derivatives	409	(230)
Increase/(decrease) in creditors	1,718	(1,090)
Increase/(decrease) in other liabilities	(582)	1,465
Increase/(decrease) in deferred tax asset	(1,276)	(2,068)
	(4,848)	**(743)**
Net cash inflow/(outflow) from operating activities	**(4,184)**	**(5,617)**

Note 6. Cash and cash equivalents

(c) Disclosure of financing activities

	1 March 2021	Cash flows	Foreign exchange movement	New leases	Other	28 February 2022
	$'000	$'000	$'000	$'000	$'000	$'000
Current interest-bearing loans	4,550	(4,150)	-	-	46	446
Current obligations under equipment loans	449	(543)	(12)	489	-	383
Lease liabilities	437	(437)	-	403	-	403
Current other borrowings	38	-	-	-	(38)	-
Non-current interest bearing loans	43,172	-	-	-	91	43,263
Non-current obligations under equipment loans	357	-	(7)	-	102	452
Lease liabilities	2,109	-	-	320	(722)	1,707
	51,112	(5,130)	(19)	1,212	(521)	46,654

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

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

(i) Equipment Finance Transactions

During the financial year, the consolidated entity acquired plant and equipment with an aggregate fair value of $455,289 (2021: $115,790) by means of equipment loans.

(ii) Distribution Reinvestment Plan

No distributions were paid via the issue of units/shares in 2022 (2021: nil). Refer note 5 and note 17.

(e) Fair Value

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

7. Trade and Other Receivables

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
Current		
Trade debtors[1]	4,184	1,821
Less: allowance for impairment loss	-	
Trade debtors from an associate	18	363
	4,202	**2,183**
Loans to growers[2]	-	12
Less: allowance for impairment loss	-	-
	-	**12**
Loans to employees[3]	-	1
Less: allowance for impairment loss	-	-
	-	**1**

1 Trade debtors arise from the following:

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

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

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

Expected Credit Losses

An impairment analysis is performed at each reporting date. The simplified method has been used to determine expected credit losses. In applying this method, the expected credit losses are calculated by reference to not only historical collection history but rely on forward estimations and the expected lifetime credit loss is recognised.

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

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

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
Total outstanding	4,202	2,196
Unimpaired		
Within terms	3,730	2,054
Past Due 1 - 30 days	401	48
Past Due 31 - 60 days	10	25
Past Due 60+ days	61	69
Impaired		
Past Due 60+ days	-	-

Receivables past due but not considered impaired are: Group $471,619 (2021: $142,505). Payment terms on these debts have not been renegotiated however discussions with the counterparties and/or receipts subsequent to reporting date reflect that payment will be received in full.

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

All receivables are carried at amortised cost. Details regarding foreign exchange and interest rate risk are disclosed in Note 24. The maximum exposure to credit risk is the carrying amount of the receivables less insurance recoverable.

8. Inventories

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
Seed cotton and moss (at cost)	32	-
Cotton seed (at fair value less costs to sell)	3,500	915
Operating supplies and spares (at cost)	7,488	6,530
	11,020	**7,445**

Refer to Note 24 for further information relating to the valuation techniques for determining the fair value of Cotton Seed.

9. Derivative Financial Instruments

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
Current assets		
Interest rate swap contracts	3	20
Cotton seed sale contracts	344	676
Cotton seed purchase contracts	2,413	1,294
Due from currency broker	64	112
Lint Cotton purchase contracts- NCMA	59,318	5,379
	62,142	**7,481**
Current liabilities		
Cotton seed sale contracts	1,693	495
Due to currency broker	52	122
Lint Cotton sales contracts - NCMA	59,318	5,379
	61,063	**5,996**

Derivatives are used by the group to manage trading and financial risks as detailed in Note 24.

Fair value of foreign exchange contracts are determined by comparing the contracted rate to the market rates for contracts with the same term to maturity. All movements in fair value are recognised in the profit/loss within the statement of comprehensive income in the period they occur. The net fair value gain on foreign exchange contracts at year end was $36,693 for the group (2021: $5,545 loss).

Cotton lint purchase contracts are forward dated and deliverable contracts from growers. The fair value of cotton lint commodity contracts is determined by reference to market prices and foreign exchange rates. The fair value of the open cotton lint purchase contracts at year end was a derivative asset (unrealised gain) of $59,317,838 for the group (2021: Gain $5,378,646) and lint sales contracts are a derivative liability (unrealised loss) of $59,317,838 for the group (2021: $5,378,838) as back-to-back sales contracts with NCMA.

Cotton seed sales contracts are forward dated and deliverable contracts with customers. The fair value of cotton seed commodity contracts is determined by reference to market prices and foreign exchange rates. The fair value of the open cotton seed sale contracts at year end was a derivative liability (unrealised loss) of $1,348,526 for the group (2021: Gain $181,255).

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 $2,412,891 for the group (2021: Gain $1,293,853).

Interest bearing loans of the group incurred a weighted average variable interest rate of 2.5% (2021: 2.5%).

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

	Note	Consolidated $'000 28 Feb 2022	Consolidated $'000 28 Feb 2021
Investment in joint ventures (material)	10d	22,566	23,043
Investment in joint ventures (non material)	10e	(1,068)	(1,743)
		21,498	**21,300**

(a) Ownership interest

Name	Balance Date	% Ownership interest held by consolidated entity 28 Feb 2022	% Ownership interest held by consolidated entity 28 Feb 2021
Investments in Joint Ventures			
Namoi Cotton Alliance (NCA)	28 February	**51%**	51%
NC Packing Services Pty Ltd (NCPS) [1]	28 February	**51%**	51%
Namoi Cotton Marketing Alliance (NCMA)	31 December	**15%**	15%

1 Incorporated in Australia

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

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

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

(c) Significant influence

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

(d) Debt and other funding

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

NCMA's debt is limited in recourse to the security of the NCMA assets; and

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

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
(d) Material Investments in Joint Ventures: NCA		
(i) Joint Venture results		
Revenue	27,181	1,122
Depreciation and Amortisation	(2,654)	(2,624)
Interest Expense	(170)	(1,563)
Profit/(loss) before income tax expense	(935)	(18,145)
Income tax expense[(a)]	-	-
Joint Venture net profit/(loss)	**(935)**	**(18,145)**
(a) The Joint Venture is a partnership for tax purposes accordingly is not a taxable entity		
Group share of joint venture net profit/(loss)	**(477)**	**(9,254)**
(ii) Joint venture assets and liabilities:		
Current assets		
Cash and cash equivalents	4,728	3,467
Other	9,183	59,712
Non-current assets	37,399	39,891
Current liabilities		
Financial liabilities	(5,694)	(46,622)
Other	(250)	(10,079)
Non-current liabilities		
Financial liabilities	(1,078)	(1,151)
Other	(40)	(36)
Joint Venture net assets	**44,248**	**45,182**

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
Group share of joint venture net assets	**22,566**	**23,043**
Less impairment	-	-
	22,566	**23,043**
(iii) Carrying amount of investments in joint venture:		
Balance at the beginning of the financial year	23,043	31,171
Impairment of joint venture	-	1,126
Share of joint venture profits/(losses) for the financial year	(477)	(9,254)
Carrying amount of investments in joint venture at the end of the financial year	**22,566**	**23,043**

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
(e) Share of Non Material Investments in joint venture entities:		
(i) Carrying amount of non material investments in joint ventures NCPS:		
Balance at the beginning of the financial year	(1,743)	(2,293)
Non Material Joint Venture Results	378	599
(ii) Carrying amount of non material investments in joint ventures NCMA:		
Balance at the beginning of the financial year	-	-
Non Material Joint Venture Results	414	(49)
Distribution of profits	(117)	-
Carrying amount of non material investments in joint ventures at the end of the financial year	**(1,068)**	**(1,743)**

11. Interest in Joint Operations

(a) Ownership interest

Name	Balance Date	% Ownership interest held by consolidated entity	
		28 Feb 2022	28 Feb 2021
Wathagar Ginning Company (WGC)	28 February	**50%**	50%
Moomin Ginning Company (MGC)	28 February	**75%**	75%

(b) Principal activities

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

(c) Impairment

No assets employed in the jointly controlled operation were impaired during the year (2021: $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 cotton seed handling and storage facilities at Mungindi, NSW with a book carrying value of $2.04m at 28 February 2022 (2021: $2.09m).

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

13. Property, Plant and Equipment

	Consolidated $'000 28 Feb 2022	Consolidated $'000 28 Feb 2021
Gin Assets		
Ginning infrastructure and major equipment at fair value	123,693	119,353
Provision for depreciation and impairment	(6,607)	(3,178)
Transfers In/Out At WDV	-	(475)
	117,086	115,700
Revaluation to fair value	4,340	-
Closing written down value at fair value	121,426	115,700
Other ginning equipment		
Cost	9,920	13,961
Provision for depreciation and impairment	(6,829)	(6,399)
Closing written down value at cost	3,091	7,562
Net Gin Assets	**124,517**	**123,262**
Other Assets		
Other infrastructure and major equipment at fair value	1,902	1,955
Provision for depreciation and impairment	(546)	(119)
Transfers In/Out At WDV	-	(418)
	1,356	1,418
Revaluation to fair value	(87)	-
Closing written down value at fair value	1,269	1,418
Other equipment		
Cost	9,675	9,164
Provision for depreciation and impairment	(8,071)	(7,407)
Closing written down value at cost	1,604	1,757
Net Other Assets	**2,873**	**3,175**
Capital work in progress ('CWIP') at cost	**4,619**	**841**
Total written down value at fair value	122,695	117,118
Total written down value at cost	9,314	10,160
Total written down value for property, plant & equipment	**132,009**	**127,278**
Right of Use Assets	3,153	3,153
Provision for depreciation and impairment	(1,143)	(728)
Closing written down value	**2,010**	**2,425**
Property, plant and equipment	**134,019**	**129,703**

Revaluation of Ginning Assets

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

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

Effective 28 February 2022 an independent valuation of the ginning assets was commissioned by the Group to provide external support for the Directors assessment of fair value for financial reporting purposes. CBRE Australia ("CBRE") were engaged for this purpose. The methodology applied by CBRE to value the ginning assets was an in-one-line pre-tax discount rate of 14% (implied multiple of 7). CBRE (in 2019) utilised the same methodology and arrived at a 14% pre-tax discount rate consistent with that for the period ended 28 February 2022.

The fair value measurement of ginning assets outlined above uses significant unobservable inputs and are classified as level 3 in the financial reporting fair value measurement hierarchy. Significant unobservable valuation inputs as at 28 February 2022 included:

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

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

Based on the above fair value methodology there were a number of increments and decrements (reversals of prior period increments) adjustments posted to the asset revaluation reserve at year end. In addition, where the reversal of a prior period decrement that impacted the profit or loss was identified the resulting reversal was posted to the profit and loss statement as a reversal of a prior period fair value decrement.

Impairment of Assets at Cost

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

Reconciliations

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

Year Ended 28 February 2022 ($'000)	Gins	Other	CWIP
Consolidated and parent entity			
	123,262	3,175	841
Additions and Transfer to/(from) CWIP	936	950	3,778
Disposals	(87)	(415)	-
Transfers to assets held for sale	-	-	-
Depreciation[1]	(3,934)	(749)	-
Revaluation increments/(decrements)	4,340	(87)	-
	124,517	**2,874**	**4,619**

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

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

14. Trade and Other Payables

	Consolidated $'000	
	28 Feb 2022	**28 Feb 2021**
Current		
Trade creditors and accruals[1]	4,723	2,797
Customer deposits	934	1,518
	5,657	**4,315**

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

15. Interest Bearing Liabilities

Interest bearing liabilities at balance date were as follows:

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
Current		
Bank overdraft	2,361	227
Working capital finance [1]	-	4,150
Lease liabilities [2]	403	437
Equipment loans [3]	383	450
Cargill Australia Ltd [4]	446	400
	3,593	**5,664**
Non Current		
Term Debt [5]	42,452	42,000
Lease liabilities [2]	1,707	2,109
Equipment loans [3]	452	358
Cargill Australia Ltd [4]	811	1,172
	45,422	**45,639**

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

2 Lease liabilities include leases considered under AASB 16.

3 Equipment loans have an average term of 1.3 years (2021: 1.2) with the average interest rate implicit in the contracts of 3.7% (2021: 4.82%).

4 Cargill deferred settlement of $445,542 incurs interest of 6.5% pa in arrears. Cargill advance of $1,256,542 is the present value repayable over 3 years discounted at 6.5% pa.

5 Term debt facilities remained fully drawn as at 28 February 2022.

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

	Facility Limit - AUD $'000 Consolidated	
	28 Feb 2022	28 Feb 2021
AUD Facility Limit		
Uncommitted	5,000	2,500
Overdraft working	32,500	10,000
Capital[1] Term - A[2]	42,000	35,000
Term - B[2]	-	7,000
	79,500	**54,500**

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

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

Financing arrangements

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

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

Namoi was in compliance with all financial covenants during the period ended 28 February 2022.

As at 28 February 2022 the undrawn facilities totalled $35.14m consisting of undrawn overdraft and working capital facilities. Details of interest rate risk, foreign exchange risk and liquidity risk are disclosed in note 24.

16. Provisions

	Consolidated $'000	
	28 Feb 2022	**28 Feb 2021**
Current		
Employee leave entitlements	1,555	1,671
Employee variable compensation	489	-
Provision for redundancy	265	-
	2,309	**1,671**
Non-current		
Employee leave entitlements	**172**	**185**

17. Contributed Equity

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
Ordinary Shares	**47,984**	**37,639**

	Consolidated			
	No. '000		$'000	
	28 Feb 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021
1 cent Capital Stock (fully paid)				
1 cent Residual Capital Stock (fully paid)				
Residual capital stock at the beginning of the financial year	2,098	2,339	21	23
Residual capital stock converted to ordinary shares	(255)	(241)	(3)	(2)
Residual capital stock at the end of the financial year	**1,843**	**2,098**	**18**	**21**

	Consolidated			
	No. '000		$'000	
	28 Feb 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021
Ordinary Shares (fully paid)				
Ordinary shares at the beginning of the financial year	140,556	140,315	37,639	37,637
Ordinary shares issued during the financial year	31,294	-	10,342	-
Residual capital stock converted to ordinary shares	255	241	3	2
Ordinary shares at the end of the financial year	**172,105**	**140,556**	**47,984**	**37,639**

At balance date some 1.8 million Residual Capital Stock had not been converted to ordinary shares. Under the terms of the Restructure in October 2017 and the Constitution of Namoi Cotton Limited the redemption of Residual Capital Stock is permitted. The conditions of such redemption include that redemption cannot occur until the earlier of a minimum of 90% of Residual Capital Stock have being converted to Ordinary Shares or the 30th June 2018.

The number of residual capital stock available to redeem is expected to be immaterial given the redemption is at market price less a 10% discount, they are not entitled to any dividends, are non-transferrable and are not listed on the ASX. The Board has discretion in determining whether, and if so when, to redeem the outstanding residual capital stock.

Capital stock terms and conditions (previously):

- Capital stock holders are entitled to distributions as declared by the directors;
- Capital stock holders have no right to vote at any general meeting of Namoi Cotton;
- Matters relating to the appointment of the non-grower directors must be approved by capital stock holders prior to submission to a general meeting of Namoi Cotton for approval;
- On winding up, capital stock holders are entitled to the proceeds from surplus assets after payment of grower paid up share capital.

Ordinary shares terms and conditions:

- Ordinary shareholders are entitled to dividends as declared by the directors;
- Each ordinary shareholder is entitled to one vote per one share;
- On winding up, ordinary shareholders are entitled to the proceeds from surplus assets.

Namoi Cotton Employee Incentive Share Plan

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

Under the terms of the plan, employees are provided with an interest free loan to finance the issue price of the units. A minimum of 75% of the amount of all distributions paid in relation to units issued under the plan must be applied as a repayment of the loan. In any event, the loan must be repaid on the earlier to occur of termination of employment and 10 years. At the end of the financial year employee loans totalled $Nil (2021: $650).

Units issued under the plan are placed in escrow until the later to occur of three years from issue and when the employee loan has been fully repaid. At the end of the financial year there were 2,000 residual capital stock (2021: 2,000 units) under escrow.

Namoi Cotton Equity Plan

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

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

The net present value of the options or share rights granted are expensed in the year granted.

Capital management

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

Nature and Purpose of Reserves

Asset revaluation reserve

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

Share rights reserve

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

18. Segment Information

Identification of reportable segments

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

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

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

Types of products and services

Ginning Services

The ginning business operates 11 cotton gins (incorporating 2 joint venture gins, referred to in note 10) located in the key growing areas of NSW and Queensland. The ginning service provided to the growers during the production process includes the separation of lint cotton from seed and other foreign matter and the conversion of cotton in module form to bale form. Grower customers are also able to sell the cotton seed by-product to Namoi Cotton or elect to retain their cotton seed.

Supply Chain & Marketing

The supply chain and marketing business involves the purchasing of lint cotton from Australian growers using a variety of forward contracts that offer differing combinations of price, delivery and risk characteristics. Bales procured by Namoi Cotton from growers are on-sold to marketing associates (NCMA) with approximately 99% of marketing sales ultimately being to Asia. The Marketing associates manage their marketing risks by utilising cotton futures and options and foreign currency contracts under strict risk management policies.
The controlled entity ACS provides classing services for the marketing associates and other cotton merchants. The joint venture entity NC Packing Services Pty Ltd operates containerised commodity packing facilities primarily packing cottonseed, coarse grains and pulses.

Accounting policies

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

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

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

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

Business Segments	Ginning Services	Supply Chain & Marketing	Unallocated	Consolidated
Year ended 28 February 2022	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	3,006	-	-	3,006
Other revenues	226	-	134	360
Total consolidated revenue	**3,232**	**-**	**134**	**3,366**
Non-segment revenues				
Interest revenue	-	-	6	**6**
Rental revenue	-	-	128	**128**
Trading margin gains	43,312	142	-	**43,454**
Results				
Profit/(loss) before tax and finance costs	4,474	272	(8,400)	**(3,654)**
Finance costs	(2,324)	-	(13)	**(2,337)**
Share of profit from associates	-	315	-	**315**
Net Profit/(loss) before tax	**2,150**	**587**	**(8,413)**	**(5,676)**

Other segment information				
Depreciation	(4,843)	(69)	(185)	(5,097)
Included in the unallocated results for the period are:				
Interest Revenue				6
Rental Revenue				128
Total Unallocated Revenue				**134**
Employee benefits expense				(4,102)
Government grants				237
Depreciation				(185)
Finance costs				(13)
Other corporate administrative expenses				(4,484)
Total Unallocated Result				**(8,413)**

Business Segments	**Ginning Services**	**Supply Chain & Marketing**	**Unallocated**	**Consolidated**
Year ended 28 February 2021	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	542	-	-	542
Other revenues	229	-	82	311
Total consolidated revenue	**771**	**-**	**82**	**853**
Non-segment revenues				
Interest revenue	-	-	8	8
Rental revenue	-	-	74	74
Trading margin gains	12,494	(31)	-	12,463
Results				
Profit/(loss) before tax and finance costs	(3,688)	1,388	(4,945)	(7,245)
Finance costs	(1,620)	-	(14)	(1,634)
Share of profit from associates	-	(7,579)	-	(7,579)
Net Profit/(loss) before tax	**(5,308)**	**(6,191)**	**(4,959)**	**(16,458)**
Other segment information				
Depreciation	(2,882)	(81)	(282)	(3,245)

Included in the unallocated results for the period are:

Interest Revenue	8
Rental Revenue	74
Total Unallocated Revenue	**82**
Employee benefits expense	(2,656)
Government grants	2,049
Depreciation	(282)
Finance costs	(14)
Other corporate administrative expenses	(4,138)
Total Unallocated Result	**(4,959)**

Geographic Area

The economic entity operates in two separate geographic areas.

Namoi procures lint cotton and 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
	$'000	$'000	$'000
Year ended 28 February 2022			
Revenue			
Sales	860	2,146	3,006
Other revenues	360	-	360
Total consolidated revenue	**1,220**	**2,146**	**3,366**

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

19. Commitments and Contingencies

Commitments for capital expenditure

	Consolidated $'000	
	28 Feb 2022	**28 Feb 2021**
Property, plant and equipment		
Estimated capital expenditure contracted for at balance date but not provided for:		
Payable within one year	3,677	806
Payable after one year but not more than five years	-	-

Operating lease commitments receivable – group as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 28 February 2022 are as follows:

	Consolidated $'000	
	28 Feb 2022	**28 Feb 2021**
Operating lease commitments receivable - group as lessor		
Not later than 1 year	60	60
Later than 1 year and not later than 5 years	240	240
	300	**300**

Equipment loans – group as lessee

The group has equipment loans for gin packaging and logistics supply chain equipment with a carrying value of $1,635,410 (2021: $1,923,521) for both the group and the company. The equipment is mainly presented in Gin Assets in Note 13. Property, Plant and Equipment.

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

Finance lease and hire purchase commitments - group as lessee

	Consolidated $'000	
	28 Feb 2022	**28 Feb 2021**
Within one year	383	469
After one year but within five years	471	377
After five years	-	-
Total lease payments	**854**	**846**
Unexpired finance charges	(19)	(39)
Present value of total lease payments	**835**	**807**

The weighted average interest rate implicit in the contracts for the group is 3.7% (2021: 4.8%).

20. 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.

21. Related Party Disclosures

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

Ownership and investment

	Equity Interest %		**Investment $'000**	
Name of entity	**28 Feb 2022**	**28 Feb 2021**	**28 Feb 2022**	**28 Feb 2021**
Australian Classing Services Pty Ltd	100%	100%	428	428
Australian Raw Cotton Marketing Corp. Pty Ltd	100%	100%	-	-
Namcott Investments Pty Limited	100%	100%	-	-
Namcott Marketing Pty Ltd	100%	100%	-	-
NC Packing Services Pty Ltd	51%	51%	-	-
Namoi Cotton Commodities Pty Ltd	96%	96%	-	-
Namoi Cotton Finance Pty Ltd	100%	100%	-	-
Cotton Trading Corporation Pty Limited	100%	100%	1,830	1,830
			2,258	**2,258**
Investments held in controlled entities eliminated			(1,830)	(1,830)
			428	**428**

Principal activities:

- Namcott Investments Pty Ltd, a subsidiary of Namoi Cotton, was the beneficial owner of the interests in previous partnerships. This entity is now non-trading.
- Namcott Marketing Pty Ltd, a subsidiary of Namoi Cotton, is the beneficial owner of the interests in NCPS shares and the NCA and NCMA Partnerships.
- Namoi Cotton Finance Pty Ltd holds funding for the group.
- Namoi Cotton Commodities Pty Ltd has main trading activities of sale and logistics of plastic waste from ginning activities.
- Cotton Trading Corporation Pty Limited is controlled by Namcott Investments Pty Ltd.
- Australian Raw Cotton Marketing Corp Pty Ltd is a non-trading company.
- Australian Classing Services Pty Ltd trading activities are mainly the provision of classing services.

Transactions with subsidiaries

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

Transactions with NCA

Management fees received by Namoi Cotton for services provided to Namoi Cotton Alliance $469,428 (inclusive of bale handling fees) (2021: $2.9m).

Lint Cotton Sales from Namoi Cotton to Namoi Cotton Alliance $0.7m (2021: $40.1m).

Insurance on-charged by Namoi Cotton to Namoi Cotton Alliance $0.3m (2021: $0.4m).

Lease payments made to Namoi Cotton Alliance as lessee in relation to Wee Waa complex $150k (2021: $48.5k)

Lease payment received from Namoi Cotton Alliance as lessor in relation to Yarraman bunker $60k (2021: $19.4k)

Transactions with NCMA

Management fees received by Namoi Cotton for services provided to Namoi Cotton Marketing Alliance $961,597 (inclusive of bale handling fees) (2021: $Nil).

Lint Cotton Sales from Namoi Cotton to Namoi Cotton Marketing Alliance $166.8m (2021: $Nil).

22. Directors' and Executive Disclosure

Compensation by category of payment

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
	$	$
Short-term	1,840,266	1,894,336
Post Employment	210,991	3,892
Other Long-term	33,744	8,925
Termination Benefits	54,119	222,587
	2,139,120	**2,129,740**

Marketing and ginning transactions and balances with KMP

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

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

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

	Consolidated							
	Cotton Purchases (from)		Other Services (to)		Ginning Charges Levied (to)		Grain & Seed Purchases (from)	
Name	28 Feb 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021
	$	$	$	$	$	$	$	$
Mr T Watson	723,491	-	9,294	19,000	179,442	72,040	103,723	5,269
Mr G Price	2,242,346	538,225	26,221	18,915	252,831	60,131	294,872	154,207
Ms J Hamparsum	575,133	274,670	24,327	-	145,961	89,324	194,615	206,939
	3,540,970	**812,895**	**59,842**	**37,915**	**578,234**	**221,495**	**593,210**	**366,415**

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.

23. Remuneration of Auditors

	Consolidated $'000	
	28 Feb 2022	28 Feb 2021
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the group	267,463	339,630
Fees for assurance services that are required by legislation to be provided by the auditor	-	-
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	-	-
Total fees to Ernst & Young (Australia)	**267,463**	**339,630**

24. Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

Risk Exposure and Responses

Price risk

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

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

	Consolidated $'000	
	28 Feb 2022	**28 Feb 2021**
Financial Assets		
Derivatives	2,757	1,970
	2,757	**1,970**
Financial Liabilities		
Derivatives	(1,693)	(495)
	(1,693)	**(495)**
Net Exposure	**1,064**	**1,475**

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 2022 and 28 February 2021, 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 2022	**28 Feb 2021**	**28 Feb 2022**	**28 Feb 2021**
Consolidated				
+$10/Mt (cotton seed)	(60)	(84)	(60)	(84)
-$10/Mt (cotton seed) - last year -$10/Mt	60	84	60	84

Interest rate risk

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

	Consolidated $'000	
	28 Feb 2022	**28 Feb 2021**
Financial Assets		
Cash and cash equivalents	367	497
Trade and other receivables	212	269
Derivatives	3	20
	582	**786**
Financial Liabilities		
Interest bearing loans and borrowings	(49,016)	(51,303)
	(49,016)	**(51,303)**
Net Exposure	**(48,434)**	**(50,517)**

Interest rate swap contracts, with a fair value of $Nil (2021 -$ Nil) at reporting date to the group, are exposed to value movements if interest rates change.

At reporting date, after taking into account the effect of interest rate swaps, 0% (2021: 0%) of the group's borrowings are at a fixed rate of interest nil% (2021: nil%). The group continually monitors its interest rate exposure with regard to existing and forecast working capital and term debt requirements.

The following sensitivity analysis is based upon interest rate exposures that existed at 28 February 2022 and 28 February 2021, 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 2022	**28 Feb 2021**	**28 Feb 2022**	**28 Feb 2021**
Consolidated				
+100 basis points	(444)	(463)	(444)	(463)
-50 basis points	222	232	222	232

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

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

Foreign exchange risk

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

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

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

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

	Consolidated $'000	
	28 Feb 2022	**28 Feb 2021**
Financial Assets		
Cash and cash equivalents	102	278
Trade and other receivables	7	(130)
Derivatives	64	112
	173	**260**
Financial Liabilities		
Trade and other payables	-	-
Interest bearing loans and borrowings	133	242
Derivatives	55	122
	188	**364**
Net Exposure	**361**	**624**

The group has USD denominated leasing contracts of USD $188,015 (2021: USD $191,386) over certain ginning equipment supplied from the United States. Foreign exchange contracts are subject to fair value movements through the statement of comprehensive income as foreign exchange rates move.

	Notional Amount AUD $'000		Average Exchange Rate	
	28 Feb 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021
Foreign exchange contracts held at balance date				
Group				
Sell US$/Buy AUD$ maturity 0-12 months	20,651	-	72	-
Buy US$/Sell AUD$ maturity 0-12 months	(7,723)	-	72	-

Priced cotton seed sales contracts are treated as financial instruments under AASB 9.

The following sensitivity analysis is based upon foreign currency exposures that existed at 28 February 2022 and 28 February 2021, 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 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021
Consolidated				
AUD/USD +100 basis points	197	58	197	58
AUD/USD -50 basis points	(72)	(29)	(72)	(29)

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

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

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

Credit risk

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

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

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

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

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

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

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

Funding and liquidity risk

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

Year ended 28 February 2022	≤6 Months $'000	6-12 Months $'000	1-5 Years $'000	>5 Years $'000	Total $'000
Consolidated					
Financial Assets					
Cash and cash equivalents	367	-	-	-	**367**
Trade and other receivables	4,202	-	-	-	**4,202**
Derivatives[1]	2,700	124	-	-	**2,824**
	7,269	**124**	**-**	**-**	**7,393**
Financial Liabilities					
Trade and other payables	(5,562)	(71)	-	-	**(5,633)**
Interest bearing loans and borrowings[2]	(2,911)	(810)	(43,847)	(1,448)	**(49,016)**
Derivatives[1]	(1,128)	(620)	-	-	**(1,748)**
Co-operative grower member shares	-	-	-	-	-
	(9,601)	**(1,501)**	**(43,847)**	**(1,448)**	**(56,397)**
Net Exposure	**(2,332)**	**(1,377)**	**(43,847)**	**(1,448)**	**(49,004)**

Year ended 28 February 2021	≤6 Months $'000	6-12 Months $'000	1-5 Years $'000	>5 Years $'000	Total $'000
Consolidated					
Financial Assets					
Cash and cash equivalents	497	-	-	-	**497**
Trade and other receivables	2,659	1	-	-	
Derivatives1	1,859	243	-	-	
	5,015	**244**	**-**	**-**	
Financial Liabilities					
Trade and other payables	(4,522)	(38)	-	-	**(4,560)**
Interest bearing loans and borrowings[2]	(4,890)	(774)	(44,193)	(1,446)	**(51,303)**
Derivatives[1]	(443)	(173)	-	-	**(616)**
Co-operative grower member shares	-	-	-	-	**-**
	(9,855)	**(985)**	**(44,193)**	**(1,446)**	**(56,479)**
Net Exposure	**(4,840)**	**(741)**	**(44,193)**	**(1,446)**	**(51,220)**

1 Derivatives reflect the actual cashflow and are net settled. Lint cotton sales and purchase contracts are back to back resulting in nil impact to liquidity

2 In addition to the maturity profile of interest bearing loans and borrowings, there are actual cashflows in relation to interest for the 6-month period of $0. 6 million (2021: $0.55 million), for the 6-12 month period of $0.6 million (2021: $0.54 million) and for the 1-5 year period $1.7 million (2021: $1.07 million).

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

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

The fair value of Cotton Seed Contracts (Purchase and Sale) and Cotton Seed Inventory (at fair value less cost to sell) is determined with reference to an observable market, reports and adjustments for freight premiums and discounts which are unobservable. During the period there has not been a change in unobservable inputs (i.e. freight premiums, discounts and cost to sell), accordingly no gains or losses have been recognised as a result in changes of unobservable inputs during the year. (2021: nil). The nature of the market used to determine the Cotton Seed Price is assessed as being illiquid given the low volume of transactions, accordingly the contracts are classified as level 3.

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

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

	Level 1	Level 2	Level 3	
	Quoted market prices	Market observable inputs	Non-market observable inputs	Total
Year ended 28 February 2022	**$'000**	**$'000**	**$'000**	**$'000**
Consolidated				
Current assets				
Foreign exchange contracts	-	64	-	**64**
Interest rate swap contracts	-	3	-	**3**
Lint cotton purchase contracts	-	-	59,318	**59,318**
Cotton lint purchase contracts	-	-	-	**-**
Cotton seed sale contracts	-	-	344	**344**
Cotton seed purchase contracts	-	-	2,413	**2,413**
	-	**67**	**62,075**	**62,142**

	Level 1	Level 2	Level 3	
	Quoted market prices	Market observable inputs	Non-market observable inputs	Total
	$'000	**$'000**	**$'000**	**$'000**
Current liabilities				
Foreign exchange contracts	-	(52)	-	**(52)**
Interest rate swap contracts	-	-	-	**-**
Lint cotton sales contracts	-	-	(59,318)	**(59,318)**
Cotton lint purchase contracts	-	-	-	**-**
Cotton seed sale contracts	-	-	(1,693)	**(1,693)**
Cotton seed purchase contracts	-	-	-	**-**
	-	**(52)**	**(61,011)**	**(61,063)**

Year ended 28 February 2021	$'000	$'000	$'000	$'000
Consolidated				
Current assets				
Foreign exchange contracts	-	112	-	**112**
Interest rate swap contracts	-	20	-	**20**
Lint cotton purchase contracts	-	-	5,379	**5,379**
Cotton seed sale contracts	-	-	676	**676**
Cotton seed purchase contracts	-	-	1,294	**1,294**
	-	**132**	**7,349**	**7,481**
Current liabilities				
Foreign exchange contracts	-	(122)	-	**(122)**
Interest rate swap contracts	-	-	-	**-**
Lint cotton sales contracts	-	-	(5,379)	**(5,379)**
Cotton lint purchase contracts	-	-	-	**-**
Cotton seed sale contracts	-	-	(495)	**(495)**
	-	**(122)**	**(5,874)**	**(5,996)**

25. Share-based payments

Namoi Cotton Limited Equity Plan

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

Movements during the year

The following table illustrates the number of, and movements in, share rights during the year:

	2022 Number	2021 Number
Outstanding at 1 March	595,060	-
Granted during the year	968,467	1,493,264
Cancelled during the year	-	(898,204)
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 28 February	1,563,527	595,060
Exercisable at 28 February	-	-

The weighted average remaining contractual life for the share rights outstanding as at 28 February 2022 was 3 years (2021: 2 years).

The weighted average fair value of rights granted during the year was $0.036 (2021: $0.006).

The exercise price on vesting for rights outstanding at the end of the year was $nil (2021: nil).

The following tables list the inputs to the models used for the plans for the year ended 28 February 2022 and 28 February 2021:

Grant date	28 February 2022	28 February 2021
Rights granted	968,467	1,493,263
Fair values at issue date	$0.036	$0.006
Dividend yield (%)	0%	0%
Annualised volatility (%)	11%	24%
Risk-free interest rate (%)	2.94%	1.0%
Expected life of share rights (years)	3.00	2.21
Hurdle rate for vesting	$0.46 per share	$0.5079 per share
Model used	Black Scholes	Black Scholes

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

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

	Parent $'000	
	28 Feb 2022	**28 Feb 2021**
Current assets	22,308	13,643
Total assets	190,121	177,796
Current liabilities	29,004	26,529
Total liabilities	76,135	73,716
	-	
Issued capital	47,984	37,639
Retained earnings	(6,989)	(3,633)
Asset revaluation surplus	72,954	70,066
Share rights reserve	37	9
	113,986	**104,081**
Profit or loss of the Parent entity	(4,771)	(7,481)
Total comprehensive income of the Parent entity	2,888	(7,741)

Deficiency of Current Assets to Current Liabilities

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

27. Additional Information

for the year ended 28 February 2022

The shareholder information set out below was applicable as at 19 April 2022.

Distribution of Equitable Securities

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

Quoted Equity Securities

Namoi Cotton Limited — **Fully paid ordinary shares (Total)**

Range of Units As Of 19/04/2022 — **Composition : FP**

Range	Total holders	Units	% Units
1 - 1,000	324	72,681	0.04
1,001 - 5,000	375	1,070,568	0.62
5,001 - 10,000	209	1,668,506	0.97
10,001 - 100,000	468	16,459,212	9.56
100,001 Over	361	152,833,176	88.80
Rounding			**0.01**
Total	**1,737**	**172,104,143**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.4450 per unit	1,124	337	86,431

Unquoted Equity Securities

Namoi Cotton Limited — **Conversion Group - RCS and RCE**

Range of Units As Of 19/04/2022 — **Composition : RCE,RCS**

Range	Total holders	Units	% Units
1 - 1,000	69	29,709	1.61
1,001 - 5,000	167	468,632	25.43
5,001 - 10,000	45	357,126	19.38
10,001 - 100,000	49	987,570	53.58
100,001 Over	0	0	0.00
Rounding			0.00
Total	**330**	**1,843,037**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel cannot be calculated due to no price attached to unquoted equity securities			

Equity Security Holders

Twenty largest quoted equity security holders as of 19/04/2022

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

Namoi Cotton Limited		**Fully Paid Ordinary Shares (Total)**	
Top Holders (Grouped) As Of 19/04/2022		Composition : FP	
Rank	**Name**	**Units**	**% Units**
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	33,079,531	19.22
2	LOUIS DREYFUS COMPANY ASIA PTE LTD	16,974,443	9.86
3	JVH COTTON PTY LIMITED	4,198,588	2.44
4	CITICORP NOMINEES PTY LIMITED	2,903,485	1.69
5	RED PEPPERCORNS PTY LTD <WATSON FAMILY A/C>	1,764,437	1.03
6	EST MR ROSS ALEXANDER MACPHERSON	1,578,735	0.92
7	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,518,342	0.88
8	RATHVALE PTY LIMITED	1,411,920	0.82
9	BOND STREET CUSTODIANS LIMITED <HEF - D65545 A/C>	1,391,072	0.81
10	TINTERN(VIC)PTY LTD <A & P MILLER FAMILY A/C>	1,255,235	0.73
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,074,185	0.62
12	MR ALBERT JOHN PANIZZA + MS KIM DIANNA BROADFOOT <ALKIRA SUPER FUND A/C>	1,063,089	0.62
13	MR DAVID FOX <THOMAS JOHN BERESFORD WI A/>	1,009,386	0.59
14	DR EWAN RODERICK NIXON	1,001,000	0.58
15	RNT ENTERPRISES PTY LTD <TRUSTUM FAMILY A/C>	1,000,000	0.58
16	AGRICO INVESTMENTS PTY LIMITED	980,754	0.57
17	MR PETER GEOFFREY HOLLICK + MS HELEN THERESE PATTINSON <MACDY NO 5 SUPER FUND A/C>	975,536	0.57
18	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	954,848	0.55
19	AGRICO PTY LTD <PALM SUPER FUND A/C>	939,566	0.55
20	MR IAN WILTON + MS SHARON LAWLER FROOME <I WILTON SUPER FUND A/C>	861,733	0.50
Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (Total)		**75,935,885**	**44.12**
Total Remaining Holders Balance		**96,168,258**	**55.88**

Voting Rights

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

Ordinary shares

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

Holders of unquoted equity securities do not hold voting rights

There are no other classes of equity securities.

28. Corporate Directory

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

NAMOI COTTON GINS

MacIntyre Cotton Gin
Kildonan Road
Goondiwindi QLD 4390
0746 712 277

Mungindi Cotton Gin
Bruxner Road
Mungindi NSW 2406
0267 532 145

Boggabri Cotton Gin
Blairmore Road
Boggabri NSW 2382
0267 434 084

Merah North Cotton Gin
Middle Route
Merah North NSW 2385
0267 955 124

Yarraman Cotton Gin
Kamilaroi Highway
Wee Waa NSW 2388
0267 955 196

Trangie Cotton Gin
Old Warren Road
Trangie NSW 2823
0268 889 729

Hillston Cotton Gin
Roto Road
Hillston NSW 2675
0269 672 951

North Bourke Cotton Gin
Wanaaring Road
Bourke NSW 2380
0268 721 453

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

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

OTHER JOINT VENTURES

Namoi Cotton Alliance
MacIntyre Warehouse
Kildonan road
Goondiwindi QLD 4390
0746 711 449
Wee Waa Warehouse
Pilliga Road
Wee Waa NSW 2388
0267 903 139

Namoi Cotton Marketing Alliance
Corporate Office
1B Kitchener Street
Toowoomba QLD 4350
0746 316 100

www.namoicotton.com.au
www.facebook.com/namoi.cotton.ltd
www.instagram.com/namoicottonlimited

29. Other Non-Financial Information

Namoi Cotton Limited
ABN 76 010 485 588

Registered Office
1b Kitchener Street
Toowoomba QLD 4350
Australia

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

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

Bankers
Commonwealth Bank of Australia

Auditors
Ernst & Young
Brisbane, Australia


NAMOI
COTTON
Growing Together