
Namoi Cotton Limited Full Year 2018/19 Financial Results

Namoi Cotton Limited (“Namoi Cotton”) recorded a consolidated net loss after tax from continuing operations of \$556,000 for the full year ended 28 February 2019 (2018: a net profit of \$6,769,000). The consolidated net profit before tax was \$124,000 (2018: \$9,674,000). Positive cash flows from operating activities were recorded at \$21,029,000 (2018: \$17,317,000).

The Directors have determined not to pay a final dividend in respect to the year ended 28 February 2019.

Despite a positive operating performance of the core ginning segment, the negative contributions from two of our joint ventures and associate investments within the financial year have weighed significantly upon the consolidated result.

The Namoi Cotton Alliance (“NCA”) joint venture has recorded operating losses in its lint business of \$443,000 and packing business of \$639,000, as a consequence of delays to lint shipping which increased finance costs and low packing volumes from adverse seasonal conditions.

A formal assessment of the carrying value has also resulted in an impairment of the NCA investment in the amount of \$3,563,000 which also contributed a non-cash impact to the consolidated net loss.

The Cargill Oilseeds Australia (“COA”) partnership and Cargill Processing Limited (“CPL”) investment recorded a loss of \$4,800,000 which included the impact of trading losses, the mothballing of the Narrabri crush facility (with an embedded impairment of the assets employed) and associated staff redundancy costs.

A fair value decrement of Namoi Cotton ginning assets of \$2,018,000 was taken to the profit and loss while a pre-tax revaluation increment of \$1,797,000 was taken to the Asset Revaluation Reserve. Both these items are non-cash and disclosed in accordance with accounting standards.

Non-recurring corporate restructure costs of \$454,000 were also expensed in the period relating to the completion of the restructure.

The net consolidated assets during the period have declined by \$1,937,000 during the year (2018: increased by \$7,928,000) representing a net asset backing of 93 cents per share (2018: \$1.03 per share)

Mr Tim Watson, Chairman, said: “Underlying profit remains strong with higher volumes processed by our core ginning business. Greater throughput rates have improved the ginning contribution by a reduction to per unit processing costs. The associated seed trading has similarly provided a positive contribution to the segment.”

“While disappointed with the results of the NCA joint venture significant structural changes have been implemented with the appointment of a dedicated General Manager for the NCA business.”

“In respect to the COA and CPL result we continue to request detailed information from Cargill Australia Limited as manager of the partnership. This matter remains subject to a commercial dispute with pre-discovery hearings now scheduled.”

The following table reconciles the reported consolidated profit before tax to the underlying profit before tax taking into account the impact of the above items.

	Consolidated	
	\$'000	\$'000
	28 Feb	28 Feb
	2019	2018
Profit/(Loss) before Income Tax	124	9,674
Associates and Joint Ventures		
Net profit/(loss) from Namoi Cotton Alliance	(443)	511
Net profit/(loss) from NC Packing Services Pty Ltd	(639)	116
Net profit/(loss) from Cargill Oilseeds Australia	(3,058)	(1,515)
Net profit/(loss) from Cargill Processing Pty Ltd	(1,742)	137
Impairments		
Namoi Cotton's interest in Namoi Cotton Alliance	(3,563)	-
Fair Value adjustments		
Ginning property, plant and equipment	(2,018)	
Grower member shares	-	(712)
Corporate Restructure Costs	(454)	(1,595)
	(11,917)	(3,058)
Underlying Profit before tax	12,041	12,732

2018 Season Review

The 2018 Australian cotton crop had overall production recorded at 4.5 million bales (2017 crop: 3.8 million bales).

Namoi Cotton ginned 1,202,000 bales (including 100% of ginning joint ventures) of the 2018 crop (2017 crop: 1,015,000 bales). The cotton seed trading business shipped and handled 260,000mt (2017 crop: 266,000mt). Namoi Cotton has procured 817,000 bales (2017 crop: 636,000 bales) which have been on-sold to NCA. The NCA commodity packing operations have packed 55,000mt (2017 season: 168,000mt) of cotton seed, grain and pulses.

2019 Season Operating Outlook

Namoi Cotton's forecast for the 2019 Australian crop is at present approximately 2.3 million bales (2018 crop: 4.5 million bales).

Namoi Cotton expects to gin between 450,000 and 500,000 bales (inclusive of 100% of ginning joint ventures). Cotton seed volumes are expected to be proportional to ginning volumes.

NCA's lint marketing volumes are estimated to be between 300,000 and 400,000 bales for the 2019 crop whilst containerised commodity packing volumes remain largely dependent upon Autumn rainfall in key growing regions.

Namoi Cotton's current operating plan for the 2019 season is being implemented to target net cash flows from operating activities of between negative and positive \$2.5 million for the financial year ending 29 February 2020.

The Board has engaged an external consultant to review the current end to end supply chain costs of the business and will update the market on the implementation of any material recommendations.

For further information, please contact:

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