



ABN 81 001 014 562

Appendix 4D

**Financial Report for the Half-Year Ended
30 June 2010**

Tandou Limited
and its controlled entities
Results for Announcement to the Market

<i>In thousands of AUD</i>			
Revenue from ordinary activities	Down	56%	to 3,988
Profit from ordinary activities after tax for the period attributable to members	Down	148%	to (410)
Net profit for the period attributable to members	Down	148%	to (410)
Dividends (distributions)			
The Directors have not declared a dividend in respect of the six months ended 30 June 2010 (year ended 31 December 2009: nil).			
NTA backing		Half-year ended 30 June 2010	Half-year ended 30 June 2009
Net tangible asset backing per ordinary security		\$ 0.43	\$ 0.38
<i>The variation from prior period relates primarily to a change in the accounting treatment of water shares from intangible assets to inventories.</i>			
NA backing (using directors' valuation)*		Half-year ended 30 June 2010	Half-year ended 30 June 2009
Net asset backing based on directors' valuation of non-current assets (including water shares) per ordinary security		\$ 0.72	\$ 0.73
* Independent valuations of non-current assets as at 31 December 2009 were performed by Peter J Spackman A.A.P.I (Val) for Tandou Farm and RGC Barnden FAPI A.L.Arb.A. for Tandou Orchard & Vineyards.			
<i>The material difference using directors' valuation relates to the market value of water shares being significantly above book value.</i>			

Tandou Limited and its controlled entities Directors' Report

The Directors of Tandou Limited (The Company) present their report together with the consolidated financial report for the half-year ended 30 June 2010 and the review report thereon.

Directors

The names of the Directors of the company during or since the end of the half-year are:

R.F.E. Warburton, AO (Appointed 6 April 2004)	Chairman, Non-Executive Director
G. S. Kingwill (Appointed 15 March 2006)	Chief Executive Officer / Managing Director
R.G. Woolley (Appointed 28 February 2007)	Non-Executive Director
G.A.Hunt (Appointed 21 November 2007)	Non-Executive Director
D.D. Farley (Resigned 31 March 2010)	Non-Executive Director
J.D.O. Boyd (Appointed 19 April 2010)	Non-Executive Director

Review of operations

A review of the operations of the group during the half-year and the results of those operations is disclosed in the 'Directors' Review of Operations' attached to this Report.

Lead auditor's independence declaration under Section 307C of the *Corporations Act 2001*

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding off of amounts

The company is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:



G. S. Kingwill
Chief Executive Officer / Managing Director
Mildura, 24 August 2010

Auditor's Independence Declaration

As lead auditor for the review of Tandou Limited for the half year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Andrew Mill
Partner
PricewaterhouseCoopers

Melbourne
24 August 2010

Independent auditor's review report to the members of Tandou Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tandou Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Tandou Limited Group (the consolidated entity). The consolidated entity comprises both Tandou Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not 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 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tandou Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

**Independent auditor's review report to the members of
Tandou Limited (continued)**

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tandou Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.


PricewaterhouseCoopers


Andrew Mill
Partner

Melbourne
24 August 2010

Tandou Limited and its controlled entities

Directors' Declaration

In the opinion of the directors of Tandou Limited ("the Company"):

1. the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
 - a. giving a true and fair view of the financial position of the group as at 30 June 2010 and of its performance for the half-year ended on that date; and
 - b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Company Secretary.

Signed in accordance with a resolution of the Directors:



G. S. Kingwill
Chief Executive Officer / Managing Director
Mildura, 24 August 2010

Tandou Limited and its controlled entities
Consolidated Statement of Comprehensive Income
for the Half-Year Ended 30 June 2010

<i>In thousands of AUD</i>	Note	30 June 2010	30 June 2009
Continuing Operations			
Revenue		3,988	8,973
Gains arising from changes in fair value of biological assets		307	218
Cost of sales		(1,632)	(3,579)
Gross Profit		2,663	5,612
Other income		136	311
Administrative expenses		(1,702)	(1,103)
Marketing expenses		(98)	(168)
Farm care and maintenance expenses		(1,172)	(2,302)
Earnings before interest and tax		(173)	2,350
Financial income		97	111
Financial expenses		(222)	(426)
Net Financing Costs		(125)	(315)
Profit / (loss) before Income Tax		(298)	2,035
Income tax benefit		-	-
Profit / (loss) from Continuing Operations		(298)	2,035
Discontinued Operation			
Profit / (loss) from Discontinued Operation (net of income tax)	4	(112)	(1,182)
Total comprehensive income for the period		(410)	853
Earnings per Share			
- Basic (cents per share)		(0.5)	0.9
- Diluted (cents per share)		(0.5)	0.9
Continuing Operations			
- Basic (cents per share)		(0.3)	2.3
- Diluted (cents per share)		(0.3)	2.3

Notes to the financial statements are included on pages 11 to 16.

Tandou Limited and its controlled entities

Consolidated Statement of Financial Position as at 30 June 2010

<i>In thousands of AUD</i>	Note	30 June 2010	31 Dec 2009
<i>Current Assets</i>			
Cash and cash equivalents		246	1,541
Trade and other receivables		1,631	1,231
Inventories		12,899	5,883
Biological assets		975	623
Other assets		21	99
Assets classified as held for sale		3,302	5,465
<i>Total Current Assets</i>		19,074	14,842
<i>Non-Current Assets</i>			
Property, plant and equipment		25,342	26,343
Biological assets		30	172
Intangible assets		589	596
<i>Total Non-Current Assets</i>		25,961	27,111
<i>Total Assets</i>		45,035	41,953
<i>Current Liabilities</i>			
Trade and other payables, including derivatives		1,337	1,631
Interest-bearing loans and borrowings	8	279	81
Employee benefits		444	448
Provisions		-	269
Liabilities classified as held for sale		-	603
<i>Total Current Liabilities</i>		2,060	3,032
<i>Non-Current Liabilities</i>			
Interest-bearing loans and borrowings	8	4,680	269
Employee benefits		74	24
<i>Total Non-Current Liabilities</i>		4,754	293
<i>Total Liabilities</i>		6,814	3,325
<i>Net Assets</i>		38,221	38,628
<i>Equity</i>			
Share capital		52,271	52,271
Share Options Reserve		22	19
Accumulated losses		(14,072)	(13,662)
<i>Total Equity</i>	6	38,221	38,628

Notes to the financial statements are included on pages 11 to 16.

Tandou Limited and its controlled entities

Consolidated Statement of Changes in Equity for the Half-Year Ended 30 June 2010

<i>In thousands of AUD</i>	Note	30 June 2010	31 Dec 2009
<i>Total Equity at the beginning of the period</i>		38,628	37,263
Total comprehensive income for the period		(410)	853
Options issued		3	8
<i>Total Equity at the end of the period</i>	6	<u>38,221</u>	<u>38,124</u>

The amounts above are recognised net of tax.

Notes to the financial statements are included on pages 11 to 16.

Tandou Limited and its controlled entities

Consolidated Statement of cash flows for the Half-Year Ended 30 June 2010

<i>In thousands of AUD</i>	30 June 2010	30 June 2009
<i>Cash flows from Operating Activities</i>		
Cash receipts from customers	4,931	11,316
Cash payments to suppliers and employees	(12,100)	(8,058)
Cash provided by/(used in) operations	(7,159)	3,258
Interest and other costs of finance paid	(222)	(426)
Net cash used in operating activities	(7,391)	2,832
<i>Cash flows from Investing Activities</i>		
Payments for property, plant and equipment	(256)	(44)
Payments for intangible assets	-	(163)
Proceeds from sale of property, plant and equipment	82	63
Proceeds from the sale of assets held for sale	1,556	-
Proceeds from sale of intangible assets	7	33,900
Interest received	97	111
Net cash provided by / (used in) investing activities	1,486	33,867
<i>Cash flows from Financing Activities</i>		
Proceeds from borrowings	6,110	-
Repayment of borrowings	(1,500)	(30,777)
Net cash provided by / (used in) financing activities	4,610	(30,777)
<i>Net increase (decrease) in Cash and Cash equivalents</i>	(1,295)	5,922
<i>Cash and Cash equivalents at 1 January</i>	1,541	637
<i>Cash and Cash equivalents at 30 June</i>	246	6,559

Notes to the financial statements are included on pages 11 to 16.

Tandou Limited and its controlled entities

Notes to the Consolidated Financial Statements for the Half-Year Ended 30 June 2010

1. Reporting Entity

Tandou Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 30 June 2010 comprises the Company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial report of the Group as at and for the year ended 31 December 2009 is available upon request from the Company’s registered office at 31 Alan Mathews Drive, Mildura Airport, Victoria, 3500 or at www.tandou.com.au.

2. Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Boards (IASB).

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the group as at and for the year ended 31 December 2009. This consolidated interim financial report was approved by the Board of Directors on 24 August 2010.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Basis of Preparation

Significant accounting policies

The accounting policies applied by the Group in this consolidated financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 December 2009. The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these standards and amendments has not had a material effect on the financial report.

Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2009.

Tandou Limited and its controlled entities

Notes to the Financial Statements for the Half-Year Ended 30 June 2010

4. Discontinued Operations

Tandou Orchard and Vineyard

In August 2009, the Board decided to divest the Tandou Orchard and Vineyard assets. At 31 December 2009 this segment was a discontinued operation and classified as held for sale. During the six months ended 30 June 2010, the Tandou Orchard and Vineyard had net cash outflows from operating activities of \$179,000 (2009: outflows of \$686,000), net cash inflows from investing activities of \$Nil (2009: outflows of \$Nil) and net cash flows from financing activities of \$Nil (2009: \$Nil).

Millewa Vineyard and Nexteq Plant

On 30 June 2009, the operations of the Millewa Vineyard managed on behalf of Great Southern Managers Australia Limited (GSMAL) were classified as discontinued due to GSMAL being placed in administration on 16 May 2009 and subsequently into receivership on 18 May 2009. The assets and liabilities relating to the Millewa Vineyard have been reclassified in accordance with accounting standards. During the six months ended 30 June 2010, the Millewa Vineyard had net cash flows from operating activities of \$Nil (2009: outflows of \$548,000), net cash inflows from investing activities of \$Nil (2009: outflows of \$Nil) and net cash flows from financing activities of \$Nil (2009: \$Nil).

In December 2008 the Board decided to seek buyers for the Nexteq plant. During the six months ending 30 June 2010 the sale of the Nexteq plant has been executed. This has resulted in a cash inflow of \$1.5m, with a further \$0.5m being receivable in December 2010.

Profit/(Losses) attributable to discontinued operations for six months ended 30 June 2010 were as follows:

<i>In thousands of AUD</i>	30 June 2010	30 June 2009
Results of discontinued operations		
Revenue and income	593	2,045
Expenses	(609)	(3,227)
Results from operating activities	(16)	(1,182)
Income tax expense	-	-
Profit/(Loss) after tax but before loss on sale of discontinued operations	(16)	(1,182)
Loss on sale of discontinued operation	(96)	-
Profit/(Loss) for the period	(112)	(1,182)

Tandou Limited and its controlled entities

Notes to the Financial Statements for the Half-Year Ended 30 June 2010

5. Segment Reporting

Business segments (continued) <i>In thousands of AUD</i>	Crops		Water		Continuing Operations		Discontinued Operations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009 *	2010	2009
Total segment revenue	459	157	3,529	8,816	3,988	8,973	593	2,045	4,581	11,018
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-
Revenue from external customers	459	157	3,529	8,816	3,988	8,973	593	2,045	4,581	11,018
Adjusted EBIT	(1,627)	(2,279)	2,936	5,099	1,309	2,820	(112)	(1,182)	1,197	1,638
Total segment assets	27,042	25,129	12,133	-	39,175	25,129	3,733	3,812	42,908	28,941
Total segment liabilities	72	41	-	-	72	41	41	76	113	117

* 2009 discontinued operations have been adjusted to include Orchard results that were included in continuing operations in the previous period.
This restatement has been made to achieve consistency with the current period disclosure.

Adjusted EBIT	1,309
Unallocated corporate costs	(1,482)
Finance income	97
Finance costs	(222)
Profit before income tax from continuing operations	(298)

5. Segment Reporting (cont'd)

The Board receives regular discreet financial information for the operating segments to assess performance and determine the allocation of resources.

Management considers the business from both an activity and a geographic perspective, and has identified three reportable segments being:

- Crops relates to the operations of Tandou Farm representing the production of upland and pima cotton for sale in Australian and international markets, and the production of cereal crops for sale in the Australian market. Any minor ancillary activities are also included in this segment;
- Water representing the trading of permanent water entitlements and temporary water allocations; and
- Discontinued Operations representing the operations of Tandou Orchard and Vineyard comprising the growing of fruit and grapes for sale in the Australian market, the operations and sale of the Nexteq plant, and the operations of the Millewa Vineyard managed on behalf of Great Southern Managers Australia Limited (GSMAL).

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

Comparatives have been reclassified to achieve consistency with the current period disclosure.

6. Capital and Reserves

Reconciliation of movements in capital and reserves

<i>In thousands of AUD</i>	Note	Share capital	Share options reserve	Accumulated losses	Total
Balance at 1 January 2009		52,271	7	(15,015)	37,263
Total comprehensive income		-	-	853	853
Options issued		-	8	-	8
Balance at 30 June 2009		52,271	15	(14,162)	38,124
Balance at 1 January 2010		52,271	19	(13,662)	38,628
Total comprehensive income		-	-	(410)	(410)
Options issued		-	3	-	3
Balance at 30 June 2010		52,271	22	(14,072)	38,221

Movements in issued shares during the financial year are set out below:

<i>In thousands of shares</i>	Ordinary shares	Partly paid ordinary shares to 20 cents	Partly paid ordinary shares to 1 cent
On issue at 1 January 2009	88,101	125	40
New shares issued	-	-	-
On issue at 30 June 2009	88,101	125	40
On issue at 1 January 2010	88,101	125	40
New shares issued	-	-	-
On issue at 30 June 2010	88,101	125	40

Tandou Limited and its controlled entities

Notes to the Financial Statements for the Half-Year Ended 30 June 2010

6. Capital and Reserves (cont'd)

Employee share option plan

The Group has an ownership-based compensation scheme for executives and senior employees of the Group. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, executives and senior employees may be granted options to purchase parcels of ordinary shares. On 30 April 2008, options with an exercise price of \$0.26 were issued to the Chief Executive Officer and during the period ended 31 December 2009, 83,333 options vested (Tranche 1). The options will expire on the earlier of 10 years from the date of the offer or 90 days from the date Guy Kingwill ceases to be a Director of the Company and are not subject to contractual performance hurdles.

Tranche vesting date	Number	Grant Date	Exercise date	Exercise price \$	Fair value at grant date \$
31 December 2010 (Tranche 2)	83,333	30 April 2008	31 December 2010	\$0.26	\$0.1194
31 December 2011 (Tranche 3)	83,334	30 April 2008	31 December 2011	\$0.26	\$0.1275

Inputs into the model	Tranche 2	Tranche 3
Exercise price	\$0.26	\$0.26
Dividend rate	Nil	Nil
Expected volatility	62.71%	55.77%
Risk-free interest rate	6.50%	6.27%
Expiration period (years)	2.671	3.671

Options were priced using a binomial option pricing model.

Volatility was estimated from the Company's historical trading volatility.

No dividends are expected to be paid over the life of the Options.

The employee is not entitled to dividends during the vesting period.

The options are exercisable from their exercise dates as above.

7. Loans and Borrowings

In thousands of AUD

	30 June 2010	31 Dec 2009
Current liabilities		
Secured bank loans	-	-
Finance lease liabilities	279	81
Hire purchase liabilities	-	-
	<u>279</u>	<u>81</u>
Non-current liabilities		
Secured bank loans	4,500	-
Finance lease liabilities	180	269
Hire purchase liabilities	-	-
	<u>4,680</u>	<u>269</u>

All borrowings are denominated in Australian dollars.

Tandou Limited and its controlled entities

Notes to the Financial Statements for the Half-Year Ended 30 June 2010

8. Related parties

During the six months to 30 June 2010, arrangements with related parties continue to be in place. For details on these arrangements, refer to the consolidated annual financial report of the Group as at and for the year ended 31 December 2009.

9. Water Share Information

The Company currently records the value of Water Share assets at historical cost in accordance with the Accounting Standards.

The Group's entitlements and market values as per Directors' valuations at 30 June 2010, based upon valuations performed at 31 December 2009, were as follows:

<i>Valley</i>	<i>Licence Category</i>	<i>Entitlement (Megalitres)</i>
<i>Lower Darling</i>	<i>High Security</i>	<i>438</i>
<i>Lower Darling</i>	<i>General Security</i>	<i>19,103</i>
<i>Murrumbidgee</i>	<i>General Security</i>	<i>9,685</i>
<i>Murray(NSW)</i>	<i>General Security</i>	<i>2,813</i>
<i>Murray(VIC)</i>	<i>High Reliability</i>	<i><u>3,933</u></i>
<i>Total</i>		<i>35,972</i>

The Directors' valuation of the Group's Water Share assets of \$33.1m at 30 June 2010 is based on a conservative view of the independent market valuations performed at December 2009.

The book value of the same Water Shares at 30 June 2010 is \$12.1m.

“Carry Over” Provisions

Under the water sharing plan [Water Management Act 2000] Tandou is able to “carry over” up to 110,000 megalitres in the Menindee Lakes system. The carry over provisions are based on the available Tandou Farm water storage lakes. This allows Tandou to retain carry over water in the Menindee Lakes system with a substantially lower amount of water lost through evaporation than would be sustained if stored on farm.

Tandou Limited and its controlled entities

Directors' Review of Operations

Attaching to and forming part of the report to the ASX for the six months ended 30 June 2010

The Directors report a \$0.410 million after tax loss for the six month period ended 30 June 2010, after incurring approximately \$0.480 million costs associated with the defence of the takeover offer by Guinness Peat Group (Australia) Pty Limited (GPG). This offer was concluded on 6 July 2010 and all associated expenses have been included in the current result.

The current half-year loss whilst below the previous corresponding half year result (\$0.853 million profit after tax) is largely a result of falling water prices following the Queensland floods in early 2010 and increased rainfall generally throughout the Murray Darling basin catchment areas.

Water Business

Tandou has continued to focus on growing the Company's water operations and establishing a water business aimed at delivering consistent returns from its valuable and diversified water portfolio.

Allocation sales

The segment Earnings before Interest and Tax (EBIT) from water sales for the six months period to 30 June 2010 was approximately \$2.9 million (2009: \$5.1 million). While selling similar volumes of water during the two half-year periods, average sales prices fell from approximately \$364/megalitre in 2009 to \$151/megalitre in 2010.

With the Menindee Lakes under the control of the Murray Darling Basin Authority (MDBA) Tandou has been able to sell its available allocations into the connected Murray system. While the balance of allocations from the 2009/10 water year were sold on the spot allocations market, allocations from an opening 100% announcement on 1 July 2010 for all Lower Darling entitlements, have been retained for cropping purposes.

Over recent years the Company has emphasised the value of Tandou Farm as a natural "crop hedge" to the water business when seasonal conditions changed. Based on economic returns following the improved water allocation position and lower prices, the Company has now implemented this hedging opportunity and is well into preparations for a 4,000 hectare cotton crop for the coming 2010/11 season.

Entitlement investment

As at 30 June 2010 the Company had increased its total water entitlement holdings to 35,972 megalitres, being an increase of more than 16% for the six month period, and a Directors' valuation of approximately \$33.1 million. This represents more than 37 cents per share.

The Company will continue to invest in water entitlements on the connected Murray system that represent superior value for long term capital growth. The Company will also sell allocations from these entitlements to provide an ongoing revenue stream, or alternatively utilise these allocations for cropping purposes.

Directors again note that as a result of the large differences between cost and current market value of these entitlements, the Company is unable to fully recognise the significant market value of these assets in the half year balance sheet accounts. A pro-forma balance sheet has been included below for the purposes of illustrating the impact of valuing the Company's water entitlements ("water shares") at director's valuation.

Tandou Limited and its controlled entities

Directors' Review of Operations (cont'd)

Pro-forma Balance Sheet as at 30 June 2010:

<i>In thousands of AUD</i>	As per balance sheet	Uplift as per Directors' valuations (net of tax adj)	Pro-forma Consolidated 2010
Assets:			
Total current assets	19,074	20,694**	39,768
Total non-current assets	25,961	4,699**	30,660
Total assets	45,035	25,393	70,428
Liabilities:			
Total liabilities	6,814	-	6,814
Net assets	38,221	25,393	63,614
Total Shares on Issue (thousands of shares)			88,101
			\$
**Net asset backing based on directors' valuation of non-current assets (including water shares, deferred tax liabilities on water shares uplift and deferred tax assets not brought to account relating to tax losses) per ordinary security			0.72
*Independent valuations of non-current assets as at 31 December 2009 were performed by Peter J Spackman A.A.P.I (Val) for Tandou Farm and RGC Barnden FAPI AI.Arb.A. for Tandou Orchard & Vineyards.			

Tandou Farm

Having retained key management staff since the property was last cropped in 2005 Tandou Farm is well placed to achieve budgeted yield and return projections. Operations have been re-commissioned over the past two months with fertiliser incorporation now completed and fields being prepared for pre-irrigation watering.

During the period that Tandou Farm was not in production the Company continued to maintain the property at a level that would enable an efficient and timely return to production. The benefit of this investment is now being realised and Directors are also pleased to report that there have been no significant start-up issues preventing Tandou Farm from achieving optimal production for this coming season.

Management has also been successful in the placement of additional staffing resources required for full production.

The Company has a substantial amount of the projected cotton crop under contract at an average price of approximately A\$500 per bale (Ex gin and including Pima cotton sales), and almost 80% of water allocations now secured to complete production.

With a favourable cotton price and secure water position the Board and management are confident that operating returns will achieve budgeted outcomes.

Pastoral

The Company has continued to expand its prime lamb production operations with breeding numbers now totalling approximately 7,500 "Dorper" sheep. With the continued strength of the meat sheep industry the Company has also recently leased a further 50,000 hectares of pastoral country to complement the Company's own grazing land of approximately 65,000 hectares surrounding Tandou Farm.

Tandou Limited and its controlled entities

Directors' Review of Operations (cont'd)

Discontinued Operations

Tandou Orchard & Vineyard

The Orchard and Vineyard property was unsuccessfully offered for sale at auction in late April and operations are currently being prepared for a full production stonefruit crop later this year. The chardonnay plantings are being maintained on a minimal spend "mothball" program.

The property remains held for sale and if a successful agreement cannot be negotiated over the coming months the Board will again further review its options regarding the disposal of these assets and exit from this business.

Environmental, Health & Safety

Employee safety continues to be a focus of the Board and management and the Company remains committed to further developing and implementing work safe practices and procedures of the highest level.

The Company also continues its involvement in and leadership of sustainable land management projects based on sound environmental outcomes.

Tandou's organic certification has now reached "Certified Organic A" for almost 33,000 hectares of pastoral land, with a further 5,780 hectares rated as "Organic – In Conversion".

Finance Facilities

The Company has recently negotiated a \$16.5 million Seasonal Crop Facility with the National Australia Bank, providing sufficient funding for the anticipated total crop production requirements.

This Seasonal Crop Facility is in addition to the \$10 million Water Business Facility approved during January 2010.

Board Composition

During the six month period the Board was pleased to welcome Mr David Boyd to the position of Independent Non Executive Director with the Company. David brings a wealth of corporate and industry experience to Tandou, specifically in agriculture and water policy development.

Mr David Farley resigned as a Director in March to further concentrate on his personal professional interests.

Substantial Shareholders

As reported earlier, the takeover offer from GPG which commenced in September 2009, and extended during February 2010, concluded on 6 July 2010 with GPG increasing its shareholding from 19.9% to 28.4%.

Also during the half year period a receiver was appointed to sell the Volcot Holdings AG 30.6% parcel of shares. These shares were acquired by new shareholders to Tandou, Ecofin Limited and Water Asset Management LLC.

Outlook

The pending release of the much publicised draft Basin Plan by the MDBA has created significant and continuing uncertainty throughout the entire irrigation community and including all industry stakeholders.

Directors believe Tandou is well placed to identify and implement commercial strategies from the opportunities that it anticipates will become available in the period following the release of the Plan and the Company will focus on continuing to play an active role in the water investment market

Tandou Limited and its controlled entities

Directors' Review of Operations (cont'd)

The Board is committed to growing this water business model and its strategic portfolio of water assets, with the objective of building a sustainable, profitable Australian water and agribusiness.

The Company will continue to keep shareholders fully informed of any developments as they arise.

Directors would also like to acknowledge the continued support of Tandou's loyal and dedicated employees.

On behalf of the Board of Directors,



R.F.E. Warburton AO
Chairman



G.S. Kingwill
**Chief Executive Officer/
Managing Director**

Tuesday, 24 August 2010