

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES
ACN 088 734 294
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

C O N T E N T S

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**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities (the Consolidated Entity) for the year ended 30 June 2018.

Directors

The names of persons holding the position of Director of Watershed Land Ltd, during the financial year and up to the date of this report unless otherwise stated, are:-

	Directors' meeting attendance	
	No eligible	No attended
Geoffrey Thomas Barrett	5	5
Richard Hill	5	5
Gregory Paul Martin	5	4
Walter Pausin	5	5
Murray Stephen McHenry	5	3
Wayne Clarke	2	2

Geoffrey Thomas Barrett- (Managing Director) LLB (Hons), B.Com (Accounting)

Geoff Barrett is the founder and Managing Director of Watershed Premium Wines Ltd and Watershed Land Ltd. Until 30 June 2002, he was managing partner of the law firm Garton Smith & Barrett, advising in relation to managed investments in forestry, viticulture, wineries and manufacturing. Prior to practicing law he had over 18 years experience in banking and finance. He managed several major banking projects, including the development and introduction of automated teller machines. Geoff has previously lectured in International Taxation Law, International Business Law and Contract Law and tutored in Corporations Law at Curtin University.

Geoff was responsible for identifying and negotiating the purchase of the Stage 1 Watershed Vineyard and Winery site in May 1999, assembling the viticulture, winemaking, sales and management team, and structuring the Watershed Project and its finances. He also negotiated the purchase of the Stage 2, Stage 3 and Stage 4 Watershed Vineyard sites. Geoff has overseen the development of the Project since its inception. In November 2002 he relocated to Margaret River. Since attending the first international wine expo in Bordeaux, France in June, 2003 he has attended numerous international wine exhibitions with the objective of appointing distributors in foreign markets. Geoff continues to support Watershed's overseas distributors by regularly conducting wine dinners in their respective countries and by calling on the distributor's retail trading partners.

He is also managing director of Watershed Premium Wines Ltd, Truffle Properties Limited and Truffle Projects Pty Ltd.

Richard Hill (non-executive Chairman) M.B. B.S. F.R.A.C.P. B.Com (Econ) Dip Naut Sc

From 1981 until March 2002, Dick Hill was the Head of Gastroenterology at Princess Margaret Hospital, Perth. Until his retirement in September 2007 he was a consultant gastroenterologist at Princess Margaret Hospital. His qualifications include a Bachelor of Commerce (Econ) and he has successfully built and managed a significant investment portfolio. Dick has been actively involved in the Project since its inception.

He is also a Director of Watershed Premium Wines Ltd, Truffle Properties Limited and Truffle Projects Pty Ltd.

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DIRECTORS' REPORT

*Walter Pausin (non-executive director) Dip. Financial Service (Finance/Mortgage Broking Management)
Resigned 7th August 2018*

Wal Pausin is a licensed Credit Representative and is the Principal of his own Finance Broking business, which was founded in September 2014. He was previously a director of one of the largest finance broking businesses in WA, Westate Finance Pty Ltd, which he founded in 2002. He subsequently sold this business in 2010 and since then has been operating as a sole trader. He has been in the Banking and Finance industry for over 35 years having previously held senior management and executive positions in Bankwest.

Gregory Paul Martin (non-executive director)

Greg has more than thirty four years in the hospitality industry both locally and overseas. Greg obtained his qualification as a Chef at Perth's King Arthurs Table at the Red Castle winning several gold plate awards before moving to another of Perth's most awarded restaurants, the Mediterranean in Subiaco. Greg later moved to London in the mid 1980's to work as a banquet manager at the Ritz London. On his return Greg went on to co establish a successful family logistics business. Greg has also over the years owned and successfully operated a number of local Perth restaurants. Greg is currently the joint owner of an independent supermarket in Capel, Western Australia. He is also a Director of Watershed Premium Wines Ltd, Truffle Properties Limited and Truffle Projects Pty Ltd.

Murray Stephen McHenry(non-executive director)- resigned 3rd August 2018

Murray commenced in the hospitality business in 1970 owning and operating a number of businesses, which include Mustard Catering, McHenry Dunstan and Hurley Liquor Store Group (1980 to 1988) and Steve's Nedlands Park Hotel. He is the principal of McHenry Hohnen Vintners, Chairman of HISCO Pty Ltd – a Hospitality Industrial Supply Company and is the Chairman of the Western Australian Football Commission. Murray is also former Director and Chairman of the West Coast Eagles.

Murray has had a long association with his brother in-law David Hohnen and commenced the family wine brand McHenry Hohnen in 2004.

Wayne Clark (non-executive director& Chair) appointed 24th May 2018

Wayne Clark has been in professional accounting practice since 1973. In 1985 he was one of eight founding partners of HLB Mann Judd Perth. He was from the inception of that firm until his retirement in June 2015 the Director of their Corporate and Audit Services Division. Wayne currently works part-time as a consultant.

Tracie Oakes (Bachelor of Business Ed) - Company Secretary

Tracie commenced employment with Watershed Premium Wines in November 2007 as an Assistant Accountant. In 2010 Tracie was promoted to Financial Controller at Watershed Premium Wines Ltd. Tracie is also the Company Secretary of Truffle Properties Limited.

Principal activities

The principal activities of the Consolidated Entity are viticulture and winemaking, and the marketing, sale and distribution of Watershed Premium Wines.

WATERSHED LAND LTD AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Review of Operations and Likely Developments

On 29 June 2018 Watershed Land Ltd and Watershed Premium Wines Ltd entered into a Sale & Purchase Agreement with Vasse Felix Management Pty Ltd for the sale of the majority of its assets, excluding the wine inventory and Jindong Vineyard, for the sum of \$18.5 million. The sale was conditional on shareholder approval. On 3 July 2018 shareholders were advised of a Notice of General Meeting which sought to obtain the majority consent of the Company's shareholders to the Sale & Purchase Agreement. Shareholders who voted were 100% in favour of the transaction. Settlement of the Sale & Purchase Agreement was effected on 9 August 2018. The Company has leased the Cellar Door, Restaurant, Administration Area, Barrel Stores, Wine Production Facility and Warehouse for various periods of time over the next 2 years. The primary areas leased for the entire 2 years are the Cellar Door, Restaurant, Administration Area and Warehouse. The primary objective over the next 2 years is to sell the entire balance of the Company's wine inventories, bulk and bottled, and the Jindong Vineyard. The first capital reduction of 56.1 cents per share was made to shareholders in August 2018. The net revenue derived from these activities, net of wind up costs, will be returned to shareholders as set out in the Notice of General Meeting.

Notwithstanding the sale of the Company's primary assets Watershed has continued to focus on growing its presence in international markets and in September 2018 it secured a major new importer from Vietnam. The Company's wines to continue to receive regular accolades in domestic and international wine shows

Operating Results

The Consolidated Entity's operating loss after tax for the year ended 30 June 2018 amounted to \$7,447,339 (2017: loss of \$2,702,700)

Dividends

The Directors have not recommended the payment of a dividend this financial year.

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnification of Officer or Auditor

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

Significant Changes in the State of Affairs

There is no significant changes in the state of affairs of the Company.

Environmental Regulation and Performance

The Consolidated Entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

**WATERSHED LAND LTD
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DIRECTORS' REPORT

The Consolidated Entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Events Subsequent to Reporting Date

Except as mentioned above, under the heading Review of Operations and Likely Developments there are no matters or circumstances that have arisen since the end of the financial year which significantly affected or significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

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.

Auditor

RSM Australia Partners continues in office in accordance with Section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

Signed for and on behalf of the Board of Directors at Perth, Western Australia on 29 October 2018.



G.T. BARRETT
Managing Director



RSM Australia Partners

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

Opinion

We have audited the financial report of Watershed Land Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements 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* (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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Emphasis of Matter - Basis of Preparation

We draw attention to Note 1 in the financial report, which describes the basis of preparation. The financial report has been prepared on the basis of an orderly termination of the business over a two year period, following the sale of the vineyard and production facilities. Our opinion is not modified in respect of this matter.

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 – Reduced Disclosure Requirements 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

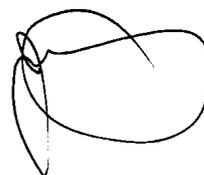
Auditor's Responsibilities for the Audit of the Financial Report

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



RSM AUSTRALIA PARTNERS



Perth, WA
Dated: 30 October 2018

J A KOMNINOS
Partner

**WATERSHED LAND LTD
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DIRECTORS' DECLARATION

The directors of the Company declare that, in the opinion of the directors:

- (a) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards, including the Interpretations, and the *Corporations Regulations 2001*;
- (b) the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1;
- (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;

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

Signed for and on behalf of the Board of Directors at Perth, Western Australia on 29 October 2018.


G T BARRETT
Managing Director

**WATERSHED LAND LTD
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Discontinued Operations (note 24)			
Revenue	2(a)	8,117,430	8,461,260
Changes in inventories of finished goods		(2,731,277)	(3,055,351)
Employee salaries and benefits expense		(4,201,518)	(3,749,067)
Administration costs		(58,267)	(196,589)
Depreciation and amortisation	2(b)	(1,020,960)	(1,116,019)
Marketing expenses		(1,781,358)	(1,535,562)
Commissions		(119,962)	(147,805)
Bad and doubtful debts written back/(written off), net		(515,956)	7,533
Finance costs	2(b)	(652,912)	(534,415)
Impairment of land	7(a)	(363,644)	-
Write down of inventory	5	(3,456,236)	-
Other expenses from ordinary activities		(662,679)	(836,685)
Loss before income tax from discontinued operations		(7,447,339)	(2,702,700)
Income tax	3	-	-
Net loss after income tax from discontinued operations attributable to members of the Company		-	(2,702,700)
Other comprehensive income		-	-
Total comprehensive loss for the year from discontinued operations		(7,447,339)	(2,702,700)

The accompanying notes form part of these financial statements

**WATERSHED LAND LTD
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	20(a)	81,146	5,050
Trade and other receivables	4(a)	983,155	1,584,288
Assets held for sale	6	18,069,436	-
Inventories	5	3,393,805	6,882,754
TOTAL CURRENT ASSETS		<u>22,527,542</u>	<u>8,472,092</u>
NON CURRENT ASSETS			
Trade and other receivables	4(a)	170,880	210,591
Property, plant and equipment	7	2,214,413	21,514,228
Intangibles	8	-	40,136
TOTAL NON CURRENT ASSETS		<u>2,385,293</u>	<u>21,764,955</u>
TOTAL ASSETS		<u>24,912,835</u>	<u>30,237,047</u>
CURRENT LIABILITIES			
Trade and other payables	9	1,521,969	1,371,797
Consideration received pending allotment of shares	10	91,554	488,947
Interest bearing liabilities	11	7,595,908	724,696
Employee Benefits Provision	12	595,134	352,932
TOTAL CURRENT LIABILITIES		<u>9,804,565</u>	<u>2,938,372</u>
NON CURRENT LIABILITIES			
Trade and other payables	9	-	240,282
Interest bearing liabilities	11	19,547	5,204,551
Provisions	12	358,038	68,317
TOTAL NON CURRENT LIABILITIES		<u>377,585</u>	<u>5,513,150</u>
TOTAL LIABILITIES		<u>10,182,150</u>	<u>8,451,522</u>
NET ASSETS		<u>14,730,685</u>	<u>21,785,525</u>
EQUITY			
Contributed equity	13	27,464,916	27,072,417
Asset revaluation reserve		90,326	90,326
Accumulated Losses		(12,824,557)	(5,377,218)
TOTAL EQUITY		<u>14,730,685</u>	<u>21,785,525</u>

The accompanying notes form part of these financial statements

**WATERSHED LAND LTD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Share Capital	Assets Revaluation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2017	27,072,417	90,326	(5,377,218)	21,785,525
Net Loss from discontinued operations attributable to Members	-	-	(7,447,339)	(7,447,339)
Other Comprehensive Income	-	-	-	-
Total Comprehensive loss for the year from discontinued operations	-	-	(7,447,339)	(7,447,339)
Issue of share capital, net of transaction costs and tax	392,499	-	-	392,499
Balance at 30 June 2018	27,464,916	90,326	(12,824,557)	14,730,685
Balance at 1 July 2016	26,810,240	90,326	(2,674,518)	24,226,048
Net loss for the year from discontinued operations attributable to Members	-	-	(2,702,700)	(2,702,700)
Other Comprehensive Income	-	-	-	-
Total Comprehensive loss for the year from discontinued operations	-	-	(2,702,700)	(2,702,700)
Issue of share capital, net of transaction costs and tax	262,177	-	-	262,177
Balance at 30 June 2017	27,072,417	90,326	(5,377,218)	21,785,525

The accompanying notes form part of these financial statements

**WATERSHED LAND LTD
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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Discontinued Operations (note 24)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		7,997,143	8,402,377
Payments to suppliers and employees		(8,859,200)	(8,864,155)
Interest paid		(143,471)	(38,977)
		-	-
Net cash flows used in operating activities	20(b)	(1,005,528)	(500,755)
		-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of agricultural assets		(22,028)	(74,419)
Purchase of plant and equipment		(70,095)	(30,868)
		-	-
Net cash flows used in investing activities		(92,123)	(105,287)
		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from Octet finance		893,293	-
Loans from Directors		188,349	200,000
Loans from Syndicate		1,100,000	-
Repayment of debtor facility		(502,413)	-
Repayment of finance lease		(186,768)	(314,612)
		-	-
Net cash flows provided by/(used in) financing activities		1,492,461	(114,612)
		-	-
Net increase/(decrease) in cash and cash equivalents		394,810	(720,654)
Cash and cash equivalents at the beginning of the year		(313,664)	406,990
		-	-
Cash and cash equivalents at the end of the year	20(a)	81,146	(313,664)
		-	-

The accompanying notes form part of these financial statements

**WATERSHED LAND LTD
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers the Consolidated Entity of Watershed Land Ltd and controlled entities ("Consolidated Entity") or "Group". Watershed Land Ltd is an unlisted public Company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Watershed Land Ltd, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial report was recognized for issue on 29 October 2018 by the board of directors.

New or amended Accounting Standards and Interpretations adopted

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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements ("RDR"), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Consolidated Entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The accounting policies set out below have been consistently applied to all years presented unless otherwise stated.

As disclosed in note 17, subsequent to year end, 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 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 next two years. These financial statements are prepared on the basis of an orderly termination of the businesses over this two year period.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Except for the cash flows statement, the financial report has also been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(u).

**WATERSHED LAND LTD
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 18.

Accounting Policies

(a) Principles of consolidation

A controlled entity is an entity controlled by Watershed Land Ltd. Control exists where Watershed Land Ltd has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Watershed Land Ltd to achieve the objectives of Watershed Land Ltd.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

All inter-company balances and transactions between entities in the Consolidated Entity, including any recognized profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the Consolidated Entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

**WATERSHED LAND LTD
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(b) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the reporting date.

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is recognized or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognized to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be recognized.

The amount of benefits brought to account or which may be recognized in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be recognized and comply with the conditions of deductibility imposed by the law.

Watershed Land Ltd and its wholly-owned Australian controlled entity have decided to implement the tax consolidation legislation and the Company will act as the head entity. Watershed Land Ltd and its wholly-owned Australian subsidiaries have been consolidated for tax purposes under the Tax Consolidation System. The Australian Taxation Office has been notified of this decision.

The entities have not entered into tax sharing and funding agreements and as a result, the deferred tax assets and liabilities remain in the controlled entities and the current tax liabilities are recorded in the Company.

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

**WATERSHED LAND LTD
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(c) Property, plant and equipment (Cont)

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land, buildings, production facilities and improvements and agricultural assets are categorized as classes of asset and are carried using a valuation model, whereby fair value is determined using a depreciated replacement cost approach and market value of similar properties or on a basis of open market, based on periodic revaluation every three to five years.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of buildings, production facilities and improvements and agricultural assets are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and recognized lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(c) Property, plant and equipment (Cont)

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Building, production facilities and improvements	4-10%
Plant and equipment	6.7-20%
Motor Vehicles	12.5%
Agricultural assets	2.63% - 2.27%

Land is not depreciated.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Impairment of assets.

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is an indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimate the recoverable amount of the cash-generating unit to which the asset belongs.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(f) Revenue recognition

Revenues are recognized at fair value of the consideration received net of the amount of goods and services tax payable to the taxation authorities.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(f) Revenue recognition (cont.)

Sale of wine and food & beverages

Revenue from sale of bottled wine and bulk wine is recognized at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Revenue from food and beverages is recognized when control of the goods passes to the customer. Revenue from services is recognized upon delivery of the service to the customer.

Amounts disclosed as revenue are net of discounts, allowances, rebates and taxes

Sale of non-current assets

The gross proceeds from the sale of non-current assets are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed or conditions are satisfied.

(g) Receivables

Trade debtors and other receivables within terms allowed are recognized at amounts due. Trade debtor terms are generally between 28 and 90 days depending on the nature of the transaction. The collectability of debts is assessed at reporting date and impairment are made for any doubtful accounts.

(h) Payables

Trade and other creditors represent liabilities for goods and services provided to the Consolidated Entity prior to reporting date and which are unpaid. Trade accounts payable are normally settled between 7 and 60 days.

(i) Interest-bearing liabilities

Bank loans and notes are carried on the statement of financial position at their principal amount, subject to any set-off arrangements. Interest is accrued at the contracted rate and included in other creditors.

(j) Goods and services tax

Revenues, expenses and assets are recognized net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authorities. In these circumstances the GST is 18 recognized as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authorities is included as a current asset or liability on the statement of financial position.

(k) Intangibles

The brand name is carried at cost less accumulated amortization and impairment losses. Amortisation is calculated using a straight line method over its useful life, being 20 years.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(l) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Held- to- maturity investments

The investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognized at amortised cost, comprising original debt less principal payments and recognized.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognized in the statement of comprehensive income.

(m) Provisions

Provisions are recognized when the Consolidated Entity has a legal or constructive obligation, as a result of past events for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(n) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognized in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognized in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, recognized the use of relevant observable inputs and recognized the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(p) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of wine manufacture includes direct materials, direct labour and an appropriate portion of fixed and variable overheads, applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs to be incurred in marketing, selling and distribution.

(q) Biological assets

Biological assets consist of unharvested grapes and are measured at fair value less costs to sell at the point of harvest.

The fair value adjustment is recognised within the changes in inventories in the statement of comprehensive income. Harvested grapes are transferred to inventory initially at fair value and then subsequently accounted for in the cost of inventory.

At 30 June, there is no biological assets as all grapes have been harvested and processed.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(r) Issued capital

Ordinary shares are classified as equity.

(s) Non-current assets classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

(t) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(u) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates

Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Provision for impairment of trade receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Fair value of biological assets

The group estimates the fair value of biological assets based on the market price of the harvested grapes, subsequently sold, less any harvest costs incurred to sell the grapes. The key to estimating the value of the grapes includes the quality and variety of the grapes, the anticipated market price of the grapes, the estimated yield and the forecasted harvest costs incurred for the particular harvest.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Useful life of fixed assets and intangible assets

The group determines the useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been sold will be written off or written down.

Net realisable value of inventory

The group assesses the net realisable value of inventory based on an estimate of future sales, less the costs of completion and necessary costs to sell.

(v) Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018	2017
	\$	\$
2. REVENUE AND EXPENSES		
(a) Revenue		
Sales revenue from wine sales	5,356,408	6,075,887
Sales revenue from bulk wine sales & grape sales	415,794	313,108
Sales from contract wine making	150,569	141,793
Sales revenue from merchandise, venue hire and food and beverages	1,165,208	1,120,935
WET rebate	500,000	500,000
Government grants	129,776	116,985
Interest income from third parties	638	429
Other revenue	399,037	192,123
	8,117,430	8,461,260
(b) Expenses		
Loss before income tax expense has been determined after the following expenses:		
Finance Costs		
- Interest expense and bank charges to third parties	126,068	41,916
- Interest expense to related parties	526,844	492,499
	652,912	534,415
Depreciation and Amortisation		
Depreciation of non-current assets		
- Buildings and improvements	540,866	539,033
- Plant and equipment	325,680	423,070
- Agricultural assets	147,827	147,329
	1,014,373	1,109,432
Amortisation of intangibles	6,587	6,587
	1,020,960	1,116,019
Remuneration of Auditor		
- Audit or review of financial statements	98,500	102,500
- Taxation compliance services	13,500	22,483

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. INCOME TAX

No income tax is payable by the Group as it derived a taxable loss for income tax purposes for the year.

The group tax losses are more than sufficient to offset against the group deferred tax liabilities. The remaining deferred tax assets on tax losses were not recognised as the financial statements have been prepared on the basis of an orderly termination (note 1) following the sale of the majority of fixed assets to Vasse Felix subsequent to year end. 7). As such, it is not probable that future taxable profits will be available against which deductible temporary differences can be utilised.

	2018	2017
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
(a) Current		
Wine receivables	1,076,698	1,563,136
Previous Grower's receivables	68,008	105,542
Provision for impairment	(161,551)	(84,390)
	983,155	1,584,288
Non-current		
Previous Growers' receivables	170,880	210,591
Total trade and other Receivables	1,154,035	1,794,879

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018	2017
	\$	\$
4. TRADE AND OTHER RECEIVABLES (CONT)		
(b) Movement in the provision for impairment of receivables are as follows:		
At beginning of the year	84,390	93,189
Movement in provision during the year	-	-
Receivables written off during the year	77,161	-
Bad debts written back	-	(8,799)
At the end of the year	161,551	84,390
The aging of receivable as follows:		
0-30 days	1,020,871	1,424,202
31-60 days	32,918	135,924
61-90 days	24,792	3,671
>90 days #	75,454	231,081
>90 days *	161,551	84,391
	1,315,586	1,879,269

#overdue but not impaired

*overdue and impaired

With respect to trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the receivables will not meet their payment obligations. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

Based on past history, it is expected that those debts overdue but not impaired will be able to meet their payment obligations.

Terms and conditions relating to the above financial instruments:

- Wine debtors are non-interest bearing and are on 15 days end of month terms.
- Previous growers' receivables are on payment terms with nil interest.

	2018	2017
	\$	\$
5. INVENTORIES		
Bottled wine, at NRV (2017: at cost)	2,367,970	4,691,329
Bulk Wine, at NRV (2017: at cost)	1,006,565	2,083,289
Stock Bottles, Corks, Packaging	3,565	68,705
Merchandise stock, at cost	15,705	24,501
Livestock	-	14,930
	3,393,805	6,882,754

As per the subsequent events note (note 17), subsequent to year end, Watershed sold the majority of their fixed assets to Vasse Felix and as a result, will only continue on the Watershed business for a further 2 years, in order to sell the remaining wine stock on hand. As such, the wine inventory at 30 June 2018 has been written down by \$3,456,236 to its net realisable value of \$3,393,805.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018	2017
	\$	\$
6. ASSETS HELD FOR SALE		
Land	4,860,000	-
Plant and equipment	588,471	-
Motor Vehicles	34,603	-
Building, production facilities and improvements	10,158,543	-
Agricultural assets	2,394,270	-
Intangible assets	33,549	-
	18,069,436	-

Assets held for sale relate to property, plant and equipment (note 7 (a)) sold subsequent to year end, per a sale and purchase agreement signed on 29 June 2018 and settled after year end (note 19).

7. PROPERTY, PLANT AND EQUIPMENT

Land

At valuation	1,281,356	6,505,000
Total land	1,281,356	6,505,000

Plant and equipment

Cost	222,609	2,038,559
Accumulated depreciation	(165,663)	(1,154,116)
Total plant and equipment	56,946	884,443

Motor Vehicles

Cost	116,955	252,821
Accumulated depreciation	(47,536)	(140,515)
Total motor vehicles	69,419	112,306

Building, production facilities and improvements

At valuation	124,673	12,449,704
Accumulated depreciation	(6,625)	(1,675,938)
Carrying value of building, production facilities and improvements	88,048	10,773,766

Agricultural Assets

At fair value	1,013,262	3,530,382
Accumulated depreciation	(294,618)	(291,669)
Total agricultural assets	718,644	3,238,713

Total property, plant and equipment	2,214,413	21,514,228
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**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

7. PROPERTY, PLANT AND EQUIPMENT (Cont.)

(a) Reconciliation

Movements in carrying value of total property, plant and equipment between the beginning and end of the current financial year:

	Land	Motor Vehicles	Plant and Equipment (Leased)	Plant & Equipment (Owned)	Buildings, Production Facilities and Improvements	Agricultural Assets	Total
2018							
Balance at the beginning of the year	6,505,000	112,306	530,776	353,667	10,773,766	3,238,713	21,514,228
Depreciation	-	(30,246)	-	(295,434)	(540,866)	(147,827)	(1,014,373)
Additions	-	21,962	-	56,408	13,691	22,028	114,088
Reclassification	-	-	(530,776)	530,776	-	-	-
Impairment	(363,644)	-	-	-	-	-	(363,644)
Assets held for sale (note 6)	(4,860,000)	(34,603)	-	(588,471)	(10,158,543)	(2,394,270)	(18,035,887)
Balance at the end of the year	1,281,356	69,419	-	56,946	88,048	718,644	2,214,413
2017							
Balance at the beginning of the year	6,505,000	157,285	626,994	584,788	11,309,788	3,311,623	22,495,478
Depreciation	-	(44,979)	(119,113)	(258,978)	(539,033)	(147,329)	(1,109,432)
Additions	-	-	22,895	27,857	3,011	74,419	128,182
Balance at the end of the year	6,505,000	112,306	530,776	353,667	10,773,766	3,238,713	21,514,228

b) Buildings, production facilities and improvements

Independent valuation

Buildings, production facilities and improvements were revalued by an independent licensed valuer on 19 July 2013. The valuation was made on the basis of an open market and an unencumbered asset, the latter effectively occurring on 16 October 2014.

(c) Property, plant and equipment are secured for the Octet Finance Pty Ltd's facilities.

Refer to note 21 for further information on plant and equipment secured under finance leases.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

7. PROPERTY, PLANT AND EQUIPMENT (Cont.)

(d) Agricultural assets

The agricultural assets are bearer plants that were classified from wine grape vines at fair value as a result of the changes to Australian Accounting Standards AASB 2014-16 Agriculture Bearer Plants. The recent valuation was performed by an independent licensed valuer on 19 July 2013. The fair value of the agricultural assets is the deemed cost at the date of the transfer from wine grape vines.

	2018	2017
	\$	\$
Agricultural assets at cost	3,552,410	3,530,382
Less: Accumulated depreciation	(439,494)	(291,668)
Balance at end	3,112,916	3,238,714
Physical quantities planted		
• Hectares planted	149.895	149.895
• Tonnes of grapes crushed	1,099	926

8. INTANGIBLES

	2018	2017
	\$	\$
Brand name		
Cost	-	131,741
Accumulated amortisation	-	(91,605)
Total intangibles	-	40,136
Movement in current year:		
Balance at beginning of year	40,136	46,723
Amortisation	(6,587)	(6,587)
Transfer to assets held for sale (note 6)	(33,549)	-
Balance at end of year	-	40,136

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

9.	TRADE AND OTHER PAYABLES	2018	2017
		\$	\$
	CURRENT		
	Trade creditors and accruals	1,287,696	1,157,046
	GST payable	234,273	214,751
		1,521,969	1,371,797
	NON CURRENT		
	Income received in advance	-	240,282
		-	240,282
10.	CONSIDERATION RECEIVED PENDING ALLOTMENT OF SHARES		
	Balance at Beginning	488,947	773,253
	Less shares issued	(392,499)	(262,177)
	Less shares not issued	(4,894)	(22,129)
	Balance	91,554	488,947
<p>The consideration received pending allotment of shares, relates to the termination of the Projects and the issue of shares in the Company to their former Growers Margaret River Premium Wines is subject to the growers paying their outstanding amounts due to the Consolidated Entity.</p>			
11.	INTEREST BEARING LIABILITIES	2018	2017
		\$	\$
	(a) Current		
	Loans from Directors	3,841,088	100,000
	Loans from shareholders	100,000	100,000
	Bank Overdraft	-	318,714
	Finance leases (note 21(a))	4,332	205,982
	Debtor finance facility	390,880	-
	Seed Loans from Directors' related entities	302,890	-
	Seed Loans from unrelated entities	1,144,271	-
	Unsecured notes from directors' related entity	760,285	-
	Loans from Directors' related entities	1,052,162	-
		7,595,908	724,696
	(b) Non-current		
	Finance leases (note 21(a))	19,547	-
	Seed Loans from Directors' related entities	-	275,964
	Seed Loans from unrelated entities	-	40,336
	Loans from Directors	-	3,236,921
	Unsecured notes from directors' related entity	-	692,700
	Loans from Directors' related entities	-	958,630
		19,547	5,204,551

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

11. INTEREST BEARING LIABILITIES (cont.)

Bank facilities:

During the year, the bank overdraft and the finance lease liabilities from the bank were fully settled upon the group accepting a new Debtor Finance Facility and Business Transaction Facility agreement with Octet Finance Pty Ltd (Octet Finance) on the 27th of June 2017. The Business Transaction Facility was terminated as at 30 June 2018.

The facilities from Octet Finance are secured by:

- First registered mortgages over the Watershed Vineyard property (Stages 1, and 3) owned by Watershed Land Ltd and its controlled entity;
- First registered charges over the assets and undertakings of the Company, Watershed Land Ltd and its controlled entity;
- Unlimited guarantees given by Watershed Premium Wines Ltd and Watershed Land Ltd and its controlled entity.

Subsequent to year end, the facilities with Octet Finance were cancelled and the amounts due to Octet Finance were fully repaid

The directors' and shareholders' loans are unsecured, bear interest at the rate of 10% (2017: 10%) per annum and are fully settled subsequent to year end.

Loans/notes from directors' related entities and unrelated entities are unsecured, bear interest the rate of 10% (2017: 10%) per annum and are fully settled subsequent to year end.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

		2018	2017
		\$	\$
12.	PROVISIONS		
	Current		
	Employee entitlements - Annual leave	229,353	244,418
	Employee entitlements - Long service leave	174,993	108,514
	Employee entitlements – Redundancy	190,788	-
		595,134	352,932
	Non-current		
	Employee entitlements - Long service leave	35,784	68,317
	Employee entitlements – Redundancy	322,254	-
		358,038	68,317
	Total employee entitlements	953,172	421,249
	Movements		
	Balance at beginning	421,249	384,926
	Utilised	(206,138)	(223,384)
	Additional	738,061	259,707
	Balance at end	953,172	421,249

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Consolidated Entity does not have an unconditional right to defer settlement. However, based on past experience, the Consolidated Entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

		2018	2017
		\$	\$
	Employee benefits obligation expected to be settled after 12 months	63,470	51,066
13.	CONTRIBUTED EQUITY		
	9,361,445 fully paid ordinary shares (2017: 9,201,892)	22,039,893	21,647,394
	4,848,272 deferred dividend shares (2017: 4,848,272)	5,425,023	5,425,023
		27,464,916	27,072,417
	Reconciliation of contributed equity		
		No of shares	\$
	Balance 1 July 2017	14,050,164	27,072,417
	Issue of shares (at \$2.46 per share)	159,553	392,501
	Balance 30 June 2018	14,209,717	27,464,918
	Balance 1 July 2016	13,943,588	26,810,240
	Issue of shares (at \$2.46 per share)	106,576	262,177
	Balance 30 June 2017	14,050,164	27,072,417

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

13. CONTRIBUTED EQUITY (cont.)

Rights attached to shares

Ordinary shares participate in dividends and the proceeds in winding up of the Company in proportion to the number of shares held. At shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The deferred dividend shares have the same rights as ordinary shares, apart from the deferred rights to dividends.

The Company's shares have no par value and the Company has no limited authorised capital.

14. DIVIDENDS

There were no dividends declared or paid during the year and no dividend is recommended.

15. CONTROLLED ENTITIES

Controlled entity	Place of incorporation	Equity holding	
		2018	2017
Watershed Premium Wines Ltd	Australia	100%	100%
Gnarawary Pty Ltd	Australia	100%	100%

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

16. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the Consolidated Entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

Consolidated – 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Land and building	-	1,281,356	-	1,281,356
Buildings, production facilities and improvements	-	88,048	-	88,048
Agricultural assets	-	718,644	-	718,644
Total assets	-	2,088,048	-	2,088,048

Consolidated – 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Land and building	-	6,505,000	-	6,505,000
Buildings, production facilities and improvements	-	10,773,766	-	10,773,766
Agricultural assets	-	3,238,713	-	3,238,713
Total assets	-	20,517,479	-	20,517,479

Valuation Techniques and Inputs Used to Measure Level 2 Fair Values:

Descriptions	Fair value at 30 June 2018 \$	Fair value at 30 June 2017 \$	Valuation Technique	Inputs Used
Land	1,281,356	6,505,000	Market approach using recent observable market data for similar properties	Price per hectare
Agricultural Assets	718,644	3,238,713	Market approach using recent observable market data for similar assets	Price per hectare
Buildings, production facilities and improvements	88,048	10,773,766	Market approach using recent observable market data for similar properties and amounts	Price per hectare

The fair values of the land agricultural assets and production facilities and improvements are based on valuation by an independent valuer who has recognized and appropriate professional qualifications.

There were no changes during the year in the valuation technique used by the Consolidated Entity to determine level 2 fair values.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

16. FAIR VALUE MEASUREMENT (Cont.)

The fair values of the land agricultural assets and production facilities and improvements are based on valuation by an independent valuer who has recognized and appropriate professional qualifications.

There were no changes during the year in the valuation technique used by the Consolidated Entity to determine level 2 fair values.

17. EVENTS SUBSEQUENT TO REPORTING DATE

On 29 June 2018 Watershed Land Ltd and Watershed Premium Wines Ltd entered into a Sale & Purchase Agreement with Vasse Felix Management Pty Ltd for the sale of the majority of its assets, excluding the wine inventory and Jindong Vineyard, for the sum of \$18.5 million. The sale was conditional on shareholder approval. On 3 July 2018 shareholders were advised of a Notice of General Meeting which sought to obtain the majority consent of the Company's shareholders to the Sale & Purchase Agreement. Shareholders who voted were 100% in favour of the transaction. Settlement of the Sale & Purchase Agreement was effected on 9 August 2018. The Company has leased the Cellar Door, Restaurant, Administration Area, Barrel Stores, Wine Production Facility and Warehouse for various periods of time over the next 2 years. The primary areas leased for the entire 2 years are the Cellar Door, Restaurant, Administration Area and Warehouse. The primary objective over the next 2 years is to sell the entire balance of the Company's wine inventories, bulk and bottled, and the Jindong Vineyard. The first capital reduction of 56.1 cents per share was made to shareholders in August 2018. The net revenue derived from these activities, net of wind up costs, will be returned to shareholders as set out in the Notice of General Meeting.

Other than the above mentioned, there are no matters or circumstances that have arisen since the end of the financial year which significantly affected or significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

18. PARENT ENTITY INFORMATION

	2018	2017
	\$	\$
Financial Position		
ASSETS		
Current assets	15,709,723	46,573
Non-current assets	3,245,156	23,628,062
Total Assets	18,954,878	23,674,635
LIABILITIES		
Current liabilities	179,420	588,448
Non-current liabilities	3,138,995	3,379,277
Total Liabilities	3,318,415	3,967,725
EQUITY		
Issued capital	27,464,916	27,072,416
Asset revaluation reserve	90,327	90,327
Accumulated losses	(11,918,780)	(7,455,833)
Total Equity	15,636,463	19,706,910
Financial Performance		
Loss for the year	(4,462,947)	(2,702,704)
Total comprehensive loss for the year	(4,462,947)	(2,702,704)

Contingent liabilities

The parent entity has a \$1,000,000 contingent liability on a secured guarantee for the bank facility of its subsidiary at 30 June 2018 (2017: \$350,000).

Capital commitments

The parent entity had no capital commitments for property, plant and equipment at 30 June 2018 and 30 June 2017.

19. KEY MANAGEMENT PERSONNEL DISCLOSURES AND RELATED PARTY TRANSACTIONS

- (a) The aggregate compensation made to directors and members of key management personnel of the Consolidated Entity is set out below:

	2018	2017
	\$	\$
Short term employee benefits	278,706	354,234
Long term benefits	-	4,944
Total	278,706	359,178

- (b) Loans and related interest expense from related, non-related entities and to the directors please refer to note 2(b) and note 11.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

20. NOTES TO STATEMENT OF CASH FLOWS

(a) 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:

	2018	2017
	\$	\$
Cash at bank and on hand	81,146	5,050
Bank overdraft	-	(318,714)
	81,146	(313,664)

(b) Reconciliation of cash flows from discontinued operating activities to loss after income tax

Loss after income tax	(7,447,339)	(2,702,700)
Depreciation and amortisation	1,020,960	1,116,019
Assets written off	(4,894)	(22,129)
Impairment of fixed assets	363,644	-
Accrued interest on loans	490,493	492,370
 Movements in assets and liabilities		
Receivables	640,846	(35,221)
Current assets	-	4,729
Payables	(90,111)	390,083
Provisions	531,924	36,323
Inventories	3,488,949	219,771
Tax liabilities	-	-
	(1,005,528)	(500,755)

(c) Non cash financing activities

Plant and equipment acquired by means of finance lease, which acquisitions are not reflected in the statement of cash flows

	21,963	22,894
--	--------	--------

(d) Debtor finance facility (2017: Bank overdraft facility)

	2018	2017
	\$	\$
Amount used	390,880	318,714
Unused facility	609,120	31,286
	1,000,000	350,000

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

21. CAPITAL AND LEASING COMMITMENTS

	2018	2017
	\$	\$
(a) Finance lease commitments		
Payable		
- Not later than 1 year	5,759	214,057
- Later than 1 year but not later than 5 years	22,556	-
	28,315	214,057
Minimum Lease payments	28,315	214,057
Less: Future finance charges	(4,436)	(8,075)
	23,879	205,982
Present value of minimum lease payments	23,879	205,982
Represented by:		
Current (Note 11(a))	4,332	205,982
Noncurrent (Note 11(b))	19,547	-
	23,879	205,982
	23,879	205,982
(b) Land and vines rental (stage 4)		
Minimum future lease amounts payable (GST exclusive):		
- not later than one year	-	13,333
- later than one year and not later than 5 years	-	-
	-	13,333
Aggregate lease amounts payable	-	13,333
	-	13,333

In 2013 the Company sold its stage 4 Watershed Vineyard property at Jindong (10.5 hectares) to a third party which it then leased back for a period up to 30 April 2018.

22. CAPITAL EXPENDITURE COMMITMENT

No capital expenditure commitments were contracted for at the reporting date.

23. CONTINGENT LIABILITY

The Consolidated Entity has no contingent liabilities at 30 June 2018 and 30 June 2017.

24. DISCONTINUED OPERATIONS

Subsequent to year end (note 17), 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 next 2 years. The operations of the Consolidated Entity have therefore been reported as discontinued operations in the financial statements for the year ended 30 June 2018. Financial information relating to the discontinued operation can be found at the Statement of Comprehensive Income and the Statement of Cash Flows.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

25. COMPANY DETAILS

The registered office and principal place of business of the Company is:

Watershed Land Ltd
Lot 121 Darch Road
MARGARET RIVER WA 6285

RSM Australia Partners

Level 32 Exchange Tower, 2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

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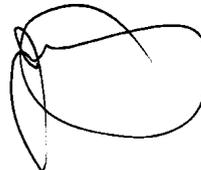
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Watershed Land Ltd for the year ended 30 June 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



J A KOMNINOS
Partner

Perth, WA
Dated: 29 October 2018