

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES
ACN 088 734 294
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

C O N T E N T S

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Independent Auditor's Report

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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 2019.

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	2	2
Richard Hill	2	2
Gregory Paul Martin	2	2
Wayne Clark	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 CurtinUniversity.

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 PrincessMargaretHospital. 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.

**WATERSHED LAND LTD
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DIRECTORS' REPORT

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.

Wayne Clark (non-executive director & Chair)

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.

Review of Operations and Likely Developments

The Company's shareholders voted unanimously in favour of the resolutions put to them in July 2018 regarding the disposal of the consolidated entity's principal business assets to Vasse Felix Management Pty Ltd. Settlement with Vasse Felix was effected in August 2018 and the same month the first capital reduction tranche of 56.1 cents per share was made to all shareholders. In March 2019 the Company sold the majority of its packaged wine inventory in one transaction. Under the terms of this sale agreement the wine is being drawn down on a monthly basis and the final draw down is scheduled for 31 July 2020. The Company has sold 100% of its bulk wine and the final draw down of bulk wine took place on 31 July 2019. The Restaurant & Café was closed on 28 April 2019. The Cellar Door was closed on 31 August 2019. The remaining asset is the Jindong Vineyard. This property is the subject of a Call Option for \$1.8 million which is exercisable on or before 30 June 2020. Under the terms of the Call Option Deed the buyer is obligated to farm and maintain the vineyard.

The directors expect that the second and final capital reduction payment will be made to shareholders in August/September 2020.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT

Operating Results

The Consolidated Entity's operating loss after tax for the year ended 30 June 2019 amounted to \$238,119(2018: loss of \$7,447,339)

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

The significant changes in the state of affairs of the Consolidated Entity are disclosed in this report under the heading "Review of Operations and Likely Developments".

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.

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 Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity.

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.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT

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 25 October 2019.



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 2019, 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 2019 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.

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 the period to August 2020, 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.

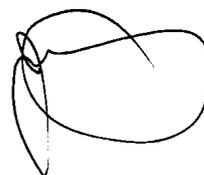
Auditor's Responsibilities for the Audit of the Financial Report

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: 25 October 2019

J A KOMNINOS
Partner

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

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, the Australian Accounting Standards – Reduced Disclosure Requirements, the Corporation Regulations 2001 and other mandatory professional reporting requirements;
- (b) the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- (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 25 October 2019.



G.T. BARRETT
Managing Director

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Discontinued Operations (note 24)			
Revenue from contracts with customers	2(a)	7,403,206	7,184,225
Other revenue	2(a)	504,628	933,205
Changes in inventories of finished goods		(2,628,837)	(2,731,277)
Employee salaries and benefits expense		(2,443,033)	(4,201,518)
Administration costs		(54,803)	(58,267)
Depreciation and amortisation	2(b)	(120,109)	(1,020,960)
Marketing expenses		(1,369,435)	(1,781,358)
Commissions		(93,372)	(119,962)
Bad and doubtful debts written off, net		(73,318)	(515,956)
Finance costs	2(b)	(99,352)	(652,912)
Impairment of land	7(a)	(231,062)	(363,644)
Loss on sale of property, plant and equipment		(336,170)	-
Write down of inventory	5	-	(3,456,236)
Other expenses from ordinary activities		(696,462)	(662,679)
Loss before income tax from discontinued operations		(238,119)	(7,447,339)
Income tax	3	-	-
Net loss after income tax from discontinued operations attributable to members of the Company		-	-
Other comprehensive income		-	-
Total comprehensive loss for the year from discontinued operations		(238,119)	(7,447,339)

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 2019

	Notes	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	20(a)	2,915,335	81,146
Trade and other receivables	4(a)	545,732	983,155
Assets held for sale	6	1,799,727	18,069,436
Inventories	5	1,778,610	3,393,805
TOTAL CURRENT ASSETS		<u>7,039,404</u>	<u>22,527,542</u>
NON CURRENT ASSETS			
Trade and other receivables	4(a)	-	170,880
Property, plant and equipment	7	9,164	2,214,413
Deferred settlement payment – Vasse Felix		500,000	-
TOTAL NON CURRENT ASSETS		<u>509,164</u>	<u>2,385,293</u>
TOTAL ASSETS		<u>7,548,568</u>	<u>24,912,835</u>
CURRENT LIABILITIES			
Trade and other payables	9	294,955	1,521,969
Consideration received pending allotment of shares	10	-	91,554
Interest bearing liabilities	11	82,524	7,595,908
Employee Benefits Provision	12	243,737	595,134
TOTAL CURRENT LIABILITIES		<u>621,216</u>	<u>9,804,565</u>
NON CURRENT LIABILITIES			
Interest bearing liabilities	11	-	19,547
Provisions	12	92,839	358,038
TOTAL NON CURRENT LIABILITIES		<u>92,839</u>	<u>377,585</u>
TOTAL LIABILITIES		<u>714,055</u>	<u>10,182,150</u>
NET ASSETS		<u>6,834,513</u>	<u>14,730,685</u>
EQUITY			
Contributed equity	13	19,806,863	27,464,916
Asset revaluation reserve		-	90,326
Accumulated Losses		(12,972,350)	(12,824,557)
TOTAL EQUITY		<u>6,834,513</u>	<u>14,730,685</u>

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**WATERSHED LAND LTD
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For the year ended 30 June 2019

	Share Capital	Assets Revaluation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2018	27,464,916	90,326	(12,824,557)	14,730,685
Net loss from discontinued operations attributable to Members	-	-	(238,119)	(238,119)
Other Comprehensive Income	-	-	-	-
Total Comprehensive loss for the year from discontinued operations	-	-	(238,119)	(238,119)
Reclassification upon sale of property, plant and equipment	-	(90,326)	90,326	-
<i>Transactions with owners in their capacity as owners:</i>				
Shares not issued	91,554	-	-	91,554
Capital reduction (note 13)	(7,749,607)	-	-	(7,749,607)
Balance at 30 June 2019	19,806,863	-	(12,972,350)	6,834,513
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)
<i>Transactions with owners in their capacity as owners:</i>				
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

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 2019

	Note	2019 \$	2018 \$
Discontinued Operations (note24)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		8,442,819	7,997,143
Payments to suppliers and employees		(7,976,859)	(8,859,200)
Interest paid		(99,352)	(143,471)
Net cash flows provided by / (used in) operating activities	20(b)	366,608	(1,005,528)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of agricultural assets		-	(22,028)
Purchase of plant and equipment		-	(70,095)
Proceeds from sale of property, plant and equipment		18,020,717	-
Net cash flows provide by / (used in) investing activities		18,020,717	(92,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from Octet finance		-	893,293
(Repayment of)/loans from Directors		(388,349)	188,349
(Repayment of)/loans from Syndicate		(1,100,000)	1,100,000
Repayment of debtor facility		(390,880)	(502,413)
Repayment of borrowings		(5,629,823)	-
Capital reduction payment to shareholders		(7,749,607)	-
Repayment of finance lease		(294,477)	(186,768)
Net cash flows(used in) /provided by financing activities		(15,553,136)	1,492,461
Net increase in cash and cash equivalents		2,834,189	394,810
Cash and cash equivalents at the beginning of the year		81,146	(313,664)
Cash and cash equivalents at the end of the year	20(a)	2,915,335	81,146

The accompanying notes form part of these financial statements

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers the Consolidated Entity of Watershed Land Ltd and controlled entities. 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 authorized for issue on 25 October 2019 by the board of directors.

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, as appropriate for for-profit oriented entities.

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.

During the year, the Company’s shareholders voted unanimously in favour of the resolutions put to them in July 2018 for the sale of the majority of its assets, excluding the wine inventory and Jindong Vineyard, for the sum of \$18.5 million to Vasse Felix Management Pty Ltd. On 30 July 2018, the Consolidated Entity signed a 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 over the period to August 2020. These financial statements are prepared on the basis of an orderly termination of the businesses over this period.

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(r).

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 material impact on the financial performance or position of the consolidated entity for the current reporting period or the comparative information.

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 using the modified retrospective approach and as such comparatives have not been restated. 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.

There was no material impact on opening retained earnings as at 1 July 2018 or on the current reporting period from the adoption of this standard.

AASB 9 Financial Instruments

The Consolidated Entity has adopted AASB 9 from 1 July 2018 using the modified retrospective approach and as such comparatives have not been restated. 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.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

AASB 9 Financial Instruments (Cont.)

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.

There was no material impact on opening retained earnings as at 1 July 2018 or on the current reporting period from the adoption of this standard.

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

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

Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

(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
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(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.

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.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(f) Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied.

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.

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.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset and the net proceeds on disposal (including incidental costs).

(g) 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 and other receivables include both Wine Receivables and previous Growers Receivables. Details on payment terms for Wine Receivables and previous Growers Receivables are included in note 4.

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 and the credit risk of the customers.

Other receivables are recognised at amortised cost, less any provision for impairment.

(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.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(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 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) 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.

(l) 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 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(m) 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.

(n) 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.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Inventories

Inventories are measured at 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.

(p) Issued capital

Ordinary shares are classified as equity.

(q) 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 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(r) 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.

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.

Allowance for expected credit losses

The allowance for expected credit losses on 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.

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.

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.

	2019	2018
	\$	\$
2. REVENUE AND EXPENSES		
(a) Revenue		
<i>Revenue from contracts with customers</i>		
Sales revenue from wine sales	5,944,132	5,356,408
Sales revenue from bulk wine sales	628,031	415,794
Sales from contract wine making	-	150,569
Sales revenue from merchandise, venue hire and food and beverages	695,158	1,165,208
WPWL Service fee	135,885	96,246
	7,403,206	7,184,225
<i>Other revenue</i>		
WET rebate	350,000	500,000
Government grants	22,677	129,776

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Interest income from third parties	2,434	638
Other revenue	129,517	302,791
	504,628	933,205
 Total revenue	 7,907,834	 8,117,430

All sales are made within Australia.

(b) Expenses

Loss before income tax expense has been determined after the following expenses:

Finance Costs

- Interest expense and bank charges to third parties	59,701	126,068
- Interest expense to related parties	39,651	526,844
	99,352	652,912

Depreciation and Amortisation

Depreciation of non-current assets

- Buildings and improvements	-	540,866
- Plant and equipment	21,102	325,680
- Agricultural assets	99,007	147,827
	120,109	1,014,373

Amortisation of intangibles

- 6,587

Total Depreciation and Amortisation

120,109 1,020,960

Superannuation expense

Defined contribution superannuation expense 202,028 299,077

Remuneration of Auditor

- Audit or review of financial statements	94,000	98,500
- Taxation compliance services	11,500	13,500
	105,500	112,000

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. As such, it is not probable that future taxable profits will be available against which deductible temporary differences can be utilised.

	2019	2018
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
(a) Current		
Wine receivables	581,232	1,076,698

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Previous Grower's receivables	13,444	68,008
	594,676	1,144,706
Allowance for expected credit losses (2018: Impairment for doubtful debts)	(48,944)	(161,551)
	545,732	983,155
Non-current Previous Growers' receivables	-	170,880
Total Trade and other receivables	545,732	1,154,035

Allowance for expected credit losses

The Consolidated Entity has recognised a loss of \$73,317 in profit or loss in respect of the expected credit losses for the year ended 30 June 2019.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. TRADE AND OTHER RECEIVABLES (CONT.)

(b) Movement in the provision for impairment of receivables are as follows:

	2019	2018
	\$	\$
At beginning of the year	161,551	84,390
Movement in provision during the year	48,944	77,161
Receivables written off during the year	(161,551)	-
At the end of the year	48,944	161,551

	2019	2018
	\$	\$
5. INVENTORIES		
Bottled wine, at NRV	1,416,602	2,367,970
Bulk Wine, at NRV	361,397	1,006,565
Stock Bottles, Corks, Packaging	-	3,565
Merchandise stock, at NRV	611	15,705
	1,778,610	3,393,805

As per the discontinued operations disclosure (note 24), the Consolidated Entity sold the majority of their property, plant and equipment to Vasse Felix and as a result, will only continue on the Watershed business for a further 12 months, in order to sell the remaining wine stock on hand. As such, the wine inventories at 30 June 2019 are valued at its net realisable value of \$1,778,610 (2018: \$3,393,805).

6. ASSETS HELD FOR SALE

	2019	2018
	\$	\$
Land	1,050,294	4,860,000
Plant and equipment	48,109	588,471
Motor Vehicles	-	34,603
Building, production facilities and improvements	81,683	10,158,543
Agricultural assets	619,641	2,394,270
Intangible assets	-	33,549
	1,799,727	18,069,436

Assets held for sale relate to property, plant and equipment (note 7 (a)) under a Call Option Deed giving the counterparty the right to purchase the assets prior to 30 June 2020.

Assets held for sale in 2018 were settled in current year.

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

	2019	2018
	\$	\$
7. PROPERTY, PLANT AND EQUIPMENT		
<i>Land</i>		
At valuation	-	1,281,356
Total land	<u>-</u>	<u>1,281,356</u>
<i>Plant and equipment</i>		
Cost	-	222,609
Accumulated depreciation	-	(165,663)
Total plant and equipment	<u>-</u>	<u>56,946</u>
<i>Motor Vehicles</i>		
Cost	23,168	116,955
Accumulated depreciation	(14,004)	(47,536)
Total motor vehicles	<u>9,164</u>	<u>69,419</u>
<i>Building, production facilities and improvements</i>		
At valuation	-	124,673
Accumulated depreciation	-	(6,625)
Carrying value of building, production facilities and improvements	<u>-</u>	<u>88,048</u>
<i>Agricultural Assets</i>		
At fair value	-	1,013,262
Accumulated depreciation	-	(294,618)
Total agricultural assets	<u>-</u>	<u>718,644</u>
Total property, plant and equipment	<u>9,164</u>	<u>2,214,413</u>

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 and Equipment (Owned)	Buildings, Production Facilities and Improvements	Agricultural Assets	Total
2019							
Balance at the beginning of the year	1,281,356	69,419	-	56,946	88,048	718,644	2,214,413
Depreciation	-	(10,203)	-	(8,838)	(2,060)	(99,008)	(120,109)
Impairment on land	(231,062)	-	-	-	-	-	(231,062)
Disposals	-	(50,052)	-	(4,299)	-	-	(54,351)
Assets held for sale (note 6)	(1,050,294)	-	-	(43,809)	(85,988)	(619,636)	(1,799,727)
Balance at the end of the year	-	9,164	-	-	-	-	9,164

	Land	Motor Vehicles	Plant and Equipment (Leased)	Plant and 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

b) Land, buildings, production facilities and improvements

FY 2018:

Independent valuation

Land, 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 fully owned and are no longer 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 2019

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.

	2019	2018
	\$	\$
Agricultural assets at cost	-	3,552,410
Less: Accumulated depreciation	-	(439,494)
Balance at end	-	3,112,916
Physical quantities planted		
• Hectares planted	-	149.895
• Tonnes of grapes crushed	-	1,099

8. INTANGIBLES

	2019	2018
	\$	\$
Brand name		
Cost	-	-
Accumulated amortisation	-	-
Total intangibles	-	-
Movement in current year:		
Balance at beginning of year	-	40,136
Amortisation	-	(6,587)
Transfer to assets held for sale (note 6)	-	(33,549)
Balance at end of year	-	-

9. TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
Trade creditors and accruals	209,030	1,287,696
GST payable	85,925	234,273
	294,955	1,521,969

**WATERSHED LAND LTD
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

10. CONSIDERATION RECEIVED PENDING ALLOTMENT OF SHARES	2019	2018
	\$	\$
Balance at Beginning	91,554	488,947
Less shares issued	-	(392,499)
Less shares not issued transferred to equity	(91,554)	(4,894)
Balance	<u>-</u>	<u>91,554</u>

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.

11. INTEREST BEARING LIABILITIES	2019	2018
	\$	\$
(a) Current		
Loans from Directors	-	3,841,088
Loans from shareholders	-	100,000
Finance leases (Note 21)	-	4,332
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	<u>82,524</u>	<u>1,052,162</u>
	<u>82,524</u>	<u>7,595,908</u>
(b) Non-current		
Finance leases (Note 21)	<u>-</u>	<u>19,547</u>
	<u>-</u>	<u>19,547</u>

Debtor finance facility and finance lease facility were fully settled during the year.

The directors' and shareholders' loans are unsecured, bear interest at the rate of 10% (2018: 10%) per annum. The shareholder loans were fully settled during the year. The directors' loans were fully settled subsequent to year end.

Loans/notes from directors' related entities and unrelated entities are unsecured, bear interest the rate of 10% (2018: 10%) per annum and were fully settled during the year.

**WATERSHED LAND LTD
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

	2019	2018
	\$	\$
12. PROVISIONS		
Current		
Employee entitlements - Annual leave	80,379	229,353
Employee entitlements - Long service leave	81,326	174,993
Employee entitlements – Redundancy	82,032	190,788
	243,737	595,134
Non-current		
Employee entitlements - Long service leave	-	35,784
Employee entitlements – Redundancy	92,839	322,254
	92,839	358,038
Total employee entitlements	336,576	953,172
Movements		
Balance at beginning	953,172	421,249
Utilised	(728,124)	(206,138)
Additional	111,528	738,061
Balance at end	336,576	953,172

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:

	2019	2018
	\$	\$
Employee benefits obligation expected to be settled after 12 months	-	63,470
13. CONTRIBUTED EQUITY	2019	2018
	\$	\$
9,361,445 fully paid ordinary shares (2018: 9,361,445)	14,381,840	22,039,893
4,848,272 deferred dividend shares (2018: 4,848,272)	5,425,023	5,425,023
	19,806,863	27,464,916

**WATERSHED LAND LTD
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

13. CONTRIBUTED EQUITY (cont.)

Reconciliation of contributed equity

	No of shares	\$
Balance 1 July 2018	14,209,717	27,464,916
Capital reduction	-	(7,749,607)
Shares not issued	-	91,554
Balance 30 June 2019	14,209,717	19,806,863
Balance 1 July 2017	14,050,164	27,072,417
Issue of shares (at \$2.46 per share)	159,553	392,499
Balance 30 June 2018	14,209,717	27,464,916

Capital Reduction

At the Company Annual General Meeting (**AGM**) dated 6 August 2018, subject to various conditions precedent, shareholders approved the tranche one capital reduction to the value of up to \$7,846,864. The tranche one capital reduction was payable to shareholders registered as at 3 August 2018 and equated to 56.1 cents per share.

As at 30 June 2019, \$7,749,607 was paid out as capital reduction.

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	
		2019	2018
Watershed Premium Wines Ltd	Australia	100%	100%
Gnaraway Pty Ltd	Australia	100%	100%

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

**WATERSHED LAND LTD
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

16. FAIR VALUE MEASUREMENT (Cont.)

Consolidated – 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Assets held for sale	-	1,799,727	-	1,799,727
Total assets	-	1,799,727	-	1,799,727

Consolidated – 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Assets held for sale		18,069,436		
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	-	20,157,484	-	2,088,048

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

Descriptions	Fair value at 30 June 2019 \$	Fair value at 30 June 2018 \$	Valuation Technique	Inputs Used
Land	-	1,281,356	Market approach using recent observable market data for similar properties	Price per hectare
Agricultural Assets	-	718,644	Market approach using recent observable market data for similar assets	Price per hectare
Buildings, production facilities and improvements	-	88,048	Market approach using recent observable market data for similar properties and amounts	Price per hectare
Assets held for sale	1,799,727	18,069,436	Sales price under the Jindong Vineyard Call Option Deed (note 6) (2018:sales price as per Contract for Sale with Vasse Felix)	Jindong Vineyard Call Option Deed (2018: Contract for Sale with Vasse Felix)

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 2019

17. EVENTS SUBSEQUENT TO REPORTING DATE

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.

18. PARENT ENTITY INFORMATION

	2019	2018
	\$	\$
Financial Position		
ASSETS		
Current assets	2,795,195	15,709,723
Non-current assets	4,660,731	3,245,156
Total Assets	7,455,926	18,954,878
LIABILITIES		
Current liabilities	36,151	179,420
Non-current liabilities	3,138,995	3,138,995
Total Liabilities	3,175,146	3,318,415
EQUITY		
Issued capital	19,806,863	27,464,916
Asset revaluation reserve	-	90,327
Accumulated losses	(15,526,083)	(11,918,780)
Total Equity	4,280,780	15,636,463
Financial Performance		
Loss for the year	(3,697,629)	(4,462,947)
Total comprehensive loss for the year	(3,697,629)	(4,462,947)

Contingent liabilities

The parent entity had no contingent liabilities at 30 June 2019. At 30 June 2018, the parent entity had a \$1,000,000 contingent liability on a secured guarantee for the bank facility of its subsidiary.

Capital commitments

The parent entity had no capital commitments for property, plant and equipment at 30 June 2019 and 30 June 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 1

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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:

	2019	2018
	\$	\$
Short term employee benefits	358,655	254,526
Post-employment benefits	28,423	24,180
Long term benefits	9,845	-
Total	396,923	278,706

- (b) Loans and related interest expense from related, non-related entities and to the directors please refer to note 2(b) and note 11. All transactions were made on normal commercial terms and conditions and at market rates.

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:

	2019	2018
	\$	\$
Cash at bank and on hand	2,915,335	81,146
	2,915,335	81,146

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

Loss after income tax	(238,119)	(7,447,339)
Depreciation and amortisation	120,109	1,020,960
Assets written off	-	(4,894)
Impairment of fixed assets	231,062	363,644
Accrued interest on loans	-	490,493
Loss on VF sale	302,536	-
Loss on sale of motor vehicles	33,634	-
Commission paid to Acton on VF sale	(462,500)	-
Movements in assets and liabilities		
Receivables	608,303	640,846
Current assets	-	-
Payables	(1,227,015)	(90,111)
Provisions	(616,597)	531,924
Inventories	1,615,195	3,488,949
Net cash flows provided by/ (used in) operating activities	366,608	(1,005,528)

**WATERSHED LAND LTD
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

20. NOTES TO STATEMENT OF CASH FLOWS (CONT.)

(c) Debtor finance facility

	2019	2018
	\$	\$
Amount used	-	390,880
Unused facility	-	609,120
Total facility	-	1,000,000

21. CAPITAL AND LEASING COMMITMENTS

	2019	2018
	\$	\$
Finance lease commitments		
Payable		
- Not later than 1 year	-	5,759
- Later than 1 year but not later than 5 years	-	22,556
	-	28,315
Minimum Lease payments	-	28,315
Less: Future finance charges	-	(4,436)
	-	23,879
Present value of minimum lease payments	-	23,879
Represented by:		
Current (Note 11(a))	-	4,332
Noncurrent (Note 11(b))	-	19,547
	-	23,879

22. CAPITAL EXPENDITURE COMMITMENT

No capital expenditure commitments were contracted for at 30 June 2019 and 30 June 2018.

23. CONTINGENT LIABILITY

The Consolidated Entity has no contingent liabilities at 30 June 2019 and 30 June 2018.

24. DISCONTINUED OPERATIONS

During the year, the Company's shareholders voted unanimously in favour of the resolutions put to them in July 2018 for the sale of the majority of its property, plant and equipment to Vasse Felix Management Pty Ltd 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 2019. Financial information relating to the discontinued operation can be found at the Statement of Comprehensive Income and the Statement of Cash Flows.

25. COMPANY DETAILS

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

Lot 121 Darch Road
MARGARET RIVERWA 6285

RSM Australia Partners

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

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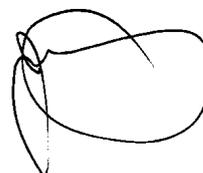
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Watershed Land Ltd for the year ended 30 June 2019, 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: 25 October 2019