



**WATERSHED LAND LTD  
ACN 088 734 294  
INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**C O N T E N T S**

Directors' Report

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## **WATERSHED LAND LTD**

### **DIRECTORS' REPORT**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Watershed Land Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half year ended 31 December 2018.

#### **Directors**

The names of persons holding the position of Director of the Company during the half-year and up to the date of this report are:-

- *Geoffrey Thomas Barrett*
- *Dr Richard Ernest Hill*
- *Gregory Paul Martin*
- *Wayne Clark*

#### **Principal Activities**

The principal activity of the consolidated entity is to produce and sell wine to consumers and to distributors.

#### **Review of Operations**

Watershed Land Ltd entered, in December 2018, into a Call Option Deed ("the Deed") which is exercisable on or before 30 June 2019 for the potential sale of its Jindong Vineyard. Under the terms of the Deed the potential buyer was granted the right to farm the Jindong Vineyard for the 2018/19 vintage. Since the settlement in August 2018 of the sale of the remaining landed assets to Vasse Felix Watershed Premium Wines Ltd has continued to market and sell the wine inventory. Wine case sales to 31 December 2018 were 11.1% ahead of the forecast.

#### **Significant changes in the state of affairs**

There are no significant changes in the state of affairs of the consolidated entity during the financial year.

#### **Events after reporting date**

No other matters or circumstances have arisen since 31 December 2018 that have significantly affected or may significantly affect the Company's operations, the results of those operations, or the state of affairs of the Company subsequent to 31 December 2018 in future financial years.

### **Auditors Independence Declaration**

Our auditor, RSM Australia Partners, has provided the Board of Directors with an independence declaration in accordance with section 307C of the *Corporations Act 2001*. The independence declaration is included within the financial statements.

Signed for and on behalf of the Board of Directors at Margaret River, Western Australia on the 11th March 2019



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Geoffrey Thomas Barrett  
Director



**RSM Australia Partners**

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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
WATERSHED LAND LTD**

We have reviewed the accompanying half-year financial report of Watershed Land Ltd which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

The directors of the Consolidated Entity 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 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 Entities financial position as at 31 December 2017 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 Watershed Land 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.

**THE POWER OF BEING UNDERSTOOD**  
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RSM Australia Partners ABN 36 965 185 036

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*Independence*

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 Watershed Land Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

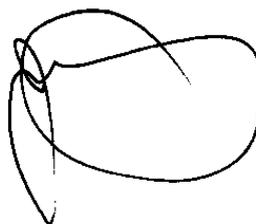
*Conclusion*

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 Watershed Land Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 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*.

RSM

RSM AUSTRALIA PARTNERS



J A KOMNINOS  
Partner

Perth, WA  
Dated: 14 March 2019

**WATERSHED LAND LTD**  
**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

- 1) The financial statements with the accompanied notes are in accordance with the *Corporations Act 2001* and:
  - (a) comply with the Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*; and
  - (b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations and cash flows for the half-year ended 31 December 2018.
- 2) At the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:

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

Signed for and on behalf of the Board of Directors at Margaret River, Western Australia on The 11<sup>th</sup> March 2019.

  
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Geoffrey Thomas Barrett  
Director

**WATERSHED LAND LTD**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**For the half-year ended 31 December 2018**

	Note	31 Dec 2018 \$	31 Dec 2017 \$
<b>Discontinued Operations (note 8)</b>			
Revenue	2	4,879,486	4,247,322
Changes in inventories		(1,469,536)	(961,512)
Employee salaries and benefits expense		(1,440,664)	(1,782,355)
Depreciation		(49,504)	(509,249)
Marketing expenses		(715,326)	(820,895)
Commissions		(43,306)	(67,119)
Audit fees		(71,000)	(27,000)
Bad and doubtful debts		10,036	(219,998)
Impairment on land		(291,191)	-
Loss on sale of property, plant and equipment		(302,535)	-
Finance costs		(96,698)	(322,405)
Other expenses from ordinary activities		(626,572)	(477,570)
		(216,810)	(940,781)
Loss before income tax expense		(216,810)	(940,781)
Income tax		-	-
		(216,810)	(940,781)
Loss for the period		(216,810)	(940,781)
Other comprehensive income		-	-
		-	-
Total comprehensive loss attributable to members of the Company		(216,810)	(940,781)

The accompanying notes form part of these financial statements

**WATERSHED LAND LTD**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2018**

	Note	31 Dec 2018 \$	30 Jun 2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,154,151	81,146
Trade and other receivables		989,706	983,155
Assets held for sale		-	18,069,436
Inventories	3	<u>2,660,022</u>	<u>3,393,805</u>
<b>TOTAL CURRENT ASSETS</b>		<u>5,803,879</u>	<u>22,527,542</u>
<b>NON CURRENT ASSETS</b>			
Trade and other receivables		65,114	170,880
Property, plant and equipment		1,878,161	2,214,413
Deferred settlement payment – Vasse Felix		500,000	-
<b>TOTAL NON CURRENT ASSETS</b>		<u>2,443,275</u>	<u>2,385,293</u>
<b>TOTAL ASSETS</b>		<u>8,247,154</u>	<u>24,912,835</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		626,288	1,521,969
Consideration received pending allotment of shares		51,710	91,554
Interest bearing liabilities		86,856	7,595,908
Employee Benefits Provisions		431,577	595,134
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,196,431</u>	<u>9,804,565</u>
<b>NON CURRENT LIABILITIES</b>			
Interest bearing liabilities		16,668	19,547
Provisions		290,871	358,038
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>307,539</u>	<u>377,585</u>
<b>TOTAL LIABILITIES</b>		<u>1,503,970</u>	<u>10,182,150</u>
<b>NET ASSETS</b>		<u>6,743,184</u>	<u>14,730,685</u>
<b>EQUITY</b>			
Contributed equity		19,694,225	27,464,916
Asset Revaluation Reserve		-	90,326
Accumulated losses		<u>(12,951,041)</u>	<u>(12,824,557)</u>
<b>TOTAL EQUITY</b>		<u>6,743,184</u>	<u>14,730,685</u>

The accompanying notes form part of these financial statements

**WATERSHED LAND LTD**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the half-year ended 31 December 2018**

	Share Capital	Asset Revaluation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance as at 1 July 2018	27,464,916	90,326	(12,824,557)	14,730,685
Net Loss for the period	-	-	(216,810)	(216,810)
Other Comprehensive income	-	-	-	-
Total Comprehensive income for the period	-	-	(216,810)	(216,810)
Reclassification upon sale of land	-	(90,326)	90,326	-
Capital reduction (note 5)	(7,770,691)	-	-	(7,770,691)
Balance at 31 December 2018	19,694,225	-	(12,951,041)	6,743,184
Balance as at 1 July 2017	27,072,417	90,326	(5,377,218)	21,785,525
Net Loss for the period	-	-	(904,781)	(940,781)
Other Comprehensive income	-	-	-	-
Total Comprehensive loss for the period	-	-	(940,781)	(940,781)
Share adjustments	15,709	-	-	15,709
Issue of share capital, net of transaction costs and tax	353,209	-	-	353,209
Balance at 31 December 2017	27,441,335	90,326	(6,317,999)	21,213,662

The accompanying notes form part of these financial statements

**WATERSHED LAND LTD**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the half-year ended 31 December 2018**

<b>Discontinued Operations (note 8)</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from operations	4,948,893	4,175,116
Payments to suppliers	(5,221,527)	(4,291,473)
Interest paid	(36,554)	(64,721)
	<hr/>	<hr/>
Net cash flows used in operating activities	(309,188)	(181,078)
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	18,000,000	-
Acquisition of property, plant and equipment	(4,441)	(12,078)
Purchase of grape vines	-	(13,217)
	<hr/>	<hr/>
Net cash flows provided by/(used in) investing activities	17,995,559	(25,295)
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of finance leases	(273,476)	(186,798)
Repayment of related party loans	(6,078,319)	-
Repayment of other loans	(1,490,880)	-
Capital reduction to shareholders	(7,770,691)	-
Proceeds for insurance funding	-	42,668
Loan Proceeds from Octet Finance	-	764,642
	<hr/>	<hr/>
Net cash flows (used in)/provided by financing activities	(15,613,366)	620,512
	<hr/>	<hr/>
Net increase in cash and cash equivalents held	2,073,005	414,137
Cash and cash equivalents held at the beginning of the period	81,146	(313,664)
	<hr/>	<hr/>
Cash and cash equivalents held at the end of the period (note 4)	2,154,151	100,473
	<hr/>	<hr/>

The accompanying notes form part of these financial statements

## WATERSHED LAND LTD

### CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Watershed Land Ltd (the Company) is an unlisted public company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2018 comprises the Company and its subsidiary (together referred to as the Consolidated Entity).

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2018 is available from the Company's registered office at Lot 121 Darch Road, Margaret River WA 6285.

#### **Basis of Preparation**

The Consolidated Entity sold most of its fixed assets including the vineyard and the production facilities. The Consolidated Entity has signed a two year lease agreement on 29 June 2018 with the buyer to continue operating its restaurant and cellar door to sell its existing inventory with the intention to wind up its operations within the period to June 2020. These financial statements are prepared on the basis of an orderly termination of the businesses over this period.

#### **Statement of compliance**

These financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The consolidated interim financial statements does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2018.

The accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2018, unless otherwise stated.

#### **New and Revised Accounting Standards**

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have impact on the financial performance or position of the consolidated entity for the current reporting period or the comparative information.

## WATERSHED LAND LTD

### CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

##### ***AASB 15 Revenue from Contracts with Customers***

The Consolidated Entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

##### **Revenue recognition**

The Consolidated Entity recognises revenue as follows:

##### *Sale of bottled and bulk wine*

Revenue from sale of bottled and bulk wine is recognised at the point of delivery to the customer.

##### *Sale of food and beverage*

Revenue from food and beverages is recognised at the point of sale. Discounts, allowances, rebates and taxes from bottled wines, food and beverages sales are classified under sales and marketing expenses.

##### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## WATERSHED LAND LTD

### CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### ***AASB 9 Financial Instruments***

The Consolidated Entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

##### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Consolidated Entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Any new and revised Accounting Standards or interpretations that are not yet mandatory have not been early adopted by the Consolidated Entity.

**WATERSHED LAND LTD**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Estimates**

The preparation of the financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated financial report, the significant judgments made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2018. During the six months ended 31 December 2018 management made no major reassessments of its estimates.

	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	\$	\$
2. REVENUE		
Sales revenue from wine sales	3,609,756	2,904,051
Sales revenue from bulk wine sales	323,591	194,377
Sales revenue from merchandise, venue hire and food and beverages	435,835	590,867
WET Rebate	350,000	404,621
WPWL Service Fee	75,885	38,123
Government Grants	22,527	72,180
Interest income from third parties	1,538	547
Sundry Income	60,354	42,556
	<b>4,879,486</b>	<b>4,247,322</b>

3. INVENTORIES

Inventories are held at the lower of cost and net realisable value in accordance with AASB 102 Inventories. As at 31 December 2018, inventories have been held at their net realisable value.

**WATERSHED LAND LTD**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2018**

4. NOTES TO STATEMENT OF CASH FLOWS

Reconciliation of cash and cash equivalents:

For the purposes of the statement of cash flows, cash and cash equivalents includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:

	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	<u>2,154,151</u>	<u>100,473</u>
Total cash and cash equivalents	<u>2,154,151</u>	<u>100,473</u>

5. CAPITAL REDUCTION

The first capital reduction of 56.1 cents per share was made to shareholders in August 2018.

6. CONTINGENT LIABILITY

There are no contingent liabilities at the half year reporting date or at 30 June 2018.

7. COMMITMENTS

There has been no significant change in commitments since the issue of the 30 June 2018 annual report.

8. DISCONTINUED OPERATIONS

The Consolidated Entity sold the majority of its property, plant and equipment with the intention to wind down the operations of the Company over the period to 29 June 2020. The operations of the Consolidated Entity have therefore been reported as discontinued operations. Financial information relating to the discontinued operation can be found at the Statement of Comprehensive Income and the Statement of Cash Flows.

8. EVENTS OCCURRING AFTER REPORTING DATE

No other matters or circumstances have arisen since 31 December 2018 that have significantly affected or may significantly affect the Consolidated Entity's operations, the results of those operations, or the state of affairs of the Consolidated Entity subsequent to 31 December 2018 in future financial years.

**RSM Australia Partners**

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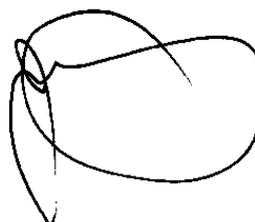
**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Watershed Land Ltd for the half-year ended 31 December 2018, 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.



RSM AUSTRALIA PARTNERS



J A KOMNINOS  
Partner

Perth, WA  
Dated: 11 March 2019