

# **WEBSTER LIMITED**

## **Appendix 4D: Half-Year Report**

### **Half-Year Ended 31 December 2015**



It is recommended that this Half-Year Report is read in conjunction with the Annual Report for Webster Limited for the Financial Year ended 30 June 2015 together with any public announcements made by Webster Limited and its controlled entities during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the Australian Securities Exchange Listing Rules.

# Appendix 4D: Half-Year Report

## Contents

	<b>Page</b>
Summary Information	3-4
Directors' Report	5-7
Auditor's Independence Declaration	8
Independent Auditor's Review Report	9-10
Directors' Declaration	11
Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income	12
Condensed Consolidated Statement of Financial Position	13
Condensed Consolidated Statement of Changes in Equity	14
Condensed Consolidated Statement of Cash Flows	15
Condensed Consolidated Notes to the Financial Statements	16-21

## Appendix 4D Half Year Report

**WEBSTER LIMITED**  
**ACN 009 476 000**

### Reporting Period

Half-year ended 31 December 2015 ("current period").  
Previous corresponding period, half-year ended 31 December 2014

### Results for Announcement to the Market

				Current Period (\$'000)
Sales Revenue from Ordinary Activities	Up	330%	to	56,823
Loss from Ordinary Activities After Tax Attributable to Members	Up	1919%	to	(96,847)
Net Loss After Tax Attributable to Members	Up	1919%	to	(96,847)

### Brief Explanation of Figures Reported Above

The half-year ended 31 December 2015 is the first full period of operating the agriculture operations of Bengerang Limited and Tandou Limited. The Kooba Aggregation was purchased at the end of the corresponding period last year. As a result of these acquisitions sales revenue for the half year period increased considerably.

The key item that has increased the loss from ordinary activities is an impairment of goodwill charge totalling \$96.4 million.

### Dividends

			Amount per Security (cents)	Franked Amount per Security (cents)
Ordinary Shares	Final	(2014/15)	1.0	1.0
Cumulative Preference Shares	Final	(2014/15)	4.5	4.5
	Interim*	(2015/16)	4.5	0.0
*The financial effect of the interim dividends will be recognised in the next reporting period as the dividends were declared subsequent to 31 December 2015.				
Dividends paid by Webster Limited during the current reporting period				
			Date	Amount (\$'000)
Cumulative Preference Dividends			30-Sep-15	18
Ordinary Dividends			30-Oct-15	3,507

### Net Tangible Assets per Security

	Current Period (cents)	Previous Period (cents)
Net Tangible Assets per Security	35.28	31.99
Net Tangible Assets (including water rights) per Security	106.35	74.57

## Gain or Loss of Control Over Entities

Loss of control over	n/a
Date of loss of control	n/a
Contribution to profit from ordinary activities in the current reporting period and whole of previous corresponding period	n/a
During the current reporting period the following entities were dissolved or liquidated. The liquidation or dissolution of these entities will have no impact on the future financial performance of the company.	
Liquidated	n/a
Dissolved	n/a

## Details of Associates and Joint Venture Entities

	Current Reporting Period (\$'000)	Previous Reporting Period (\$'000)
Aggregate share of profits/(losses) of associates & joint venture entities		
Profit/(loss) from ordinary activities before tax	0	0
Income tax on ordinary activities	0	0
Profit/(loss) after tax	0	0
Adjustments	0	0
<b>Share of net profit/(loss) of associates and joint venture entities</b>	<b>0</b>	<b>0</b>

Name of Entity	Percentage ownership interest held at end of period or date of disposal		Contribution to net profit (loss) \$'000	
	Current Reporting Period	Previous Reporting Period	Current Reporting Period	Previous Reporting Period
			0	0
			<b>0</b>	<b>0</b>

# Directors' Report

The directors of Webster Limited (ACN 009 476 000) submit the following report in respect of the half-year ended 31 December 2015. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

## Directors

The names of the directors of the Company during or since the end of the half-year are:

R G Haire, Executive Chairman  
C D Corrigan, Non-executive Director  
B D Cushing, Non-executive Director  
C D Langdon, Non-executive Director  
R J Roberts, Non-executive Director  
D W Robinson, Non-executive Director

## Independence Declaration by Auditor

The auditor's independence declaration is included on page 8 of the half-year financial report.

## Rounding Off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars unless specifically stated to be otherwise.

## Review of Operations

The Company recorded a statutory loss after income tax of \$96.8 million for the half-year ended 31 December 2015 (2014: loss of \$4.8 million) which is mainly attributable to impairment of goodwill of \$96.4 million. The underlying result from the operations of the company for the half-year ended 31 December 2015 was a loss after income tax of \$0.4 million.

This is the first reporting period of operating the new Webster Limited business following the acquisition of Bengerang Limited and the takeover of Tandou Limited which were finalised in May 2015. The group's key agricultural activities are walnut and cotton businesses, with the majority of the earnings generated in the second half of the financial year due to the growing cycle of these crops. The agriculture group also operates summer cropping and livestock programs on an annual basis as seasonal conditions allow.

For the half-year ended 31 December 2015 the provisional acquisition accounting of Bengerang Limited and Tandou Limited has been finalised. In chronological order:

- The Webster Limited offer for Bengerang Limited and Tandou Limited was based upon independent valuations of assets and liabilities. Based upon these valuations Webster Limited's bid for these companies was announced to the market on 27 February 2015.
- Webster Limited's bid for Bengerang Limited was approved by shareholders at an Extraordinary General Meeting of Webster Limited's shareholders on 25 May 2015.
- The share price of Webster Limited (ASX: WBA) increased from the time of announcing the acquisitions to the market and the date of acquiring control of both Bengerang Limited and Tandou Limited.

- The date of control of both Bengerang Limited and Tandou Limited was 29 May 2015. In accordance with "Business Combinations" (AASB 3), the consideration paid for the acquisitions was calculated by reference to the quoted share price of Webster Limited (WBA) at the date of control, multiplied by the number of shares issued. The value of the consideration was greater than the provisional fair value of assets and liabilities acquired. As a result goodwill of \$123 million was provisionally recognised for the acquisitions in the financial statements for the year ended 30 June 2015.
- The acquisition accounting was finalised as at 31 December 2015, and goodwill on acquisition updated to \$121.2 million.
- In accordance with the requirements of accounting standard "Impairment of Assets" (AASB 136), the goodwill generated on acquisition was allocated to cash generating units and tested for impairment using updated directors' valuations of assets and liabilities as at 31 December 2015.
- Having consideration for the synergies, benefits and increasing value of the water rights acquired as part of the acquisitions it was determined that the goodwill be written down to \$24.8 million in accordance with the requirements of AASB 136.

The strength of the combined groups' assets is illustrated by our water portfolio. The company's water assets totalled approximately 237,000 mega litres of entitlements held across a range of water systems and classifications as at 31 December 2015. The book value of water intangibles as at the half year ended 31 December 2015 was approximately \$249.2 million. As at 31 December 2015 directors estimate the market value of the water portfolio to be greater than \$300 million.

Due to water rights being an intangible asset it must be accounted for on the company's balance sheet at cost, being its value on the date the water rights were acquired. The value of water, particularly in the southern connected basin has increased considerably in recent years and again during the half year to 31 December 2015. The net asset value per share for WBA is \$1.14 as at 31 December 2015, this however does not include the directors' valuation of the market value of our water rights portfolio as noted above, except to the extent of the increase in the value of water rights since acquisition date relating to Tandou Limited reflected in the remaining goodwill balance of \$24.8 million at 31 December 2015.

## **Horticulture - Walnuts**

During the half year 31 December 2015 Webster Limited has continued to develop our newest walnut orchard Avondale West. Stage two of this project was completed with 414 ha planted during the half year to 31 December 2015. The final stage of the commercial orchard development will be completed next financial year.

In November 2015, a nut set issue was identified at the NSW orchards. The key cause of the issue has been identified as the record high temperatures experienced in the Riverina and other parts of SE Australia, in early October 2015, which particularly affected the late pollinating varieties within the Leeton and Tabbita orchards. As a result yields are expected to be reduced by approximately 20% on those achieved for the 2014/2015 financial year.

Independent expert reviews of the Leeton and Tabbita orchards following the nut set issue have reported that the trees are in good health and that the orchards are well maintained.

Walnuts are sold globally in US dollars (USD) and the movement in the Australian dollar (AUD) and the USD exchange rate is expected to assist revenue this year. However from a market perspective a strong crop in China and an apparent surplus of California walnut stocks will put downward pressure on global prices.

## **Agriculture Group**

The half year ended 31 December 2015 is the first full reporting period for the agriculture group. The Kooba aggregation has now been part of Webster Limited for 12 months, while the Bengerang and Tandou properties have been part of the group since late May 2015.

Cotton production for the 2015/2016 financial year is focused on plantings at the Kooba aggregation, Hay, and Bourke. Low water allocations in the Gwydir system have resulted in a reduced level of planting at Garah, while at Tandou farm near Menindee there is a care and maintenance program in place reflecting a lack of water availability for irrigation. Growing conditions have generally been favourable, with the possibility of strong results expected pending the remaining seasonal conditions until harvest in April/May 2016. Our operations remain unaffected by the widespread herbicide drift damage that has been reported in other areas of the industry. Approximately 90% of the projected cotton crop has been forward sold at a price greater than \$500 per bale.

Winter cropping programs were completed at most operations, while the livestock cattle business at Kooba is being built through innovation and strategic marketing alliances.

A land redevelopment program has commenced at Kooba. The total cost of the expansion will be approximately \$21 million, split over a three year program. This development will roughly double the size of the irrigated row cropping land bank to approximately 13,000 hectares.

During the half year to 31 December 2015, the group purchased the Carbuu property at Bourke which will provide further synergy and efficiency to the nearby Darling Farms operation. Because of a lack of strategic fit, Booberoi Station, on the Lachlan River, near Euabalong was sold at book value allowing the group to focus on other development opportunities at our larger properties.

## **Corporate**

Due to the seasonality of earnings, where sales and profit are heavily skewed to the second half of the financial year, the Company will continue its practice of not paying an interim ordinary dividend, with a final ordinary dividend to be assessed following the completion of the financial year. An unfranked dividend of 4.5 cents is declared for the small number of preference shares on issue.

Directors declared and paid a 1.0 cent fully franked dividend per ordinary share in late October 2015. Preference shareholders received a 4.5 cent per share fully franked dividend in early October 2015.

The compulsory acquisition of the remaining Tandou Limited shares was completed by 4 August 2015, following the compulsory acquisition of remaining minority interests.

Effective from 1 March 2016, Chris Corrigan will be appointed as Executive Chairman of Webster Limited. He will replace Richard Haire, who is standing down from the board for personal reasons.

While noting that harvesting of cotton and walnuts is yet to commence, at this stage the board anticipates that Webster Limited's net profit before tax for this financial year, excluding the goodwill impairment, will be broadly consistent with that achieved for the 2014/2015 financial year.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors



R G Haire  
Executive Chairman  
29th February 2016

The Board of Directors  
Webster Limited  
148 Colinroobie Road  
Leeton NSW 2705

29 February 2016

Dear Board Members

**Webster Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Webster Limited.

As lead audit partner for the review of the financial statements of Webster Limited for the financial half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



J A Leotta  
Partner  
Chartered Accountants



## **Independent Auditor's Review Report to the members of Webster Ltd**

We have reviewed the accompanying half-year financial report of Webster Ltd, which comprises the condensed statement of financial position as at 31 December 2015, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 21.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Webster Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Webster Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Webster Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



J A Leotta  
Partner  
Chartered Accountants  
Sydney, 29 February 2016

# Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s. 303(5) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'R G Haire', written in a cursive style.

R G Haire  
Chairman  
29th February 2016

# Webster Limited

## Condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2015

	31-Dec-15 (\$'000)	31-Dec-14 (\$'000)
<b>Continuing Operations</b>		
Revenue	56,823	13,213
Cost of sales	(46,342)	(12,014)
<b>Gross profit</b>	10,481	1,199
Other income	10,223	4,584
Acquisition costs	-	(2,982)
Distribution expenses	(1,245)	(885)
Marketing expenses	(240)	(259)
Operational expenses	(23,022)	(5,615)
Administration expenses	(1,663)	(1,597)
Finance costs	(3,308)	(434)
Other expenses	-	(108)
Impairment loss	4 (e) (96,451)	-
<b>Loss before income tax benefit</b>	(105,225)	(6,097)
Income tax benefit	8 8,378	1,829
<b>Loss for the period from continuing operations</b>	(96,847)	(4,268)
<b>Discontinued operation</b>		
Loss for the period from discontinued operations	-	(529)
<b>Loss for the period</b>	(96,847)	(4,797)
<b>Other comprehensive income, net of income tax</b>		
<i>Items that may be reclassified subsequently to profit and loss</i>		
Loss on cash flow hedges taken to equity	(405)	(608)
Other comprehensive loss for the period (net of tax)	(405)	(608)
<b>Total comprehensive loss for the period</b>	(97,252)	(5,405)
<b>Loss attributable to:</b>		
Owners of the parent	(96,847)	(4,797)
<b>Total comprehensive loss attributable to:</b>		
Owners of the parent	(97,252)	(5,405)
<b>Loss per share</b>		
Basic (cents per share)	(27.96)	(3.54)
Diluted (cents per share)	(27.66)	(3.44)

Notes to the condensed financial statements are included on pages 16 to 21.

# Webster Limited

## Condensed consolidated statement of financial position

As at 31 December 2015

	31-Dec-15 (\$'000)	30-Jun-15 (\$'000)
<b>Current Assets</b>		
Cash and cash equivalents	6,267	17,226
Trade and other receivables	8,340	34,743
Other financial assets	1,592	53
Inventories	13,703	81,452
Current tax assets	807	-
Biological assets	36,166	1,724
Other assets	-	2,229
<b>Total current assets</b>	<b>66,876</b>	<b>137,427</b>
<b>Non-Current Assets</b>		
Trade and other receivables	2,382	2,314
Property, plant and equipment	222,854	218,056
Biological assets	37,326	33,964
Loans	-	2,206
Investment	52	52
Deferred tax assets	27,110	12,876
Intangibles - water rights	249,248	231,741
Intangibles - goodwill	24,800	121,150
Intangibles - other	2,518	2,044
<b>Total non-current assets</b>	<b>566,291</b>	<b>624,403</b>
<b>Total assets</b>	<b>633,167</b>	<b>761,830</b>
<b>Current Liabilities</b>		
Trade and other payables	11,893	26,480
Borrowings	27,568	46,991
Other financial liabilities	727	620
Provisions	1,115	2,499
<b>Total current liabilities</b>	<b>41,303</b>	<b>76,590</b>
<b>Non-Current Liabilities</b>		
Borrowings	150,207	149,743
Deferred tax liabilities	40,817	34,247
Provisions	515	159
<b>Total non-current liabilities</b>	<b>191,539</b>	<b>184,149</b>
<b>Total liabilities</b>	<b>232,842</b>	<b>260,739</b>
<b>Net assets</b>	<b>400,325</b>	<b>501,091</b>
<b>Equity</b>		
Issued capital	462,844	459,468
Reserves	41	(29)
(Accumulated losses) / Retained earnings	(62,560)	37,812
Non controlling Interest	-	3,840
<b>Total equity</b>	<b>400,325</b>	<b>501,091</b>

Notes to the condensed financial statements are included on pages 16 to 21.

# Webster Limited

## Condensed consolidated statement of changes in equity

For the half year ended 31 December 2015

	Share capital (\$'000)	Other equity reserve (\$'000)	Cash flow hedging reserve (\$'000)	Equity settled employee benefits reserve (\$'000)	(Accumulated losses) / Retained earnings (\$'000)	Attributable to the owners of the parent (\$'000)	Non-controlling interests (\$'000)	Total (\$'000)
<b>Balance at 1 July 2014</b>	<b>73,458</b>	<b>-</b>	<b>216</b>	<b>145</b>	<b>34,624</b>	<b>108,443</b>	<b>-</b>	<b>108,443</b>
Loss for the year	-	-	-	-	(4,797)	(4,797)	-	(4,797)
Other comprehensive income for the year, net of tax	-	-	(608)	-	-	(608)	-	(608)
Total comprehensive income for the year	-	-	(608)	-	(4,797)	(5,405)	-	(5,405)
Payment of dividends	-	-	-	-	(2,683)	(2,683)	-	(2,683)
Equity issued under placement	17,975	-	-	-	-	17,975	-	17,975
Recognition of share based payments	-	-	-	106	-	106	-	106
<b>Balance at 31 December 2014</b>	<b>91,433</b>	<b>-</b>	<b>(392)</b>	<b>251</b>	<b>27,144</b>	<b>118,436</b>	<b>-</b>	<b>118,436</b>
<b>Balance at 1 July 2015</b>	<b>459,468</b>	<b>-</b>	<b>(396)</b>	<b>367</b>	<b>37,812</b>	<b>497,251</b>	<b>3,840</b>	<b>501,091</b>
Loss for the year	-	-	-	-	(96,847)	(96,847)	-	(96,847)
Other comprehensive income for the year, net of tax	-	-	(405)	-	-	(405)	-	(405)
Total comprehensive income for the year	-	-	(405)	-	(96,847)	(97,252)	-	(97,252)
Payment of dividends	-	-	-	-	(3,525)	(3,525)	-	(3,525)
Equity issued under placement	3,376	419	-	-	-	3,795	(3,840)	(45)
Recognition of share based payments	-	-	-	57	-	57	-	57
<b>Balance at 31 December 2015</b>	<b>462,844</b>	<b>419</b>	<b>(801)</b>	<b>424</b>	<b>(62,560)</b>	<b>400,325</b>	<b>-</b>	<b>400,325</b>

Notes to the condensed financial statements are included on pages 16 to 21.

# Webster Limited

## Condensed consolidated statement of cash flows

For the half year ended 31 December 2015

	2015 (\$'000)	2014 (\$'000)
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	94,638	35,218
Payments to suppliers and employees	(55,605)	(35,818)
Interest and other costs of finance paid	(3,308)	(241)
Income tax paid	(94)	-
<b>Net cash provided by / (used in) operating activities</b>	<b>35,631</b>	<b>(841)</b>
<b>Cash Flows from Investing Activities</b>		
Interest received	79	42
Payment for biological assets, water and property, plant and equipment	(40,669)	(121,556)
Proceeds from sale of water and property, plant and equipment	14,278	17
<b>Net cash used in investing activities</b>	<b>(26,312)</b>	<b>(121,497)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from the issue of equity securities	-	17,975
Repayment of borrowings to others	(19,864)	(10,000)
Proceeds from repayment of loan	2,206	117,100
Proceeds from/(repayment of) finance lease	905	(50)
Dividends paid	(3,525)	(2,700)
<b>Net cash (used in) / provided by financing activities</b>	<b>(20,278)</b>	<b>122,325</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(10,959)</b>	<b>(13)</b>
<b>Cash and cash equivalents at the beginning of the half</b>	<b>17,226</b>	<b>2,242</b>
<b>Cash and cash equivalents at the end of the half year</b>	<b>6,267</b>	<b>2,229</b>

Notes to the condensed financial statements are included on pages 16 to 21.

# Notes to the condensed consolidated financial statements

## 1. Summary of Significant Accounting Policies

### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual report and should be read in conjunction with the 30 June 2015 Annual Financial Report.

### Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Company include:

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'.

The AASB has been progressively removing references to AASB 1031 in all Standards and Interpretations, now that all references have been removed, AASB 1031 is withdrawn. The withdrawal of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the Company's condensed consolidated financial statements.

### Seasonal operations

Webster Limited operates seasonal businesses which result in lower revenues and profits during the first half of the financial year.



## 2. Dividends

	2015		2014	
	Cents per share	Total (\$'000)	Cents per share	Total (\$'000)
<b>Recognised Amounts</b>				
<u>Ordinary Share</u>				
Final dividend 2014/15	1.0	3,507		
Final dividend 2013/14			2.0	2,683
<u>Cumulative Preference Share</u>				
Final dividend (recognised as an expense)	4.5	18	4.5	18
		<u>3,525</u>		<u>2,701</u>
<b>Unrecognised Amounts</b>				
<u>Cumulative Preference Share</u>				
Interim dividend (to be recognised as an expense post 31 December)	4.5	18	4.5	18
		<u>18</u>		<u>18</u>

## 3. Subsequent Events

On 25 February 2016, the Directors declared an interim unfranked dividend of 4.5 cents per share on cumulative preference shares with respect to the half-year ended 31 December 2015. The record date for determining entitlement to this dividend is 18 March 2016, with a payment date of 31 March 2016. No ordinary dividend was declared.

The directors are not aware of any matters or circumstances, other than those which have been described above, that have arisen since the end of the half year which have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

## 4. Business Combinations

### (a) Subsidiaries acquired

	Principal Activity	Date Acquired	Proportion of shares acquired %	Consideration Transferred (\$,000)
Kooba Ag	Agriculture	17/12/2014	-	123,269
Bengerang Ltd	Agriculture	29/05/2015	100%	206,188
Tandou Ltd	Agriculture	29/05/2015	100%	161,956

Kooba Ag, Bengerang Ltd and Tandou Ltd were acquired to continue the expansion of the Group's activities in agriculture. On 4 August 2015, Webster Limited reached 100% ownership of Tandou Limited through the compulsory acquisition of the remaining outside equity interests.

### (b) Consideration transferred

	Kooba Ag (\$,000)	Bengerang Ltd (\$,000)	Tandou Ltd (\$,000)
Cash	123,269	-	-
Shares at fair value on date of acquisition	-	206,188	161,956
Total	<u>123,269</u>	<u>206,188</u>	<u>161,956</u>

**(c) Assets acquired and liabilities assumed at the date of acquisition**

The fair values assigned to the identifiable assets and liabilities above for Bengenang Ltd, Tandou Ltd and Kooba Ag have been finalised in the current period based upon a Directors' evaluation of asset valuations as follows:

	Kooba Ag (\$,000)	Bengerang Ltd (\$,000)	Tandou Ltd (\$,000)
<b>Current Assets</b>			
Cash and cash equivalents	-	153	(439)
Trade and other receivables	-	8,750	7,603
Inventories	11,615	8,496	36,564
Other assets	127	52	1,699
<b>Non – current Assets</b>			
Property, plant & equipment	51,675	57,051	58,061
Intangibles – water rights	60,541	64,760	98,440
Loan receivable	-	-	2,117
Deferred tax assets	-	3,631	19,231
<b>Current Liabilities</b>			
Trade and other payables	(293)	(2,351)	(2,351)
Borrowings	-	(9,533)	(9,533)
Provisions	(307)	(54)	(54)
<b>Non – current Liabilities</b>			
Borrowings	-	(8,982)	(23,170)
Deferred tax liability	-	(5,848)	(34,649)
Provisions	(89)	(12)	(143)
	<u>123,269</u>	<u>116,116</u>	<u>130,988</u>

The Directors' evaluation of the assets and liabilities for Bengenang Limited assumed at the date of acquisition resulted in an increase from the provisionally accounted value of \$114.1 million to \$116.1 million. The increase was due to an adjustment in the value of the water rights and the resulting deferred tax liability. This in turn reduced the goodwill arising on acquisition from \$92.0 million to \$90.1 million.

The relevant 30 June 2015 comparatives within the balance sheet have been revised to recognise the adjustments to the provisional accounting.

**(d) Goodwill arising on acquisition**

	Kooba Ag (\$,000)	Bengerang Ltd (\$,000)	Tandou Ltd (\$,000)
Consideration transferred	122,269	206,188	161,956
Less : Fair Value of identifiable net assets acquired	(122,269)	(116,116)	(130,988)
Goodwill arising on acquisition	<u>-</u>	<u>90,072</u>	<u>30,968</u>

**(e) Impairment of goodwill**

The goodwill arising on acquisition and the water rights with indefinite useful lives have been allocated to the following cash generating units:

	Bengerang (\$,000)	Tandou (\$,000)
Goodwill	90,072	30,968
Water rights (indefinite life intangible asset)	75,881	100,056

The Bengering cash generating unit represents the properties in northern New South Wales at Garah and Bourke as well as our Queensland property at Condamine. The products produced are as a result of annual row cropping. The Tandou cash generating unit represents the south western operations of the company at Menindee and Hay in New South Wales. The Tandou cash generating unit is also focused upon annual row cropping production.

The Webster Limited offer for Bengering Limited and Tandou Limited was based upon independent valuations of the assets and liabilities. Based upon these valuations the Webster bid was announced to the market on 27 February 2015.

The bid for Bengering Limited was approved at an Extraordinary General Meeting on 25 May 2015. The share price of Webster Limited increased during the period of announcing the bids to the market through until the date of acquiring control. The date of acquiring control of both Bengering Limited and Tandou Limited was 29 May 2015. In accordance with AASB 3 "Business Combinations", the consideration paid for the acquisitions was calculated by reference to the quoted share price of Webster Limited (WBA) at the date of control, multiplied by the number of shares issued. The value of the consideration was greater than the fair value of the assets and liabilities acquired, as a result goodwill upon acquisition was generated.

In accordance with AASB 136 "Impairment of Assets", the goodwill generated was allocated to cash generating units and tested for impairment using updated Directors valuations of assets and liabilities as at 31 December 2015.

The recoverable amount of both cash generating units is their fair value less costs of disposal, where fair value less costs of disposal has been calculated based on a Director's valuation. The Directors have made their valuation with reference to both external valuation assessments and current book values, making it a Level 3 valuation within the fair value hierarchy as prescribed by AASB 13 "Fair Value Measurement".

The external valuation assessments are based on comparable market transactions for other properties and water rights, and other items such as property, plant and equipment and working capital are based on current book values which are deemed to represent fair value.

The result from testing the cash generating units for impairment was to fully impair the \$90.1 million of Bengering goodwill and impair \$6.3 million of Tandou goodwill having consideration for the synergies, benefits and increasing value of water rights acquired as part of the acquisition. The remaining \$24.8 million of Tandou goodwill represents the uplift in value of water rights since the date of acquisition up to 31 December 2015.

## **5. Segment Information**

### **(a) Segments**

Following the purchase of the Kooba Ag assets and the acquisition of Bengering Limited and Tandou Limited, the group manages and reports its' business operations under two main reportable segments, Agriculture and Horticulture. The Agriculture segment products are primarily annual row crops including cotton, wheat and maize as well as livestock, whereas the Horticulture segment pertains to tree crops which are currently walnuts.

The Horticulture segment has also been identified as a cash generating unit, while within the Agriculture segment the cash generating units have been identified as Bengering aggregation, Kooba aggregation and the Tandou aggregation.

## (b) Segment revenue and results

The following is an analysis of the Groups' revenue and results by reportable segment. In 2014 the group reported a single segment. For comparative purposes all amounts have been allocated to Horticulture.

	Segment Revenue		Segment Results	
	31-Dec-15 (\$'000)	31-Dec-14 (\$'000)	31-Dec-15 (\$'000)	31-Dec-14 (\$'000)
Agriculture	45,327	-	(4,928)	-
Horticulture	11,496	13,213	(9,098)	(5,668)
Total for continuing operations	56,823	13,213	(14,026)	(5,668)
Unallocated income			10,223	4,584
Acquisition costs			-	(2,982)
Corporate and directors costs			(1,663)	(1,597)
Finance costs			(3,308)	(434)
Impairment loss			(96,451)	-
Loss before tax (continuing operations)			(105,225)	(6,097)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the half-year ended 31 December 2015 (2014: nil).

The accounting policies of the reportable segments are the same as the group's accounting policies.

## (c) Segment assets and liabilities

	Segment Results	
	31-Dec-15 (\$'000)	30-Jun-15 (\$'000)
<b>Assets</b>		
Agriculture	348,943	242,195
Horticulture	111,187	118,953
Total segment assets	460,130	361,148
Unallocated	173,037	389,247
Assets relating to discontinued operations	-	11,435
Consolidated total assets	633,167	761,830
<b>Liabilities</b>		
Agriculture	62,271	103,508
Horticulture	46,505	10,392
Total segment liabilities	108,776	113,900
Unallocated	124,066	143,636
Liabilities relating to discontinued operations	-	3,203
Consolidated total liabilities	232,842	260,739

## 6. Issuance of Securities

During the half-year reporting period, Webster Limited issued 3,039,780 ordinary shares to finalise the compulsory acquisition of the remaining Tandou Limited minority interests (2014: 17,475,728 ordinary shares were issued). Webster Limited issued nil ordinary shares under the employee long term incentive plan (2014: nil). Webster Limited issued nil ordinary shares under the Company's dividend reinvestment plan (2014: nil).

## **7. Borrowings**

During the half-year reporting period, the Company repaid a net \$18.9 million against its banking and finance facilities.

The banking and finance facilities of the Company have been renewed with a range of maturity dates through until 31 December 2018.

## **8. Income Tax Benefit**

Upon Tandou Limited becoming a 100% owned subsidiary of Webster Limited on 4 August 2015 Tandou Limited entered Webster Limited's income tax consolidated group. At this time the tax values of Tandou Limited's assets are reset under the Allocable Cost Amount calculation. The calculation of the reset tax values for assets resulted in a step up in the tax cost base of certain assets. The result has decreased the previously recognised Deferred Tax Liability balance attributable to these assets of approximately \$5.9 million. This amount has been credited to income tax benefit during the period.