TANDOU LIMITED

ABN 81 001 014 562

Financial Statements

For the Year Ended 30 June 2014

Tandou Limited

Chairman's Review

For the Year Ended 30 June 2014

Tandou has demonstrated the value of its strategic holding in irrigated cropping and water entitlements with continued year on year valuation gains in both asset classes.

This year has been another positive step in establishing diversified income streams and growing the Company's asset base.

- **148% increase in water entitlement holdings (at valuation).**
- **21% increase in irrigated cropping area with acquisition of Riverina irrigated property "Bundygoola".**
- **76% increase in consolidated investment base of income producing assets (at valuation).**

Performance
Continued positive operating earnings from both water and cropping businesses despite difficult growing season.

The Company's water business continued to deliver strong results with segment earnings of $3.9 million in addition to unrealised valuation gains during the period of $8.7 million before tax.

Based on the Board's confidence in the business model to continue generating positive returns the Company has again declared an interim dividend return to shareholders of 1 cent per share.

Outlook
Tandou's proven management expertise and established position as an industry leader in water investment has continued to attract interest from both local and international investment sectors.

The Company places significant importance on developing and improving environmentally sustainable farming practices with an internal environmental management system and continuing compliance with independently certified industry practices.

The long term outlook for water values and cropping assets continues to be positive. The Board continues to reflect on the Company's discounted share price and has determined to explore structural and other capital management strategies to deliver increased shareholder value.

Asset Value per share

	2014	**2013**
• **NTA Backing**	**$**	**$**
Net tangible asset backing per share (NTA includes water entitlements at cost).	0.59	0.57
• **Net Asset Value (using Directors' valuation)**		
Net asset value per share based on directors' valuation of assets (including all water entitlements at market value).	0.64	0.66

At the date of this report Tandou's share price was trading at a 32% discount to the Company's Net Asset Value per share using Directors' valuation.

In Conclusion
Directors acknowledge the contribution of our loyal and dedicated management and staff. Tandou's success has largely been a result of their efforts and this has positioned the Company to take advantage of the positive outlook for our water and cropping businesses.

The Board thanks all of our shareholders for your ongoing support and we look forward to seeing you at the Company's annual general meeting on 28 October 2014.

Rob Woolley

Rob Woolley
Chairman

18 September 2014

Tandou Limited

Operating and Financial Review

For the Year Ended 30 June 2014

Directors report a total comprehensive income of $8.7 million ($6.0 million 30 June 2013) and a profit after tax of $0.2 million for the year ended 30 June 2014 ($6.0 million for 30 June 2013).

Normalised net profit after tax is $1.1 million excluding the effect of start-up and finance costs relating to the Bundygoola acquisition ($0.7 million after tax) and impairment loss adjustments during the period ($0.2 million after tax).

Highlights for the financial period included:

- Water entitlement holdings increased by 148% from $31.5 million to $78.0 million at independent valuation, including year on year valuation uplift of $8.7 million.

- Land and property improvements valuation gains brought to account of $8.5 million (net of tax and excluding water entitlements). The total value of farming land, improvements and related assets is now $64.8 million.

- Expansion of the Riverina (Hay) operations with the acquisition of "Bundygoola" irrigation property and water entitlements during January 2014. The Company's land holdings, including the Pevensey Irrigation lease, now total approximately 141,000 hectares, comprising 19,500 hectares developed for row crop irrigation in addition to approximately 121,500 hectares of pastoral land.

- Investment base of income producing assets increased 76% from $81.2 million to $142.8 million (at market value) while maintaining core debt levels at $12.1 million (8.5% of income producing asset values).[1]

- Continued positive earnings from both the Water Business and Farming operations, despite cotton yields well below expectations.

- Successful completion of the Entitlement Offer during May 2014 raising $23.8 million net of costs.

Water Business

The water business reported a segment EBIT[2] of $3.9 million (30 June 2013: $7.3 million).

As at 30 June 2014 the Company held total water entitlements of 80,935 megalitres (30 June 2013: 33,859 megalitres) at Directors' valuation of $78.0 million, representing approximately 40 cents per share. The book value of these assets as reported in the accounts is $57.2 million. Water entitlement markets have continued to improve since balance date.

The pro-forma report on page 10 of the Preliminary Final Report includes the value of the Company's water entitlements at Directors' valuation, based on independent valuation reports as at 30 June 2014. The entitlements are reported at cost in the Balance Sheet in accordance with Australian Accounting Standards.

Having increased water entitlements to current levels the Company now holds one of the largest, most diverse, actively managed water portfolios in the southern connected Murray Darling Basin.

Farming - Cropping

Tandou's cropping operations including Tandou Farm and the expanding Hay Operations completed the 8,700 hectare cotton crop harvest during June 2014, with average yields of approximately 7.5 bales per hectare (2013 crop: 10.2 bales per hectare).

Hay operations are of a scale that enables an established local management structure, we now have key management and agronomy staff in place. The Company will also benefit by utilising existing and new resources across both cropping operations.

As reported the disappointing cotton yields were a result of fluctuating weather conditions at critical stages of the crop cycle. The impact of prolonged extreme heat in summer was exacerbated by cold conditions and rain events during the final growing period in late March

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[1] Income producing assets comprise property, plant & equipment ($64.8M) and water entitlements ($78.0M) at valuation. Core debt represents borrowings ($41.1M) less 2014 cotton & 2013 cereal inventory on hand and 2015 cotton crop investment ($29.0M).

[2] EBIT represents adjusted earnings before interest and tax and unallocated corporate expenses, is reconciled to profit after tax in Note 4 and has been subject to audit.

and early April. We note that the same climatic events have adversely impacted many cotton growers and other agricultural crops in the southern region.

Cotton quality across both operations has again been excellent relative to the broader industry and we have not experienced the colour and fibre quality discounts which have occurred in other growing regions. The Company continues to lead the way for cotton quality and is regarded by the merchants as one of Australia's leading producers of high quality cotton fibre.

Cropping operations included the harvest of 4,960 hectares of durum wheat at average yields of 5.8 tonnes per hectare (approximately 28,500 tonnes).

Farming segment EBIT for the year ended 30 June 2014 was $0.5 million (30 June 2013: $4.2 million).

The Company has forward sold approximately 50% of the 2015 cotton crop at an average price of $495 per bale (2014 crop average: $475 per bale).

Farming - Pastoral

The Company's livestock numbers have been reduced to approximately 7,500 organic Dorper breeding ewes following the exit of the leasehold properties "Keewong" and "Paddington". Improved seasonal conditions have provided for a good supply of feed across the remaining "Tandou" and "Willotia" pastoral areas.

Stronger lamb prices and continued genetic improvements are expected to provide improved trading and earnings growth for the Company's pastoral operations during 2014/15. Pastoral earnings are included in the Farming segment EBIT results.

Environmental, Health & Safety

The Company continues its involvement in and leadership of sustainable land management projects in the Riverina and western New South Wales. This work is based on sound environmental outcomes as defined in the Company's Environmental Management System (EMS) and combines the development and conversion of grazing land to organic status and continual monitoring of our natural resources.

Photo points and groundcover assessments were conducted on Tandou Pastoral areas in accordance with the Company's EMS and the land title Property Vegetation Plan. Groundcover results are monitored and where required specific sites are assessed for remedial works including ponding and other successful remediation trials.

Tandou has maintained its commitment and compliance with the myBMP (Best Management Practices) for cotton production and cotton ginning and also more recently BCI (Better Cotton Initiatives). As an approved grower Tandou is permitted to sell BCI certified cotton and attract a market premium.

During the period the Company has successfully completed compliance audits for the following:

- Australian Organic Standard (domestic standard) for sheep and cattle
- National Organic Program (US export standard) for sheep and cattle
- Best Management Practice for Ginning Cotton (industry standard)

Tandou Farm remains certified to the myBMP standard, and the task of improving the processes and infrastructure at the Hay properties has begun with the end goal of obtaining certification for these properties. Energy related targets and energy management results are reported at Board level on a regular basis.

The Company continues its strong focus on health and safety practices and procedures. Directors and management are proud of the Company's safety record underpinned by a strong culture of employee compliance and awareness, with continued initiatives being developed to ensure workplace safety remains a priority. A recent initiative has been to move our company and site inductions onto a web based platform to ensure more consistent induction content and improved capturing of important workplace documents such as insurance, licencing and competency qualifications and certifications.

Finance Facilities

Finance facilities are provided by the National Australia Bank, including $22.0 million in term debt facilities and a $44.5 million seasonal facility. At balance date the facilities were drawn to $10.0 million and $31.1 million respectively.

These facilities provide the full funding requirements for the business operations including the current cropping intentions for 2014/15.

Strategy

The Company is focused on investing in and managing water and land assets in the connected Murray-Darling Basin. The Company is growing its significant and diverse investment in water entitlements in the region using its scale and intellectual property as a competitive advantage. The Company is a large scale cotton orientated irrigator producing some rotational crops to optimise returns from its land assets.

All funds from the Company's capital raising have been applied and Tandou will continue to review and manage its water assets to maximise water entitlement capital growth and income yield from allocations, either through cropping or external sales.

Innovation and the continued development of efficiency gains are expected to drive further improvements in crop yield and returns, along with information technology and reporting of key business information improvements.

Business Risks

The Company has an established and Board approved Risk Management policy. The Board reviews the inherent business risks on a regular basis to ensure processes are in place to manage risks appropriately and to mitigate the potential impact of these risks to the extent possible. Tandou's Risk Management policy is available on the Company website at www.tandou.com.au

Key business risks of the Company include agricultural risks such as climate and seasonal conditions, pest and disease, commodity prices and currency variations. These risks can impact on both crop yield and commodity prices and subsequently the Company's earnings. The Board continually monitors and where possible mitigates these risks and have established management sub-committees to consider these matters on a regular and formal basis. Other key risks include interest rate movements, access to funding, retention of Board members and key management personnel, and government policy intervention, all of which can impact on the Company's ability to carry out its normal business operations in an efficient and cost effective manner.

Significant revenue is derived from the trading of water entitlements and allocations. The returns from this segment of the business are difficult to forecast and whilst the Company is constantly alert to the market, shareholders should be aware of the opportunistic nature of these transactions that can impact future earnings. The Company has a Water Investment Committee that meets on a regular basis to ensure all opportunities are optimized.

Outlook

Water allocation markets have opened at higher levels with new season prices at or around $80 per megalitre on the back of seasonal conditions and the predictions of an El Nino event throughout South Eastern Australia. Entitlement prices have been rising for the past six months and these markets have continued to tighten post balance date as water allocation prices have firmed. Tandou has seen strong growth in its water entitlements during this period and will continue to manage its portfolio to take advantage of future market opportunities.

Surplus water allocations following recent Murrumbidgee supplementary flows have enabled the Company to sell approximately 10,000 megalitres. Based on projected allocations for the remainder of the 2014/15 water year the Company anticipates selling a further 10,000 megalitres as allocations are announced.

With the addition of Bundygoola and the appointment of new management resources at the Company's Hay operations there is much optimism for the coming season and field preparations are well advanced compared to last season. Lower cotton prices and a firming water allocation market have capped the cotton area at Hay at a conservative production level of 3,500 hectares. Following the recent disappointing cotton crop results the Company is focused on returning to more normal yields for the 2015 crop of 10 bales per hectare.

Menindee Lakes storage levels are currently at approximately 21% and the Company has reduced the anticipated cotton area at Tandou Farm to approximately 3,500 hectares in line with known water availability.

The Company's business model and diversified income stream from both water and cropping is expected to provide consistent returns. With a strong balance sheet and experienced management team, the Board is looking forward to a successful season.

Interim Dividend

Directors' have a strong focus on providing a consistent return to shareholders and have resolved to approve a 1 cent per share unfranked interim dividend payment, following a 1 cent per share dividend paid during September 2013. With the expanded shares on issue following the Entitlement Offer during the period this 1 cent per share effectively represents a 35% increase in dividend payment.

The dividend record date is 12 September 2014 and will be paid to shareholders on 26 September 2014.

Employees & Contractors

Directors acknowledge that the Company's consistent results and growth of the business operations has been achieved through the dedicated efforts of our team of skilled employees and contractors.

Annual General Meeting

Directors would again like to thank our loyal shareholders for their continuing support of Tandou and look forward to your attendance at the annual general meeting to be held in Mildura on Tuesday, 28 October 2014.

On behalf of the Board of Directors

G.S. Kingwill
Chief Executive Officer/Managing Director

18 September 2014

The Directors present their report together with the financial report of Tandou Limited ("the Company" or "Tandou") and of the consolidated entity ("Group"), being the Company and its controlled entity, for the year ended 30 June 2014 and the auditor's report thereon.

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
Robert (Rob) Woolley B.Com (Econ), CA, FAICD Independent Non-Executive Chairman	65	Rob was appointed to the position of Chairman of Tandou on 31 December 2010 after joining the Board during February 2007. Rob was previously the Managing Director of Webster's Limited, retiring in 2004. Before joining Webster's Rob spent over 20 years as a partner of Deloitte, specialising in corporate advice and reconstruction. Rob was also Managing Partner of Deloitte Corporate Finance. Current directorships (non executive): • Bellamy's Australia Ltd (Chairman) • Freycinet Coast Financial Services Ltd • Forestry Tasmania (Tasmanian State Government GBE)
David Boyd Independent Non-Executive Director	73	David joined the Tandou Board on 19 April 2010 and brings to the Company over 50 years of experience in Australian agriculture. David spent 28 years with the Dalgety organisation including 6 years as General Manager of the Rural Division. He then spent 19 years with the Swire Group retiring in 2007 as Chairman and Chief Executive Officer of Clyde Agriculture. His previous Board positions include serving as a Director of John Swire & Sons Pty Ltd, Cotton Australia, the Australian Wool Innovation Limited, Wool International, and Chairman of the Darling Matilda Way Sustainable Region Advisory Committee. Current directorships (non executive): • Cotton Industry Flood Relief Fund Pty Ltd (Chairman) • McGarvie Smith Institute (Chairman)
Anthony Abraham BEc, LLB	51	Anthony joined Tandou on 21 February 2012 following a successful senior executive career with Macquarie Group where Anthony played an integral role in their expansion into Australian agriculture as the CEO and Executive Director of Macquarie Agriculture Funds Management (MAFM). Anthony resigned on 28 October 2013.
Rodger J. Finlay B.Com CA AMIoD Non-Independent Non-Executive Director Chairman Audit & Corporate Governance Committee	56	Rodger joined Tandou on 28 October 2013. He is the Deputy Chairman of Rural Equities Limited, which together with associates is currently a 21.02% shareholder of Tandou. Rodger has significant industrial insight and knowledge of the agriculture, natural resources and financial services sectors after 26 years of service as an investment banker and fund manager in London. Current directorships (non executive) include: • Rural Equities Limited (Deputy Chairman) • New Zealand Oil and Gas Ltd • Moeraki Limited • Mundane Asset Management (Chairman)
Guy Kingwill B.Com CA FAICD Chief Executive Officer / Managing Director	55	Guy joined Tandou's senior management team in June 2005, and was appointed to the position of Chief Executive Officer/Managing Director in March 2006. Prior to joining Tandou, Guy enjoyed a successful senior executive career with Lanxess Corporation and Bayer Chemicals Corporation in the United States. Since joining Tandou, Guy has been actively involved in local organisations and held past directorships (non executive) of: • Sunraysia & Murray Group Training Limited (Chairman) • Australian National Institute

2. Company secretary

Bernie Woollard (B.Bus) was appointed to the position of company secretary in September 2001. Prior to joining Tandou, Bernie had more than 10 years of experience in agribusiness reporting, management and compliance through employment in both private and public accounting services sectors.

3. Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Board Meetings		Audit & Corporate Governance Committee Meetings	
	A	B	A	B
R.G. Woolley	11	11	3	3
J.D.O Boyd	11	11	3	3
A.J Abraham*	2	2	2	2
R.J Finlay**	9	9	1	1
G.S Kingwill***	11	11	3	3

A Number of meetings attended
B Number of meetings held during the time the Director held office during the year
* A.J Abraham resigned as director on 28 October 2013
** R.J Finlay was appointed as director on 28 October 2013
*** During the year Mr Kingwill attended 3 Audit & Corporate Governance Committee meetings by invitation

The nomination and review, and remuneration committees did not meet during the year. Business matters relevant to these committees were dealt with during the course of Board meetings.

4. Corporate Governance Statement

The Tandou Board is committed to best practice in corporate governance where these practices are appropriate and add value to Tandou Limited.

In June 2010, the ASX Corporate Governance Council released amendments to the second edition of the ASX Corporate Governance Principles and Recommendations (ASXCGPR) originally issued in August 2007. The Board is of the opinion that, subject to certain departures which are not justified for adoption due to the nature and scale of Tandou's activities and size of the Board, our policies and practices are in compliance with the ASXCGPR.

This statement is provided to outline the Company's current corporate governance practices and the steps being taken at Tandou to implement the recommendations and guidelines as outlined by the ASX Corporate Governance Council.

4.1 Lay solid foundations for management and oversight

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of the senior executive to manage the Company in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

4. Corporate Governance Statement (continued)

4.1 Lay solid foundations for management and oversight (continued)

To fulfil this role, the Board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

Given the size of the Group and the Board the establishment of a formal performance evaluation strategy is considered inappropriate. Performance evaluation of the Chief Executive Officer/Managing Director and senior executives is a matter for consideration by the entire Board. However, the Board annually reviews its own performance and the Chairman conducts one on one discussions with each of the Non-Executive Directors. To assist the Board to carry out its functions, it has developed a Charter setting out the functions and responsibilities of the Board in order to facilitate Board and management accountability for the Group's performance and strategic direction. The Board Charter is available from the Group website (www.tandou.com.au).

The Board has delegated responsibility for operation and administration of the Company to the Chief Executive Officer/Managing Director and executive management. Responsibilities are delineated by formal authority delegations.

4.2 Structure the Board to add value

Board Composition
To add value to the Group the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific governance skills required by the Group and on the independence of their decision-making and judgement.

Director and executive education
The Group has a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of Directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Group also has a formal process to educate new senior executives upon taking such positions. The induction program includes reviewing the Group's structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the Board.

Director Independence
The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr Woolley, Mr Boyd and Mr Finlay are all Non-Executive Directors. In addition to being Non-Executive Directors, Mr Woolley and Mr Boyd also meet the following criteria for independence as adopted by the Group:

- In accordance with the ASX Corporate Governance Council, an independent Director is one who is "independent of management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment".

- A Director is not considered to be "independent" if they are a substantial shareholder of the Group or an officer of, or otherwise associated directly with, a substantial shareholder of the Group.

4. Corporate Governance Statement (continued)

4.2 Structure the Board to add value (continued)

The Board reviews its assessment of independence as disclosures of new interests or conflicts are made. The Board was comprised of two independent Directors and two non-independent Director as at 30 June 2014.

Disclosure of Interests and Conflicts
At each Board meeting a register of Directors' interests is tabled for consideration and Directors are required to disclose details of any conflicts of interest that have arisen since the previous board meeting.

Period of Office
A Non-Executive Director is elected for a period of up to three years or until the third Annual General Meeting after the Director's election (whichever is longer). As the ASX Listing Rules require Tandou to hold an election of Directors each year, Directors may be subject to re-election before the expiration of this term.

Any Director who is appointed to the Board as a casual vacancy during a year, holds office until the end of the next Annual General Meeting, but is eligible for election by shareholders at that meeting.

Independent Professional Advice
Directors may obtain independent professional legal advice at Tandou's expense, subject to making a request to, and obtaining the prior authorisation of, the Chairman. Where the Chairman wishes to obtain independent professional advice, the Chairman is required to make a request to, and obtain the prior authorisation of, the Chairman of the Audit & Corporate Governance Committee.

Committees
To assist in the execution of its responsibilities, the Board has established a number of Board Committees including a Nomination and Review Committee, a Remuneration Committee and an Audit & Corporate Governance Committee. These committees have written mandates and operations procedures, which are reviewed on a regular basis.

A description of the Audit & Corporate Governance Committee and the Remuneration Committee is included in sections 4.5 and 4.9 below.

The Nomination and Review Committee oversees the appointment, removal and induction process for Directors and committee members and the selection, appointment and succession planning process of the Company's Chief Executive Officer/Managing Director.

The Nomination and Review Committee is comprised of the Board Chairman, acting as Committee Chairman, and the remaining Independent Non-Executive Directors of the Board. The Chief Executive Officer/Managing Director, and other senior executives, are invited to attend meetings as required from time to time at the discretion of the committee. Due to its small size, the Board undertake continual self-assessment during the normal course of a year with no facilitators involved.

In the period to 30 June 2014, formal Nomination and Review Committee meetings were not convened as relevant matters were discussed during the course of Board Meetings. The formal Charter for the Nomination and Review Committee is available from the Group website (www.tandou.com.au).

4. Corporate Governance Statement (continued)

4.3 Promote ethical and responsible decision making

The Company recognises the need to ensure that the highest ethical standards are adopted at all times and as part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as a whole.

Tandou's Board Code of Conduct is available on the Company website (www.tandou.com.au).

Share Trading Guidelines
The Board has formally adopted a Share Trading Policy in relation to dealings in Tandou shares by Directors, senior executives and employees.

The Tandou Share Trading Policy is a recommended code of practice that is designed to:

- set out clear guidelines for Directors, senior executives and other designated officers as to the expectations that Tandou has in relation to dealings in Tandou shares; and
- minimise any potential for insider trading under the law by Directors, senior executives and other designated officers.

The Tandou Share Trading Policy is available on the Company website (www.tandou.com.au).

4.4 Diversity Policy

The Company is an equal opportunity employer and recruits people from a diverse range of backgrounds. The Company has adopted a diversity policy and the terms of this policy are available on the Company website (www.tandou.com.au).

Workplace diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to further enhancing the Group's diversity and embraces the benefits arising from employee and Board diversity. The Company believes this contributes positively to the achievement of the Group's objectives and enhances its reputation.

The number of women employees has increased over recent years and now comprises more than 22% of the Company's total workforce.

To further enhance these achievements in gender diversity the Company has developed the following measurable objectives which will be monitored and evaluated by the Board on a regular basis, not less than annually:

- Objective 1 – Explore the opportunity to enhance gender diversity through employee surveys and consultation.
- Objective 2 – Extend the scope of recruitment and succession planning to identify high potential female employees and develop specific strategies to enhance the skills and experience of these employees to prepare them for management/executive roles.
- Objective 3 – Aim to increase percentage of women in management/executive positions as vacancies arise, subject to identifying candidates with appropriate skills.
- Objective 4 – Directors to consider means of increasing the non-executive representation of women on the Tandou board, subject to identifying candidates with appropriate skills.

4. Corporate Governance Statement (continued)

4.5 Safeguard integrity in financial reporting

Sign-off by Chief Executive Officer/Managing Director, Company Secretary and Financial Controller
In August 2014 (for the statutory full year report) and in February 2014 (for the statutory six month report) the Chief Executive Officer/Managing Director, Company Secretary and Financial Controller provided the Board with statements about Tandou's financial reports and compliance with the Corporations Act and accounting standards. The statements reflected the declarations required to be made to Directors for the full year.

Audit & Corporate Governance Committee
The Board's Audit & Corporate Governance Committee is an advisory body to the Board in relation to:

- Tandou's draft external financial reports, including the statutory half year and full year financial reports, and ASX half year and full year reports;
- in so far as they affect Tandou's financial reporting, risk management and internal control structures, and compliance with laws and regulations;
- external audit activities, the terms of engagement (including fees) for the external audit, the independence of Tandou's external auditor, and the appointment and removal of the external auditor;
- monitoring the need for an internal audit function at Tandou or for any specific internal audits;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- assessing management processes supporting external reporting;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001; and
- review and updating the Company's corporate governance policies in relation to the ASX Corporate Governance Council recommendations.

The Board has adopted a formal Charter for the Audit & Corporate Governance Committee which is available from the Company website (www.tandou.com.au) along with information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

During the year and given the size of the Board, the Audit & Corporate Governance Committee was comprised of Chairman, Mr Anthony Abraham (until his resignation on 28th October 2013) replaced by Non-Independent Non-Executive Director Mr Rodger Finlay (appointed on 28th October 2013), and the remaining Independent Non-Executive Directors of the Board. The Chief Executive Officer/Managing Director and Company Secretary were present at meetings by invitation.

The external auditor and Financial Controller are invited to attend the Audit & Corporate Governance Committee meetings at the discretion of the committee. The committee met three times during the year and committee members' attendance record is disclosed in the table of Directors' meetings in section 3.

The external auditor met with the Audit & Corporate Governance Committee and the Board of Directors twice during the year.

4.6 Make timely and balanced disclosure

The Board is committed to the promotion of investor confidence by ensuring that trading in its securities takes place in an efficient, competitive and informed market and has developed a policy to ensure that information that is expected to have a material effect on the price or value of Tandou shares is immediately notified to the ASX for dissemination to the market.

The Board has adopted the Tandou Continuous Disclosure Policy, which sets out the key obligations of the Board and senior executives to ensure that Tandou complies with its disclosure obligations under the ASX Listing Rules and the Corporations Act.

From time to time, the Company conducts briefings with analysts, media representatives and major shareholders in order to promote a better understanding of the Company and its operations. In conducting such briefings, the Company takes care to ensure that price sensitive information included in the content of the briefings has already been made available to the market.

The Company Secretary manages the Company's compliance with its continuous disclosure obligations and is responsible for communications with the ASX.
The Tandou Continuous Disclosure Policy is available from the Company website (www.tandou.com.au).

4. Corporate Governance Statement (continued)

4.7 Respect the rights of shareholders

The Board aims to ensure that shareholders are informed of all information necessary to assess the performance of the Directors, senior executives and the Company.

Communications strategy
Tandou Board and management recognise the importance of continuous communications with shareholders and potential investors, and encourage their effective participation at shareholder meetings.

The internet is an important communication tool for the dissemination of market information, with the following information made available from the Company website (www.tandou.com.au) for access by all interested stakeholders:

- Tandou's annual reports and half year reports;
- ASX releases (including announcements on profit guidance);
- notices of meeting and explanatory material for shareholder meetings; and
- corporate information about Tandou, including investor and media briefings.

In addition, all major announcements made to the ASX containing important shareholder information are mailed out to shareholders immediately following the announcement. This information is also made available by hard copy and/or email to all relevant media outlets and other stakeholders.

Annual General Meeting
The Annual General Meeting is a forum for shareholders to ask questions about, or make comments on, Tandou's performance and management.

The Board has requested that representatives of PricewaterhouseCoopers, Tandou's external auditor, attend the Annual General Meeting to be held in October 2014. It is also requested that PricewaterhouseCoopers be available to answer any questions that shareholders may have about the conduct of the external audit and the preparation and content of the audit report.

4.8 Recognise and manage risk

As a matter of practice, the Board retains the overall responsibility for risk oversight and management.

Risk management
Tandou has policies relating to interest rate management, foreign exchange risk management, credit risk management and commodity price hedging to minimise the risks that arise through its activities.

The Board also has approved practices that are designed to ensure that:

- capital expenditure and revenue commitments above approved levels are brought to the Board for decision; and
- financial exposures, including the use of derivatives, are minimised.

Tandou's Risk Management schedule is tabled for consideration by Directors at Board meetings and is also reviewed by senior management on a periodic basis to ensure it remains relevant.

Internal controls
Tandou has established controls at the Board, executive and business unit levels that are designed to safeguard Tandou's interests and ensure the integrity of reporting (including accounting, financial reporting, environment, health and safety, and other internal control policies and procedures). These controls are designed to ensure that Tandou complies with regulatory requirements and community standards.

4. Corporate Governance Statement (continued)

4.8 Recognise and manage risk (continued)

The Chief Executive Officer/Managing Director and the Company Secretary have declared, in writing to the Board:

- that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- that the financial reporting risk management and associated compliance controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance controls have also been assessed and found to be operating efficiently and effectively.

All risk assessments covered the whole financial period and the period up to the signing of the financial report for all material operations in the Group.

Tandou's Risk Management Policy is available from the Company website (www.tandou.com.au).

4.9 Remunerate fairly and responsibly

Details of the classification and amount of each element of the emoluments of the Directors of Tandou Limited for the year ended 30 June 2014 are set out in the Directors' Report and the Notes to the Financial Statements.

The Remuneration Committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and Directors of the Company and of other Group executives for the Group. It is also responsible for share option incentives, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

Given the size and nature of the Company, the Remuneration Committee is comprised of the Board Chairman, as Committee Chairman, and the remaining Independent Non-Executive Directors of the Board. The Company's Chief Executive Officer/Managing Director, and other senior executives are invited to attend committee meetings as required from time to time at the discretion of the committee.

The Remuneration Committee meets twice a year or otherwise as required. During the year, formal meetings of the Remuneration Committee were not convened as relevant matters were discussed during the course of Board meetings.

Directors' Fees
Fees paid to Non-Executive Directors are currently subject to a maximum pool of $350,000 per annum. The Board's remuneration pool was approved by shareholders of Tandou at the Annual General Meeting held in November 2011 and has not been increased since that time.

The allocation of fees to Non-Executive Directors out of the total Board remuneration pool is a matter for the Board. The Board reviews fees on an annual basis and, as part of the review process, considers external data, the time commitment of Directors, the size and scale of Tandou's operations, market capitalisation and other factors.

Remuneration Policy
The remuneration policy for senior executives of Tandou is designed to ensure that remuneration is:

- commensurate with an executive's duties, responsibilities and accountabilities; and
- market competitive so that Tandou is able to attract, motivate and retain exceptional performers.

The Board has adopted a Remuneration Committee and its role is documented in an approved Charter.

The role of the Committee is to review and recommend to the Board:

- remuneration policies and packages and terms of employment contracts in relation to certain senior executives and Directors;
- proposals for share plans and incentive programs; and
- policies on retirement and termination payments for Directors.

The Tandou Remuneration Committee Charter is available from the Company website (www.tandou.com.au).

5. Remuneration Report - audited

5.1 Remuneration policy

The remuneration policy of Tandou is designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated Group's financial results. The Board of Tandou believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated Group, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated Group is as follows:

- The remuneration policy is to be developed by the Remuneration Committee and approved by the Board and professional advice is sought from independent external consultants as required.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, and performance incentives with some also receiving fringe benefits and options.
- Performance incentives are generally only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the Directors and company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The remuneration committee reviews key management personnel packages annually by reference to the consolidated Group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria.

Key management personnel receive a superannuation guarantee contribution required by the government, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Upon termination, key management personnel are paid employee benefit entitlements accrued to the date of termination. Any options not exercised will lapse after 90 days from the date of termination.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed with the exception of share options issued which are measured at fair value.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.

Key management personnel are also entitled and encouraged to participate in the employee share and option arrangements to align Directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is valued using the Black-Scholes methodology.

Key management personnel who are subject to the arrangement are subject to a policy governing the use of external hedging arrangements. Such personnel are prohibited from entering into hedge arrangements, i.e. put options, on unvested shares and options which form part of their remuneration package. Terms of employment signed by such personnel contain details of such restrictions.

5. Remuneration Report – audited (continued)

5.2 Performance based remuneration

The key performance indicators (KPIs) are set annually. The measures are tailored to areas where each individual is involved and has a level of control. The KPIs are set to drive Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. The KPIs are reviewed following the annual assessment by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth. This is performed before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Tandou Limited bases the assessment on management accounts that are part of the audited figures.

5.3 Relationship between remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to encourage the alignment of personal and shareholder interests.

The following table shows the profits and dividends for the last five years for the Company, as well as the movement in the share price at the end of the respective financial years. Analysis of the actual figures shows a net increase in the value of the Company since 2010 as reflected by the overall increase in the share price. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall upwards trend in shareholder wealth over the past three years.

	Twelve months to 30 June 2014	**Twelve months to 30 June 2013**	**Twelve months to 30 June 2012**	**Six months to 30 June 2011**	**Twelve months to 31 Dec 2010**
Net profit / (loss)	$197,000	$6,020,000	$5,171,000	$3,690,000	$6,012,000
Dividends paid	$1,432,000	$1,432,000	-	-	-
Increase / (decrease) in share price	$0.02	$0.03	$(0.02)	$0.06	$0.00

5.4 Performance conditions linked to remuneration

The Group seeks to reward for results and continued commitment to the Group through the provision of various cash bonus reward incentives, specifically the incorporation of incentive payments based on the achievement of profitability, market capitalisation and company scale targets.

The performance-related parts of remuneration are detailed in the table in section 5.5. There has been no alteration to the terms of the bonuses paid.

The satisfaction of the performance conditions is based on the audited financial statements of the Group. The Board does not believe that performance conditions should include a comparison with factors external to the Group at this time.

Tandou Limited

Directors' Report

For the Year Ended 30 June 2014

5. Remuneration Report – audited (continued)

5.5 Employment details of key management personnel and other executives

The following table provides employment details of persons who were, during the financial year, key management personnel of the consolidated Group. The table also shows the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

	Position Held as at 30 June 2014 and any change during the year	Contract Details (Duration and Termination)	Proportions of Elements of Remuneration Related to Performance			Proportions of Elements of Remuneration Not Related to Performance	
			Non-salary Cash-based Incentives	Shares/ Units	Options/ Rights	Fixed Salary/ Fees	Total
			%	%	%	%	%
Key Management Personnel							
R.G Woolley	Non-executive Director, Chairman	Elected every 3 years or earlier as required	-	-	-	100	100
A.J Abraham	Non-executive Director	Resigned on 28 October 2013	-	-	-	100	100
J.D.O Boyd	Non-executive Director	Elected every 3 years or earlier as required	-	-	-	100	100
R.J Finlay	Non-executive Director	Joined 28 October 2013, elected every 3 years or earlier as required	-	-	-	100	100
G.S Kingwill	Executive Director, CEO / Managing Director	No fixed termination date. The company can terminate the contract with the payment of two years salary (in lieu of notice). G.S Kingwill can terminate the contract with three months notice.	24	-	-	76	100

The employment terms and conditions of key management personnel and Group executives are formalised in contracts of employment. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance. Non-Executive Directors are subject to similar contracts requiring two months notice to be given on termination.

5.6 Changes in Directors and executives subsequent to year end

There have been no changes to any of the Director or executive appointments subsequent to the year end.

Tandou Limited

Directors' Report

For the Year Ended 30 June 2014

5. Remuneration Report – audited (continued)

5.7 Remuneration details for the year ended 30 June 2014

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the company:

		Short-term Benefits				Post-employment Benefits		Long-term Benefits		Equity-settled Share-based Payments				
		Salary, Fees and Leave	Profit Share and Bonuses	Non-monetary	Other	Pension and Superannuation	Other	Incentive Plans	AL & LSL	Shares/ Units	Options/ Rights	Cash-settled Share-based Payments	Termination Benefits	Total
		$	$	$	$	$	$	$	$	$	$	$	$	$
Key Management Personnel														
R.G Woolley	2014	121,000	-	-	-	-	-	-	-	-	-	-	-	121,000
	2013	112,500	-	-	-	-	-	-	-	-	-	-	-	112,500
A.J Abraham	2014	17,312	-	-	-	1,601	-	-	-	-	-	-	-	18,913
	2013	45,872	-	-	-	4,128	-	-	-	-	-	-	-	50,000
J.D.O Boyd	2014	16,500	-	-	-	35,500	-	-	-	-	-	-	-	52,000
	2013	25,000	-	-	-	25,000	-	-	-	-	-	-	-	50,000
R.J Finlay	2014	34,952	-	-	-	3,233	-	-	-	-	-	-	-	38,185
	2013	-	-	-	-	-	-	-	-	-	-	-	-	-
G.S Kingwill	2014	391,042	145,708	11,616	-	24,790	-	-	40,590	-	-	-	-	613,746
	2013	344,120	293,913	13,234	-	24,245	-	-	5,572	-	-	-	-	681,084

5.8 Securities received that are not performance related

No members of key management personnel have received securities during the year which are not performance-based as part of their remuneration package.

5. Remuneration Report – audited (continued)

5.9 Cash bonuses, performance related bonuses and share-based payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to key management personnel and other executives during the year are as follows:

	Remuneration Type	Award Date	Reason for Award (Note 1)	Percentage Paid during year (Note 2)	Percentage Remaining Unpaid (Note 2)	Range of Possible Values Relating to Future Payments
Key Management Personnel						
G.S Kingwill	Cash bonus	30 June 2014	-	25%	75%	$100,000 – $150,000

Note 1 Cash was awarded as part of the Company's incentive program for the retention of key management personnel. Where amounts vested during the year, such persons were deemed to have satisfied the prerequisites for the receipt of all or a proportion of their awards based on satisfaction of KPI measures.

Note 2 The dollar value of the percentage vested/paid during the year has been reflected in the Table of Benefits and Payments.

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting year are as follows: There were no options issued and no options vested during the reporting period. Options expire at the earlier of the date below and the employee ceasing employment and are not subject to contractual performance hurdles.

These shares (250,000 shares) were issued in April 2008 and have an exercise price of $0.26. All 250,000 of the options have vested at the date of this report and no options have been granted since the end of the financial year. None of the vested options have been exercised.

The options will expire on the earlier of 10 years from the date of the offer or 90 days from the date Mr Kingwill ceases to be a Director of the Company.

6. Principal activities

The principal activities of the Group comprising the Company and the entity it controlled during the financial year were:

- Continuing to build a portfolio of water assets through the strategic buying and selling of water entitlements and the trading of seasonal water allocations; and
- Production and marketing of irrigated cotton and cereal crops, ginning of cotton at Tandou Farm, via Menindee, NSW, and the Hay Operations, NSW
- Production of livestock at Tandou Farm, via Menindee, NSW.

7. Dividends

During the year ending 30 June 2014 the Directors approved and paid a 1 cent per share unfranked dividend to shareholders. The total payment to shareholders amounted to $1.43m (2013: $1.43m). No further dividends have been declared during the year.

Subsequent to year end the Directors have approved and paid a 1 cent per share unfranked interim dividend to shareholders. This dividend record date was 12 September 2014, with payment being made on 26 September 2014.

8. Events subsequent to reporting date

No events have arisen in the interval between the end of the year and the date of this report. No item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

9. Likely developments

The Group will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year.

10. Review of operations

A detailed review of the operations of the Group during the year and the results of those operations including significant changes in the state of affairs is disclosed in the 'Operating and Financial Review ' section of this Annual Report.

11. Pro-forma balance sheet (un-audited)

As at 30 June 2014	As per balance sheet (page 24)	Water entitlement uplift as per Directors' valuations	Pro-forma Consolidated 2014	Note
In thousands of AUD				
Assets				
Total current assets	98,098	11,976	110,074	1
Total non-current assets	68,929	8,807	77,736	1
Total assets	**167,027**	**20,783**	**187,810**	
Liabilities				
Total current liabilities	9,690	-	9,690	
Total non-current liabilities	45,455	6,235	51,690	2
Total liabilities	**55,145**	**6,235**	**61,380**	
Net assets	**111,882**	**14,548**	**126,430**	

Notes

1. The Group's assets at Directors' valuation after taking into consideration the independent valuation of water entitlements as at 30 June 2014 was performed by Ben Symons of Herron Todd White (Albury).
2. The water valuation uplifts are tax effected at 30%.

12. Directors' interests

The relevant interest of each Director in the shares and options in Tandou Limited held, directly, indirectly or beneficially, including their related parties over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares	Options over ordinary shares
R.G. Woolley	516,678	-
J.D.O Boyd	48,813	-
R.J Finlay	26,788,210	-
G.S. Kingwill	199,375	250,000

13. Share options

There were 250,000 shares under options during the financial year and at the date of this report. These options were issued in April 2008 and have an exercise price of $0.26. All 250,000 of the options have vested at the date of this report and no options have been granted since the end of the financial year. None of the vested options have been exercised.

14. Indemnification and insurance of officers and auditors

During the twelve months ended 30 June 2014, Tandou paid premiums to insure the Directors and secretaries of the Company and its Australian-based controlled entities, and the general managers of each of the divisions of the Group. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. The insurance contract prohibits the premium payable under the agreement being disclosed.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

15. Non-audit services

During the year PricewaterhouseCoopers, the Company's auditor, has performed no other services in addition to their statutory duties.

Details of the amounts paid to the auditor of the Company, and its related practices for audit services provided during the year are set out below in whole dollars.

	Consolidated period ended 30 June 2014
Audit services:	**$**
Audit and review of financial reports	**118,800**
Services other than statutory audit	**-**
	118,800

16. Environmental regulation

The Group holds leases in perpetuity from the Western Lands Commission of NSW, for its principal properties in far Western NSW. Water entitlements are granted to the Group by the Department of Water and Energy NSW. Regulatory bodies consulted include the National Park and Wildlife Service of NSW, the Catchment Management Authority NSW, as well as relevant local government bodies.

Development of all properties has been carried out under approvals granted by appropriate local and/or State authorities and statutory bodies governing land and water resource use. Particular attention is given to compliance with licensing requirements as they pertain to protection of native fauna, flora and natural resources within, and bordering upon, the Group's properties. This extends to lands and waterways accessed for the purposes of utilising and/or exercising rights under licences granted.

The Australian cotton industry has developed a Best Management Practice manual for sustainable cotton production. During the 2013 year, an independent audit was completed from which Tandou Farm was granted full accreditation under the Best Management Practice criteria, and also during 2014 the cotton gin was granted re-accreditation.

Other than as disclosed above, the Group is not subject to any particular or significant environmental regulation under either Commonwealth or State legislation. However the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

17. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 67 and forms part of the Directors' report for the year ended 30 June 2014.

18. Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

This report is made with a resolution of the Directors:

R.G. Woolley	G.S. Kingwill
Chairman	**Chief Executive Officer / Managing Director**

Mildura, 18 September 2014

Tandou Limited

Financial Report

For the Year Ended 30 June 2014

Contents

These financial statements are the consolidated financial statements for the Group consisting of Tandou Limited and its subsidiary. The financial report is presented in Australian currency.

Tandou Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Tandou Limited
31 Alan Mathews Drive
Mildura Vic 3502

A description of the nature of the Group's operations and its principal activities is included in the Directors' report on pages 6 through 21, and a pro-forma balance sheet on page 19, which are not part of this financial report.

The financial report was authorised for issue by the Directors on 18 September 2014. The Directors have the power to amend and reissue the financial report.

Through the use of the internet, the Group has ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Shareholders' Centre on the Group's website (www.tandou.com.au).

Tandou Limited

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2014

	Note	30 June 2014 $000's	30 June 2013 $000's
Revenue	5	**68,680**	65,716
Net gain on changes in fair value of biological assets		**40,452**	36,999
Cost of sales		**(103,907)**	(89,022)
Gross profit		**5,225**	13,693
Other income	6	**2,620**	1,393
Administration expenses		**(1,904)**	(2,298)
Farm care and maintenance expenses		**(2,879)**	(3,267)
Establishment costs relating to Bundygoola acquisition		**(422)**	-
Impairment loss – property, plant & equipment		**(317)**	-
Profit from Continuing Operating Activities before Financing Costs		**2,323**	9,521
Financial income		**76**	20
Financial expenses		**(2,104)**	(932)
Net Financing Costs	10	**(2,028)**	(912)
Profit before income tax		**295**	8,609
Income tax expense	11	**(98)**	(2,589)
Profit for the year		**197**	6,020
Other comprehensive income:			
Items that may be classified to profit and loss:			
Cash flow hedge (net of income tax)		**-**	(38)
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant & equipment (net of income tax)		**8,532**	-
Other comprehensive income/(expense) for the year (net of income tax)		**8,532**	(38)
Total comprehensive income for the year		**8,729**	5,982
Earnings per share	12		
Basic (cents per share)		**0.13**	4.2
Diluted (cents per share)		**0.13**	4.2

The accompanying notes form part of these financial statements.

Tandou Limited

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	30 June 2014 $000's	30 June 2013 $000's
Assets			
Current Assets			
Cash and cash equivalents	13	**482**	1,914
Trade and other receivables	14	**9,303**	11,304
Inventories - Farming	15(a)	**27,093**	36,416
Inventories - Water	15(b)	**56,609**	18,131
Biological assets	16	**4,561**	6,341
Investments		**50**	50
Total Current Assets		**98,098**	74,156
Non-Current Assets			
Property, plant and equipment	18	**64,783**	41,935
Loan receivable		**2,062**	-
Inventories - Water	15(b)	**2,084**	1,919
Total Non-Current Assets		**68,929**	43,854
Total Assets		**167,027**	118,010
Liabilities			
Current Liabilities			
Trade and other payables	19	**8,806**	12,011
Borrowings	20	**-**	13,852
Employee benefits	21(a)	**884**	759
Total Current Liabilities		**9,690**	26,622
Non-Current Liabilities			
Borrowings	20	**41,100**	10,079
Employee benefits	21(b)	**108**	75
Deferred tax liabilities	17	**4,247**	1,004
Total Non-Current Liabilities		**45,455**	11,158
Total Liabilities		**55,145**	37,780
Net Assets		**111,882**	80,230
Equity			
Share capital	22	**98,754**	74,400
Share option reserve	22	**31**	31
Asset revaluation reserve	22	**8,532**	-
Retained earnings	22	**4,565**	5,799
Total Equity		**111,882**	80,230

The accompanying notes form part of these financial statements.

Tandou Limited

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

2014

	Contributed Equity $000's	Retained Earnings $000's	Asset Revaluation Reserve $000's	Hedge Reserve $000's	Share Option Reserve $000's	Total $000's
Balance at 1 July 2013	**74,400**	**5,799**	**-**	**-**	**31**	**80,230**
Profit for the year	**-**	**197**	**-**	**-**	**-**	**197**
Other comprehensive income for the year	**-**	**-**	**8,532**	**-**	**-**	**8,532**
Transactions with owners in their capacity as owners:						
Capital raising	**24,354**	**-**	**-**	**-**	**-**	**25,354**
Dividends paid	**-**	**(1,431)**	**-**	**-**		**(1,431)**
Balance at 30 June 2014	**98,754**	**4,565**	**8,532**	**-**	**31**	**111,882**

2013

	Contributed Equity $000's	Retained Earnings $000's	Asset Revaluation Reserve $000's	Hedge Reserve $000's	Share Option Reserve $000's	Total $000's
Balance at 1 July 2012	74,400	1,211	-	38	31	75,680
Profit for the year	-	6,020	-	-	-	6,020
Other comprehensive income for the year	-	-	-	(38)	-	(38)
Transactions with owners in their capacity as owners:						
Dividends paid	-	(1,432)	-	-	-	(1,432)
Balance at 30 June 2013	74,400	5,799	-	-	31	80,230

The accompanying notes form part of these financial statements.

Tandou Limited

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2014

	Note	30 June 2014 $000's	30 June 2013 $000's
Cash Flows From Operating Activities			
Cash receipts from customers		**67,953**	71,116
Cash paid to suppliers and employees		**(91,122)**	(69,449)
Cash used in operations		**(23,169)**	1,667
Interest received		**14**	20
Interest paid		**(2,104)**	(932)
Net cash (used in) / generated from operating activities	28	**(25,259)**	755
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		**137**	69
Payments for property, plant and equipment		**(13,890)**	(11,580)
Loans issued		**(2,000)**	-
Acquisition of investments		**-**	(50)
Net cash used in investing activities		**(15,753)**	(11,561)
Cash Flows From Financing Activities			
Proceeds from borrowings		**78,600**	26,500
Repayments of borrowings		**(61,000)**	(13,000)
Proceeds from capital raising net of costs		**23,842**	-
Repayment of finance lease liabilities		**(431)**	(271)
Dividends paid		**(1,431)**	(1,431)
Net cash generated from financing activities		**39,580**	11,798
Other Activities			
Net increase in cash held		**(1,432)**	992
Cash and cash equivalents at the beginning of the year		**1,914**	922
Cash and cash equivalents at the end of the year	13	**482**	1,914

1 Basis of Preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Tandou Limited is a for-profit entity for the purpose of preparing financial statements. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- biological assets are measured at fair value less point-of-sale costs; and
- land and improvements, buildings and gin assets are measured at fair value.

The methods used to measure fair values are discussed further in note 3.

(c) Functional and presentation currency and rounding

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of every member of the Group.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 16 - biological assets

Note 17 - utilisation of tax losses

Note 18 - valuation of land and improvements, buildings and gin assets, and measurement of the recoverable amounts of assets and estimation of useful life of assets

Note 21 - measurement of share-based payments

2 Significant Accounting Policies

(a) Basis of Consolidation

Subsidiaries are entities controlled by the Group. During 2014 Tandou Limited's only subsidiary Millewa County Farms Pty Ltd was wound up and deregistered. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-Group balances, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(b) Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value, plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 2(l).

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

2 Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(ii) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently carried at fair value. Gains and losses are recognised immediately in profit or loss.

The Group designates certain derivatives as cash flow hedges when hedging the exposure to the variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability.

(v) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Property, Plant and Equipment

(i) Change in accounting policy

During the year the Group has changed accounting policies in relation to the measurement of land and land improvements, buildings and gin assets. Previously these assets were measured at cost less any accumulated depreciation and impairment. During the current year these assets have been measured at fair value based on independent and external valuations obtained. This change in accounting policy has resulted in an increase in other comprehensive income amounting to $8,532,000 reflecting the uplift in value recorded in the asset revaluation reserve, in addition to an impairment expense of $317,000 being recorded in profit reflecting the decrease in value attributable to certain individual revalued assets.

(ii) Recognition and measurement

Items of property, plant and equipment are measured at cost or fair value less accumulated depreciation and impairment losses.

Property at fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction) is based on valuations performed at least every three years by an independent external valuer, less any accumulated depreciation for buildings or plant.

Increases in the carrying amount arising on revaluations performed are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised against the revaluation reserve directly in equity, with all other decreases being recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other income' in profit or loss.

2 Significant Accounting Policies (continued)

(d) Property, plant and equipment (continued)

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Class of asset	Depreciation rate
Land & improvements	2.5 – 20.0%
Buildings	5.0 – 20.0%
Plant & equipment	5.0 – 50.0%
Leasehold improvements	20.0 – 50.0%
Gin	5.0 – 33.3%
Equipment under finance lease	4.0 – 20.0%

(v) Revaluation methodology

Note 18 outlines the valuation techniques used in determining the fair value of land and land improvements, buildings and gin assets. These assets are all classified within level three of the fair value hierarchy as prescribed by accounting standards with values being derived by an external, independent and qualified valuer using comparable market, industry and transaction data, discount rates and terminal yields.

(e) Biological assets

Crops in progress are valued at their expected net market value less costs of harvesting having regard to the stage of development of the crop. Upon harvest crops are transferred to inventories at fair value less estimated point of sale costs. Point of sale costs include all costs that would be incurred to sell the assets excluding costs incurred in getting the asset to market. As the fair value of the asset is based on its present location and condition, the costs necessary to get the assets to market are deducted from the market price in order to determine its fair value.

The fair value of cotton harvested during the period, and recognised as revenue, is determined as the fair value of cotton immediately after picking less point of sale costs. The fair value of livestock held for sale is based on the market price of livestock of a similar age, breed and genetic merit.

(f) Leased assets

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

2 Significant Accounting Policies (continued)

(f) Leased assets (continued)

Other leases are operating leases and the leased assets are not recognised on the Group's Statement of Financial Position. Hence costs for operating leases are recognised on a straight line basis for the period of the lease.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average cost per location, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of items transferred from biological assets is their fair value less estimated point of sale costs at the date of transfer.

Permanent water entitlements and temporary water allocations are classified as inventories where they are acquired and held for trading purposes, and are valued at the lower of cost and net realisable value. Refer to note 15.

(h) Impairment of Assets

(i) Financial assets

Financial assets include cash and cash equivalents, equity instruments of another entity and contractual rights to receive financial assets from another entity.

A financial asset is assessed at each reporting date or where a trigger event exists to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost that are debt securities, the reversal is recognised in profit or loss.

2 Significant Accounting Policies (continued)

(h) Impairment of assets (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or assets that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash generating unit"). An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee Benefits

(i) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

(ii) Other long-term employee benefits

The liabilities for long service leave and annual leave are not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

2 Significant Accounting Policies (continued)

(i) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) Revenue

(i) Goods sold

Revenue from the sale of goods (including the sale of water entitlements and temporary water allocations) is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of water entitlements and temporary water allocations, transfer of risks and rewards usually occurs when a binding contract has been entered with no significant conditions precedent to settlement outstanding. For sales of livestock, cotton lint and cotton seed, transfer occurs upon receipt by the customer.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

2 Significant Accounting Policies (continued)

(l) Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, net foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, amortisation of transaction costs associated with financial liabilities, net foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. Foreign currency gains and losses are reported on a net basis.

(m) Income Tax

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated Group with effect from 1 January 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Tandou Limited. The only wholly-owned Australian resident subsidiary Millewa County Farms Pty Ltd was wound up and deregistered during 2014.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the ‘group allocation method’ approach. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company’s statement of financial position and their tax values applying under tax consolidation.

2 Significant Accounting Policies (continued)

(m) Income tax (continued)

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated Group and are recognised by the Company as amounts receivable from (payable to) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated Group to the extent that it is probable that future taxable profits of the tax-consolidated Group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated Group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated Group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivable/(payable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated Group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote

(n) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised 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 ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2 Significant Accounting Policies (continued)

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

(q) Financial risk management

(i) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

(iii) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group does not require collateral in respect of trade and other receivables.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(iv) Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries. Given the wholly-owned subsidiary has been wound up and deregistered during the year, no guarantees are in place as at 30 June 2014.

2 Significant Accounting Policies (continued)

(q) Financial risk management (continued)

(v) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's financing facilities are set out in note 20.

(vi) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks.

(vii) Currency risk

The Group is exposed to currency risk on certain sales that are denominated in a currency other than the Australian dollar (AUD). When necessary, the Group uses forward exchange contracts to hedge its currency risk.

Interest on borrowings is denominated in AUD.

(viii) Interest rate risk

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is minimised by assessment of market forecasts and monitoring levels of exposure to interest rate risk.

(ix) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board seeks to ensure the Group has sufficient equity and financing facilities to meet the business' operating and investing cashflow needs, including appropriate levels of gearing that are within debt facility requirements. The Board of Directors also monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

(r) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company is as follows:

- AASB 9: Financial Instruments, AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127], AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8], AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Part C] and AASB 2014-1 Amendments to Australian Accounting Standards [Part E] *(applicable for annual reporting periods commencing on or after 1 January 2018)*

2 Significant Accounting Policies (continued)

(r) New Accounting Standards for Application in Future Periods (continued)

AASB 9 includes requirements for the classification and measurement of financial assets and the accounting requirements for financial liabilities.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value
- simplifying the requirements for embedded derivatives
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows
- amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's won credit risk to be presented in other comprehensive income
- adding Chapter 6 Hedge Accounting which supersedes the general hedge accounting requirements as they exist in AASB 139 and the addition of new disclosure requirements. The Chapter 6 requirements include a new approach to hedge accounting, intended to more closely align hedge accounting with risk management activities

The company has not yet assessed the impact of this standard.

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] *(applicable for annual reporting periods commencing on or after 1 January 2014)*

  This standard adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

  The standard is not expected to impact the Company.

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets *(applicable for annual reporting periods commencing on or after 1 January 2014)*

  This Standard amends the disclosure requirements in AASB 136. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique.

  The standard is not expected to impact the Company.

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Part B] *(applicable for annual reporting periods commencing on or after 1 January 2014)* and AASB 2014 -1 Amendments to Australian Accounting Standards [Part C] *(applicable for annual reporting periods commencing on or after 1 July 2014)*

  The changes made to AASB 1031 in respect of materiality withdraw the substantive content contained within the standard and provide signpost references to materiality in other Australian Accounting Standards.

  The standard is not expected to impact the Company.

2 Significant Accounting Policies (continued)

(r) New Accounting Standards for Application in Future Periods (continued)

- AASB 2014 -1 Amendments to Australian Accounting Standards [Part A] *(applicable for annual reporting periods commencing on or after 1 July 2014)*

  Part A of this Standard makes various amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle, including:

  - AASB 1 – clarification in the basis of conclusion.
  - AASB 2 – amendments to certain definitions contained within the standard.
  - AASB 3 – clarification that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date and clarification that AASB 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
  - AASB 8 – amendments to disclosures.
  - AASB 13 – clarification regarding the measurement of short-term receivables and payables and clarification that the scope of the portfolio exception in paragraph 52 of AASB 13 includes all contracts accounted for within the scope of AASB 139 or AASB 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in AASB132.
  - AASB 116 and AASB 138 – clarification that when an item of property, plant and equipment or intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
  - AASB 124 – clarification that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
  - AASB 140 – clarification that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 Business Combinations and investment property as defined in AASB140 Investment Property requires the separate application of both standards independently of each other.

  The standard is not expected to impact the Company.

- AASB 2014 -1 Amendments to Australian Accounting Standards [Part B] *(applicable for annual reporting periods commencing on or after 1 July 2014)*

  Part B of this Standard makes amendments to AASB 119 Employee Benefits in relation to the requirements for contributions from employees or third parties that are linked to service. The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. In contrast, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method applied to the gross benefit.

  The standard is not expected to impact the Company.

- IFRS 15 Revenue from Contracts with Customers *(applicable for annual reporting periods commencing on or after 1 January 2017)*

  IFRS 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

2 Significant Accounting Policies (continued)

(r) New Accounting Standards for Application in Future Periods (continued)

IFRS 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The Company has not yet assessed the impact of this standard.

The Company does not anticipate early adoption of any of the above Australian Accounting Standards or Interpretations.

3 Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Biological assets

The fair value of crops is based on the market price of estimated recoverable harvested crop, net of harvesting costs. The fair value of livestock held for sale is based on the market price of livestock of similar age, breed and genetic make-up. The fair value of biological assets includes management's estimate of the current stage of development and growth. The fair value measurement of the biological assets is a level 3 measurement, as defined by the AASB 13 Fair Value Measurement fair value hierarchy, as one or more of the significant inputs is not based on observable market data.

(b) Derivatives

The fair value of forward exchange contracts is based on their market price, if available. If a market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). Contracts where listed market price is available is a level 1 measurement, whilst contracts where listed market price is not available is a level 2 or level 3 measurement.

(c) Non-derivative financial liabilities including trade and other payables

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. The fair value measurement of non-derivative financial instruments is a level 1 measurement, as defined by the AASB 13 Fair Value Measurement fair value hierarchy.

(d) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value measurement of the trade and other receivables is a level 1 measurement, as defined by the AASB 13 Fair Value Measurement fair value hierarchy.

(e) Financial guarantees

For financial guarantee contract liabilities, the fair value at initial recognition are determined using a probability weighted discounted cash flow approach. This method takes into account the probability of default by the guaranteed party over the term of the contract, the loss given default (being the proportion of the exposure that is not expected to be recovered in the event of default) and exposure at default (being the maximum loss at the time of default). The fair value measurement of financial guarantees is a level 3 measurement, as defined by the AASB 13 Fair Value Measurement fair value hierarchy, as one or more of the significant inputs is not based on observable market data.

(f) Share based payment transactions

The fair value of employee stock options is measured using a binomial option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

4 Segment Reporting

The Chief Executive Officer/Managing Director receives regular discrete financial information for the operating segments to assess performance and determine the allocation of resources.

For management purposes, the Group is organised into two major operating segments, namely Farming and Water Operations.

- Farming – the operations comprising the production of crops (upland cotton and cereal) for sale in Australian and international markets as well as pastoral activities relating to sheep and cattle. Any minor ancillary activities are also included in this segment

- Water Operations – the trading of permanent water entitlements and temporary water allocations.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

Whilst the Group operates solely in Australia, it can potentially sell its products to customers located in Australia, Europe, Asia and the United States of America.

In 2014 there was no sales revenue earned from overseas customers through sales made via brokers/agents (2013: Nil).

The amount of its continuing operations revenue from customers domiciled in Australia for the twelve months to 30 June 2014 is $68,680,000 (30 June 2013: $65,716,000) with no sales made directly to overseas customers as per the disclosure above.

Business segments	**Farming**		**Water Operations***		**Consolidated**	
In thousands of AUD	**30 June 2014**	**30 June 2013**	**30 June 2014**	**30 June 2013**	**30 June 2014**	**30 June 2013**
Total segment revenue	**55,560**	34,044	**20,319**	37,549	**75,879**	71,593
Inter-segment revenue	**-**	-	**(7,199)**	(5,877)	**(7,199)**	(5,877)
Revenue from external customers	**55,560**	34,044	**13,120**	31,672	**68,680**	65,716
Adjusted EBIT	**513**	4,182	**3,925**	7,297	**4,438**	11,479
Depreciation and amortisation	**2,529**	2,088	**-**	1	**2,529**	2,089
Depreciation and amortisation (unallocated)	**-**	-	**-**	-	**42**	54
Total segment assets	**99,943**	85,085	**64,185**	29,569	**164,128**	114,654
Total assets includes:						
Acquisition of segment fixed assets	**13,695**	11,540	**2**	-	**13,697**	11,540
Impairment loss on property, plant & equipment	**(317)**	-	**-**	-	**(317)**	-
Total segment liabilities	**7,345**	10,819	**370**	896	**7,715**	11,715

* During the year ended 30 June 2014, Water Operations gains totalling $2,237,000 were derived from inter-segment sales to Farming (2013: $3,815,000).

Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Directors is measured in a manner consistent with that in the Consolidated Statement of Comprehensive Income. Revenues from external customers are derived from the sale of cereal, cotton, water entitlements, water allocations and livestock. A breakdown of revenue and results is provided in the table above.

4 Segment Reporting (continued)

Adjusted EBIT

The Directors assess the performance of the operating segments based on a measure of adjusted EBIT. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the Finance department which manages the cash position of the Group. Corporate overhead and administration costs are not allocated to operating segments.

	30 June 2014 $000's	30 June 2013 $000's
Adjusted EBIT	**4,438**	11,479
Unallocated corporate costs	**(2,115)**	(1,958)
Income tax expense	**(98)**	(2,589)
Financial income	**76**	20
Finance costs	**(2,104)**	(932)
Profit for the year	**197**	6,020

Segment assets

The amounts provided to the Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Segment assets	**164,128**	114,654
Unallocated:		
Cash and cash equivalents	**482**	1,914
Trade and other receivables	**-**	1,188
Property, plant & equipment	**355**	254
Loan receivable	**2,062**	-
Total assets per the Statement of Financial Position	**167,027**	118,010

Segment liabilities

The amounts provided to the Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Segment liabilities	**7,715**	11,715
Unallocated:		
Current borrowings	**-**	13,500
Non-current borrowings	**41,100**	10,000
Trade and other payables	**1,091**	727
Employee benefits	**992**	834
Deferred tax liabilities	**4,247**	1,004
Total liabilities per the balance sheet	**55,145**	37,780

5 Revenue

	30 June 2014 $000's	30 June 2013 $000's
Sale of goods and water	**68,680**	65,716
Total revenue	**68,680**	65,716

6 Other Income

	30 June 2014 $000's	30 June 2013 $000's
Gain on disposal of property, plant and equipment	**111**	52
Other income	**2,509**	1,341
Total	**2,620**	1,393

7 Other Expenses

(a) Depreciation and amortisation

	30 June 2014 $000's	30 June 2013 $000's
Depreciation expenses	**2,571**	2,143

(b) Material items

During the twelve months ended 30 June 2014 the Group impaired $317,000 (30 June 2013: $Nil) to the carrying values of its farm assets.

During the twelve months ended 30 June 2014 the Group reversed a creditor for $535,000 (30 June 2013: $Nil).

8 Personnel Expenses

	30 June 2014 $000's	30 June 2013 $000's
Wages and salaries	**5,594**	5,670
Contributions to defined contribution plans	**490**	424
Total	**6,084**	6,094

9 Auditor's Remuneration

	30 June 2014	30 June 2013
Auditors of the Company - PricewaterhouseCoopers		
Audit related services (in whole dollars)	**118,800**	116,500
Total	**118,800**	116,500

10 Net Financing Costs	**30 June 2014 $000's**	**30 June 2013 $000's**
Interest income on bank deposits	**14**	20
Interest on receivables	**62**	-
Financial income	**76**	20
Interest expense on bank overdrafts and loans	**(2,077)**	(887)
Finance lease and hire purchase finance charges	**(27)**	(45)
	(2,104)	(932)
Net financing costs	**(2,028)**	(912)

The above financial income and expense include the following in respect of assets / (liabilities) not at fair value through profit or loss:

Total interest income on financial assets	**76**	20
Total interest expense on financial liabilities	**(2,104)**	(932)

11 Income Tax Expense

Recognised in the income statement

Deferred and current tax expense		
Origination and reversal of temporary differences	**(4,239)**	**4,650**
Benefit of tax losses utilised/(created)	**4,337**	**(2,061)**
Total income tax expense in income statement	**98**	**2,589**
Numerical reconciliation between tax expense and pre-tax net profit		
Profit before tax	**295**	**8,609**
Income tax expense using the domestic corporation tax rate of 30% (2013: 30%)	**(88)**	**(2,583)**
	(88)	**(2,583)**
Permanent differences	**(10)**	**(6)**
Income tax expense	**(98)**	**(2,589)**

12 Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of $197,000 (2013: $6,020,000) and the weighted average number of ordinary shares outstanding of 151,304,523 (2013: 143,189,188), as follows:

	30 June 2014 $000's	30 June 2013 $000's
Profit for the year	**197**	6,020
Profit attributable to ordinary shareholders	**197**	6,020
Weighted average number of ordinary shares		
Issued and partly paid ordinary shares	**151,304**	143,189
	151,304	143,189

(b) Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of $197,000 (2013: $6,020,000) and the weighted average number of ordinary shares outstanding of 151,417,732 (2013: 143,282,418), calculated as follows:

Profit for the year	**197**	6,020
Profit attributable to ordinary shareholders (diluted)	**197**	6,020
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	**151,304**	143,189
Effect of share options on issue	**113**	93
	151,417	143,282

13 Cash and Cash Equivalents

Cash on hand	**1**	1
Cash at bank	**481**	1,913
Cash and cash equivalents in the Statement of Cash Flows	**482**	1,914

14 Trade and Other Receivables

Trade receivables (a)	**8,929**	9,671
Provision for impairment of receivables (b)	**(13)**	-
Deposits	**104**	136
Prepayments	**63**	325
Other receivables	**220**	1,172
Total current trade and other receivables	**9,303**	11,304

14 Trade and Other Receivables (continued)

(a) Trade receivables

The average credit period on sales of goods is 30 days. No interest is charged on the trade receivables. Included in the Group's trade receivables balance are debtors with a carrying amount of $376,504 (2013: $182,888) which are past due at reporting date which have not been impaired as the Group believes that the amounts are still considered recoverable.

(b) Movement in the allowance for trade receivable impairment

Factors considered in determining the below impairment provision include the likelihood of receiving payment and the ability of the Group to recover amounts owing based upon the net assets of the subsidiaries involved.

	30 June 2014 $000's	30 June 2013 $000's
Balance at the beginning of the year	**-**	307
Amounts applied against allowance	**-**	(307)
Provision recognised during the year	**(13)**	-
Balance at the end of the year	**(13)**	-

15 Inventories

(a) Farming

Agricultural produce on hand	**25,829**	35,506
Raw materials and consumables	**1,264**	910
	27,093	36,416

(b) Water

Current		
Entitlements	**55,163**	17,573
Allocations	**1,446**	558
	56,609	18,131
Non - current		
Entitlements	**2,084**	1,919
Total inventory - Water	**58,693**	20,050

There was a reversal of the prior year write-downs of inventories during the current year amounting to $183,093. The provision for impairment of inventories amounted to $Nil as at 30 June 2014 (30 June 2013: $183,093).

16 Biological Assets

	Crops $000's	Livestock $000's	Total $000's
Opening balance 1 July 2012	3,502	3,195	6,697
Increases due to new plantings/acquisitions	3,505	-	3,505
Purchase of livestock	-	410	410
Decrease due to sales	-	(1,418)	(1,418)
Decrease due to harvesting/picking	(39,852)	-	(39,852)
Change in fair value of livestock	-	649	649
Change in fair value less estimated point-of-sale costs	36,350	-	36,350
Balance at 30 June 2013	3,505	2,836	6,341
Opening balance 1 July 2013	**3,505**	**2,836**	**6,341**
Increases due to new plantings/acquisitions	**3,154**	**-**	**3,154**
Purchase of livestock	**-**	**120**	**120**
Decreases due to sales	**-**	**(1,816)**	**(1,816)**
Decrease due to harvesting/picking	**(43,690)**	**-**	**(43,690)**
Change in fair value of livestock	**-**	**267**	**267**
Change in fair value less estimated point-of-sale costs	**40,185**	**-**	**40,185**
Balance at 30 June 2014	**3,154**	**1,407**	**4,561**

(a) Physical quantities

	30 June 2014	30 June 2013
In number		
Livestock – sheep	**12,650**	29,079
Livestock - cattle	**399**	727
In hectares		
Crops – Cotton – Harvested	**8,700**	7,105
Crops – Cereal – Planted	**-**	5,000

16 Biological Assets (continued)

(b) Regulatory and environmental risks

The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

(c) Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of cotton, cereal and livestock. Where possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market.

(d) Climate and other risks

The Group's plantings are exposed to the risk of damage from climatic changes, diseases, fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections and industry pest and disease surveys.

The Group is exposed to financial risks arising from changes in cotton, barley, wheat and sheep prices. The Group has not entered into derivative or other contracts to manage the risk of a decline in these prices.

(e) Fair value

The fair value of Crops – Cotton is based on the market price of estimated recoverable harvested crop, net of harvesting costs as detailed in Note 3. The fair value of livestock is based upon market prices less estimated point of sale costs.

(f) Output during the year

In physical quantity	30 June 2014	30 June 2013
In number		
Livestock – sheep sold	**30,753**	13,393
Livestock – cattle sold	**303**	572
In tonnes		
Cereal – harvested	**28,500**	29,378
In bales		
Cotton – bales ginned	**95,544**	47,145

Total Cotton bales ginned for the year ended 30 June 2014 amounted to 95,544 (30 June 2013: 47,145) represented by 2013 cotton harvest at Tandou Farm 68,195 bales (2012: 43,894), 2014 cotton harvest at Tandou Farm 22,404 bales (2013: 174), and 2014 harvest at Hay 3,913 bales (2013: 3,077) and 2013 cotton harvest at Hay 1,032 bales (2012: NIL).

17 Deferred Tax Assets and Liabilities

	30 June 2014 $000's	30 June 2013 $000's
Recognised tax assets and liabilities		
Trade and other receivables	**4**	-
Inventories	**(4,242)**	(8,308)
Other assets	**33**	20
Property, plant and equipment	**(5,734)**	(2,734)
Trade and other payables	**72**	170
Employee benefits	**223**	254
Other items	**521**	293
	(9,125)	(10,305)
Tax value of losses carried forward	**4,878**	9,301
	(4,247)	(1,004)

The deferred tax liability for 2014 of $4,247,000 is primarily driven by deferred tax liabilities on crops of $8,300,000 and property, plant and equipment offset by deferred tax assets relating to water entitlements and tax losses.

Tax losses and temporary differences have been recognised in the current year as the current trading conditions and availability of water have given a reasonable level of surety over future taxable income such that it is probable that these amounts will be recouped. There were no unrecognised deferred tax assets at 30 June 2014 (30 June 2013: Nil).

The tax losses do not expire under current tax legislation. Deferred tax assets have been recognised in respect of these items because it is probable that future taxable profit will be available against which the Group can utilise the benefits from.

Movement in recognised deferred tax balances

	30 June 2014 $000's	30 June 2013 $000's
Opening balance	**(1,004)**	1,569
Recognised in income	**(98)**	(2,589)
Recognised in equity	**(3,145)**	16
Closing balance	**(4,247)**	(1,004)

18 Property, Plant and Equipment

(a) Movement reconciliation

	Land & Improvements at Valuation $000's	Buildings at Valuation $000's	Gin at Valuation $000's	Leasehold Improvements at Cost $000's	Plant & Equipment at Cost $000's	Assets Under Construction at Cost $000's	Equipment Under Finance Lease at Cost $000's	Total $000's
Balance at 1 July 2012								
At cost	29,518	5,885	-	-	19,134	359	1,148	56,044
Accumulated depreciation	(4,929)	(2,174)	-	-	(15,530)	-	(464)	(23,097)
Opening net book value	24,589	3,711	-	-	3,604	359	684	32,947
Additions	6,367	380	-	-	2,011	2,782	-	11,540
Transfers	335	168	-	-	166	(589)	(80)	-
Disposals	-	(102)	-	-	(127)	(180)	-	(409)
Depreciation expense	(426)	(344)	-	-	(1,219)	-	(154)	(2,143)
Balance at 30 June 2013								
At cost	36,220	6,372	-	-	19,916	2,372	768	65,648
Accumulated depreciation	(5,355)	(2,559)	-	-	(15,481)	-	(318)	(23,713)
Closing net book value	30,865	3,813	-	-	4,435	2,372	450	41,935
Balance at 1 July 2013								
At cost	36,220	6,372	-	-	19,916	2,372	768	65,648
Accumulated depreciation	(5,355)	(2,559)	-	-	(15,481)	-	(318)	(23,713)
Opening net book value	30,865	3,813	-	-	4,435	2,372	450	41,935
Additions	9,047	522	113	14	3,930	129	-	13,755
Transfers	39	(294)	3,378	372	(827)	(2,372)	(296)	-
Disposals	-	(34)	(6)	-	(151)	(17)	-	(208)
Depreciation expense	(565)	(369)	(335)	(44)	(1,104)	-	(154)	(2,571)
Increase on revaluations	4,981	2,352	4,856	-	-	-	-	12,189
Impairment	(280)	(37)	-	-	-	-	-	(317)
Balance at 30 June 2014								
At cost or valuation	44,087	5,953	8,006	440	15,903	112	-	74,501
Accumulated depreciation	-	-	-	(98)	(9,620)	-	-	(9,718)
Closing net book value	44,087	5,953	8,006	342	6,283	112	-	64,783

18 Property, Plant and Equipment (continued)

(b) Carrying amounts at cost

Carrying amounts that would have been recognised if the following asset classes were stated at cost:

	30 June 2014 $000's	30 June 2013 $000's
Land & Improvements		
Cost	**43,836**	36,220
Accumulated depreciation	**(4,450)**	(5,355)
Net book amount	**39,386**	30,865
Buildings		
Cost	**6,296**	6,372
Accumulated depreciation	**(2,658)**	(2,559)
Net book amount	**3,638**	3,813
Gin		
Cost	**9,790**	7,718
Accumulated depreciation	**(6,640)**	(6,206)
Net book amount	**3,150**	1,512

(c) Assessment of recoverable amount of assets

The recoverable amount of property, plant and equipment, and water entitlements (notes 15 and 18) was assessed based on the fair market value less costs to sell of these assets, using the results of independent valuations performed by Peter J Spackman Valuations Pty Ltd during June 2014.

(d) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the related item for a nominal amount. The leased equipment secures lease obligations (see note 20).

(e) Security

At 30 June 2014, bank overdraft and loans are secured by: a) a first mortgage over the Group's freehold land and Western Lands lease held in perpetuity; and b) an equitable charge over buildings and plant and equipment. The carrying amount of these assets at 30 June 2014 is $64,800,000 (2013: $41,500,000).

18 Property, Plant and Equipment (continued)

(f) Recognised fair value measurements

This note explains the judgements and estimates made in determining the fair values of the property, plant and equipment that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified these assets into the following three levels prescribed under accounting standards:

- Level 1: fair value is based on quoted market prices at the end of the reporting period. The quoted market price used is the current bid price.

- Level 2: fair value is determined by using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to determine fair value are observable, the asset is included in level 2.

- Level 3: if one or more significant input is not based on observable market data, the asset is included in level 3.

The following table recognises the relevant classes of property, plant and equipment at fair value in the fair value hierarchy as follows:

At June 2014	Level 1 $000's	Level 2 $000's	Level 3 $000's	Total $000's
Land & Improvements at valuation	-	-	44,087	44,087
Buildings at valuation	-	-	5,953	5,953
Gin at valuation	-	-	8,006	8,006
Total property, plant and equipment at valuation	**-**	**-**	**58,046**	**58,046**

There were no transfers made between levels during the year.

18 Property, Plant and Equipment (continued)

(g) Valuation Techniques

The Group engages external, independent and qualified valuers to determine the fair value of all assets listed above in the table. At the end of each reporting period, the Directors update their assessment of fair value of each category taking into account the most recent independent valuations obtained. The Directors determine a fair value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar assets. Where such information is not available, the Directors consider information from a variety of sources including:

- Current prices in an active market for property of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- Discounted cash flow projections based on reliable estimates of future cash flows
- Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence

The level 3 fair values have been derived by an external, independent and qualified valuer using comparable market, industry and transaction data, discount rates and terminal yields. Where appropriate these values have been derived using the sales comparison approach, whereby key inputs include the price per hectare from sales of similar parcels of land, or, for the Gin, the current market value of similar assets of comparable age and states. Given the nature of the assets, the price per hectare is an unobservable input and ranges from $75 to $2500. An increase in the price per hectare would result in an increase to the valuation. Where a discounted cash flow basis is used, the discount rates used are unobservable inputs, and for the purpose of the fair value calculation a range between 5% and 7% has been used. The terminal yields used are unobservable inputs, and for the purpose of the fair value calculation a range between 7% and 9% has been used. Higher discount rates and terminal yields result in a lower fair value being calculated.

19 Trade and Other Payables

	30 June 2014 $000's	30 June 2013 $000's
Trade creditors	**1,152**	2,773
Other trade payables and accrued expenses	**7,654**	9,238
	8,806	12,011

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

20 Borrowings

This note provides information about the contractual terms of the company's and Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 23.

	30 June 2014 $000's	30 June 2013 $000's
Current		
Finance lease obligation	-	352
Secured Bill Facilities	-	13,500
	-	13,852
Non-current		
Finance lease obligation	-	79
Secured Bill Facilities	**41,100**	10,000
	41,100	10,079

The following table provides details of the Group's and the Company's terms and conditions of outstanding loans:

	Currency $000's	Nominal interest rate %	Year of maturity	Face value 2014 $000's	Carrying amount 2014 $000's	Face value 2013 $000's	Carrying amount 2013 $000's
Secured bill facility (seasonal)	AUD	4.96	2015	**31,100**	**31,100**	13,500	13,500
Secured bill facility (term)	AUD	6.56	2016	**10,000**	**10,000**	10,000	10,000
Finance Lease Liabilities	AUD	6.48	2014	**-**	**-**	455	431
Total interest bearing liabilities				**41,100**	**41,100**	23,955	23,931

Total Available Financing facilities

Bank overdraft	**2,500**	2,500
Secured Bill Facilities	**68,600**	33,500
	71,100	36,000

20 Borrowings (continued)

Facilities used at reporting date	30 June 2014 $000's	30 June 2013 $000's
Bank overdraft	**-**	-
Secured Bill Facilities	**41,100**	23,500
	41,100	23,500

Facilities not used at reporting date		
Bank overdraft	**2,500**	2,500
Secured Bill Facilities	**27,500**	10,000
Total	**30,000**	12,500

Financing arrangements

Bank overdrafts

The Group has bank overdraft facilities which are due to expire on 30 September 2014. These are subject to annual review. The bank overdraft facilities bear interest at the banks' farmer's choice variable indicator rate plus 0.5%, payable monthly.

Bank loans

The bank loans bear interest at the banks' relevant bank bill rate (yield rate) and all bank loans are denominated in Australian dollars.

Security

The bank overdraft and bank loans are secured by first mortgages over all the Group's freehold and leasehold land and by an equitable charge over water entitlements as discussed at note 18 and 15.

Finance lease and hire purchase liabilities

Finance lease and hire purchase liabilities are payable as follows:

	Minimum payments 2014 $	Interest 2014 $	Principal 2014 $	Minimum payments 2013 $	Interest 2013 $	Principal 2013 $
Less than one year	**-**	**-**	**-**	376	24	352
Between one and five years	**-**	**-**	**-**	79	-	79
	-	**-**	**-**	455	24	431

21 Employee Benefits

(a) Current

	30 June 2014 $000's	30 June 2013 $000's
Salaries and wages accrued	**273**	194
Liability for long service leave	**299**	271
Liability for annual leave	**312**	294
Total	**884**	759

(b) Non-current

Liability for long-service leave	**108**	75

The Group makes contributions to various defined contribution plans. The amount recognised as an expense was $490,000 for the year ended 30 June 2014 (2013: $424,000) – refer to note 8.

Employee share option plan

During the year ended 31 December 2008, the Group established a share option programme that entitles key management personnel and senior employees to purchase shares in the Company.

The Group has an ownership-based compensation program for executives and senior employees. In accordance with the provisions of the program, as approved by shareholders at a previous annual general meeting, executives and senior employees may be granted options to purchase parcels of ordinary shares. On 30 April 2008, options with an exercise price of $0.26 were issued to the Chief Executive Officer. An employee expense of $Nil (2013: $Nil) has been recognised in respect of options during the year.

The options will expire on the earlier of 10 years from the date of the offer or 90 days from the date Mr Kingwill ceases to be a Director of the Company.

Tandou Limited

Notes to the Financial Statements

For the Year Ended 30 June 2014

22 Capital and Reserves

(a) Reconciliation in movement in capital and reserves

	Share capital $000's	Share option reserve $000's	Asset revaluation reserve $000's	Retained earnings $000's	Cashflow hedge reserve $000's	Total $000's
Balance at 1 July 2012	74,400	31	-	1,211	38	75,680
Profit for the year	-	-	-	6,020	-	6,020
Cash flow hedge	-	-	-	-	(38)	(38)
Dividends paid	-	-	-	(1,432)		(1,432)
Balance at 30 June 2013	74,400	31	-	5,799	-	80,230
Profit for the year	-	-	-	197	-	197
Revaluation of property, plant & equipment	-	-	12,189	-	-	12,189
Deferred tax liability	-	-	(3,657)	-	-	(3,657)
Capital raising net of costs	23,842	-	-	-	-	23,842
Deferred tax asset	512	-	-	-	-	512
Dividends paid	-	-	-	(1,431)	-	(1,431)
Balance at 30 June 2014	**98,754**	**31**	**8,532**	**4,565**	**-**	**111,882**

(b) Share capital

	30 June 2014 $000's	30 June 2013 $000's
196,850,209 fully paid ordinary shares (30 June 2013: 143,163,788)	**98,729**	**74,375**
125,000 partly paid shares paid to 20 cents (30 June 2013: 125,000)	**25**	**25**
40,000 partly paid shares paid to 1 cent (30 June 2013: 40,000)	**-**	**-**
	98,754	**74,400**

Fully paid ordinary shares carry one vote per share and carry the right to dividends. The Company does not have authorised capital or par value in respect of its issued shares.

Partly paid ordinary shares carry both the right to vote and the right to dividends on the basis of the amount paid per share proportionate to its issue price.

In respect of partly paid ordinary shares on issue at the reporting date:

a – there are no calls in arrears; and

b – a total of $139,600 may be called up in the event of winding up of the Company.

The Group has also issued share options (see note 21).

22 Capital and Reserves (continued)

Movements in issued shares

	Ordinary shares		Partly paid ordinary shares to 20 cents		Partly paid ordinary shares to 1 cent	
	30 June 2014 000's	30 June 2013 000's	**30 June 2014 000's**	30 June 2013 000's	**30 June 2014 000's**	30 June 2013 000's
On issue at 1 July	**143,164**	143,164	**125**	125	**40**	40
New shares issued - for cash	**53,686**	-	**-**	-	**-**	-
On issue 30 June	**196,850**	143,164	**125**	125	**40**	40

Dividends

During the year ending 30 June 2014 the Directors approved and paid a 1 cent per share unfranked dividend to shareholders. The total payment to shareholders amounted to $1.43m (2013: $1.43m).

	30 June 2014 $000's	30 June 2013 $000's
Dividend franking account		
30% franking credits available to shareholders of Tandou Limited for subsequent financial years	**6**	6

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

23 Financial Instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

With respect to receivables, the majority of the Group's credit risk is in Australia and is generally concentrated in the agricultural sector. The Group manages its credit risk by maintaining strong relationships with a limited number of quality customers.

At the balance sheet date there were no significant concentrations of credit risk.

23 Financial Instruments (continued)

Interest Rate Risk

At reporting date the interest rate profile of the Group's interest-bearing financial instruments is disclosed under note 20.

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At 30 June 2014, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's earnings (including equity) by approximately $411,000 (30 June 2013: $235,000) before tax.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 20 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following table reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year end could become repayable within 12 months. Financial guarantee liabilities are treated as payable on demand since the company has no control over the timing of any potential settlement of the liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

	Within 1 Year		**1 to 2 Years**		**2 - 5 Years**		**Over 5 years**		**Total Contractual Cash Flow**	
	30 June 2014 $000's	30 June 2013 $000's	**30 June 2014 $000's**	30 June 2013 $000's	**30June 2014 $000's**	30 June 2013 $000's	**30 June 2014 $000's**	30 June 2013 $000's	**30 June 2014 $000's**	30 June 2013 $000's
Financial liabilities due for payment										
Secured bank loans	**-**	13,500	**41,100**		**-**	10,000	**-**	-	**41,100**	23,500
Finance lease liabilities	**-**	376	**-**	79	**-**	-	**-**	-	**-**	455
Trade and other payables	**8,806**	12,011	**-**	-	**-**	-	**-**	-	**8,806**	12,011
Total contractual outflows	**8,806**	25,887	**41,100**	79	**-**	10,000	**-**	-	**49,906**	35,966

23 Financial Instruments (continued)

Foreign currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the AUD. The currency giving rise to this risk is primarily the U.S. Dollar.

Periodically the Group enters into forward exchange contracts where it agrees to sell specified amounts of U.S. Dollars in the future at predetermined exchange rates. The objective is to match the contracts with anticipated future cash flows from sales in U.S. Dollars to protect the Group from possible losses due to exchange rate fluctuations.

It is estimated that a general increase of one percentage point in the value of the AUD against other foreign currencies would have an insignificant impact on the Group's profit before tax in the current and prior year due to the entity's minimal foreign currency denominated sales and financial asset / liability balances at reporting date.

At balance date the Group had no forward exchange contracts in place.

24 Operating Leases

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	30 June 2014 $000's	30 June 2013 $000's
Payable - minimum lease payments:		
- not later than 12 months	**718**	1,351
- between 12 months and 5 years	**93**	612
- greater than 5 years	**-**	-
	811	1,963

Operating leases relate to NSW Western Land with lease terms in perpetuity with a rental review each 5 years, a lease on land from the Mildura Rural City Council with a 15 year term and an option to extend another 6 years and leases for minor items of plant and equipment. Farming landholdings through the leasing of 'Pevensey' at Hay, NSW have been secured.

During the year ended 30 June 2014 and the year ended 30 June 2013 no leased properties were sublet by the Company.

During the year ended 30 June 2014 payments totalling $1,950,068 (30 June 2013: $1,582,682) were made in relation to the above obligations.

25 Capital and Other Commitments

The Company has capital expenditure commitments at 30 June 2014 $554,000 (30 June 2013: $605,000).

26 Contingencies

Contingent Liabilities not considered remote

As at 30 June 2014, the Company has contingent liability of $Nil (30 June 2013: $Nil).

27 Controlled Entity

	Country of Incorporation	Percentage owned 30 June 2014	Percentage owned 30 June 2013
Parent Entity:			
Tandou Limited	Australia		
Subsidiary of parent entity:			
Millewa County Farms Pty Ltd	Australia	-	100

During the year Millewa County Farms Pty Ltd was wound up and deregistered.

28 Cash Flow Information

Reconciliation of cash flow from operations with profit after income tax

	30 June 2014 $000's	30 June 2013 $000's
Profit for the year	**197**	6,020
Non-cash flows in profit		
- Impairment loss / (gain) on inventory	**(183)**	183
- Impairment loss on property, plant & equipment	**317**	-
- Depreciation	**2,571**	2,143
- Income tax expense	**98**	2,589
- Net loss on disposal of property, plant and equipment	**205**	127
Changes in assets and liabilities		
- (Increase)/decrease in trade and term receivables	**1,939**	(8,556)
- (Increase)/decrease in inventories	**(29,136)**	(6,928)
- (Increase)/decrease in biological assets	**1,780**	356
- Increase/(decrease) in trade payables and accruals	**(3,205)**	4,683
- Increase/(decrease) in employee benefits	**158**	138
	(25,259)	755

29 Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transaction with related parties:

(a) Key management personnel compensation details

The key management personnel compensation included in 'personnel expenses' (see note 8) is as follows:

	30 June 2014 $000's	30 June 2013 $000's
Short term employee benefits	**779**	**840**
Other long-term benefits	**-**	**-**
Post-employment benefits	**65**	**53**
	844	**893**

(b) Individual Directors and executive compensation disclosures

Information regarding individual Directors and executives compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the remuneration report section of the Directors' Report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

There were no loans outstanding at reporting date between the Company and the Group and key management personnel.

(c) Other key management personnel transactions with the Company or its controlled entities

From time to time, key management personnel of the Company or its controlled entities, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

(d) Shareholdings

	Units Held at 30 June 2014	Units Held at 30 June 2013	Units Held at 30 June 2012
Directors			
R.G. Woolley	516,678	195,686	195,686
J.D.O Boyd	48,813	35,500	35,500
R.J Finlay	26,788,210	-	-
G.S. Kingwill	199,375	145,000	145,000

The movement during the reporting period in the number of ordinary shares in Tandou Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as above.

29 Related Parties (continued)

(e) Options and rights over equity instruments

Director	Held at start of year	Granted as compensation	Held at end of year	Vested during the year	Vested and exercisable at end of year
G.S. Kingwill	250,000	-	250,000	-	250,000

The movement during the reporting period in the number of options over ordinary shares in Tandou Limited held, directly, indirectly or beneficially by each key management person, including their related parties is as above.

30 Events After the End of the Reporting Year

No events have arisen in the interval between the end of the year and the date of this report. No item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

31 Water Entitlement Information

The Group records the value of water entitlement assets at the lower of historical cost and net realisable value in accordance with Australian Accounting Standards. The book value of the water entitlement assets at 30 June 2014 is $57,247,000. As at 30 June 2014 the Group had total water entitlement holdings as follows:

Group Water Entitlements

Licence Category	Entitlement (Megalitres) 30 June 2014	Entitlement (Megalitres) 30 June 2013
General Security	55,727	24,484
High Security / High Reliability	16,513	9,375
Supplementary	6,195	-
Ground water	2,500	-
	80,935	**33,859**

An independent valuation of water entitlements as at 30 June 2014 was performed by Ben Symons of Herron Todd White (Albury). The Board consider these valuations to be a reasonable estimate of recoverable amounts at 30 June 2014, and the basis of which was their fair market value on their existing use.

32 Parent Entity Supplementary Information

(a) Balance Sheet items

	30 June 2014 $000's	30 June 2013 $000's
Assets		
Current assets	**98,098**	74,156
Non-current assets	**68,929**	43,854
Total Assets	**167,027**	118,010
Liabilities		
Current liabilities	**9,690**	27,337
Non-current liabilities	**45,455**	11,149
Total Liabilities	**55,145**	38,486
Net assets	**111,882**	79,524
Share capital		
Share capital	**98,754**	74,400
Share option reserve	**31**	31
Asset revaluation reserve	**8,532**	-
Accumulated profits	**4,565**	5,093
Total equity	**111,882**	79,524

At 30 June 2014, the Company owed a subsidiary $Nil (30 June 2013: $715,000).

(b) Income Statement items

Profit for the year	**197**	6,020
Total comprehensive income for the year	**8,729**	5,982

(c) Other items

(i) Guarantees

As at 30 June 2014, the Company has no arrangements in place that give rise to financial or other guarantees with any related party.

(ii) Contingent liabilities

The Directors are of the opinion that provisions are not required in respect of contingent matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

(iii) Contractual commitments

The Company has capital expenditure commitments at 30 June 2014 $554,000 (30 June 2013: $605,000).

Directors' Declaration

For the Year Ended 30 June 2014

In the Directors' opinion:

(a) the financial statements and notes set out on pages 23 to 65 are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial period ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and financial controller required by section 295A of the *Corporations Act 2001.*

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

Rob Woolley

R.G. Woolley
Chairman

G.S. Kingwill
Chief Executive Officer / Managing Director

Mildura, 18 September 2014

Independent auditor's report to the members of Tandou Limited

Report on the financial report

We have audited the accompanying financial report of Tandou Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Tandou Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility 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 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

pwc

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

(a) the financial report of Tandou Limited is 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 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 14 to 18 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Tandou Limited for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.

PricewaterhouseCoopers

PricewaterhouseCoopers

Lisa Harker

Lisa Harker
Partner

Melbourne
18 September 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Auditor's Independence Declaration

As lead auditor for the audit of Tandou Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Tandou Limited and the entities it controlled during the period.

Lisa Harker

Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
18 September 2014

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Tandou Limited

ASX Additional Information

For the Year Ended 30 June 2014

Officers and Offices

Company Secretary	Bernie Woollard
Registered and Administration Office	31 Alan Mathews Drive, Mildura, VIC 3500 Telephone: (03) 5018 6500 Facsimile: (03) 5018 6599 Email: cosec@tandou.com.au Website: www.tandou.com.au
Auditors	PricewaterhouseCoopers Freshwater Place 2 Southbank Boulevard, Southbank, VIC 3006
Bankers	National Australia Bank 55 Deakin Avenue, Mildura, VIC 3500
Share Registrar	Computershare Investor Services Pty Ltd 115 Grenfell Street, Adelaide, S.A, 5000 Telephone: (08) 8236 2300
Stock Exchange Listing	TANDOU LIMITED shares are listed on the Australian Stock Exchange (MELBOURNE, VIC).
Offer information	The company is domiciled in Australian and is publicly listed limited by shares.

Shareholder Information

Ordinary Share Capital

As at 4 September 2014:
The number of issued ordinary shares of $1.00 in the company totalled 196,850,209 held by 1,030 individual shareholders.

The number of issued (unquoted) ordinary shares of $1.00 partly paid to $0.20 (20 cents) totalled 125,000 held by two individual shareholders.

The number of issued (unquoted) ordinary shares of $1.00 partly paid to $0.01 (1 cent) totalled 40,000 held by four individual shareholders.

There are 250,000 options currently on issue.

All shares issued are ordinary shares. Each fully paid share carries one vote on a poll

Distribution of equity security holders

	Number of equity security holders		
Category	**Ordinary Shares Fully paid**	***Party Paid (20 cents)**	***Party Paid (1 cent)**
1 – 1,000	126	-	-
1,001 – 5,000	259	-	3
5,001 – 10,000	147	-	-
10,001 – 100,000	399	2	1
100,000 and over	99	-	-
	1,030	**2**	**4**
The number of shareholders holding less than a marketable parcel	149	Not quoted	Not quoted

One equity security holder is in possession of 250,000 (unquoted) non voting options; see note 29.

Tandou Limited

ASX Additional Information

For the Year Ended 30 June 2014

Twenty Largest Holders of Quoted Fully Paid Securities

Shareholders	Number	% held
REL-Trust Management Limited	24,926,492	12.66
PF Agriculture Pty Ltd	15,768,922	8.01
Mr Peter Robin Joy <Trading A/C>	15,086,362	7.66
Ashfield Farm Limited	14,588,378	7.41
JP Morgan Nominees Australia Limited	14,541,056	7.39
Mr Andrew Roy Newberry Sisson	12,650,000	6.43
HSBC Custody Nominees (Australia) Limited-GSCO ECA	11,736,115	5.96
Citicorp Nominees Pty Limited	7,069,636	3.59
Laguna Bay Pastoral Company Pty Ltd	6,640,132	3.37
Custodial Services Limited <Beneficiaries Holding A/C>	5,276,321	2.68
Mr Zhiwei Lin	5,264,831	2.67
National Nominees Limited	3,424,354	1.74
Fang Yin (Australia) Pty Ltd	3,000,000	1.52
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	2,974,142	1.51
Gwynvill Trading Pty Ltd	2,970,837	1.51
Rubi Holdings Pty Ltd <John Rubino S/F A/C>	2,191,916	1.11
RGH Holdings Limited	1,861,718	0.95
BNP Paribas Noms (NZ) <DRP>	1,831,317	0.93
HSBC Custody Nominees (Australia) Limited	1,762,125	0.90
Melbourne Corporation of Australia Pty Ltd	1,450,000	0.74
	155,014,654	**78.75**

Substantial Shareholders, Fully Paid Ordinary Shares

Shareholder	Number
REL-Trust Management, Rural Equities Limited, Ashfield Farm Limited, H&G Limited & RGH Holdings Limited	41,376,588
Water Asset Management LLC	19,488,171
PF Agriculture Pty Ltd	15,768,922
Mr Peter Robin Joy	15,086,362
Mr Andrew Roy Newbery Sisson	12,650,000