\_\_\_\_\_\_

## **Appendix 4E**

# Preliminary Final Report to the Australian Stock Exchange

Name of Entity	Tidewater Investments Limited
ACN	52 001 746 710
Financial Year Ended	30 June 2014
Previous Corresponding Reporting Period	30 June 2013

### **Results for Announcement to the Market**

			\$	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities		2,26	57,114	+247.3%
Loss from ordinary activities after tax				
attributable to members		(61	1,192)	Prior year profit
Loss for the period attributable to members		(61	1,192)	Prior year profit
Dividends (distributions)	Amount per se	ecurity	Frank	ked amount per
				security
Final Dividend	Nil		-	
Previous corresponding period	Nil		-	
Record date for determining entitlements to the dividends (if any)		n/a		

### **Dividends**

Date the dividend is payable	n/a
Record date to determine entitlement	n/a
to the dividend	
Amount per security	n/a
Total dividend	n/a
Amount per security of foreign	n/a
sourced dividend or distribution	
Details of any dividend reinvestment	n/a
plans in operation	

The last date for receipt of an election	n/a
notice for participation in any dividend	
reinvestment plans	

### **NTA Backing**

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security (pre 10-1 consolidation)	\$0.044	\$0.066

Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position:

See attached Annual Report

#### **Commentary on the Results for the Period**

The earnings/(loss) per security and the nature of any dilution aspects:

(2.3) cents

Returns to shareholders including distributions and buy backs:

See attached Annual Report

**Significant features of operating performance:** 

See attached Annual Report

The results of segments that are significant to an understanding of the business as a whole:

See attached Annual Report

**Discussion of trends in performance:** 

See attached Annual Report

Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:

See attached Annual Report

## **Audit/Review Status**

This report is based on accounts t	to whic	h one of the following applies:		
(Tick one)				
The accounts have been audited	*	The accounts have been subject to review		
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed		
If the accounts have not yet been	audite	d or subject to review and are likely to		
be subject to dispute or qualificat qualification:	tion, a	description of the likely dispute or		
n/a				
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:				
n/a				

**Attachments Forming Part of Appendix 4E** 

Attachment #	Details
1	Annual Report
I	Annual Report

Signed By (Director/Company Secretary)	Andlan J. Blam
Print Name	Andrew Brown
Date	6 August 2014

## TIDEWATER INVESTMENTS LIMITED

ABN 52 001 746 710

ANNUAL REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR
TO 30 JUNE 2014

### TIDEWATER INVESTMENTS LIMITED

ABN 52 001 746 710

### DIRECTORY

**Directors** 

Paul Young Non Executive Chairman
Andrew Brown Managing Director
James Jackson Executive Director
Stephen Roberts Non Executive Director

**Company Secretary** 

Andrew Brown

Registered Office

Suite 7.06

2-14 Kings Cross Road

POTTS POINT

NSW 2011

**Communications** 

telephone: (02) 9380 9001

mail: GPO Box 4870, SYDNEY NSW 2001

email: admin@tidewater.com.au

**Share Registry** 

Boardroom Limited

Level 7

207 Kent Street

SYDNEY NSW 2000

Shareholder Enquiries: 1 300 737 760 / (02) 9290 9600

Shareholders requiring clarification of holdings, or requesting changes of name or address should contact Boardroom Limited directly. A variety of requisite forms may be downloaded from www.boardroomlimited.com.au

**Bankers** 

National Australia Bank Limited

255 George Street SYDNEY NSW 2000

Legal Advisers

Watson Mangioni

Level 13

50 Carrington Street

SYDNEY NSW 2000

**Controlled Entities** 

Loftus Lane Investments Pty. Limited Rowe Street Investments Pty. Limited

**Auditors** 

**BDO East Coast Partnership** 

Level 11

I Margaret Street SYDNEY NSW 2000

## **CONTENTS**

Chairman and Managing Director's Review	2
Directors' Report	4
Auditor's Independence Declaration	11
Corporate Governance	12
Financial Statements:	
Statement of Profit or Loss and Other Comprehensive	20
Income	
Statement of Financial Position	21
Statement of Changes in Equity	22
Statement of Cash Flows	23
Notes to Financial Statements	24
Directors' Declaration	46
Independent Auditor's Report	47
Other Required Information	49

### CHAIRMAN and MANAGING DIRECTOR'S REVIEW

The 2014 year has been disappointing for Tidewater in a financial sense, but will hopefully presage the commencement of a more successful future. The majority of the loss recorded was as a result of the divestment of our stake in Adelaide Resources (AdRes), at an average price of just over 6c per share, against the prevailing price twelve months earlier of 9.5 cents. Having distributed other capital back to shareholders through dividends and capital returns, the shareholding in Adelaide Resources was too large relative to our other investments. Whilst AdRes achieved some excellent drilling results over the past twelve months on its Yorke Peninsula projects, the equity market has not been in a frame of mind to reward the company with an increased equity valuation. With many other smaller exploration companies sitting on low cash reserves, we suspect it may be some time – absent a spectacular exploration result – before improved prices for such entities are seen.

The holding in AdRes was impending Tidewater's ability to grow in other ways and raise new equity, necessitating its divestment. Our other investment activities made an acceptable return, but were reduced in the second half of the year.

Late in 2013, we met up with James Jackson who put forward a number of interesting investment ideas in the agriculture and agricultural infrastructure sectors. James has a genuine expertise in the area, and we felt the ideas were very suitable for a publicly listed entity such as Tidewater. As a consequence, we made an initial investment in Namoi Cotton Cooperative (Namoi), which trades at below one-third of its stated net asset backing.

In discussions with James, it became more apparent to the board that recruiting James to Tidewater would be of significant benefit. Over the past few months, we agreed a methodology and transaction that would enable this to happen. The culmination of this, as you would be aware, was on 25 July 2014, when we held a general meeting at which all of the seven resolutions put forward were passed. Amongst other things, the outcome of the meeting is that James has become a significant shareholder in Tidewater, effectively in exchange for his own stake in Namoi. The transactions also introduce new shareholders and additional capital to Tidewater. James has also joined the board and will become the lead executive replacing Andrew Brown, prior to the annual general meeting. James will obviously present an outline of his and the board's renewed objectives and strategies at the upcoming AGM.

The equity raisings and swapping of Tidewater shares for Namoi capital units mean that the financial position of Tidewater is very different today, than at the end of June 2014 as presented in these accounts. The transactions have been accretive to non-participating shareholders, and on a pro-forma basis (i.e. including only the transactions detailed below and no others subsequent to 30 June 2014), Tidewater now has net equity of over \$4.5million. This equates to net tangible assets per share of 50.6cents, on the new basis after the approved 10-1 consolidation:

#### Pro-forma statement of financial position post general meeting of 25 July 2014

	30 June 2014	Adjustments	Pro-forma 30 June 2014
Cash	655,459	834,451	1,489,910
Current financial assets	656,301	2,403,245 <sup>2</sup>	3,059,546
Net other liabilities	(25,466)	(5,742)	(31,208)
SHAREHOLDERS EQUITY	1,286,294	3,231,954	4,518,248
Issued shares	29,426,534	$(20,503,353)^3$	8,923,181
Net tangible assets per share	\$0.044		\$0.506

- 1: placements of 1,089,020 shares at \$0.05 pre consolidation and 1,500,000 shares at \$0.52 post 10-1 consolidation
- 2: exchange of 4,369,536 new shares for 7,282,560 Namoi shares
- 3: placements in (1) and (2) above plus 10-1 consolidation

It is worthwhile noting that in addition to the Namoi capital units acquired as a part of the general meeting transactions, we have also bought further units on-market. As at 4 August 2014, we have a relevant interest in 9,834,515 Namoi units, making us the second largest holder behind Namoi's marketing JV partner, Louis Dreyfus Commodities.

#### CHAIRMAN and MANAGING DIRECTOR'S REVIEW (continued)

With James' expertise, it is likely that we will use our increased capital resources to seek other opportunities in the agricultural area. Over recent years, despite more "agri" related public listings, there still appears to be a gap between the listed company arena and the ability to understand "on the ground" values in the area. The recent battles for control of Graincorp and Warrnambool Cheese and Butter Factory probably bear this out.

Steve Roberts will step down from the board prior to the annual general meeting, scheduled for Friday 12 September 2014. Steve has been a source of wise counsel and practical advice since his board appointment in July 2006, and we are very grateful for his input and support as a significant shareholder.

We thank you for your support and welcome new shareholders to Tidewater.

Yours sincerely,

Paul Young Chairman

Andrew Brown

Managing Director

Andra J. Slow

### **DIRECTORS' REPORT**

The Directors present their annual report on Tidewater Investments Limited ("the Company") and its controlled entities ("Group" or "Economic Entity") for the financial year ended 30 June 2014.

#### **DIRECTORS**

The names and details of the Directors of the Company in office at the date of this report are:

#### Paul Antony Young (Non-Executive Chairman)

Paul Young is the co-founder and a director of Baron Partners Limited, a well-established corporate advisory business and has been in merchant banking in Australia for over 28 years. Paul has a degree in economics from the University of Cambridge, is qualified as a Chartered Accountant in the United Kingdom, has a Diploma in Corporate Finance and is a Fellow of the Australian Institute of Company Directors. Paul is the Chairman of the Tidewater Investments Limited Audit Committee.

During the past three years, Paul has served as a Director of the following other public companies:

- Ambition Group Limited (non-executive Director ongoing)
- Byron Energy Limited (non-executive Director ongoing)
- GB Energy Limited (appointed 7/2/2011; resigned 25/7/2011)
- Thomas and Coffey Limited (appointed April 1996; resigned 30/6/2013)

#### Andrew John Brown (Executive Director and Company Secretary)

Andrew Brown has 30 years experience in the Australian equity market as a stockbroker, corporate investor and funds manager. Andrew has an honours degree majoring in economics and econometrics from the University of Manchester, England and is a Graduate of the Australian Institute of Company Directors.

During the past three years, Andrew has served as a Director of the following other public companies:

- Adelaide Resources Limited (appointed 30/4/2009; resigned 25/6/2013)
- Australasian Wealth Investments Limited (appointed 22/12/2005; resigned 31/10/2013)
- Cheviot Bridge Limited (Executive Director ongoing)
- Cheviot Kirribilly Vineyard Property Group (appointed 10/6/2008; resigned 29/4/2013)
- Continuation Investments Limited (appointed 31/10/2011; resigned 8/3/2012)

#### Stephen Murray Roberts (Non-Executive Director)

Steve Roberts is a co-founder and former Director of Link Recruitment Pty. Limited, a specialist recruitment business established in 1986. A majority of shares in the Link business were sold to Select Appointments plc in 1999. Steve has significant experience in business development, strategic planning and the management expertise gleaned from organically growing an enterprise to over 250 employees. Steve retired from Link in March 2007 and in 2010 commenced business with a group of ex-Link Managers to form Veritas Recruitment. The business has offices in both NSW and Victoria with ambitious expansion plans on the eastern seaboard. Steve is currently Chairman of Veritas Recruitment.

During the past three years, Steve has served as a non-executive Director of Continuation Investments Limited (appointed 31/10/2011; resigned 8/3/2012)

#### James Andrew Jackson (Executive Director) Appointed on 25 July 2014

James Jackson has background and experience in both capital markets and agribusiness. He worked for JB Were in Australia and SG Warburg & Co in both London and New York over a ten year period in Equity Capital Markets and Institutional Sales transacting with significant American and European institutional investors. He is now a company director and professional investor, and was a director of the ASX listed MSF Sugar Limited (known formerly as The Maryborough Sugar Factory Ltd) from 2004 and Chairman from 2008 until the agreed takeover in 2012. This was during a period of significant growth and shareholder value creation for the company. The skills and expertise relevant to the position of director include a deep knowledge of agribusiness, financial risk management, strategic analysis and development and implementation of strategy and corporate governance. He has strong interest in agriculture and a large network in rural Australia and the capital markets. James holds a Bachelor of Commerce from the University of Queensland, completed the Program for Management Development at Harvard Business School and is a Fellow of the Australian Institute of Company Directors.

During the past three years, James has served as a non-executive Director of Elders Limited (appointed 13/4/2014) and MSF Sugar Limited (appointed 24/6/2004; resigned 4/4/2012)

#### Interests in the Shares of the Company and Related Bodies Corporate

The relevant interests of each director in the share capital of the Company shown in the Register of Directors' Shareholding as at the date of this report is:

	Ordinary Shares (post 10-1 consolidation)
Mr Andrew Brown	883,717
Mr Stephen Roberts	187,045
Mr Paul Young	186,688
Mr James Jackson	1,602,406

#### Interests in Contracts or Proposed Contracts with the Company

Andrew Brown, through a family owned company, A. Brown and Company Pty. Limited has a contract to provide management services to the Company as disclosed in the Remuneration Report of this Directors' Report. James Jackson, has a contract to provide management services to the Company as described in the Remuneration Report of this Directors' Report.

#### PRINCIPAL ACTIVITIES

The group's primary activities are:

- (A) Equity investment historically the company has made strategic investments in "microcap" Australian listed companies generally those valued at under \$30million with a view to playing an active role (including board representation) to release the difference between appraised value and quoted trading prices of the investee's securities. In the future, the company will also take a more passive, but diversified stance towards equity investing;
- (B) Funds management and financial services the establishment of, and provision of capital and services to new "boutique" funds management businesses, the acquisition of strategic shareholdings in existing "boutique" funds management, operation of a wholesale funds management business, and other related financial services businesses.

There were no significant changes in the nature of the economic entity's principal activities during the financial year.

#### RESULTS AND DIVIDENDS

The net loss after income tax for the financial year to 30 June 2014 was \$611,192 (2013: profit: \$318,997). No dividends were paid or declared during the year.

#### **REVIEW OF OPERATIONS**

A full review of operations is given on pages 2 and 3 which include the Chairman and Managing Director's Review.

#### TRADING IN COMPANY SHARES

During the 12 months to 30 June 2014, the Company's shares traded in the following ranges (pre 10-1 consolidation):

Quarter ending	High price	Low price	Closing price	Volume
30 <sup>th</sup> September 2013	\$ 0.060	\$ 0.058	\$ 0.058	38,572
31st December 2013	\$ 0.060	\$ 0.052	\$ 0.055	60,253
31st March 2014	\$ 0.062	\$ 0.048	\$ 0.062	49,402
30 <sup>th</sup> June 2014	\$ 0.065	\$ 0.060	\$ 0.060	533,219

Source: IRESS/ASX

#### SIGNIFICANT EVENTS DURING THE YEAR

The Company divested its shareholding in Adelaide Resources Limited during the year. On 25 June 2014, the Company issued a Notice of Meeting to seek shareholder approval to ratify a placement of 2,870,985 shares at \$0.05 made on 30 June 2014 and 1,109,015 shares on 10 July 2014. The meeting, held on 25 July 2014, approved these placements, a consolidation of Tidewater shares on a 10-1 basis, approved the placement of a further 1,500,000 new shares at \$0.52 per share (post consolidation), approved an issue of options to Baron Partners Limited and James Andrew Jackson, approved the election of James Andrew Jackson to the board of Directors and the placement of a further 4,369,536 new shares (post consolidation) in exchange for 7,282,560 capital units of Namoi Cotton Co-operative Limited.

#### **DIRECTORS' MEETINGS**

The number of Directors' meetings (including meetings of a committee of Directors) attended by each of the Directors of the Company for the 12 months to 30 June 2014 was:

	_	s held during period in fflice		Meetings held during in office
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
Andrew Brown	4	4	-	-
Stephen Roberts	4	3	2	2
Paul Young	4	4	2	2
James Jackson	-	-	-	-

### **REMUNERATION REPORT (AUDITED)**

#### (A) Key Management Personnel

The names and positions of key management personnel of the Company who have held office during the financial year are:

#### **Directors**

Andrew Brown
Paul Young
Stephen Roberts

Managing Director - Executive
Chairman - Non Executive
Director - Non Executive

#### (B) Directors Remuneration for the financial years ended 30 June 2014 and 30 June 2013

						Share Based	
	Shoi	rt-Term Bene	fits	Post Employ	ment Benefits	Payments	
			Non				
	Salaries	Cash	Monetary	Super-			
2014	& fees	bonuses	Benefits	annuation	Other	Options	Total
Paul Young	\$18,000	-	-	2,000	-	-	\$20,000
Andrew Brown	\$83,333	-	-	-	-	-	\$83,333
Stephen Roberts	-	-	-	\$20,000	-	-	\$20,000
TOTAL	\$101,333	-	-	\$22,000	-	-	\$123,333
2013							
Paul Young	\$20,000	-	-	-	-	-	\$20,000
Andrew Brown	\$100,000	-	-	-	-	-	\$100,000
Stephen Roberts	-	-	-	\$20,000	-	-	\$20,000
TOTAL	\$120,000	-	-	\$20,000	-	-	\$140,000

### (C) Specified Executives Remuneration for the years ended 30 June 2014 and 30 June 2013

	Shor	t-Term Bene	fite	Post Employmer	nt Panalits	Share Based Payments	
	31101	t-Telli Delle	iiiS	FOST EHIPIOYIHEI	n Denems	Fayilicius	
			Non				
	Salaries	Cash	Monetary	Super-			
2013 and 2014	& fees	bonuses	Benefits	annuation	Other	Options	Total
There were no specified executives in the period from 1 July 2012 to 30 June 2013 and 1 July 2013 to 30 June 2014.							

#### (D) Remuneration Policy

The Non Executive Directors annually review and recommend the remuneration packages of senior management. The payment of bonuses, options and other incentive payments are annually reviewed by the Non Executive Directors as part of the review of Executive Directors and Specified Executives.

#### REMUNERATION REPORT (AUDITED) (continued)

The Non Executive Directors can exercise their discretion in relation to approving bonuses, options and incentives but will do so by reference to measurable performance criteria, and are able to seek independent advice on the appropriateness of remuneration packages.

The remuneration policy, which sets the terms and conditions for the Managing Director and other senior executives, was developed by the remuneration committee after seeking professional advice from independent consultants and was approved by the Board. Executives have historically received a base salary, superannuation, performance incentives and retirement benefits. Remuneration is reviewed annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed Companies and independent advice, but has regard to expected significant share ownership in the Company. The policy is designed to attract appropriate executives and reward them for performance that results in long-term growth in shareholder value.

As a result of an overall reduction in operations, all services to the Company are provided on an outsourced basis by third parties, including the provision of services of the Managing Director.

The current remuneration for Non Executive Directors is set by resolution of shareholders at a maximum \$400,000 per annum in aggregate. This amount of remuneration includes all monetary and non-monetary components. There are no schemes for retirement benefits for Non Executive Directors.

#### (E) Service Agreements

Remuneration and other terms of engagement of an Executive Director, Andrew Brown, was formalised in a service agreement, effective 1 September 2013, the key terms of which are payment of up to \$50,000 per annum to A. Brown and Company Pty. Limited, invoiced monthly. In August 2014, the Company will sign an agreement with James Jackson, the key terms of which are payment of \$75,000 per annum plus superannuation, payable monthly.

#### (F) Options held by Specified Directors and Specified Executives

No options have been granted to Specified Directors or Specified Executives as part of their remuneration in the current or prior years.

#### (G) Shareholdings by Specified Directors and Specified Executives

		Received as	Options		Balance at
Directors	Balance at 1/7/13	Remuneration	Exercised	Net change – other <sup>1</sup>	30/6/14
Andrew Brown	8,636,097	-	-	201,072	8,837,169
Stephen Roberts	1,870,451	-	-	-	1,870,451
Paul Young	1,623,082	-	=	243,795	1,866,877
TOTAL	12,129,630	-	-	444,867	12,574,497

<sup>&</sup>lt;sup>1</sup> Net change – other refers to shares purchased or sold during the financial year

James Jackson held no shares at 30 June 2014 (or 30 June 2013) but became entitled to 1,602,406 shares as a result of the exchange of 2,670,676 Namoi Cotton Co-operative Limited capital units for Tidewater shares as approved at a general meeting held on 25 July 2014.

#### REMUNERATION REPORT (AUDITED) (continued)

#### (H) Performance of Tidewater Investments Limited

The Company's initial aim of generating shareholder wealth through investment in micro-cap companies and financial services businesses has changed since 2009 mainly because of two investments in the wine sector proving problematic and thereby significantly reducing the Economic Entity's access to capital. Consequently, the Company has been returning capital to shareholders in the form of large fully franked dividends and capital returns, via distribution of underlying investments. In turn, this has led to a high fixed cost base relative to capital investment and significant investment concentration of the Company's remaining capital, producing volatile returns.

These factors, together with the moderate performance of equity markets, have ensured that the Company's share price and market capitalisation has progressively fallen over the past five years, including the latest twelve months.

The table below shows the performance for the Company as measured by its share price, market capitalisation, distributions via dividends and capital returns and profit from all operations (discontinued or ongoing) over the last five financial years.

	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Share price (unadjusted)	\$0.24	\$0.17	\$0.11	\$0.06	\$0.06
Market capitalisation (\$000's)	6,177	4,259	2,756	1,540	1,765
Dividends paid (\$000's)	1,090	251	-	-	-
Capital returns (\$000's)	-	-	1,441	-	-
Profit/(loss) for the year (\$000's)	674	(616)	(1,333)	319	(611)

This concludes the Remuneration Report, which has been audited.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Pursuant to Access and Indemnity deeds signed by the parties when each Director was appointed, the Company has agreed to indemnify each Director against any liability incurred by being a Director of the Company and to pay all of the Directors reasonable defence costs in relation to any claim alleging any liability on the part of the Director as a result of being a Director of the Company. The Company has agreed to maintain Director's and Officers' Liability Insurance upon terms and conditions reasonably satisfactory to the Directors and to pay all reasonable or market premiums in respect to the insurance for a period of 7 years following the date when any Director ceases to be a Director of the Company. Under the terms of the policy, the Company is precluded from disclosing the details of premiums paid.

#### DEFERRED SHARE PLAN

On 30 May 2003, shareholders approved the establishment of a Deferred Share Plan whereby the Non Executive Directors of Tidewater Investments Limited can, subject to future shareholder approval, elect to take their remuneration in a tax deferred manner, in ordinary shares of the Company. The Plan is operated by an outside company, CRA Plan Management Pty. Limited and issues shares quarterly in advance, at prevailing market prices, to those Directors electing to be part of the scheme in lieu of their Directors fees. As a result of changes in the 2009 Federal Budget, as subsequently amended, this DESP was not being utilised and has been wound up.

#### **ENVIRONMENTAL REGULATION**

No significant environmental regulations apply to the economic entity.

#### CHANGES IN STATE OF AFFAIRS

During the financial year, there was no significant change in the state of affairs of the economic entity other than those noted under significant events during the year.

#### PROCEEDINGS ON BEHALF OF THE COMPANY

There are no material legal or other proceedings being made on behalf of the Company or against the Company as at the date of this report.

#### SUBSEQUENT EVENTS

On 10 July 2014, the Company placed 1,109,015 shares at a price of \$0.05.

On 25 July 2014, the Company held a general meeting to ratify this placement and that made on 30 June 2014, consolidated its shares on a 10-1 basis, approved the placement of a further 1,500,000 new shares at \$0.52 per share (post consolidation), approved the issue of options to Baron Partners Limited and James Andrew Jackson, approved the election of James Andrew Jackson to the board of Directors and the placement of a further 4,369,536 new shares (post consolidation) in exchange for 7,282,560 capital units of Namoi Cotton Co-operative Limited.

Note 23 to the financial statements "Events Subsequent to Reporting Date" details the financial implications of these events through a pro-forma statement of financial position.

#### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors have excluded from this report information on likely developments in operations of the economic entity since in the opinion of the Directors, it would prejudice the interests of the economic entity if this information were included. The Directors have excluded information on the expected results of the economic entity since financial performance is partly reliant on gains from the sale of investment securities, which inherently cannot be forecast.

#### NON AUDIT SERVICES

The auditors of the Company did not provide any non-audit related services to the Company.

#### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 11.

Dated at Sydney this Sixth day of August 2014.

Signed in accordance with a resolution of the Board of Directors of Tidewater Investments Limited

P A Young - Chairman

A J Brown – Managing Director

Anka J. Skom

#### AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 2 9251 4100 Fax: +61 2 9240 9821 www.bdo.com.au Level 11, 1 Margaret St Sydney NSW 2000

Australia

## DECLARATION OF INDEPENDENCE BY CRAIG MAXWELL TO THE DIRECTORS OF TIDEWATER INVESTMENTS LIMITED

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

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- 2. no contraventions of any applicable code of professional conduct in relation to the audit.

Craig Maxwell

Partner

**BDO East Coast Partnership** 

Sydney, 6 August 2014

BDD East Coast Partnership. ABN 83 235 985 726 is a member of a national association of independent critities which are all members of 800 (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. 800 East Coast Partnership and 800 (Australia) Ltd are members of 800 International Ltd, a UK company limited by guarantee, and form part of the international 800 network of independent member firms. Liability limited by a scheme approved under Professional Standards Liabilitation (other than for the acts or ornisations of financial services licensees) in each State or Territory other than Tesmania.

#### **CORPORATE GOVERNANCE**

In March 2003, the ASX Corporate Governance Council ("ASXCGC") issued the Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Recommendations") as a guide to the top 500 ASX listed companies. The guidelines were reviewed as at 31 March 2004 by the Implementation Review Group and some relaxations agreed particularly in respect to non-top 300 ASX listed companies. The ASX recommendations were extensively revised in August 2007 as a "Second Edition" in respect of which Tidewater Investments Limited ("Tidewater" or "the Company") is required to report. On 30 June 2010 the ASXCGC released amendments to the second edition in relation to diversity, remuneration, trading policies and briefings which applied to the Company from 1 January 2011.

Corporate Governance is the framework by which the Company is effectively managed, in respect of its ethics and honest approach to doing business, the accountability of the Board of Directors to shareholders of the Company for financial performance and growth, and the management of the inevitable risks which are encountered in running a company reliant upon the performance of financial assets and investments.

The Company is a small company with a strong commitment to containing costs. This commitment, when related to the relatively small size of the Company, makes it difficult to fully attain all of the recommended principles; indeed, many of the principles have limited relevance to the operation of the Company, and as a consequence, the corporate governance framework has been adapted to the operation of a smaller entity. In any event, shareholders are significantly advantaged by the fact that the Board of Directors of the Company hold a significant equity position, which at 30 June 2014 collectively equated to 42.7% of Tidewater shares. Further, all of the Board and staff are very experienced company officers and are well aware of their responsibilities to the Company, to the security holders and to all other stakeholders, and fulfil similar roles in other corporations. As a consequence, the Company looks to attract Directors who exhibit the requisite innate characteristics of honesty and integrity, rather than simply adopt a series of boilerplate documents, and attempt to justify divergence from them.

The Tidewater Board largely supports and is largely, though not totally, in compliance with the ASX Recommendations published by the ASXCGC. Tidewater's constitution and various charters and statements in relation of corporate governance discussed in this section are available from the Company upon request in writing.

#### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### A. THE ROLE OF THE BOARD AND MANAGEMENT

The Board adopted a formal Board Charter in September 2004 which is in the process of being updated to represent the Second Edition ASX recommendations, in which the Charter establishes those matters reserved for the Board and authority delegated to management. The Board's functions, as summarised in the Board Charter, include:

- Acting as an interface between the Company and its shareholders;
- Setting the goals of the Company including short, medium and longer term objectives;
- Providing the overall strategic direction of the Company;
- Appointing and approving the terms and conditions of the appointment of the Managing Director;
- Approving all mergers and acquisitions and the establishment of controlled entities; and
- Approving major new investments and the divestment of existing major investments.

The Board Charter specifically delegates the day to day management of the Company's affairs to the Managing Director along with the implementation of strategy, policy and financial initiatives.

#### B. LETTERS OF APPOINTMENT

The Managing Director's responsibilities and terms of employment, including termination entitlements, are set out in a formal executive service agreement. A summary of the main elements and terms of the agreement is reproduced in the Remuneration Report section of this Annual Report. Letters of appointment are prepared for non-executive directors and senior executives, covering duties, time commitments, induction and company polices and corporate governance. Given the small number of these individuals, their remuneration structure and main elements of terms of employment are reproduced in the Remuneration Report section of this Annual Report.

#### C. INDUCTION OF SENIOR EXECUTIVES

New executives are given comprehensive briefings and information on the company's businesses, and its policies and procedures when they join the Company. New executives are introduced to key external service providers in order to build the relationships necessary to meet the requirements of their role.

#### D. PERFORMANCE EVALUATION OF SENIOR EXECUTIVES

Other than the Managing Director there are now no Senior Executives.

During the period from 1 July 2009 – 30 October 2009, Tidewater comprised two Non Executive Directors and one Managing Director, an Investment Manager, an Executive responsible for the vineyard funds management business, and a finance manager, who also acted as the Company Secretary. The Company also engaged a part time accountant and a part time employee responsible for Compliance. The Investment Manager resigned effective 31 October 2009, and the executive responsible for the vineyards funds management business and finance manager resigned effective 30 November 2009. From 1 December 2009 to 29 February 2012, Tidewater comprised two Non Executive Directors and one Managing Director who also acted as the Company Secretary, plus a part time contractor responsible for compliance. The compliance role was extinguished on 1 March 2012 after the sale of the funds management businesses. The Managing Director has been employed on a consultancy based contract since 1 April 2011.

#### PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board Charter prescribes the structure of the Board and its Committees, the framework for independence and some obligations of directors.

#### A. SIZE AND COMPOSITION OF THE BOARD

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board shall comprise not less than three Directors nor more than such number as the Directors may determine at any time
- The Chairman should preferably be an Independent or Non-Executive Director.
- The Board shall comprise Directors with a diverse and appropriate range of qualifications and expertise and in the event of retirement of a Director with particular expertise, the Board will appoint a Director with skills and experience to balance the needs of the Board in the operations of the Company.
- The Board shall meet at least quarterly and follow meeting guidelines established to ensure that all Directors are made aware of, and have available all necessary information in a timely manner, to participate in an informed discussion of all agenda items.

At the date of this report, the Board of the Company comprises a Non Executive Chairman, a Non Executive Director and a Managing Director. The Directors' Report provides the details of the Directors in office during the year together with their experience, expertise and qualifications.

The Directors in office at the date of this Statement are:

Non Executive Chairman : Paul Young
Managing Director : Andrew Brown
Non Executive Director : Stephen Roberts
Executive Director : James Jackson

#### B. DIRECTORS' INDEPENDENCE

Non Executive directors are independent of management, have a substantial shareholding (i.e. over 5%) and have other relationships with management and the company which result in them being required to stand aside from certain deliberations as a result of a conflict of interest.

Independent Directors are independent of management, do not have a substantial shareholding (i.e. less than 5%) and are free from any business or other relationship which could materially interfere with the exercise of their judgement. The Company presently has no Independent Directors. In light of the size and activities of the Company, the Directors do not see any advantage in appointing additional directors or re-structuring the Board at this time.

#### C. CONFLICT OF INTEREST

The Board has in place a process to ensure that conflicts of interest are managed appropriately. If a potential conflict of interest arises, the director concerned does not receive the relevant Board papers and leaves the Board meeting while the matter is considered. Directors must advise the Board immediately of any interests that could potentially conflict with those of Tidewater.

#### D. ELECTION OF DIRECTORS

The Directors of the Company are elected or re-elected (on a rotational basis) at the Company's Annual General Meeting. Details of the members of the Board, their experience, expertise and qualifications are set out in the Director's Report. It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of Non Executive Directors on a case by case basis and in conformity with the requirements of the Listing Rules and the Corporations Act.

#### E. BOARD COMMITTEES

Establishment of Board committees is commensurate with the size of the Company and is as follows:

#### Audit Committee

At the date of this statement, the members of the Audit Committee are Paul Young (Chairman of the Audit Committee) and Stephen Roberts.

#### Remuneration Committee and Nomination Committee

Having regard to the small size of the Company, the duties of a Remuneration Committee and Nomination Committee are handled by the full Board.

#### F. DIRECTOR'S ACCESS TO INFORMATION AND ADVICE

Directors receive a regular report from the Managing Director – whether or not a Board meeting is scheduled – and have unrestricted access to company records and information.

Directors may obtain independent professional advice at Tidewater's expense on matters arising in the course of their Board and Committee duties, after obtaining the Chairman's approval. The Board Charter requires that all directors be provided with a copy of such advice and be notified if the chairman's approval is withheld.

It is the Board's policy that any committees established by the Board should:

- Be entitled to obtain independent professional or other advice at the cost of the Company, unless the Board determines otherwise.
- Be entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the Company as they might require.
- Operate in accordance with terms of reference established by the Board.

The Board appoints and removes the company secretary. All directors have direct access to the Company Secretary who is accountable to the managing director and, through the Chairman, to the Board on all governance matters.

#### G. BOARD EVALUATION

Since the Company is small in nature, and the current Directors are all substantial shareholders of the Company, the Board does not undertake a formal annual evaluation process.

#### PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

#### A. BUSINESS CONDUCT AND ETHICS

Embedded within the Board Charter is a Directors' Code of Conduct ("Code") of which the following is a summary:

- Directors must act honestly, in good faith and in the best interests of the Company as a whole at all times.
- Directors have a duty to use due care and diligence in fulfilling the functions of the office and exercising the powers attached to that office.
- Directors must always use the powers of the office for a proper purpose.
- Directors must recognise that their primary responsibility is to the Company's security holders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the Company.
- Directors must not make improper use of information acquired as a Director.
- Directors must not allow personal interests, or the interests of any Associated Person, to conflict with the interests of the Company.
- Directors have an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board.
- Confidential information received by a Director in the course of the exercise of Directors duties remains the property of the company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or required by law.
- Directors should not engage in conduct likely to bring discredit upon the Company.
- Directors have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code.
- Directors have an obligation to ensure that the continuous and periodic disclosure requirements as set out in the ASX Listing Rules are adhered to at all times.

The policy also includes detailed guidelines for interpretation of the principles of the Code.

All senior employees are governed by terms of employment, into which the relevant principles detailed above are embedded.

#### B. DIVERSITY

Within the confines of being a small listed company, Tidewater seeks to ensure diversity within the organisation. Significantly, 100% of Tidewater's consultants and Directors were born outside of Australia. Of Tidewater's current employees or consultants, none are female. There are no female Directors, and in light of the Company's future direction, there are no current specific plans to recruit female Directors to the Tidewater Board. Historically, 57% of Tidewater's past employees and consultants have been female, and Tidewater's Managing Director has a particularly strong history of providing a workplace environment facilitating part time female employment.

Given its small size, Tidewater does not have, and does not intend to adopt a specific diversity policy, quota or "tick a box" system that predominates in this area. The Company has a preference to ensure its visible deeds, culture and attitudes towards gender, age, sexual orientation, race, nationality, social impediment and disability speak for themselves. In particular, Tidewater aims to deal with counterparties in the legal, accounting, audit and transactional area which exhibit such diversity, and where the careers of these varied individuals can be progressed advantageously via the interaction gained with Tidewater's experienced executives and Directors. Tidewater's Managing Director continues to contribute significant time to training and mentoring younger persons. Tidewater is proud that its corporate office is located in a particularly diverse area of Sydney, and the Company encourages counterparties to visit its premises and those of the surrounding area.

#### PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

#### A. AUDIT COMMITTEE

Detailed terms of reference for the Audit Committee have been adopted. In addition, the Charter for the Board of Directors sets out the membership and responsibilities of the Audit Committee as follows:

The Audit Committee should comprise at least one independent director who should chair the meetings and should not contain any executive directors. The Committee responsibilities are:

- to review the adequacy of systems and standards of internal control with emphasis on risk management, financial reporting procedures and compliance;
- to review proposed announcements of financial results, financial statements, management questionnaires and external audit reports in advance of the Board;
- to receive any information it requires from management;
- to report its findings and recommendations directly to the Board;
- to provide a direct link from the Board to the external auditor;
- the nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit
  and half year audit review.

The Audit Committee meets separately with the auditors as required from time to time to discuss the audit reviews and reports, to ensure that there are no outstanding issues and to assess the auditor's continuing independence.

At the date of this statement, the members of the Audit Committee are Paul Young (Chairman of the Audit Committee) and Stephen Roberts.

Full compliance with the ASX Recommendations (requires three members including an independent Chairman) will not be achieved unless the Board resolves to appoint an independent Director/Chairman. The Directors do not believe there is any advantage in appointing additional directors at this time. Mr. Young combines the roles of Chairman of the Board and Chairman of the Audit Committee due to his extensive experience, qualifications and credentials.

The Audit Committee seeks to ensure the independence of the external auditor. The policy on auditor independence applies to services supplied by the external auditor and their related firms to Tidewater. Under the policy on auditor independence, the external auditor is not to provide non-audit services under which the auditor assumes the role of management, becomes an advocate for the group, or audits its own professional expertise. Tidewater has a very limited number and scope of permissible non-audit assignments. In addition, the external audit engagement partner and review partner must be rotated every five years.

The external auditor annually confirms its independence within the meaning of applicable legislation and professional standards.

#### B. FINANCIAL REPORT ACCOUNTABILITY

Tidewater's Managing Director is required to state to the Board, in writing, that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

In the 2014 financial year, the Managing Director has provided a statement to the Board in writing in respect to the integrity of the financial statements and the efficient and effective operation of the risk management and internal compliance and control systems.

#### PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Board has always been very conscious of its disclosure obligations and has adopted a detailed continuous and periodic disclosure policy. Disclosure obligations are also contained in the Charter for the Board of Directors.

All Directors and the Company Secretary are responsible to ensure that disclosure policy is adhered to. The Managing Director works with the Chairman in dealing with media contact and any external communications.

Current and archived news items announced by the Company are available free of charge at www.asx.com.au.

Tidewater provides a review of operations and financial performance in the 2014 Annual Report which includes the company's financial report. Results announcements to the ASX, analyst presentations and the full text of the Chairman's and Managing Director's addresses at the Company's Annual General Meeting are lodged with ASX and available at <a href="https://www.asx.com.au">www.asx.com.au</a>.

#### PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Board is committed to ensuring that the security holders are at all times provided with information sufficient to allow effective monitoring of the Company's performance by means of:

- the Annual Report which is distributed to security holders (at their election);
- the Half Yearly Report;
- periodic reports and special reports when matters of material interest arise;
- the Annual General Meeting and other meetings called to obtain approval of any Board action as required;
   and
- continuous disclosure.

The Directors' Code of Conduct and the Charter for the Board of Directors both support this principle.

The Company's auditor is required to attend the Annual General Meeting and be available to answer any questions the Security holders may care to ask in respect to the audit of the financial statements of the Company.

#### PRINCIPLE 7: RECOGNISE AND MANAGE RISK

#### A. OVERSIGHT OF RISK

The Board of Directors is the ultimate sponsor of risk oversight within the Company, but does so in a manner which reflects the transparent nature of Tidewater's employees, systems, reporting as well as noting the use of a number of internal and external risk managers who contribute in various ways to providing comfort that the Company is operating within a sound risk management framework.

As a consequence of its activities which involve dealing in financial assets, the Company pays significant attention to risk. The core activities of the Company mean that Tidewater deliberately assumes a level of risk of capital loss, the quantum of which is regularly discussed and debated by the Board. Through the reporting of the Managing Director, the Board is able to monitor the level of interest rate, asset concentration of, capital, reputational, credit and overall financial market risk being assumed by the Company.

The Audit Committee Terms of Reference include a requirement for the Committee to review and monitor the risk management practices and activities of the Company. Also, the risk management responsibilities of the Board and management are dealt with in detail in the Charter for the Board of Directors.

#### B. IMPLEMENTATION OF RISK MANAGEMENT SYSTEMS

The Company has a series of internal and external controls which govern the Company's material business risks. These controls include, but are not restricted to:

- external providers of accounting services to the Company; and
- regular reporting to the Board of Directors.

The Company has not appointed a specific internal auditor. The Company does not have a Risk Management Committee due to its small size and scale of activities, but the Audit Committee has a mandate to review and monitor the risk management practices and activities of the Company

#### C. ACCOUNTABILITY

In the 2014 financial year, the Managing Director has provided a statement to the Board in writing in respect to the integrity of the financial statements and the efficient and effective operation of the risk management and internal compliance and control systems.

As part of the process of approving the financial statements, at each reporting date the Managing Director provides a statement in writing to the Board on the quality and effectiveness of the company's risk management and internal compliance and control systems.

The Board has also received statements from the Managing Director certifying that, having made all reasonable enquiries and to the best of their knowledge and belief:

- the statements made in relation to the financial integrity of the group financial reports are founded on a sound system of risk management and internal compliance and control;
- the system of risk management in operation at 30 June 2014 implements the policies adopted and delegated by the Board and was operating effectively; and
- the systems relating to financial reporting were operating effectively in all material respects.

Further, the Board received the relevant declarations required under section 295A of the Corporations Act 2001 and the relevant assurances required under recommendation 7.3 of the Second Edition of the ASX Recommendations.

#### PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The duties and responsibilities of a Remuneration Committee are detailed in the Charter for the Board of Directors. The full Board handles those duties and responsibilities at this time and ensures that the remuneration practices of the Company are fair and reasonable and structured to encourage enhanced performance. Full details of the remuneration quantum and structure for key personnel is contained in the Remuneration Report within this Annual Report.

#### **Directors Remuneration**

If an Executive Director is appointed, suitable remuneration will be approved by the Board.

The maximum aggregate amount of Non Executive Director's fees must be approved by the company in a General Meeting. Non Executive Directors are not granted options over unissued shares in the Company, and receive no bonus payments not retirement entitlements other than superannuation.

Since all Directors of Tidewater are significant shareholders in the Company, the Board does not currently offer equity based remuneration for Executive or Non Executive Directors. However, certain Directors were part of a Deferred Equity Share Plan ("DESP") which enabled them to take Director remuneration in shares of Tidewater. As a result of changes in the 2009 Federal Budget, as subsequently amended, this DESP was wound up.

## FINANCIAL REPORT FOR THE YEAR TO 30th JUNE 2014

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2014 Statement of Financial Position as at 30 June 2014 Statement of Changes in Equity for the year ended 30 June 2014 Statement of Cash Flows for the year ended 30 June 2014

#### **NOTES:**

- 1. Statement of Significant Accounting Policies
- 2. Revenues
- 3. Profit/(Loss) for the Year
- 4. Finance Costs
- 5. Auditors Remuneration
- 6. Income Tax
- 7. Dividends and Franking Credit Balances
- 8. Earnings per Share
- 9. Cash and Cash Equivalents
- 10. Financial Assets (Current)
- 11. Trade and Other Receivables
- 12. Financial Assets (Non Current)
- 13. Controlled Entities
- 14. Parent Entity Information
- 15. Financial Assets
- 16. Trade and Other Payables
- 17. Borrowings
- 18. Contingent Liabilities
- 19. Issued Capital
- 20. Key Management Personnel
- 21. Capital and Leasing Commitments
- 22. Cash Flow Information
- 23. Events Subsequent to Reporting Date
- 24. Related Party Information and Transactions
- 25. Financial Instruments, Risk Management and Capital Risk Management
- 26. Company Details
- 27. Segment Reporting

# TIDEWATER INVESTMENTS LIMITED AND CONTROLLED ENTITIES STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

		Econom	ic Entity
	Note	2014 \$	2013 \$
Continuing operations Revenues	2	2,267,114	652,744
Other expenses	3A	(2,825,472)	(343,186)
Finance costs (Loss)/profit before income tax Income tax (charge)/benefit	4 <u> </u>	(21,905) (580,262) (30,930)	(4,113) 305,445 13,552
(Loss)/profit after income tax (Loss)/profit attributable to non-controlling interests		(611,192)	318,997
(Loss)/profit after income tax and non-controlling interests	_	(611,192)	318,997
Other comprehensive income for the year, net of tax	_	-	
Total comprehensive income attributable to owners of Tidewater In Limited	vestments —	(611,192)	318,997
Basic (loss)/earnings (cents) per share from continuing operations Diluted (loss)/earnings (cents) per share from continuing operations	8	(2.3)	1.2
Dividends (cents) per share	7	(2.3)	-

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

## TIDEWATER INVESTMENTS LIMITED AND CONTROLLED ENTITIES STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Econ	omic Entity
Note	2014	2013
	<b>\$</b>	\$
9	655,459	139,418
10,15	656,301	1,905,522
11	2,782	5,763
	1,314,542	2,050,703
12	10,000	24,368
6B		42,450
	21,520	66,818
	1,336,062	2,117,521
16	49.768	168,314
17	-	195,270
	49,768	363,584
	49,768	363,584
	1 297 204	1 752 027
	1,200,294	1,753,937
19	15,129,356	14,985,807
	(13,843,062)	(13,231,870)
	1,286,294	1,753,937
	9 10,15 11 12 6B	Note  9 655,459 10,15 11 2,782 1,314,542  12 10,000 6B 11,520 21,520  1,336,062  16 49,768 17 49,768 49,768  1,286,294  19 15,129,356 (13,843,062)

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

## TIDEWATER INVESTMENTS LIMITED AND CONTROLLED ENTITIES STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Attribu	utable to equity hold Parent Entity	ers of		
ECONOMIC ENTITY	Issued Capital \$	Accumulated Losses	Total Interest \$	Non- Controlling Interest \$	Total Equity \$
As at 30 June 2012	14,867,392	(13,574,360)	1,293,032	23,493	1,316,525
Adjustment for sale of controlled					
entity in prior year	-	23,493	23,493	(23,493)	-
Total comprehensive income for the					
year	-	318,997	318,997	-	318,997
Contribution of equity	120,000	-	120,000	-	120,000
Cost of contribution of equity	(1,585)	-	(1,585)	-	(1,585)
As at 30 June 2013	14,985,807	(13,231,870)	1,753,937	-	1,753,937
Total comprehensive income for the					
year	-	(611,192)	(611,192)	-	(611,192)
Contribution of equity	143,549	-	143,549	-	143,549
As at 30 June 2014	15,129,356	(13,843,062)	1,286,294	-	1,286,294

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

## TIDEWATER INVESTMENTS LIMITED AND CONTROLLED ENTITIES STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note		ic Entity
		2014	2013
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		(317,443)	(256,427)
Purchases of investments		(1,324,024)	(740,977)
Proceeds from sale of investments		2,200,994	102,930
Purchases of derivative instruments		(58,270)	(38,000)
Sales of derivative instruments		74,882	58,270
Dividends received		12,599	4,572
Interest received		929	9,636
Finance costs paid		(21,905)	(6,513)
NET CASH PROIVIDED BY/(USED IN) OPERATING			
ACTIVITIES	22 (A)	567,762	(866,509)
CASH FLOWS FROM INVESTING ACTIVITIES:			
NET CASH FLOW PROVIDED BY INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from equity issuance		143,549	120,000
Costs of equity issuance		-	(1,585)
NET CASH FLOW PROVIDED BY FINANCING ACTIVITIES		143,549	118,415
Net increase/(decrease) in cash held		711,311	(748,094)
Cash at the beginning of the financial year		(55,852)	692,242
Cash at the end of the financial year	9	655,459	(55,852)

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

#### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been approved for issue by the Board of Directors of Tidewater Investments Limited on 6 August 2014. The functional currency of the entity is measured using the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the economic entity's functional and presentation currency.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements cover the economic entity, consisting of Tidewater Investments Limited and its subsidiaries and covers the financial year ended 30 June 2014. Tidewater Investments Limited is a publicly listed entity, incorporated and domiciled in Australia.

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Group. The principal accounting policies adopted in the preparation of this financial report are set out below.

#### A. Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ("AASB's"), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements also comply with International Financial Reporting Standards.

The Group is a "for-profit" entity, the principal activities of which during the financial year ended 30 June 2014 included 'equity investment' and 'funds management and financial services'. There were no significant changes in the nature of the group's activities during the financial year.

#### Historical cost convention

These financial statements have been prepared on an accruals basis and are based on historic costs as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

#### Amendments to Accounting Standards

In accordance with Corporations Amendment (Corporate Reporting Reform) Act 2010, the economic entity has dispensed with the inclusion of parent company accounts but discloses the requisite information for the parent company as per note 14.

#### B. Principles of Consolidation

#### Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tidewater Investments Limited ("company" or "parent entity") as at 30 June 2014 and the results of all subsidiaries for the year then ended. Tidewater Investments Limited and its subsidiaries together are referred to in these financial statements as "group" or "the economic entity".

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the economic entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the economic entity.

Investments in subsidiaries are accounted for at the lower of cost or recoverable value in the individual financial statements of the parent entity.

#### C. Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ("CODM"). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

#### D. Income Tax

The income tax (expense) revenue for the year comprises current income tax (expense) income and deferred tax (expense) income.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax (liabilities) assets are therefore measured at the amounts expected to be (paid to) recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the financial year as well unused tax losses.

Current and deferred income tax (expense) benefit is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tidewater Investments Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as at 1 July 2003.

The wholly-owned entities have not compensated Tidewater Investments Limited for deferred tax liabilities assumed by Tidewater Investments Limited on the date of the implementation of the legislation.

#### E. Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Proceeds on sale of investments are recognised when a contract note is issued in the case of a sale of shares or when a signed transfer agreement has been effected with the purchaser.

#### F. Financial Instruments

#### Recognition

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

#### Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

#### Loans and receivables

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

#### Available-for-sale financial assets

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

#### Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation, using the effective interest rate method.

#### Fair value

Fair value is determined based on last sale prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### **Impairment**

At each reporting date, the economic entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

#### G. Trade and Other Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at the reporting date plus accrued interest and less, where applicable, any unearned income or provision for doubtful debts.

### H. Trade and Other Payables

Accounts payable represent the principal amounts outstanding at the reporting date plus, where applicable, any accrued interest.

#### I. Finance Costs

Borrowing costs are expensed as incurred.

#### J. Employee Benefits

#### Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised as current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

Share based payments

There is no equity based compensation scheme.

#### K. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash includes cash at bank and on hand and term deposits, offset by loans from a margin lending or overdraft facility.

#### L. Goods and Services Tax

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 Australia Taxation Office. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position. Cash flows in the Statement of Cash Flows are included on a gross basis. The GST component of cash flows arising from investing and financing activities that are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

#### M. Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the cost of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example, as part of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit and loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised in equity.

#### N. Earnings Per Share

Basic earnings per share

Basic earnings per share is determined by dividing net profit/(loss) after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year.

#### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect if interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### O. Plant and Equipment

Plant and equipment

Plant and equipment are measured on the cost basis.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the economic entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

#### O. Plant and Equipment (continued)

Depreciation

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

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

Class of Fixed Asset
Plant and equipment

Depreciation Rate
5% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

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

#### P. Impairment of Non-Financial Assets

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

#### Q. Leases

No assets have been acquired under finance leases.

Lease payments for operating leases or licence assignments, where substantially all the risks and benefits remain with the lessor or assignor, are charged as expenses on a straight line basis.

#### R. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### S. New Australian Accounting Standards

As at the date of this report there are a number of new Australian Accounting Standards that have been issued but are not yet effective. The economic entity has assessed the impact of these new Australian Accounting Standards and has concluded that they would have no impact on the recognition and measurement criteria of the policies noted above, but would have a minor impact on the disclosure within the financial statements.

#### T. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. The judgements, estimates and assumptions that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities is primarily in relation to Level 2 Financial Assets, which is discussed further in Note 25F.

	Economic Entity		
	2014	2013	
	\$	\$	
2. REVENUES			
Proceeds from sale of investments	2,200,993	103,095	
Interest	929	9,635	
Dividends received – other corporations	11,099	6,490	
Change in fair value of investments retained	37,480	513,254	
Net realised gains on derivatives trading	16,613	20,270	
TOTAL REVENUES	2,267,114	652,744	
3. PROFIT/(LOSS) FOR THE YEAR			
(A) EXPENSES			
Auditors remuneration – audit, audit review and accruals	45,000	44,000	
Consultancy, fees and other outsourced services	-	51,561	
Cash cost of investments sold	2,936,610	63,603	
Change in fair value of investments sold	(326,962)	-	
Directors fees and costs	40,000	42,158	
Employee benefits:	00.000		
Wages, salaries and consulting fees	83,333	100,000	
Office and occupancy expenses - leases	2.850	2,800	
Office and occupancy expenses - other Other expenses	2,850 44,641	2,760 36,304	
TOTAL EXPENSES EXCLUDING FINANCE COSTS	2,825,472	343,186	
(B) SIGNIFICANT REVENUE AND EXPENSES (FINANCIAL ASSETS AT	· · · · · · · · · · · · · · · · · · ·	,	
PROFIT OR LOSS)	PAIR VALUE THROUGH		
Proceeds from sale of investments	2,200,993	103,095	
Total cost of investments sold	(2,609,648)	(63,603)	
Realised (loss)/gain on investments sold	(408,655)	39,492	
Realised (loss)/gain on investments sold consists of:			
Gains	153,181	39,492	
Losses	(561,836)	-	
	(408,655)	39,492	
4. FINANCE COSTS			
External	21,905	4,113	
Total finance costs	21,905	4,113	

### TIDEWATER INVESTMENTS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (continued)

Remuneration of the auditors of the parent entity for:   Auditing and reviewing the financial statements		Economic	Entity
National Properties   Propert			-
Remuneration of the auditors of the parent entity for:   Auditing and reviewing the financial statements		\$	\$
Auditing and reviewing the financial statements	5. AUDITORS REMUNERATION		
Audit of controlled entities    1			
6. INCOME TAX         44,000           6. INCOME TAX           (A) INCOME TAX           The aggregate amount of income tax expense/(benefit) attributable to the year differs from the amount prima facic payable on the profit/(loss) from ordinary activities. The differences are reconciled as follows:           (Loss)/profit before tax         (\$80,262)         305,445           Prima facic income (benefit)/expense on the (loss)/profit before income tax at 30% (2013: 30%)         (174,079)         91,634           Add/(deduct) tax effect of:           Tax losses not brought to account         174,079         91,634           Other timing differences         30,930         (13,552)           Other timing differences         30,930         (135,552)           Income tax expense/(benefit) attributable to entity         30,930         (13,552)           The effective tax rate of -5.3% (2013 -4.4%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2013: utilisation of tax losses) in respect of the current year.           Income tax (expense)/benefit is made up of:           Deferred tax         (30,930)         13,552           (B) DEFERRED TAX ASSETS         11,520         42,450           Colspan="2">Colspan="2">Colspan="2">Colspan="2">Colspan="2">Colspan="2">Colspan="2">Colspan="2">Colspan="2">Colspan="2">Colspan="2">		45,000	44,000
(A) INCOME TAX         The aggregate amount of income tax expense/(benefit) attributable to the year differs from the amount prima facile payable on the profit/(loss) from ordinary activities. The differences are reconciled as follows:       Income tax expense/(benefit)/(sepense on the (loss)/profit before income tax at 30% (2013: 30%)       (174,079)       91,634         Prima facie income (benefit)/expense on the (loss)/profit before income tax at 30% (2013: 30%)       (174,079)       91,634         Add/(deduct) tax effect of:       174,079       -         Tax losses not brought to account       174,079       -         Utilisation of tax losses       -       (91,634)         Other timing differences       30,930       (13,552)         Income tax expense/(benefit) attributable to entity       30,930       (13,552)         The effective tax rate of -5.3% (2013 -4.4%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2013: utilisation of tax losses) in respect of the current year.         Income tax (expense)/benefit is made up of:         Deferred tax       (30,930)       13,552         (B) DEFERRED TAX ASSETS         Deferred tax assets comprise:         Temporary differences – accruals       11,520       42,450         C) RECONCILIATIONS         The overall movement in the deferred tax account is as follows:<	-	45,000	44,000
Class   From the amount of income tax expense/(benefit) attributable to the year differs from the amount prima facic payable on the profit/(loss) from ordinary activities. The differences are reconciled as follows:    Class   From facic income (benefit)/expense on the (loss)/profit before income tax at 30% (2013: 30%)	6. INCOME TAX		
Closs   Profit   Income   In	(A) INCOME TAX		
Clossy profit before tax   Clossy profit befor			ount prima facie
Prima facie income (benefit)/expense on the (loss)/profit before income tax at 30% (2013: 30%)         (174,079)         91,634           Add/(deduct) tax effect of:         Tax losses not brought to account (tilisation of tax losses)         174,079         -           Other timing differences         30,930         (13,552)           Income tax expense/(benefit) attributable to entity         30,930         (13,552)           The effective tax rate of -5.3% (2013 -4.4%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2013: utilisation of tax losses) in respect of the current year.         a 30,930         13,552           Income tax (expense)/benefit is made up of:         30,930         13,552           Deferred tax (expense)/benefit is made up of:         30,930         13,552           Deferred tax assets comprise:           Emporary differences – accruals         11,520         42,450           C(C) RECONCILIATIONS           The overall movement in the deferred tax account is as follows:           Opening balance         42,450         28,904           (Debit)/Credit to statement of profit or loss and other comprehensive income         30,930         13,552			305 445
Income tax at 30% (2013: 30%)   (174,079)   91,634   Add/(deduct) tax effect of:  Tax losses not brought to account   174,079   - (91,634)   174,079   - (91,6	- · · · · · · · · · · · · · · · · · · ·	(500,202)	303,113
Add/(deduct) tax effect of:           Tax losses not brought to account         174,079         -           Utilisation of tax losses         6,91,634         -           Other timing differences         30,930         (13,552)           Income tax expense/(benefit) attributable to entity         30,930         (13,552)           The effective tax rate of -5.3% (2013 -4.4%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2013: utilisation of tax losses) in respect of the current year.           Income tax (expense)/benefit is made up of:           Deferred tax         (30,930)         13,552           (B) DEFERRED TAX ASSETS         (30,930)         13,552           Temporary differences – accruals         11,520         42,450           (C) RECONCILIATIONS         11,520         42,450           The overall movement in the deferred tax account is as follows:           Opening balance         42,450         28,904           (Debit)/Credit to statement of profit or loss and other comprehensive income         (30,930)         13,552           Timing differences         6         26,904         6	·	(174.079)	91.634
Tax losses not brought to account Utilisation of tax losses         174,079         - (91,634)           Other timing differences         30,930         (13,552)           Income tax expense/(benefit) attributable to entity         30,930         (13,552)           The effective tax rate of -5.3% (2013 -4.4%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2013: utilisation of tax losses) in respect of the current year.           Income tax (expense)/benefit is made up of:         (30,930)         13,552           (B) DEFERRED TAX ASSETS         (30,930)         13,552           (B) Deferred tax assets comprise:         11,520         42,450           Temporary differences – accruals         11,520         42,450           (C) RECONCILIATIONS         42,450         42,450           The overall movement in the deferred tax account is as follows:         42,450         28,904           (Debit)/Credit to statement of profit or loss and other comprehensive income         (30,930)         13,552           Timing differences         6         6,0930)         13,552		(17 1,07 ))	71,031
Utilisation of tax losses       91,634         Other timing differences       30,930       (13,552)         205,009       (105,186)         Income tax expense/(benefit) attributable to entity       30,930       (13,552)         The effective tax rate of -5.3% (2013 -4.4%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2013: utilisation of tax losses) in respect of the current year.         Income tax (expense)/benefit is made up of:         Deferred tax       (30,930)       13,552         (B) DEFERRED TAX ASSETS         Temporary differences – accruals       11,520       42,450         (C) RECONCILIATIONS         The overall movement in the deferred tax account is as follows:         Opening balance       42,450       28,904         (Debit)/Credit to statement of profit or loss and other comprehensive income       (30,930)       13,552         Timing differences       -       (6)		174.079	-
Other timing differences         30,930         (13,552)           Income tax expense/(benefit) attributable to entity         30,930         (13,552)           The effective tax rate of -5.3% (2013 -4.4%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2013: utilisation of tax losses) in respect of the current year.         ad 30,930         13,552           Income tax (expense)/benefit is made up of:         (30,930)         13,552           Deferred tax         (30,930)         13,552           (B) DEFERRED TAX ASSETS           Temporary differences – accruals         11,520         42,450           CC) RECONCILIATIONS           The overall movement in the deferred tax account is as follows:           Opening balance         42,450         28,904           (Debit)/Credit to statement of profit or loss and other comprehensive income         (30,930)         13,552           Timing differences         6         20,930)         13,552		-	(91,634)
10,5,186	Other timing differences	30,930	
The effective tax rate of -5.3% (2013 -4.4%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2013: utilisation of tax losses) in respect of the current year.  Income tax (expense)/benefit is made up of:  Deferred tax  (30,930) 13,552 (30,930) 13,552  (B) DEFERRED TAX ASSETS  Deferred tax assets comprise:  Temporary differences – accruals  11,520 42,450 11,520 42,450  (C) RECONCILIATIONS  The overall movement in the deferred tax account is as follows:  Opening balance (Debit)/Credit to statement of profit or loss and other comprehensive income (30,930) 13,552  Timing differences  - (6)			
decision not to bring to account tax losses (2013: utilisation of tax losses) in respect of the current year.  Income tax (expense)/benefit is made up of:  Deferred tax	Income tax expense/(benefit) attributable to entity	30,930	(13,552)
Deferred tax   (30,930)   13,552   (30,930)   13,552			
Deferred tax   (30,930)   13,552   (30,930)   13,552	Income tax (expense)/benefit is made up of:		
(B) DEFERRED TAX ASSETS  Deferred tax assets comprise: Temporary differences – accruals  (C) RECONCILIATIONS  The overall movement in the deferred tax account is as follows: Opening balance (Debit)/Credit to statement of profit or loss and other comprehensive income Timing differences  (B) DEFERRED TAX ASSETS  11,520 42,450 11,520 42,450 28,904 (30,930) 13,552 (6)		(30,930)	13,552
Deferred tax assets comprise:  Temporary differences – accruals  (C) RECONCILIATIONS  The overall movement in the deferred tax account is as follows:  Opening balance (Debit)/Credit to statement of profit or loss and other comprehensive income Timing differences  11,520 42,450 11,520 42,450 28,904 (30,930) 13,552	-	(30,930)	13,552
Temporary differences – accruals  (C) RECONCILIATIONS  The overall movement in the deferred tax account is as follows:  Opening balance (Debit)/Credit to statement of profit or loss and other comprehensive income Timing differences  11,520 42,450  42,450  28,904  (30,930) 13,552  (6)	(B) DEFERRED TAX ASSETS		
(C) RECONCILIATIONS  The overall movement in the deferred tax account is as follows:  Opening balance (Debit)/Credit to statement of profit or loss and other comprehensive income Timing differences  11,520 42,450 28,904 (30,930) 13,552 (6)	Deferred tax assets comprise:		
(C) RECONCILIATIONS  The overall movement in the deferred tax account is as follows:  Opening balance (Debit)/Credit to statement of profit or loss and other comprehensive income Timing differences  (30,930) 13,552	Temporary differences – accruals	11,520	42,450
The overall movement in the deferred tax account is as follows:  Opening balance (Debit)/Credit to statement of profit or loss and other comprehensive income Timing differences  42,450 (30,930) 13,552 (6)		11,520	42,450
Opening balance42,45028,904(Debit)/Credit to statement of profit or loss and other comprehensive income(30,930)13,552Timing differences-(6)	(C) RECONCILIATIONS		
(Debit)/Credit to statement of profit or loss and other comprehensive income Timing differences  (30,930) 13,552	The overall movement in the deferred tax account is as follows:		
Timing differences - (6)	Opening balance	42,450	28,904
•	(Debit)/Credit to statement of profit or loss and other comprehensive income	(30,930)	13,552
Closing balance 11,520 42,450	Timing differences		(6)
	Closing balance	11,520	42,450

#### (D) DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT

As at 30 June 2014, the economic entity had estimated unrecouped operating income tax losses of \$11,048,990 (2013: \$10,253,475) which are not presented on the Statement of Financial Position. The benefit of these losses of \$3,314,697 (2013: \$3,076,043) has not been brought to account as realisation is not probable.

The benefit will only be obtained if:

- (i) the companies derive future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- (ii) the companies continue to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the companies in realising the benefit from the deductions for the losses.

Econor	nic Entity
2014	2013
<b>\$</b>	\$

#### 7. DIVIDENDS AND FRANKING CREDIT BALANCES

#### Franking Credits

Balance of franking account at the reporting date adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.

5,906 1,753

No dividends were declared or paid in respect of the years ended 30 June 2014 or 30 June 2013.

#### 8. EARNINGS PER SHARE

O. LANNINGS FER SHARE		
Continuing operations (A) Earnings used in the calculation of basic EPS	(611,192)	318,997
Earnings used in the calculation of blaste EFS	(611,192)	318,997
Lamings used in the calculation of diluted El 3	(011,172)	310,777
(B) Weighted average number of ordinary shares outstanding during		
the year used in the calculation of basic and diluted EPS	26,563,415	25,922,672
Basic (loss)/earnings per share (cents)	(2.3)	1.2
Diluted (loss)/earnings per share (cents)	(2.3)	1.2
9. CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	655,459	81,148
Derivative trading account	-	58,270
Total cash	655,459	139,418
Margin lending account	-	(195,270)
Net cash and cash equivalents as per Statement of Cash Flows	655,459	(55,852)

	Economic Entity		
	2014 \$		2013 \$
10. FINANCIAL ASSETS (CURRENT)			
Fair value through profit or loss:			
Listed investments at fair value - shares in listed corporations (note 15, 25F)	656,301	Ī	1,905,522
TOTAL	656,301		1,905,522
11. TRADE AND OTHER RECEIVABLES			
CURRENT			
Other debtors and receivables	2,782		5,763
	2,782		5,763
12. FINANCIAL ASSETS (NON CURRENT)  Fair value through profit or loss:			
Unlisted investments at fair value:			
- shares in unlisted corporations at fair value (note 25F)	10,000		24,368
	10,000		24,368
13. CONTROLLED ENTITIES			
	Country of Incorporation	Percentag 2014	ge Owned 2013
Parent Entity: Tidewater Investments Limited Controlled Entities of Tidewater Investments Limited:	Australia	-	-
Loftus Lane Investments Pty. Limited	Australia	100%	100%
Rowe Street Investments Pty. Limited † † controlled entity of Loftus Lane Investments Pty. Limited	Australia	100%	100%

	Economic Entity		
	2014	2013	
	\$	\$	
14. PARENT ENTITY INFORMATION			
Information relating to the parent entity, Tidewater Investments Limited:			
Current Assets	656,205	83,039	
Total Assets	1,868,656	1,975,497	
Current Liabilities	554,405	216,799	
Total Liabilities	554,405	216,799	
Issued Capital	15,129,357	14,985,807	
Accumulated Losses	(13,815,106)	(13,227,110)	
Total Shareholders' Equity	1,314,251	1,758,697	
Profit/(loss) of the parent entity	(587,996)	323,670	
Total comprehensive income of the parent entity	(587,996)	323,670	

As at 30 June 2014 and 30 June 2013, the parent entity had not entered into any guarantees in relation to the debts of its subsidiaries, nor had entered into any contractual commitments for the acquisition of property, plant or equipment.

As at 30 June 2014 and 30 June 2013, a financial facility entered into by the parent entity was secured by a fixed and floating charge against all controlled entities.

# 15. FINANCIAL ASSETS

The Economic Entity's shares in listed corporations include the following interests which account for over 5% of the Economic Entity's shareholders funds or 5% of the investee company's issued capital:

Adelaide Resources Limited  Principal activity is mineral exploration  nil interest in Adelaide Resources Limited (2013: 6.7%)	-	1,323,231
Namoi Cotton Co-operative Limited  Principal activity is cotton ginning and marketing  1.8% interest in Namoi Cotton Co-operative Limited (2013: nil)	651,666	-
16. TRADE AND OTHER PAYABLES		
CURRENT (UNSECURED)		
Trade creditors	5,694	21,141
Other creditors and accruals	38,401	141,500
Other payables	5,673	5,673
	49,768	168,314

	Econor	nic Entity
	2014	2013
	<b></b> \$	\$
17. BORROWINGS		
CURRENT (SECURED)		
Margin lending facility	-	195,270
Total current secured borrowings	-	195,270
Total current borrowings	-	195,270

Tidewater Investments Limited has an overdraft facility with a major bank with a fixed and floating charge against all the assets of the Company and its controlled entities Loftus Lane Investments Pty. Limited and Rowe Street Investments Pty. Limited.

Rowe Street Investments Pty. Limited operates a margin lending facility which is secured against the shares held within the facility. The facility has a current limit of \$450,000 and is undrawn (2013: drawn to 195,270).

## 18. CONTINGENT LIABILITIES

The Economic Entity has no outstanding contingent liabilities (2013: nil).

### 19. ISSUED CAPITAL

29,426,534 fully paid authorised ordinary shares		
(2013: 26,555,549)	15,129,356	14,985,807

#### Terms and conditions of contributed equity:

Ordinary shares have no par value. Ordinary shares have the right to receive dividends as declared and in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The voting rights attached to the ordinary shares at a general meeting of shareholders are such that on a show of hands every member present (in person or by proxy) shall have one vote and on a poll one vote for each share held.

# MOVEMENT IN ISSUED SHARES OF THE PARENT ENTITY FOR THE YEAR ORDINARY SHARES

Date	Details	Number of shares	\$
1 July 2013	Opening balance	26,555,549	14,985,807
30 June 2014	Placement – Issue of 2,870,985 shares at \$0.05 per		
	share	2,870,985	143,549
30 June 2014	Closing balance	29,426,534	15,129,356

#### 20. KEY MANAGEMENT PERSONNEL

The names and positions held by Key Management Personnel of the economic entity who have held office during the financial year are:

#### **Directors**

Andrew Brown Managing Director - Executive
Paul Young Chairman - Non Executive
Stephen Roberts Director - Non Executive

### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated		
	2014	2013	
_	<b>\$</b>		
Short-term employee benefits	101,333	120,000	
Post-employment benefits	22,000	20,000	
	123,333	140,000	

## Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at start of the	Received as part of	Additions	Disposals / other	Balance at the end of
2014	year	remuneration			the year
Ordinary shares	-				-
Andrew Brown	8,636,097	-	201,072	-	8,837,169
Paul Young	1,623,082	-	243,795	-	1,866,877
Stephen Roberts	1,870,451	-	-	-	1,870,451
	12,129,630	-	444,867	-	12,574,497
2013 Ordinary shares					
Andrew Brown	7,762,165	-	873,932	-	8,636,097
Paul Young	1,189,714	-	433,368	-	1,623,082
Stephen Roberts	1,870,451	-	-	-	1,870,451
	10,822,330	-	1,307,300	-	12,129,630

#### Related party transactions

Related party transactions are set out in note 24.

## 21. CAPITAL AND LEASING COMMITMENTS

## (A) OPERATING LEASE COMMITMENTS

The Economic Entity has no outstanding operating lease commitments (2013: nil).

## (B) CAPITAL COMMITMENTS

The Economic Entity has no outstanding capital commitments (2013: nil).

## (C) SUPERANNUATION

The Company contributes superannuation payments on behalf of directors of the economic entity in accordance with prescribed Government legislation. The Company is not committed to funding any shortfall in the earnings of any of the individual superannuation funds.

	Economic Entity	
	2014	2013
	\$	\$
22. CASH FLOW INFORMATION		
(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH O	DPERATING PROFIT/(LO	SS) AFTER TAX
Operating (loss)/profit after income tax	(611,192)	318,997
Cash flows excluded from profit/(loss) attributable to operating activities:		
Purchases of investments	(1,324,024)	(740,977)
Proceeds from sales of investments	2,200,994	102,930
Non cash flows in operating profit/(loss):		
Change in fair value of investments retained	(37,480)	(513,254)
Profit on sale of investments and derivatives	392,042	(59,762)
Changes in assets and liabilities net of acquisitions:		
Decrease/(increase) in deferred tax balances	30,930	(10,300)
Decrease in sundry debtors & prepayments	2,967	4,666
(Increase)/decrease in trade creditors & accruals	(87,831)	29,455
Other	1,356	1,736
Cash flows provided by/(used in) operations	567,762	(866,509)

## (B) NON CASH FLOW FINANCING ACTIVITY

There was no non cash flow financing activity during the year (2013: nil).

	Economic Entity		
	2014	2013	
	\$	\$	
		_	
22. CASH FLOW INFORMATION (continued)			
(C) LOAN FACILITIES			
Overdraft/loan and margin lending facilities	850,000	850,000	
Amount utilised	-	(195,270)	
Unused loan facilities	850,000	654,730	

Tidewater Investments Limited has an overdraft facility of \$400,000 with a major bank with a fixed and floating charge against all the assets of the Company and its controlled entities Loftus Lane Investments Pty. Limited and Rowe Street Investments Pty. Limited. The overdraft facility is currently available until 31 July 2014 and as at the reporting date attracted an interest rate of 12.9% per annum. The Company expects the facility will be extended for a further twelve months.

The Economic Entity also operated a secured loan facility provided by a margin lending provider. The facility has a limit of \$450,000 and has no fixed maturity date and has a current interest rate of 7.9% per annum.

### 23. EVENTS SUBSEQUENT TO REPORTING DATE

On 10 July 2014, the Company placed 1,109,015 shares at a price of \$0.05.

On 25 July 2014, the Company held a general meeting to ratify this placement and that made on 30 June 2014, consolidate its shares on a 10-1 basis, approve the placement of a further 1,500,000 new shares at \$0.52 per share (post consolidation) (**Second Placement**), approve the issue of options to Baron Partners Limited and James Andrew Jackson, approve the election of James Andrew Jackson to the board of Directors and the placement of a further 4,369,536 new shares (post consolidation) in exchange for 7,282,560 capital units of Namoi Cotton Co-operative Limited (**Namoi Swap**). All resolutions at the general meeting were approved by shareholders.

The following table presents the pro-forma financial impact on an abridged Statement of Final Position of the successful passage of these resolutions:

	Audited 30	First	Second	Namoi Swap	Revaluation of	TOTAL
	June 2014	Placement	Placement	-	Namoi <sup>A</sup>	
Cash	655,459	54,451	780,000	-	-	1,489,910
Financial assets						
(current)	656,301	-	-	2,184,768	218,477	3,059,546
Other assets	24,302	-	-	-	-	24,302
TOTAL ASSETS	1,336,062	54,451	780,000	2,184,768	218,477	4,573,758
Current liabilities	49,768	-	(5,742)	-	-	(55,510)
TOTAL LIABILITIES	49,768	-	-	-	-	(55,510)
SHAREHOLDERS						
FUNDS	1,286,294	54,451	<i>774</i> ,258	2,184,768	218,477	4,518,248

A: revaluation from imputed price of \$0.30 to 30 June 2014 last price of \$0.33

#### 24. RELATED PARTY INFORMATION AND TRANSACTIONS

### **Ultimate Controlling Entity**

The ultimate controlling entity of the economic entity is Tidewater Investments Limited (refer notes 13 and 14).

## Key management personnel remuneration

During the financial year, total remuneration of \$123,333 (2013: \$140,000) was paid to Directors and key management personnel by the economic entity, including partially owned controlled entities. Details of the payments and shareholdings in Tidewater Investments Limited of Directors and key management personnel are shown in the Remuneration Report contained as part of the Directors Report on pages 7 - 9 of this Financial Report.

### Tidewater Investments Limited transactions with controlled entities

During the financial year, Tidewater Investments Limited advanced and repaid loans, sold and purchased goods and services, and provided management, accounting and administrative assistance to its controlled entities. At 30 June 2014, controlled entities owed the parent entity \$2,725,794 (2013: \$3,032,848) prior to provisions for non-recovery and the parent entity owed the controlled entities \$504,718 (2013: \$64,021). All loans advanced to and from these controlled entities are unsecured, subordinate to other liabilities and do not bear interest. Loans between members of the tax consolidated group are not on normal terms and conditions.

No dividends were received from controlled entities in either of the periods to 30 June 2014 or 30 June 2013.

In the year to 30 June 2013, Tidewater Investments Limited charged management fees of \$9,011 (2013: \$10,441) to Loftus Lane Investments Pty. Limited and \$2,770 (2013: \$1,685) to Rowe Street Investments Pty. Limited.

#### Other related parties

In the year to June 2014, Andrew Brown was a Director of Cheviot Bridge Limited. In the year to 30 June 2013, Andrew Brown was a Director of Adelaide Resources Limited, Cheviot Bridge Limited and Cheviot Kirribilly Vineyard Property Group (in liquidation). In the year to 30 June 2014, all Directors fees earned by Mr. Brown of \$100,000 from the party was paid directly to Mr. Brown's family owned companies A. Brown and Company Pty. Limited and Scunthorpe Holdings Pty. Limited. In the year to 30 June 2013, all Directors fees earned by Mr. Brown from these parties were paid directly to Mr. Brown's family owned company A. Brown and Company Pty. Limited and amounted to \$177,083.

In the year to 30 June 2013, Ireland Yard Capital Management Pty. Limited ("**IYCM**"), a related entity of Andrew Brown, leased office space to the economic entity from 1 July 2012 to 31 October 2012 and received rentals of \$2,800. The economic entity occupies communal office space with Mr. Brown's private companies at no cost.

#### 25. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT

The economic entity undertakes transactions in a range of financial instruments including:

- listed shares and equity type securities in other corporations;
- cash assets;
- contracts for difference ("CFDs");
- receivables;
- payables;
- deposits; and
- bills of exchange and commercial paper.

As a consequence, the Economic Entity is exposed to a number of financial risks. The Directors believe that these risks fall into two categories:

- "largely controllable risks" including interest rate risk, credit risk, and liquidity and operational risks; and
- $\bullet$  "partly controllable risks" mainly arising from financial market risk.

We seek to sensibly mitigate the controllable risks but recognise that our financial performance is likely to be highly volatile as a result of "mark-to-market" accounting conventions, and the economic entity's portfolio of investments in smaller and microcap companies, as well as corporations whose overall profit performance is dependent upon the overall direction or level of financial asset markets.

The Board provides overall guidance in respect of risk management, mainly in the areas of approving individual security investments, and providing advice and guidance in respect of the economic entity's debt financing of its activities. The economic entity generally does not enter into derivative contracts as part of its day to day business, and has no major necessity to hedge specific exposures, given its relatively simple debt financing structures and lack of overseas assets and liabilities.

### (A) CAPITAL RISK MANAGEMENT

We aim to manage equity and debt capital in order to provide returns for shareholders, whilst maintaining the Economic Entity's ability to pay its debts as and when they come due. As a smaller corporation, there is limited ability to manage the overall cost of capital, since equity capital may not always be accessible, and if so, only at significant theoretical cost. These costs may result in significant dilution to existing shareholders percentage interest in the economic entity.

In addition, the supply of debt capital is also not always assured as a result of the economic entity's requirements to use major commercial banks. Since the economic entity's business is of a specialist nature, commercial banks may not always be willing to lend to support its activities, or may do so on terms which are highly constraining. These constraints include not only the price of available credit – referenced by its margin over market based bank bill rates – but also the variable nature of covenants required to be observed by the economic entity.

To manage overall capital risks, it may be necessary for the Board of Directors to adjust the level of dividends paid to shareholders, return capital to shareholders or issue new shares. Capital is monitored on an overall basis, although in the past has had to be done so with an emphasis on maintaining access to debt facilities made available to the economic entity. These have historically required the economic entity to maintain stipulated ratios of total liabilities to total tangible assets, minimum net worth (in dollar terms), restricted the ability to pay dividends in certain circumstances, and required that a parcel of securities be lodged with the economic entity's debt financier. The economic entity fully repaid facilities which required maintenance of such criteria on 14 July 2010, although it has utilised overdraft facilities, from time to time, since that date.

## 25. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

#### (B) LARGELY CONTROLLABLE RISKS - INTEREST RATE RISK AND EXPOSURES

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets, such as interest bearing bank accounts. Historically, our interest rate liability risk arose primarily from drawdowns of bank accepted bills with a maximum of 180 days duration, supported by a facility with a major commercial bank, with a floating charge over the assets of the economic entity. The timing of rollover of these bank accepted bills gave rise to variable interest rate and cash flow risks. The economic entity currently has access to loan facilities provided by short term bank overdraft. The parent entity largely assumes interest rate risk insofar as it acts as an effective treasury for the economic entity by arranging debt facilities with a major commercial bank. These proceeds, together with other available capital, are available to be loaned to controlled entities through non-interest bearing inter-company loan accounts.

At current interest rates, over the course of a full year, an increase of 100 basis points in borrowing rates with an accompanying change in deposit rates would increase pre-tax profit by \$6,555 (2013: decrease of \$556).

Interest rate risk is not specifically managed since the economic entity has no fixed balance sheet inflow/outflow requirements which would require complex asset-liability management, and the maximum 180 day bill accepted drawdown nature of the previous facility inhibited such a requirement. Given the equity nature of the economic entity's investments, the Directors believe that any increases in the costs of debt finance could be mitigated by the sale of equity investments.

The following table summarises interest rate risk, for the economic entity with weighted average interest rates at reporting date.

	Interest Rate	Fixed Interest Rate \$	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
ECONOMIC ENTITY 2014 Financial assets:					
Cash and cash equivalents	0.56%	_	655,459	_	655,459
Trade and other receivables	0.30%	-	-	2,782	2,782
Investments	-	-	-	666,301	666,301
		-	655,459	669,083	1,324,542
Financial Liabilities:					
Trade and other payables	-	-	-	49,768	49,768
		-	-	49,768	49,768
Net Financial Assets/(Liabilities)		-	655,549	619,325	1,274,774
ECONOMIC ENTITY 2013 Financial assets:					
Cash and cash equivalents	0.03%	-	81,148	58,270	139,418
Trade and other receivables	-	-	-	5,763	5,763
Investments		-	-	1,929,890	1,929,890
Po - 1 T - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -		-	81,148	1,993,923	2,075,071
Financial Liabilities: Trade and other payables	-	-	-	168,314	168,314
Margin loan	7.90%	-	195,270	-	195,270
		-	195,270	168,314	363,584
Net Financial Assets/(Liabilities)		-	(114,122)	1,825,609	1,711,487

# 25. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

#### (C) LARGELY CONTROLLABLE RISKS - CREDIT RISK

**Credit risk** is the risk that a contracting entity will not complete its obligations under an agreement or financial instrument and cause us to incur a financial loss. We have exposure to credit risk on various financial assets included in our statement of financial position.

Over the course of the financial year, the economic entity's major credit risk relates to its exposure to sold securities transactions where Members of ASX Limited are required to settle such transactions in the normal course of business on the Australian Securities Exchange. Members of ASX Limited are generally covered by the National Guarantee Fund for the types of transactions entered into by the Economic Entity. To help manage this risk, we monitor our exposures to individual entities. The maximum amount to which the economic entity is exposed as at 30 June 2014 is \$nil (2013: \$nil).

The economic entity also conducts transactions in CFDs. To ensure that risk is managed appropriately, the economic entity only uses CFD providers who maintain a strict segregation between client funds and principal funds. In a similar vein, the economic entity only uses margin loan providers who maintain a mortgage over the relevant securities and ensure the economic entity retains an equitable interest in the pledged securities.

The economic entity is also exposed to credit risk through bank deposits and other simple money market instruments. These risks are managed by the economic entity placing short term deposits and bills only with highly rated major domestic commercial banks.

#### (D) LARGELY CONTROLLABLE RISKS - OPERATIONAL AND LIQUIDITY RISK

**Liquidity risk** includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the due date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial asset at all.

To help mitigate these risks we maintain constant monitoring of the economic entity's financial position through a series of cross-linked financial programs, and attempt to ensure the economic entity has accessible liquidity in the form of cash, readily saleable securities and access to bank and margin financing. The contracted cash flows of all financial liabilities (refer notes 18 and 19) are equal to their carrying value and will mature within twelve months of the reporting date.

#### (E) PARTLY CONTROLLABLE RISKS - FINANCIAL MARKET AND SECURITIES RISK

**Financial market risk** is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. In the main, this occurs due to the economic entity's investments in listed ordinary shares whose share prices can fluctuate significantly over short periods of time.

The Board of Directors regard financial market risk as being only partly controllable, since investing in ordinary shares is an inherent component of the economic entity's activities, from which it seeks to profit. The economic entity is subject to significant risks which it is largely unable to control as a result of investing in smaller and "microcap" companies, together with companies which themselves hold financial assets.

Investments in these companies are subject to more volatile price fluctuations as a result of:

- illiquidity of trading in the investee company's securities;
- potential proprietorial conflict from large shareholdings owned by management or Directors;
- concentration of major shareholdings, which can lead to extreme negative fluctuations in share prices when single investors seek to sell their securities in the investee company, irrespective of the business performance of the investee;
- lack of diversification of business activities of the investee company, rendering the investee susceptible to volatility within a single industry; and
- leverage to financial market movements through the economic entity's investments in other listed managed investment companies.

#### 25. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

The Economic Entity has no rigid policy in respect of these investments but seeks to partly mitigate the inherent risks by diversifying its portfolio of shareholdings. In respect of individual securities, the Board of Directors monitors and approves significant exposures to individual securities, other than controlled entities. In addition, the inherent risks of significant exposures to individual entities are partly mitigated by board representation on the investee company. Due to the nature of securities owned, there is limited correlation with traditional stock market indices.

In the event that the listed company portfolio increased or decreased in value by 10% from the levels of 30 June 2014, there would be a corresponding positive or negative impact on pre-tax profit/(loss) of \$65,630 (2013: \$190,552).

In the year to 30 June 2014, the economic Entity traded in Contracts for Difference ("**CFDs**"). A CFD is a contract, usually entered into between the investor and an investment bank or other financial organization, whereby the two parties exchange the difference between the opening and closing prices of the financial instrument.

CFDs are generally highly leveraged and do not confer the direct benefits of ownership of the underlying instrument. In many cases, the underlying investment is a futures contract. The Economic Entity has a preference for dealing with CFD providers offering direct access to the market in the underlying securities which provides a higher degree of the provider acting as "agent" rather than "principal".

The Economic Entity uses CFDs to hedge against certain underlying equity positions, to short sell or take leveraged long positions in specific securities, currencies, indices, commodities and sovereign debt benchmarks,

Investments in CFDs are subject to significant fluctuations in value as a result of the volatility of the underlying instrument allied to financial leverage. Apart from the natural attributes of hedging, the economic entity typically restricts its positions in underlying exposure terms to a maximum of ten times the equity placed in the CFD provider's account. At 30 June 2014, the equity in the single CFD providers account was nil (2013: \$58,270).

At 30 June 2014, the Economic Entity held no CFD positions and had available nil equity in the single CFD provider's account (2013: nil positions; equity of \$58,270). In the period from 1 July 2013 to 5 November 2013 when trading ceased, the Economic Entity held average daily position exposures of \$67,528 and average single positions of \$33,698 (2013: 9 October 2012 to 30 June 2013, \$54,552 and \$58,307). The largest single position held was a long position in the British Pound versus Australian Dollar in August 2013 of \$593,066 (2013: short position in the Japanese Government bond 10 year benchmark during June 2013 of \$303,434). The largest overall equity positions were \$177,238 net long on 11 October 2013 and \$660,003 net short on 20 September 2013 (2013: \$361,797 net long on 11 April 2013 and \$382,401 net short on 21 February 2013).

#### (F) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

As of 1 July 2009, the group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

## 25. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

# (F) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

30 June 2014	Level I \$	Level 2	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:	Ψ	Ψ	Ψ	Ψ
Shares in other corporations	656,301	10,000	-	666,301
TOTAL	656,301	10,000	-	666,301
30 June 2013	Level 1	Level 2	Level 3	TOTAL
	\$	\$	\$	\$
Financial assets at fair value through profit or loss:				_
Shares in other corporations	1,905,522	24,368	-	1,929,890
TOTAL	1,905,522	24,368	-	1,929,890

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair val	ue as at	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2014	30 June 2013				
Held for trading non-derivative financial assets (see notes 10, 15)	Listed Australian equity securities: Agricultural industry - \$651.666	Listed Australian equity securities: Mineral exploration industry - \$1,323,231; Other industries - \$582,291	Level I	Quoted bid prices in an active market	N/A	N/A
Hekd for investment non-derivative financial assets (see note 12)	Unlisted Australian equity security: biotechnology industry - \$10,000	Unlisted Australian equity security: biotechnology industry - \$24,368	Level 2	Observable prices in private transactions	N/A	N/A

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Other data on net fair values of assets and liabilities is presented in notes 10, 12 and 15 to the financial statements.

#### 25. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

#### (G) RECONCILIATION OF NET FINANCIAL ASSETS TO NET ASSETS

	Economic Enti	ity
	2014	2013
	\$	\$
Net Financial Assets as above	1,274,774	1,711,487
Non financial assets and liabilities:		
Deferred tax assets	11,520	42,450
Net assets per balance sheet	1,286,294	1,753,937

#### 26. COMPANY DETAILS

The Registered Office and Principal Place of Business of the Economic Entity is Suite 7.06, 2-14 Kings Cross Road, POTTS POINT NSW 2011.

#### 27. SEGMENT REPORTING

The Economic Entity has two reportable segments, which both solely operate in one geographic segment, being Australia. Segment results, assets and liabilities include items directly attributable to a segment. Information about each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Managing Director, who is also the chief operating decision maker.

Segment profit before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of each operating segment. The reportable segments are as follows:

Funds management: management of closed end investment vehicles and provision of funds management

services.

Investment: investment in closed end investment funds, "microcap" Australian companies, and other

financial services entities.

Corporate: corporate expenses include all financing costs except those directly attributable to

investment, and personnel costs associated with the Economic Entity except the use of outside personnel as Directors of partly owned subsidiaries and compliance committees which are capable of allocation to a specific business segment; interest and dividend

income is allocated to "Investment".

# 27. SEGMENT REPORTING (continued)

2014	Funds Management \$	Investment \$	Corporate \$	TOTAL
External revenue	-	2,266,186	-	2,266,186
Interest revenue	-	929	-	929
Expenses other than finance, depreciation and				
amortisation	-	(2,609,648)	(215,823)	(2,825,472)
SEGMENT RESULT	-	(342,534)	(215,823)	(558,357)
Finance Costs	-	(9,264)	(12,641)	(21,905)
PROFIT/(LOSS) BEFORE INCOME TAX	-	(351,798)	(228,464)	(580,262)
Income tax expense	-	-	(30,930)	(30,930)
PROFIT/(LOSS) AFTER INCOME TAX	-	(351,798)	(259,394)	(611,192)
Segment Assets	-	1,320,760	14,302	1,336,062
Segment Liabilities	-	-	49,768	49,768
Capital Expenditure	-	-	-	-
2013	Funds Management	Investment	Unallocated	TOTAL
2013	\$	\$	\$	\$
External revenue	<u> </u>	643,108	<u> </u>	643,108
Interest revenue	_	9,636	_	9,636
Other revenue	-	-	-	-
Expenses other than finance, depreciation and				
amortisation	-	(63,603)	(279,583)	(343,186)
SEGMENT RESULT	-	589,141	(279,583)	309,558
Finance Costs	-	-	(4,113)	(4,113)
PROFIT/(LOSS) BEFORE INCOME TAX	-	589,141	(283,696)	305,445
Income tax expense	-	-	13,552	13,552
PROFIT/(LOSS) AFTER INCOME TAX	-	589,141	(270,144)	318,997
Segment Assets	-	2,075,071	42,450	2,117,521
Segment Liabilities	-	195,270	168,314	363,584
Capital Expenditure	-	-	-	-

#### TIDEWATER INVESTMENTS LIMITED

### **DIRECTORS DECLARATION**

In accordance with a resolution of the Board of directors of Tidewater Investments Limited, we declare that:

- (a) The financial statements and notes of the Economic Entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Economic Entity's financial position as at 30 June 2014 and of its performance for the year ended on that date;
  - (ii) complying with Accounting Standards and Corporations Regulations; and
  - (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements; and
- (b) In the opinion of the directors, there are reasonable grounds to believe that the Economic Entity will be able to pay its debts as and when they become due and payable.
- (c) The Managing Director has declared that:
  - (i) the financial records of the Economic Entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (iii) the financial statements and notes for the financial year give a true and fair view.
- (d) The remuneration disclosures that are contained in pages 7 to 9 of the Directors' Report comply with Australian Accounting Standard AASB 124 Related Parties and Corporations Regulations 2001.

On behalf of the Board

P A Young Chairman

A J Brown

Managing Director

Now J. Slam

Date: 6 August 2014

#### INDEPENDENT AUDITOR'S REPORT



Tel: +61 2 9251 4100 Fax: +61 2 9240 9821 www.bdo.com.au Level 11, 1 Margaret St Sydney NSW 2000

Australia

#### INDEPENDENT AUDITOR'S REPORT

To the members of Tidewater Investments Limited

#### Report on the Financial Report

We have audited the accompanying financial report of Tidewater Investments Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1A, 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 about 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 company's preparation of the financial report that gives a true and fair view 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 company'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.

800 East Coast Partnership. ABN 83 236 985 726 is a member of a national association of independent entities which are all members of 800 (Australia) Ltd. ABN 77 050 110 275, an Australian company limited by guarantee. 800 East Coast Partnership and 800 (Australia) Ltd are members of 800 international. Ltd, a UK company limited by guarantee, and form part of the international 800 setwork of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services (icensees) in each State or Territory other than Teamania.



#### Independence

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

#### Opinion

In our opinion:

- (a) the financial report of Tidewater Investments Limited is in accordance with the Corporations Act 2001, including:
  - giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1A.

### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 9 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.

#### Opinion

In our opinion, the Remuneration Report of Tidewater Investments Limited for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.

**BDO East Coast Partnership** 

B00

Craig Maxwell Partner

Sydney, 6 August 2014

## TIDEWATER INVESTMENTS LIMITED.

# OTHER REQUIRED INFORMATION - YEAR ENDED 30 JUNE 2014

# A. Range of Shares Issued as at 4 August 2014

As at 4 August 2014 there were 8,923,181 shares held by 417 shareholders, all of which were quoted on the ASX.

Range	Holders	Shares held	% of capital
1-1,000	327	54,578	0.61
1,001-5,000	40	87,369	0.98
5,001-10,000	4	28,723	0.32
10,001-100,000	25	1,256,133	14.08
Over 100,001	21	7,496,378	84.01
Totals	417	8,923,181	100.00

There are 321 shareholders owning a total of 49,072 shares who own unmarketable parcels of the Company's securities.

## B. Top Twenty shareholders as at 4 August 2014

Holder	Shares held	% of capital
Mistover Pty Ltd <mistover a="" c=""></mistover>	840,000	9.41
Federal Pacific Holdings Pty Ltd	762,406	8.54
Agrico Investments Pty Limited	758,298	8.50
E R Nixon Pty Limited <e a="" c="" fund="" nixon="" r="" ret=""></e>	708,000	7.93
Ego Pty Ltd	494,750	5.55
Abron Management Services Pty Ltd < Brown Family Super A/C>	450,750	5.05
Baron Nominees Pty Limited	370,000	4.15
Agrico Pty Ltd < Palm Super Fund A/C>	366,835	4.11
A Brown And Company Pty Limited	305,758	3.43
Andrew Adcock Pty Limited	300,000	3.36
P K Capital Pty Ltd	300,000	3.36
Citicorp Nominees Pty Limited < Bk Julius Baer Sin A/C>	279,960	3.14
Datala Investments Pty Limited < Deep North Securit S/F A/C>	255,319	2.86
Pethol (Vic) Pty Ltd < Macdy No 5 Super Fund A/C>	250,001	2.80
Denkar Pty Limited < Dunworth Super Fund A/C>	240,000	2.69
Dr Stephanie Phillips	150,000	1.68
Artesian Capital Management (Australia) Pty Limited	146,720	1.64
Clapsy Pty Ltd <baron a="" c="" fund="" super=""></baron>	137,722	1.54
T B I C Pty Ltd < Crommelin Family Account>	136,000	1.52
Rbc Investor Services Australia Nominees Pty Limited < Bkcust A/C>	130,731	1.47
TOTAL TOP TWENTY SHAREHOLDERS	7,383,250	82.74

# C. Voting Rights

Shareholders are entitled to one vote for each share held. On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll, every shareholder so present shall have one vote for every share held.

# OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2014 (CONTINUED)

# D. Substantial Shareholders

The company is aware of six shareholders who hold relevant interests of in excess of 5% of the company's ordinary shares as at 4 August 2014:

Holder	Shares held	% of capital
James Andrew Jackson (relevant interests)	1,602,406	18.0%
Agrico investments Pty. Limited	1,225,132	13.7%
Andrew John Brown (relevant interests)	883,719	9.9%
E R Nixon Pty. Limited	708,000	7.9%
Ego Pty. Limited	494,750	5.6%