

Tandou has now established itself as a uniquely sustainable and profitable Australian water and agribusiness and the Board believes your Company is well placed to continue to build on this strategy. The underlying asset value per share based on directors' valuation was 70 cents at year end, up from 64 cents in the previous year.

The 2010 year has seen the Company demonstrate its dual strategy as a sustainable water investor and agribusiness. Our aim is to maximise yield from water investment and cropping cotton and cereals (soft commodities).

Following the Queensland floods earlier this year inflows into the Menindee Lakes are continuing with the system now approaching near full. With storages re-charged, anticipated favourable water allocations for the coming years are now greatly enhanced and the Company's prospects for planting significant areas of cotton and cereal for at least the next two seasons has been largely confirmed.

The recent record breaking level of cotton prices has also given the Company great confidence in the ability to drive positive earnings from its cropping operations while water allocation prices remain low.

The Board is pleased to report an operating profit before interest and tax from continuing operations of \$3.4 million, being a 65% improvement on 2009. The operating result was part of our year end profit of \$6.0 million. This result includes a significant contribution from the water business, with segment earnings of \$3.5 million (EBIT).

During the year operations were involved in re-commissioning Tandou Farm and the planting of 4,000 hectares of cotton. This will continue into the coming year with the anticipated 2012 cotton crop area increasing to 6,500 hectares.

The Company's focus on continuing to grow the water business is supported by almost \$9 million of new investment in entitlements during the year. Water has developed as an asset class in its own right and continues to attract interest from both local and international investors.

The success of the Company in implementing this strategy and returning the farming operations to full production can largely be attributed to the expertise of our talented and experienced people and the Board acknowledges their patience and commitment.

During the 2010 financial year the Board farewelled Dick Warburton and David Farley as Chairman and Director respectively, and welcomed David Boyd as a Director. Both Dick and David were integral in ensuring the future success of the Company and on behalf of the Board I thank them both for their contributions.

The Board thanks you, our shareholders, for your ongoing support. With our focus on further developing the water business and a positive outlook for soft commodity production we are confident that the Company can achieve profitable growth in the years ahead and reward shareholders with greater value.



A handwritten signature in blue ink that reads "Rob Woolley". The signature is written in a cursive, flowing style.

Rob Woolley
Chairman

25 March 2011



The Directors report a \$6.012 million net profit after tax (NPAT) for the year ended 31 December 2010 (\$1.353 million NPAT for the year ended 31 December 2009), after adjustment for a net impairment reversal of \$1.6 million and income tax benefit of \$5.362 million.

The results support the strategy with the dual focus on growing the Water Business with the option of Farm production when annual water costs are at cyclical low levels.

The highlights are:

- Operating profit from continuing operations before interest was \$3.386 million (2009: \$2.053 million profit), an improvement of 65% on prior year.
- Water business segment profit of \$3.460 million EBIT (2009: \$5.047 million profit) despite falling water allocation prices.
- Tandou has invested a further \$8.913 million in water entitlements during the period.
- Tandou Farm is back in production successfully establishing a 4,000 hectare cotton crop to be harvested during late April/May 2011.
- Company's operations have not suffered significant losses to date from the weather events experienced across eastern Australia and Tandou does not expect to be negatively impacted as the Queensland flood waters make their way through Menindee over the coming months.
- Inflows from flood water will keep Menindee Lakes full through the winter and underwrite water availability for the 2012 and 2013 crops.
- Soft commodities outlook is currently positive, particularly for cotton which has now exceeded historical price levels.
- Tandou is preparing to plant a 6,500 hectare cotton crop for the 2011/12 season.

Water Business

Tandou is growing its strategic holding of water assets adding to a significant, diversified portfolio of water entitlements held within the Connected Murray System.

As at 31 December 2010 the Company has increased its total water entitlement holdings to 37,867 megalitres (2009: 32,386 megalitres) with a total value of \$37.682 million, representing almost 43 cents per share. The pro-forma report included in page 17 of the Directors Report illustrates the balance sheet impact of the Company's water entitlements when reported at directors' valuation.

The water business strategy is actively managed utilising the Company's experience with specific water market knowledge and its understanding of the profile of water use within the Connected Murray system.

This water investment strategy focuses on:

- entitlements that have more acute supply or demand factors to the wider entitlement pool, and
- understanding the impact on value of the quality of entitlement assessing characteristics such as allocation history, outlook, carryover capacity and potential step changes in demand.

Tandou is well placed to identify value buy opportunities that may arise and despite the current uncertainty of policy development, Directors are confident that the long term value of water will continue to increase.

The Water Business segment earnings before Interest and Tax (EBIT) for the twelve months to 31 December 2010 were \$3.460 million (2009: \$5.047 million).

This result was achieved during the period:

- with the allocation sales price changing from an average of \$350/megalitre in 2009 to \$138/megalitre in 2010, and
- with the second half of 2010 allocations from the Company's entire entitlement holdings being retained for cotton production at Tandou Farm.



Tandou Farm

Tandou Farm has successfully established a 4,000 hectare cotton crop, being its first crop for five years. This crop includes 3,560 hectares of Upland cotton, and 440 hectares of Pima cotton. While seasonal conditions have not been ideal with 2010 one of the wettest years on record, and 2011 starting with above average rainfalls during January and early February, operations have not been significantly impacted.

The Company has entered into forward price contracts for the anticipated 2010/11 Upland cotton crop at an average price of A\$494 per bale, with approximately 65% of these contracts including physical bales and the balance based on an "area" contract thus limiting exposure to yield risk. Forward contracts for Pima have been secured at A\$715 per bale.

The outlook for water allocation pricing for the coming season is favourable for crop production and the Company will maximise its planted area, with Farm operations preparing for a 2,000 hectare 2011 winter cereal crop and 6,500 hectare 2011/12 cotton crop.

Tandou Farm segment results for the period include a \$3.571 million reversal of previous period impairment adjustments (2009: \$2.202 million impairment reversal). During 2010 the Company invested approximately \$1.5 million incremental expenditure in bringing the Farm back into production.

Pastoral

The Company's Dorper sheep operations continue to expand with breeding numbers now approaching 9,500. In addition to prime lamb production, the Company recently purchased 650 head of young female cattle from Western Australia at drought induced prices to take advantage of the surplus feed available across Tandou's grazing country. It is anticipated these cattle will be sold in the coming spring.

With the continued strength of the Australian meat sheep industry the Company will look to optimise returns from its now established stock of quality Dorper sheep, with plentiful feed supply across an area of more than 115,000 hectares, including the leased land near Ivanhoe, NSW.

Discontinued Operations

Tandou Orchard & Vineyard

The Orchard and Vineyard property remains "held for sale". The permanent plantings of Tandou Orchard and Vineyard are not aligned with the Company's strategy and Directors are committed to achieving a timely sale agreement.

The 2010 year end accounts include an impairment adjustment of \$1.971 million of the Orchard and Vineyard assets (2009: \$0 impairment adjustment). Directors do not expect that any further write down of assets will be required to exit the business.

Nexteq Pty Ltd

Completion of the Nexteq Pty Limited share sale agreement occurred on 29 January 2010, with payment of \$1.5 million received on settlement, and a further \$0.5 million deferred settlement payment was due on 31 December 2010.

The deferred payment remains outstanding and the Company is now formalising legal action to recover this payment from the purchaser and the personal guarantors in accordance with the terms of the share sale agreement. While the purchaser has disputed certain elements of the contract negotiations and has issued a statement of claims, our legal advisors believe the case against Tandou is not strong and Directors expect to receive full payment under the original terms of the contract.

Deferred Tax Asset

The Company's earnings outlook improved during the period and with an ability to now demonstrate probable future income tax profits, the accounts for the current period include recognition of a net Deferred Tax Asset (DTA) of \$5.362 million (2009: nil).

This future income tax benefit includes \$3.504 million relating to carried forward tax losses from the current and previous periods and a timing difference resulting from the uplift of water entitlement values for tax purposes during the 2009 financial year. These entitlements remain valued at cost for accounting purposes and the DTA from this uplift totals \$1.858 million.

Environmental, Health & Safety

With a return to full production at Tandou Farm the safety of employees continues to be a focus of the Board and management. The Company recently engaged the services of an external consultancy to handle the increasing health and safety operational requirements and to ensure the Company's commitment to further developing and implementing work safe practices and procedures remains 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 reached "Certified Organic A" for 38,530 hectares of pastoral land with a further 19,902 hectares "Pre-Certified".

Finance Facilities

The Company has recently negotiated an increase of its Seasonal Crop Facility with the National Australia Bank from \$16.5 million to \$20 million, providing sufficient funding for the planned increase in area for the 2011 cereal and 2012 cotton crops.

The Seasonal Crop Facility is in addition to the \$10 million Water Business Facility which expires January 2013. Directors continue to focus on ensuring the Company's overall debt position remains at conservatively sustainable levels.

Outlook

Tandou provides an attractive investment opportunity for those investors looking for exposure to both water assets and soft commodities in Australia. The Company is well positioned in the water investment sector with a large portfolio of entitlements and a number of years of profitable returns from the water business.

In addition the holding of Tandou Farm is a valuable strategic asset which provides the Company with the option of cropping when the returns from selling water allocations become less than those available from soft commodity production. The recent turnaround in seasonal conditions has highlighted the importance and value of this option. The Company will continue to seek opportunities that complement and expand this business model.

With favourable cotton prices and water storages across the Basin approaching full or spilling the Company looks forward to at least another two seasons of cropping and profitable returns from its farming operations. Preparations are underway to plant 6,500 hectares of cotton and at least 2,000 hectares of cereal for the coming season.

Directors acknowledge the contribution and continued support of Tandou's loyal and hardworking employees. It is their dedication that has enabled Tandou to continue to expand the water business and return the Farm to production.

The Board and Management also acknowledge the tremendous contribution of former Chairman Dick Warburton who retired on 31 December 2010. Having commenced as Chairman of Tandou in April 2004 Dick chartered the Company through some of its most difficult times and it was his professional and considered leadership during those times that has established Tandou's strong financial position and positive strategic outlook.

In farewelling Dick, the Board welcomes Rob Woolley to the position of Chairman. Rob joined the Company in February 2007 as a Non Executive Director and Directors look forward to working with him to continue to grow the business and drive shareholder value.

On behalf of the Board of Directors,



A handwritten signature in blue ink that reads "G.S. Kingwill".

G.S. Kingwill
Chief Executive Officer / Managing Director

24 February 2011

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Board of Directors



Robert (Rob) Woolley
B.Com (Econ) CA
Chairman



Richard (Dick) Warburton AO
Independent
Non-Executive Director
*(Resigned Chairman
31 December 2010)*



Greg Hunt
Grad Dip Mgmt, AMP Harvard,
AICD, REBA
Independent
Non-Executive Director



David Farley
Independent
Non-Executive Director
(Resigned 31 March 2010)



David Boyd
Independent Non-Executive
Director
(Appointed 19 April 2010)



Guy Kingwill
B.Com CA
Chief Executive Officer
/ Managing Director

The directors present their report together with the financial report of Tandou Limited ("the Company" or "Tandou") and of the consolidated entity ("group"), being the Company and its controlled entities, for the year ended 31 December 2010 and the auditor's report thereon.

1. Directors

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

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
Robert (Rob) Woolley B.Com (Econ) CA Chairman Independent Non-Executive Director <i>(Appointed Chairman 31 December 2010)</i>	62	Rob was appointed to the position of Chairman of Tandou on 31 December 2010. Rob joined the Board on 28 February 2007 and was previously the Managing Director of Webster's Limited, retiring in 2004. Before joining Webster's Rob spent over 20 years as a partner of Deloitte, specialising in corporate advice and reconstruction. Rob was also Managing Partner of Deloitte Corporate Finance. Current directorships (non executive): <ul style="list-style-type: none"> • The Forests & Forest Industry Council of Tasmanian (Chairman) • Tasmanian Pure Foods Ltd (Chairman) • Freycinet Coast Financial Services Ltd (Chairman) • CRC Forestry Ltd • Tasmanian Water & Sewerage Corporation (Southern Region) Pty Ltd
Richard (Dick) Warburton AO Chairman Independent Non-Executive Director <i>(Resigned Chairman 31 December 2010)</i>	70	Dick resigned as Chairman of the Tandou Board on 31 December 2010 after more than 6 years in that role. Prior to becoming a professional director, Dick was the Chairman and Chief Executive Officer of Du Pont Australia and New Zealand. Dick is a former Chairman of Caltex Australia Ltd and David Jones Ltd, a former Board Member of the Reserve Bank of Australia and is a Fellow (and a former National President) of the Australian Institute of Company Directors. Dick received an Order of Australia in March 2005 for services to the business community. Current directorships of listed companies: <ul style="list-style-type: none"> • Magellan Flagship Fund Ltd (Chairman) (appointed Sept 2006) Previous directorships of listed companies: <ul style="list-style-type: none"> • Caltex Australia Ltd (July 1999 – April 2008) • Nufarm Limited (October 1993 – December 2007) • Tabcorp Holdings Ltd (July 1999 – November 2006) • Southcorp Limited (June 1993 – October 2003) • David Jones Limited (October 1995 – July 2003)
Greg Hunt Grad Dip Mgmt, AMP Harvard, AICD, REBA Independent Non-Executive Director	51	Greg joined Tandou on 21 November 2007 following a successful senior executive career, most recently as Managing Director of Elders Australia Ltd, having commenced with that company in 1979. Greg has extensive corporate experience in the agribusiness sector having previously held various board positions including directorships with BWK Ag (Germany), AACo Ltd, HiFert Pty Ltd, Webster Ltd, Killara Feedlot Pty Ltd, Elders Rural Bank Ltd and Elders Insurance Ltd. Current directorships (non executive): <ul style="list-style-type: none"> • Elementree Pty Ltd (Chairman) • Biocentral Laboratories (Chairman) • Kirribilli Pastoral (Chairman) • CRC Plumgrove Pty Ltd • Crichton Capital
David Farley Independent Non-Executive Director <i>(Resigned 31 March 2010)</i>	54	David resigned from the Tandou Board on 31 March 2010 following his appointment as Chief Executive Officer/Managing Director of AACo Ltd during November 2009.
David Boyd Independent Non-Executive Director <i>(Appointed 19 April 2010)</i>	69	David joined the Tandou Board on 19 April 2010 and brings to the Company over 50 years of experience in Australian agriculture and the development of water policy. David most recently retired, after 19 years, as Chairman and Chief Executive Officer of Clyde Agriculture, and his previous Board positions include serving as a director of John Swire & Sons Pty Ltd, Cotton Australia, the Australian Wool Innovation Limited, Wool International, and Chairman of the Darling Matilda Way Sustainable Regional Advisory Committee.
Guy Kingwill B.Com CA Chief Executive Officer / Managing Director	51	Guy joined Tandou's senior management team in June 2005, and was appointed to the position of Chief Executive Officer/Managing Director in March 2006. Guy has a Bachelor of Commerce from the University of Cape Town South Africa; he is a Chartered Accountant of South Africa and a member of the Australian Institute of Chartered Accountants. Previously, Guy held the position of Senior Vice President and CFO with Lanxess Corporation, a subsidiary of Lanxess AG and prior to this worked with Bayer Corporation in the United States. During his executive career Guy has worked in Australia, South Africa and throughout the USA. Since his relocation to Mildura, Guy has been appointed a Director of the Sunraysia Murray Group Training Board.

2. Company secretary

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

3. Directors' meetings

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

Director	Board Meetings		Audit & Corporate Governance Committee Meetings	
	A	B	A	B
R.F.E. Warburton	11	12	5	5
R.G. Woolley	12	12	5	5
G.A. Hunt	11	12	3	5
D.D. Farley	4	4	5	5
J.D.O. Boyd	8	8	1	1
G.S. Kingwill	12	12	4*	4*

A – Number of meetings attended

B – Number of meetings held during the time the Director held office during the year

* During the year Mr Kingwill attended 4 Audit & Corporate Governance Committee meetings by invitation
The nomination and review, and remuneration committees did not meet during the year.

4. Corporate Governance Statement

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

In August 2007, the ASX Corporate Governance Council released the second edition of the ASX Corporate Governance Principles and Recommendations (ASXCGPR) which replaces the ASX Best Practice Recommendations issued in March 2003. The Board is of the opinion that, subject to certain departures which are not justified for adoption due to the nature and scale of Tandou's activities and size of the Board, our policies and practices are in compliance with the ASXCGPR.

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

4.1 Lay solid foundations for management and oversight

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

To fulfil this role, the Board is responsible for the overall corporate governance of the group including formulating

its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

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

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

4.2 Structure the Board to add value

Board Composition

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

Director and executive education

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

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

Director Independence

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

- In accordance with the ASX Corporate Governance Council, an independent Director is one who is "independent of management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment".
- A Director is not considered to be "independent" if they are a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.

The Board reviews its assessment of independence as disclosures of new interests or conflicts are made. The Board was comprised of four independent directors and one non-independent director as at 31 December 2010.

Disclosure of Interests and Conflicts

At each Board meeting Directors are required to disclose details of any conflicts of interest that have arisen since

the previous board meeting. Also, a related interest's questionnaire is sent to Directors on an annual basis where Directors are asked to provide details of any related party transactions with Tandou during the year.

Period of Office

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

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

Independent Professional Advice

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

Committees

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

A description of the Audit & Corporate Governance Committee and the Remuneration Committee is included in sections 4.4 and 4.8 below.

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

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

In 2010, formal Nomination and Review Committee meetings were not convened as relevant matters were discussed during the course of Board Meetings. The formal Charter for the Nomination and Review Committee is available from the Company website (www.tandou.com.au).

4.3 Promote ethical and responsible decision making

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

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

Share Trading Guidelines

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

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

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

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

4.4 Safeguard integrity in financial reporting

Sign-off by Chief Executive Officer/Managing Director and Company Secretary (Group Financial Controller August 2009) In August 2010 (for the statutory half year report) and in March 2011 (for the statutory full year report) the Chief Executive Officer/Managing Director and the Company Secretary (Group Financial Controller) provided the Board with statements about Tandou's financial reports and compliance with the Corporations Act and accounting standards. The statements reflected the declarations required to be made to Directors for the half year and full year.

Audit & Corporate Governance Committee

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

- Tandou's draft external financial reports, including the statutory half year and full year financial reports, and ASX half year and full year reports;
- in so far as they affect Tandou's financial reporting, risk management and internal control structures, and compliance with laws and regulations;
- external audit activities, the terms of engagement (including fees) for the external audit, the independence of Tandou's external auditor, and the appointment and removal of the external auditor;
- monitoring the need for an internal audit function at Tandou or for any specific internal audits;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the

external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;

- assessing management processes supporting external reporting;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001; and
- review and update the Company's corporate governance policy's in relation to the ASX Corporate Governance Council recommendations.

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

During the year and given the size of the Board, the Audit and Corporate Governance Committee was comprised of Non-Executive Director, Mr Rob Woolley, as Committee Chairman, and the remaining Independent Non-Executive Directors of the Board. The Chief Executive Officer/ Managing Director and Company Secretary were present at meetings by invitation.

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

The external auditor met with the audit committee and the board of directors twice during the year.

4.5 Make timely and balanced disclosure

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

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

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

The Company Secretary manages the Company's compliance with its continuous disclosure obligations and is responsible for communications with the ASX.

The Tandou Continuous Disclosure Policy is available from the Company website (www.tandou.com.au).

4.6 Respect the rights of shareholders

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

Communications strategy

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

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

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

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

Annual General Meeting

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

The Board has requested that representatives of PricewaterhouseCoopers, Tandou's external auditor, attend the 2010 Annual General Meeting. It is also requested that PricewaterhouseCoopers be available to answer any questions that shareholders may have about the conduct of the external audit and the preparation and content of the audit report.

4.7 Recognise and manage risk

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

Risk management

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

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

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

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

Internal controls

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

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

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

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

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

4.8 Remunerate fairly and responsibly

Details of the classification and amount of each element of the emoluments of the Directors of Tandou Limited for 2010 are set out in the Directors' Report and the Notes to the Financial Statements.

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



4.8 Remunerate fairly and responsibly (continued)

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

The Remuneration Committee meets twice a year or otherwise as required. In 2010, formal meetings of the Remuneration Committee were not convened as relevant matters were discussed during the course of Board Meetings.

Directors' Fees

Fees paid to Non-Executive Directors are currently subject to a maximum pool of \$250,000 per annum. The Board's remuneration pool was approved by shareholders of Tandou Limited at the Annual General Meeting held in April 2008 and has not been increased since that time.

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

Remuneration Policy

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

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

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

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

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

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

5. Remuneration Report - audited

5.1 Remuneration policies

Overview of remuneration policies

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the group, including Directors of the Company and other executives. Key management personnel comprise the Directors of the Company and executives for the Company and the group.

Remuneration levels for directors, secretaries, senior managers of the Company, and relevant group executives of the consolidated entity ("the directors and senior executives") are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the directors and senior executives;
- the director's and senior executive's ability to control the relevant segment/s' performance.



Remuneration packages are based on a fixed amount only.

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers individual, segment and overall performance of the consolidated entity. In addition external consultants may be consulted to provide analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

	2010	2009	2008	2007	2006
Net profit / (loss) attributable to equity holders of the parent	\$6,012,000	\$1,353,000	\$11,539,000	(\$8,817,000)	(\$12,176,000)
Dividends paid	-	-	-	-	-
Increase/(decrease) in share price from previous year	\$0.00	\$0.20	(\$0.29)	(\$0.15)	(\$0.80)

Long-term incentive

Options are issued under the Executive Share Option Plan to key management personnel. These options vest over the service periods disclosed in section 5.2 of the director's report. As of reporting date, the Group is finalising a policy that will prohibit those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. It is expected that the Group will require all executives and directors to sign annual declarations of compliance with this policy.

Consequences of performance on shareholders' wealth
In considering the consolidated entity's performance and benefits for shareholders' wealth, the Remuneration Committee has regard to the following indices in respect of the current financial year and the previous four financial years.

Net profit amount for 2006 to 2010 has been calculated in accordance with Australian Accounting Standards (AASBs).

The overall level of executives' remuneration takes into account the performance of the consolidated entity over a number of years, including the impact of seasonal factors such as the availability of water resources.

The Remuneration Committee considers that the Company's remuneration structure is generating the desired outcome despite the current instability of the Company's share price, given the operations and net earnings have been severely impacted by external factors such as drought conditions and industry downturn.

5. Remuneration Report - audited (continued)

Other benefits

Key management personnel receive non-cash benefits as part of the terms and conditions of their appointment. Such benefits typically include motor vehicles and the Company pays fringe benefits tax on these benefits.

Service contracts

There are employment contracts in place with G.S. Kingwill, B.F. Woollard, P.J. Sullivan, B.P. Barry, R.W. Lowe and a consultancy agreement with R.W. Smith. There are no other service contracts with Directors or Senior Executives.

Contract details

Executive directors

On 15 March 2006 G.S. Kingwill was appointed Chief Executive Officer/Managing Director. Remuneration details of the contract of employment include an annual salary of \$350,000, inclusive of statutory superannuation. The employment contract does not include any arrangements relating to a share or share options acquisitions scheme and does not include a termination date. The Company can terminate the contract with the payment of two years salary (in lieu of notice). G.S. Kingwill can terminate the contract with three months written notice.

Other key management personnel

Employment agreements are in place as at 31 December 2010 covering B.F. Woollard (Company Secretary), P.J. Sullivan (Menindee Operations Manager), B.P. Barry (Water Manager) and R.W. Lowe (Agronomist) which do not include a termination date.

All four (4) of these agreements have the following attributes:

- Minimum notice period of 4 weeks or as otherwise in accordance with statutory requirements
- Minimum redundancy payment of 2 weeks per year of employment or as otherwise in accordance with statutory requirements
- Retention payment in the sum equal to 9 months of employee's then current Total Remuneration Package (1)

- (1) Retention payment only liable for payment until 30 June 2011.

Non-Executive directors

Total compensation for all non-executive directors, last voted upon by shareholders at the 2008 AGM, is not to exceed \$250,000 per annum (excluding attributable value of insurance expenses and the consultancy agreement with R.W. Smith discussed below) and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees are presently up to \$40,000 per annum with the Chairman receiving up to \$90,000 per annum.

Consultancy agreement – R.W. Smith

On 15 March 2006, R.W. Smith resigned from his position as Managing Director of the Company and a consultancy agreement took effect from this date. The key terms of R.W. Smith's consultancy agreement are set out below.

Term:

Five years (for up to sixty business days per annum) from the date R.W. Smith ceases to be employed by the Company.

Remuneration:

\$12,500 per month indexed annually (excl GST) consultancy fee plus \$1,000 per day (excl GST) for additional business days over sixty business days per annum.

Expenses:

Reimbursement for out of pocket business expenses incurred on behalf of the Company with prior approval together with one-off expense for setting up a Consultant office capped at \$10,000.

Motor Vehicle:

Provision of a motor vehicle.

Termination:

- By Consultant without cause;
- By Consultant for Company default arising from fraudulent breach or serious misconduct;
- For any other reason including death or disability of Consultant.

Calculation of consultancy termination payment:

- Remuneration to date of termination plus transfer of ownership to Consultant of the motor vehicle then in use by the Consultant;
- Net present value of fees payable for the balance of the unexpired term (being \$150,000 per annum) plus transfer of ownership to Consultant of the motor vehicle then in use by the Consultant.

Termination Events and amounts payable:

Set out below are the circumstances in which the services of R.W. Smith may be terminated under the consultancy agreement and the benefits thereby payable to him by the Company:

- Termination for Death or Incapacity

The Company can end the consultancy agreement upon written notice where R.W. Smith is unable to perform his duties for one month and alternative personnel of the Consultant cannot be provided to undertake the consultancy services. The Company will be liable to pay to R.W. Smith in these circumstances the net present value of any fees that would be payable during the balance of the unexpired term of the consultancy agreement.

- Termination by Expiry of Term

At the end of the fixed term of the consultancy agreement no further payments or benefits are payable to R.W. Smith other than transfer of ownership of the motor vehicle then used by the consultant to R.W. Smith.



- Termination by Consultant

R.W. Smith can terminate the consultancy agreement without cause by giving thirty days written notice to the Company. The Company will not be liable for any further payments or benefits to R.W. Smith beyond the date of termination. The ownership of the motor vehicle then in use by R.W. Smith is to be transferred to R.W. Smith.

- Termination for Breach

The Company can terminate the consultancy agreement on fourteen days written notice for fraudulent breach or serious misconduct by the Consultant under the terms of the consultancy agreement. No termination payment or benefit is payable to R.W. Smith in these circumstances. The ownership of the motor vehicle then in use by R.W. Smith is to be transferred to R.W. Smith.

R.W. Smith can terminate the consultancy agreement on fourteen days written notice for breaches by the Company of material terms of the consultancy agreement. The Company will be liable to pay to R.W. Smith in these circumstances the net present value of any fees that would be payable during the balance of the unexpired term of the consultancy agreement. The ownership of the motor vehicle then in use by R.W. Smith is to be transferred to R.W. Smith.

- Termination by Company Without Cause

The Company can terminate the consultancy agreement without cause by giving thirty days written notice to R.W. Smith. The Company will be liable to pay to R.W. Smith in these circumstances the net present value of any fees that would be payable during the balance of the unexpired term of the consultancy agreement. The ownership of the motor vehicle then in use by R.W. Smith is to be transferred to R.W. Smith.

Directors' Report For the year ended 31 December 2010 (continued)

5.2 Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the named Company executives and relevant group executives.

In AUD		Short-term		Post -	Share - based payment options (3)	Other long term benefits	Termination benefits	Total
		Salary and fees	Non - monetary benefits	employment Super - annuation benefits				
Directors Non-executive								
R.F.E. Warburton (Ex Chairman)	2010	82,569	-	7,431	-	-	-	90,000
	2009	82,569	-	7,431	-	-	-	90,000
R.G. Woolley (Chairman)	2010	40,000	-	-	-	-	-	40,000
	2009	40,000	-	-	-	-	-	40,000
G.A. Hunt	2010	36,697	-	3,303	-	-	-	40,000
	2009	36,697	-	3,303	-	-	-	40,000
D.D. Farley	2010	9,174	-	826	-	-	-	10,000
	2009	36,697	-	3,303	-	-	-	40,000
J.D.O Boyd	2010	-	-	28,022	-	-	-	28,022
	2009	-	-	-	-	-	-	-
Executive								
G.S. Kingwill (CEO / Managing Director)	2010	272,274	36,560	50,551	6,629	5,448	-	371,462
	2009	259,332	36,462	50,123	11,564	(5,094)	-	352,387
Other key management personnel - consolidated								
B.F. Woollard (Company Secretary)	2010	132,360	13,758	11,567	-	2,224	-	159,909
	2009	124,254	19,326	10,883	-	4,218	-	158,681
P.J. Sullivan (Menindee Operations Manager)	2010	123,804	33,606	14,842	-	9,785	-	182,037
	2009	136,459	33,040	15,671	-	7,101	-	192,271
B.P. Barry (Water Manager)	2010	115,589	7,000	10,227	-	5,796	-	138,612
	2009	103,365	7,000	11,607	-	2,288	-	124,260
R. W. Lowe (Agronomist) (2)	2010	114,295	18,274	10,287	-	7,078	-	149,934
	2009	-	-	-	-	-	-	-
W. Grills (3)	2010	93,118	1,298	8,381	-	(77,277)	198,637	224,157
	2009	-	-	-	-	-	-	-

(1) The fair value of options is calculated using a binomial option-pricing model and allocated to each reporting period over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

(2) R. W. Lowe did not meet the definition of key management personnel under AASB 124 for the 2009 financial year however is part of the key management personnel for 2010.

(3) W. Grills did not meet the definition of key management personnel under AASB 124 for the 2009 financial year, however was part of the key management personnel for 2010 until he was made redundant upon the sale of Nexteq Pty Ltd.

The proportion of share-based payment remuneration paid to Directors and named Company executives was 0% for all Directors and named Company executives with the exception of Guy Kingwill (1.8%).

Other than discretionary bonus payments made to P.J. Sullivan (\$7,320), B.P. Barry (\$23,487) and R.W. Lowe (\$8,699), there was no proportion of remuneration paid to Directors and named Company executives that was directly performance related. The discretionary bonus payments are included within the Salary and Fees column in the table above.

Options over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting year are as follows: Options were issued to Guy Kingwill only and 83,333 options vested during the reporting period. Options expire at the earlier of the date below and the employee ceasing employment and are not subject to contractual performance hurdles.

Tranche vesting date	Number	Grant date	Exercise date	Exercise price \$	Fair value at grant date \$
31 December 2011	83,334	30 April 2008	31 December 2011	\$0.26	\$0.1275

The options are exercisable from their exercise date as above. 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.

6. Principal activities

The principal activities of the consolidated entity constituted by the Company and the entities it controlled during the financial year were:

- Continue to build a valuable portfolio of water assets through the strategic buying and selling of water entitlements and the trading of seasonal water allocations.
- Production and marketing of irrigated cotton and cereal crops, ginning of cotton and production of livestock at Tandou Farm, via Menindee, NSW;
- The establishment, production and marketing of tree fruits and white wine grapes at Tandou Orchard and Vineyard, Menindee, NSW (business is currently held for sale);
- The provision of vineyard management services at Millewa Vineyards, Cullulleraine, Vic (ceased during 2009);

7. Dividends

The Directors have not declared a dividend in respect of the financial year ended 31 December 2010 and no interim dividends have been declared or paid. In respect of the 12 months ended 31 December 2009, the Directors did not declare a dividend.

8. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

9. Likely developments

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

10. Review of operations

A detailed review of the operations of the consolidated entity during the year and the results of those operations including significant changes in the state of affairs is disclosed in the 'Director's Review of Operations' section of this Annual Report.

11. Pro-forma balance sheet

As at 31 December 2010	As per statement of financial position	Water entitle- ments uplift as per Directors' valuations	Other uplift as per Directors' valuations	Pro-forma Consolidated 2010	Note
<i>In thousands of AUD</i>					
Assets					
Total current assets	27,176	10,454	-	37,630	1
Total non-current assets	36,007	12,607	2,075	50,689	1
Total assets	63,183	23,061	2,075	88,319	
Liabilities					
Total current liabilities	4,444	-	-	4,444	
Total non-current liabilities	13,978	-	-	13,978	
Total liabilities	18,422	-	-	18,422	
Net assets	44,761	23,061	2,075	69,897	
Fundamental Underlying Value				88,101	
Total Shares on Issue (thousands of shares)				0.79	
Net asset backing per share				(0.09)	2
Less: capitalised corporate costs per share				<u>0.70</u>	
Assessed value per share				0.70	

Notes

1. The Group's assets at Directors valuation after taking into consideration the Independent Valuations as at 31 December 2010. Independent Valuations were performed by Peter J Spackman A.A.PI (Val) and RGC Barnden FAPI AI.Arb.A. during October/ November 2010. An independent valuation of water entitlements as at 31 December 2010 was performed by David Shuter of Herron Todd White (Albury)

2. The Directors value of capitalised corporate costs per security.

12. Directors' interests

The relevant interest of each director in the shares, and options over such instruments issued by the companies within the consolidated entity and other related bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares	Options over ordinary shares
G.A. Hunt	55,000	-
R.G. Woolley	100,999	-
J.D.O Boyd	20,000	-
G.S. Kingwill	75,000	250,000

13. Share options

There were 250,000 shares under options during the 2008 financial year and at the date of this report. These options were issued in April 2008 and have an exercise price of \$0.26 and exercise dates of 31 December 2009 (83,333), 31 December 2010 (83,333) and 31 December 2011 (83,334). 166,666 of the options have vested at the date of this report and no options have been granted since the end of the financial year.

14. Indemnification and insurance of officers and auditors

During the financial year, Tandou Limited paid premiums to insure the directors and secretaries of the company and its Australian-based controlled entities, and the general managers of each of the divisions of the group. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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

15. Non-audit services

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

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

<i>In AUD</i>	Consolidated 2010
Audit services:	
Auditors of the Company (PwC Australia)	
Audit and review of financial reports	107,762
Services other than statutory audit	-
	<u>107,762</u>

16. Environmental regulation

The consolidated entity holds leases in perpetuity from the Western Lands Commission of NSW, for its principal properties in far Western NSW. Water entitlements are granted to the consolidated entity by the Department of Water and Energy NSW. Regulatory bodies consulted include the Department of Sustainability and Environment, Victoria, the National Park and Wildlife Service of NSW, the Environment Protection Agency of South Australia, as well as relevant local government bodies.

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

The Australian cotton industry has developed a Best Management Practice manual for sustainable cotton production. During the 2004 year, an independent audit was completed from which Tandou was granted full accreditation under the Best Management Practice criteria.

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

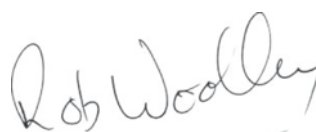
17. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 64 and forms part of the directors' report for the financial year ended 31 December 2010.

18. Rounding off

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 and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:



R.G. Woolley
Chairman



G.S. Kingwill
Chief Executive Officer / Managing Director

Dated at Mildura this 25th day of March 2011



Financial Report

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This financial report covers both the separate financial statements of Tandou Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Tandou Limited and its subsidiaries. The financial report is presented in Australian currency.

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

Tandou Limited
31 Alan Mathews Drive
Mildura Vic 3502

A description of the nature of the consolidated entity's operations and its principal activities and a pro-forma balance sheet is included in the directors' report on pages 17 and 18, which is not part of this financial report.

The financial report was authorised for issue by the directors on 25 March 2011. The directors have the power to amend and reissue the financial report.

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

Statement of Comprehensive Income For the year ended 31 December 2010

<i>In thousands of AUD</i>	2010	2009
Continuing Operations		
Revenue	7,968	11,130
Net operating income derived from biological assets	7,823	405
Cost of sales	(11,847)	(7,124)
Gross profit	3,944	4,411
Other operating income	665	768
Administration expenses	(2,623)	(2,395)
Farm care and maintenance expenses	(2,171)	(2,933)
Impairment gain / (loss) non biological assets	3,571	2,202
Operating profit / (loss) from Operating Activities before Financing Costs	3,386	2,053
Financial income	101	258
Financial expenses	(567)	(226)
Net Financing (Costs) / Income	(466)	32
Profit before income tax	2,920	2,085
Income tax benefit / (expense)	4,681	-
Profit from continuing operations	7,601	2,085
Profit / (loss) from discontinued operations (net of income tax)	(1,589)	(732)
Profit for the period	6,012	1,353
Other comprehensive income:		
Cash flow hedge (net of income tax)	115	-
Other comprehensive income for the period, net of tax	115	-
Total comprehensive income for the period	6,127	1,353
Earnings per share		
Basic (cents per share)	6.80	1.50
Diluted (cents per share)	6.80	1.50
Continuing operations:		
Basic (cents per share)	8.60	2.40
Diluted (cents per share)	8.60	2.40

The accompanying notes form part of these financial statements.

<i>In thousands of AUD</i>	Note	2010	2009
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	15	838	1,541
Trade and other receivables	16	1,422	1,330
Inventories		14,288	5,883
Biological assets	18	9,214	623
Derivative financial instruments		164	-
Non current assets held for sale	6	1,250	5,465
TOTAL CURRENT ASSETS		27,176	14,842
NON CURRENT ASSETS			
Property, plant and equipment	20	28,678	26,343
Deferred tax assets	19	5,322	-
Inventories	17	1,418	-
Biological assets	18	-	172
Intangible assets	21	589	596
TOTAL NON CURRENT ASSETS		36,007	27,111
TOTAL ASSETS		63,183	41,953
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	22	3,598	1,631
Borrowings	23	109	81
Employee benefits	24(a)	487	448
Provisions	25	86	269
Liabilities classified as held for sale	6	164	603
TOTAL CURRENT LIABILITIES		4,444	3,032
NON CURRENT LIABILITIES			
Borrowings	23	13,897	269
Long term provisions	24(b)	81	24
TOTAL NON CURRENT LIABILITIES		13,978	293
TOTAL LIABILITIES		18,422	3,325
NET ASSETS		44,761	38,628
EQUITY			
Share capital	26	52,271	52,271
Share option reserve	26	25	19
Cash flow hedge reserve		115	-
Accumulated losses	26	(7,650)	(13,662)
TOTAL EQUITY		44,761	38,628

The accompanying notes form part of these financial statements.

Statement of Changes of Equity For the year ended 31 December 2010

<i>In thousands of AUD</i>	Contributed Equity	Retained Earnings	Cash Flow Hedge Reserve	Reserves	Non controlling Interests	Total
2010						
Balance at 1 January 2010	52,271	(13,662)	-	19	-	38,628
Comprehensive income for the year	-	6,012	-	-	-	6,012
Movement in cash flow hedge asset (net of tax)	-	-	115	-	-	115
Employee Share Scheme (net of tax)	-	-	-	6	-	6
Balance at 31 December 2010	52,271	(7,650)	115	25	-	44,761
2009						
Balance at 1 January 2009	52,271	(15,015)	-	7	-	37,263
Total comprehensive income for the year	-	1,353	-	-	-	1,353
Employee Share Scheme (net of tax)	-	-	-	12	-	12
Transfers to retained earnings from general reserves	-	-	-	-	-	-
Transfers from retained earnings to general reserves	-	-	-	-	-	-
Balance at 31 December 2009	52,271	(13,662)	-	19	-	38,628

The accompanying notes form part of these financial statements.

<i>In thousands of AUD</i>	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	10,689	15,099
Cash paid to supplies and employees	(24,515)	(16,497)
Cash generated from / (used in) operations	(13,826)	(1,398)
Interest received	101	210
Interest Paid	(567)	(226)
Net cash provided by (used in) operating activities	(14,292)	(1,414)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets	-	33,900
Proceeds from sale of property, plant and equipment	520	659
Payments for property, plant and equipment	(485)	(866)
Payments for biological assets	-	(65)
Payments for entitlements	-	(163)
Net cash provided by (used in) investing activities	35	33,465
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	15,650	-
Repayments of borrowings	(1,900)	(29,908)
Repayment of finance lease liabilities	(196)	(1,239)
Net cash provided by (used in) financing activities	13,554	(31,147)
OTHER ACTIVITIES		
Net increase (decrease) in cash held	(703)	904
Cash and cash equivalents at beginning of financial year	1,541	637
Cash and cash equivalents at end of financial year	838	1,541

The accompanying notes form part of these financial statements.

1 Basis of Preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

- derivative financial instruments are measured at fair value; and
- biological assets are measured at fair value less point of sale costs.

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

(c) Functional and presentation currency and rounding

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

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

(d) Use of estimates and judgements

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

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

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

Note 18 biological assets

Note 19 utilisation of tax losses

Note 20 and Note 21 measurement of the recoverable amounts of assets and estimation of useful life of assets

Note 24 measurement of share based payments

2 Significant Accounting Policies

(a) Basis of Consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

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

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

(b) Foreign Currency

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

(c) Financial instruments

(i) Non derivative financial instruments

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

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

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

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

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

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

(ii) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently carried at fair value. Gains and losses are recognised immediately in profit or loss unless the derivative is designated and effective as a hedging instrument, in which case the nature of the hedge relationship determines the method of recognising the gain or loss.

The Group designates certain derivatives as:

- cash flow hedges when hedging the exposure to the variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability

(iii) Hedge accounting

At the inception of a hedge relationship, the Group documents and designates the hedge relationship between the hedge instrument and hedged item, along with the risk management objective and strategy for undertaking the hedge. The documentation also includes how the Group will assess the effectiveness of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. All hedges are expected to be highly effective in offsetting changes in fair values or cash flows and are assessed on an ongoing basis throughout the financial reporting periods which the hedges were designated.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 27. Movements in the hedging reserve in shareholders' equity are shown in note 26. The full fair value of a hedging derivative is classified as a non current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(iv) Cash flow hedges

The effective portion of gains and losses in the fair value of hedge instruments is recognised in comprehensive income and the ineffective portion is recognised in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

(c) **Financial instruments (continued)**

(v) **Share capital**

Ordinary Shares

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

(d) **Property, Plant and Equipment**

(i) **Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2004, the date of transition to AASB's was determined by reference to its fair value at that date.

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

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

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

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

(ii) **Subsequent costs**

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

(iii) **Depreciation**

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

(e) **Intangible Assets**

(i) **Water entitlements**

Permanent water entitlements that are held for internal use are stated at cost less impairment losses. The cost is not amortised as the water entitlements are considered to have indefinite useful lives. In 2009, the group commenced to actively trade in water rights and water entitlements and consequently, reclassified those rights and entitlements that were identified as held for trading purposes from intangible assets to inventory.

(ii) **Research and development costs**

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are able to be demonstrated.

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

(f) **Biological assets**

Trees and vines are measured at fair value less estimated point of sale costs at each reporting date, with any change therein recognised in the profit and loss. Point of sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the asset to market. As the fair value of the asset is based on its present location and condition, the costs necessary to get the assets to market is deducted from the market price in order to determine its fair value. The best representation of fair value is the costs incurred in establishing the trees and vines to a stage where the yields are commercially viable. All costs associated with trees and vines are expensed when incurred. If the trees and vines have not reached commercial viability, the value of the trees and vines are increased by the amount of expenses incurred during the period, by way of a credit to income. Once the trees and/or vines reach a stage where

the yields are commercially viable, Directors consider current independent valuations to determine the fair value less estimated point of sale costs. Net increases or decreases in fair value of the trees and/or vines and the costs associated with the maintenance and enhancement of the trees and/or vines are recognised as revenue or expenses in the financial year.

The fair value of cotton, fruit and grapes harvested during the year and recognised as revenue is determined as the fair value of cotton, fruit and grapes immediately after picking less point of sale costs. The fair value of crops harvested during the year and recognised as revenue, is determined as the fair value of crops immediately after harvesting less point of sale costs. Crops in progress are valued at their expected net market value less costs of harvesting having regard to the stage of development of crop. The fair value of livestock held for sale is based on the market price of livestock of similar age, breed and genetic merit.

Upon harvest or picking, crops, fruit and grapes are transferred to inventories at fair value less estimated point of sale costs at the date of harvest or picking.

(g) Leased assets

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

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(h) Inventories

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

The cost of items transferred from biological assets is their fair value less estimated point of sale costs at the date of transfer. Permanent water entitlements and temporary water allocations are classified as inventories where they are acquired and held for trading purposes. Refer to note 17.

(i) Impairment of Assets

(i) Financial assets

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

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

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

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

For financial assets measured at amortised cost that are debt securities, the reversal is recognised in profit or loss.

(ii) Non financial assets

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

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash generating unit").

(i) Impairment of Assets (continued)

(ii) Non financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

(j) Non current assets held for sale

Non current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re measurement are recognised in the profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(k) Employee Benefits

(i) Defined contribution superannuation funds

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

(ii) Other long term employee benefits

The Group's net obligation in respect of long term employee benefits other than defined contribution superannuation funds is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iii) Termination benefits

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

(iv) Short term benefits

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

(v) Share based payment transactions

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

(l) Provisions

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

(i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(m) Revenue**(i) Goods sold**

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

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

(ii) Services

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

(iii) Government grants

An unconditional government grant related to a biological asset is recognised in profit or loss as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(n) Leases

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

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

(o) Finance income and expenses

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

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, amortisation of transaction costs associated with financial liabilities, net foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

(p) Income Tax

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is

(p) Income Tax (continued)

measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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

Tax consolidation

The Company and its wholly owned Australian resident entities have formed a tax consolidated group with effect from 1 January 2004 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Tandou Limited.

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

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

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

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

Nature of tax funding arrangements and tax sharing arrangements

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

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

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

(q) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(r) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

The comparative income statement for the Company has been re presented as if an operation discontinued during the current period had been discontinued from the start of the comparative period (see note 5).

(s) Earnings per share

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

(t) Segment reporting

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

(u) Financial risk management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

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

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

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

Credit risk

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

Trade and other receivables

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

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

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

Guarantees

Group policy is to provide financial guarantees only to wholly owned subsidiaries. Details of outstanding guarantees are provided in note 31.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's financing facilities are set out in note 23.

(u) Financial risk management (continued)

Market risk

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

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

Currency risk

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

Interest on borrowings is denominated in AUD.

Interest rate risk

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

Capital management

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

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

(v) New Accounting Standards for Application in Future Periods

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

- AASB 9: Financial instruments and AASB 2009 11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
 - simplifying the requirements for embedded derivatives;
 - removing the tainting rules associated with held to maturity assets;
 - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
 - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
 - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
 - (a) the objective of the entity's business model for managing the financial assets; and
 - (b) the characteristics of the contractual cash flows.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011)

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the company.

- AASB 2009 4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009 5:

Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non urgent but necessary changes to accounting standards arising from IASB's annual improvements project. No changes are expected to materially affect the company.

AASB 2009 8: Amendments to Australian Accounting Standards — Group Cash settled Share based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash settled share based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the company.

- AASB 2009 9: Amendments to Australian Accounting Standards — Additional Exemptions for First time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the company.

- AASB 2009 10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non derivative equity instruments. These amendments are not expected to impact the company.

- AASB 2009 12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the company.

- AASB 2009 13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or alter 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the company.

- AASB 2009 14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the company.

The company does not anticipate early adoption of any of the above accounting standards.

3 Determination of fair values

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

3 Determination of fair values (continued)

(a) Biological assets

The fair value of vines and trees is based on current independent valuations where available or discounted cash flow analysis. The fair value of crops is based on the market price of estimated recoverable harvested crop, net of harvesting costs. The fair value of livestock held for sale is based on the market price of livestock of similar age, breed and genetic make up. The fair value of biological assets includes management's estimate of the current stage of development and growth.

(b) Derivatives

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

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(c) Non derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(d) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(e) Financial guarantees

For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. This method takes into account the probability of default by the guaranteed party over the term of the contract, the loss given default (being the proportion of the exposure that is not expected to be recovered in the event of default) and exposure at default (being the maximum loss at the time of default).

(f) Share based payment transactions

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

4 Segment reporting

The Board (the chief operating decision makers) receive 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.

- Crops relates to the operations of Tandou Farm comprising 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 Trading relates to the trading of permanent water entitlements and temporary water allocations.
- Discontinued Operations (see note 5) are 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.

In 2010 there was no sales revenue earned from overseas customers through sales made via brokers/agents.

The amount of its continuing operations revenue from customers domiciled in Australia is \$7,968,000 (2009: \$11,130,000) with no sales made directly to overseas customers as per the disclosure above.

Revenues of approximately \$2,716,000 are derived from a single external customer. These revenues are attributable to the water trading segment.

Business Segments

<i>In thousands of AUD</i>	Crops		Water Trading		Continuing Operations		Discontinued Operations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Total segment revenue	945	1,381	8,057	9,749	9,002	11,130	2,744	3,447	11,746	14,577
Inter-segment revenue	(53)		(981)	-	(1,034)	-	-	-	(1,034)	-
Revenue from external customers	892	1,381	7,076	9,749	7,968	11,130	2,744	3,447	10,712	14,577
Adjusted EBIT	2,529	(912)	3,460	5,047	5,989	4,135	(2,270)	(1,939)	3,719	2,196
Depreciation and amortisation	1,350	2,060	-	-	1,350	2,060	-	552	1,350	2,612
Other										
Total segment assets	38,268	27,480	14,971	5,116	53,239	32,596	1,867	5,082	55,106	37,678
Total assets includes:										
Net loss/(income) derived from biological assets	478	405	-	-	478	405	-	-	478	405
Acquisition of segment fixed assets	520	-	3	-	523	-	38	-	561	-
Impairment losses on non-biological assets	(3,571)	(2,202)	-	-	(3,571)	(2,202)	-	-	(3,571)	(2,202)
Total segment liabilities	421	30	-	-	414	30	164	112	585	142

Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the board is measured in a manner consistent with that in the income statement. Revenues from external customers are derived from the sale of cereal, cotton, water entitlements, water allocations, stonefruit, grapes and contracting activities. A breakdown of revenue and results is provided in the tables above

Segment revenue reconciles to total revenue from continuing operations as follows:

<i>In thousands of AUD</i>	2010	2009
Total segment revenue	10,712	14,577
Discontinued revenue	2,744	3,447
Total revenue from continuing operations (note 7)	7,968	11,130

4 Segment reporting (continued)

Adjusted EBIT

The Board assesses the performance of the operating segments based on a measure of adjusted EBIT. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the Finance department which manages the cash position of the group. Corporate overhead and administration costs are not allocated to operating segments. In 2008 the profit from the sale of supplementary water entitlements was not allocated to operating segments.

<i>In thousands of AUD</i>	2010	2009
Adjusted EBIT	3,719	4,135
Discontinued operations	2,270	(2,082)
Unallocated corporate costs	(2,603)	-
Income tax (expense) / benefit	4,681	-
Financial income	101	258
Finance costs	(567)	(226)
Profit before income tax from continuing operations	7,601	2,085

Segment assets

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

<i>In thousands of AUD</i>	2010	2009
Segment assets	55,106	37,679
Unallocated:		
Cash and cash equivalents	838	1,541
Trade and other receivables	1,422	1,231
Other assets	-	99
Property, Plant & Equipment	332	191
Deferred Tax Asset	5,322	1,207
Other	163	5
Total assets per the balance sheet	63,183	41,953

Segment liabilities

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

<i>In thousands of AUD</i>	2010	2009
Segment liabilities	585	142
Discontinued operation (note 5)	164	603
Unallocated:		
Current borrowings	22	81
Non current borrowings	13,897	269
Trade and other payables	3,187	1,630
Provisions	86	269
Employee benefits	481	331
Total liabilities per the balance sheet	18,422	3,325

5 Discontinued operations

Tandou Orchard and Vineyard

In August 2009, the Board decided to divest the Tandou Orchard and Vineyard assets. At 31 December 2010 the segment was a discontinued operation and classified as held for sale.

During the twelve months ended 31 December 2010, the Tandou Orchard and Vineyard had net cash outflows from operating activities of \$132,000 (twelve months ended 31 December 2009: outflows of \$641,000), net cash outflows from investing activities of \$Nil (twelve months ended 31 December 2009: outflows of \$65,000) and net cash flows from financing activities of \$Nil (twelve months ended 31 December 2009: \$Nil).

Millewa Vineyard

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 related to the Millewa Vineyard have been reclassified in accordance with the accounting standards. During the twelve months ended 31 December 2010, the Millewa Vineyard had net cash outflows from operating activities of \$Nil (twelve months ended 31 December 2009: outflows of \$548,000), net cash inflows from investing activities of \$Nil (twelve months ended 31 December 2009: outflows of \$Nil) and net cash flows from financing activities of \$Nil (twelve months ended 31 December 2009: \$Nil).

Nexpeq plant

In December 2008 the Board decided to seek buyers for the Nexpeq plant. At 31 December 2008 the segment was a discontinued operation and classified as held for sale (note 5). During the twelve months ended 31 December 2010, the sale of the Nexpeq plant has been executed resulting in a cash inflow amounting to \$1.5m being received, with \$0.5m remaining outstanding as at 31 December 2010.

Summary

Profit / (losses) attributable to the discontinued operations were as follows:

<i>In thousands of AUD</i>	2010	2009
Results of discontinued operations		
Revenue and income	2,744	3,447
Expenses including impairment losses	(5,014)	(5,386)
Results from operating activities	(2,270)	(1,939)
Income tax (expense) / benefit	681	1,207
Loss after income tax but before gain on sale of discontinued operations	(1,589)	(732)
Net gain / (loss) on sale of discontinued operations	-	-
Tax on gain on sale of discontinued operations	-	-
Profit / (loss) for the period	(1,589)	(732)
Basic earnings (loss) per share (cents per share)	(1.80)	(0.8)
Diluted earnings (loss) per share (cents per share)	(1.80)	(0.8)

6 Assets and liabilities held for sale

<i>In thousands of AUD</i>	2010	2009
Assets classified as held for sale		
Property, plant and equipment	1,250	2,689
Biological assets	-	1,569
Deferred tax assets	-	1,207
Total	1,250	5,465
Liabilities classified as held for sale		
Provision for employee benefits	77	333
Finance leases	87	270
Total	164	603

The Tandou Orchard and Vineyard was presented as held for sale following a decision of the board during the financial year ended 31 December 2009 to dispose of the related assets and liabilities which include property, plant & equipment and employee benefits.

7 Revenue

<i>In thousands of AUD</i>	Continuing Operations		Discontinued Operations		Total	
	2010	2009	2010	2009	2010	2009
Sale of goods and water	7,415	9,884	2,745	2,191	10,160	12,075
Services	553	1,246	-	1,256	553	2,502
Total revenue	7,968	11,130	2,745	3,447	10,713	14,577

8 Other income

<i>In thousands of AUD</i>	Continuing Operations		Discontinued Operations		Total	
	2010	2009	2010	2009	2010	2009
Net gain / (loss) on disposal of:						
Property, plant and equipment	248	188	16	-	264	188
Other income	417	580	13	35	430	615
Total	665	768	29	35	694	803

9 Other expenses

(a) Depreciation and amortisation

<i>In thousands of AUD</i>	Continuing Operations		Discontinued Operations		Consolidated	
	2010	2009	2010	2009	2010	2009
Depreciation expenses	1,332	1,905	-	404	1,332	2,309
Amortisation expenses	71	155	-	148	71	303
Total	1,403	2,060	-	552	1,403	2,612

(b) Material items

Included in the operating results from continuing operations are the following material items:

<i>In thousands of AUD</i>	2010	2009
Continuing operations		
Takeover defence costs	(437)	(544)
Impairment (loss) / gain on farm assets	3,571	2,202
Discontinued operations		
Impairment (loss) on Nexteq assets-discontinued operation	-	(297)
Impairment (loss) on orchard assets-discontinued operation	(1,971)	-

During the twelve months ended 31 December 2010 the Group reversed a portion of the impairment to carrying values of its Farm assets following independent valuations.

During the twelve months ended 31 December 2010, the Group impaired the carrying values of its Tandou Orchard assets following independent valuations and valuation appraisals.

During the twelve months ended 31 December 2009, the Group reversed a portion of the impairment to carrying values of its Farm assets following independent valuations.

During the twelve months ended 31 December 2010, the Group mounted a defence to an unsolicited takeover attempt by GPG (No. 4) Pty Ltd which necessitated considerable expenditure.

The Nexteq plant initially recorded as held for sale during the financial year ended 31 December 2008, had its carrying value reduced during 2009 as a result of a further impairment loss of \$297,000 that has been recognised on the re measurement of plant and equipment to the lower of its carrying amount and fair value less its costs to sell.

10 Personnel expenses

<i>In thousands of AUD</i>	Continuing Operations		Discontinued Operations		Consolidated	
	2010	2009	2010	2009	2010	2009
Wages and salaries	2,511	2,250	757	1,223	3,268	3,473
Contributions to defined contribution plans	284	229	41	88	325	317
Increase/(decrease) in liability for annual leave	(78)	61	-	(24)	(78)	37
Increase/(decrease) in long service leave liability	127	47	-	(28)	127	19
Termination benefit	-	50	251	31	251	81
Equity settled share based payment transactions	6	12	-	-	6	12
Total	2,850	2,649	1,049	1,290	3,899	3,939

11 Auditors' Remuneration

<i>In thousands of AUD</i>	2010	2009
Auditors of the Company - PwC		
Audit related services	107,762	86,704
Other assurance related services	-	-
Total	107,762	86,704

12 Net financing costs

<i>In thousands of AUD</i>	2010	2009
Interest income on bank deposits	36	209
Net gain on change in fair value derivatives	65	49
Financial income	101	258
Interest expense on bank overdrafts and loans	(486)	(98)
Finance lease and hire purchase finance charges	(54)	(124)
Other finance costs	(27)	(4)
	(567)	(226)
Net financing (costs)	(466)	32

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

<i>In thousands of AUD</i>	2010	2009
Total interest income on financial assets	36	209
Total interest (expense) on financial liabilities	(567)	(226)

13 Income tax benefit

Recognised in the income statement

<i>In thousands of AUD</i>	2010	2009
Deferred and current tax (expense)/benefit		
Origination and reversal of temporary differences	1,858	1,715
Benefit of tax losses utilised (recognised)	3,504	(508)
Total income tax (expense)/benefit in income statement	5,362	1,207
Attributable to:		
Continuing operations	4,681	-
Discontinuing operations (note 5)	681	1,207
	5,362	1,207
Numerical reconciliation between tax (expense) / benefit and pre tax net profit / (loss)		
Profit / (loss) before tax and after the before tax result from discontinued operations	650	146
Income tax benefit / (expense) using the domestic corporation tax rate of 30% (2009: 30%)	(195)	(44)
Other items	-	4
	(195)	(40)
Tax losses and temporary differences not previously recognised now recognised	5,557	1,247
Income tax (expense)/benefit	5,362	1,207

14 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of \$6,012,000 (2009: \$1,353,000) and a weighted average number of ordinary shares outstanding of 88,126,000 (2009: 88,126,000), calculated as follows:

<i>In thousands of AUD</i>	2010	2009
Profit / (loss) attributable to ordinary shareholders'		
Profit / (loss) for the period continuing operations	7,601	2,085
Profit / (loss) for the period discontinued operations	(1,589)	(732)
	6,012	1,353

<i>In thousands</i>	2010	2009
Weighted average number of ordinary shares		
Issued and partly paid ordinary shares at 1 January	88,126	88,126
Effect of new shares issued	-	-
	88,126	88,126

(b) Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of \$6,012,000 (2009: \$1,353,000) and a weighted average number of ordinary shares outstanding of 88,126,000 (2009: 88,126,000), calculated as follows:

<i>In thousands of AUD</i>	2010	2009
Profit / (loss) attributable to ordinary shareholders (diluted)		
Profit / (loss) for the period continuing operations	7,601	2,085
Profit / (loss) for the period discontinued operations	(1,589)	(732)
	6,012	1,353

<i>In thousands</i>	2010	2009
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	88,126	88,126
Effect of share options on issue	-	-
	88,126	88,126

15 Cash and Cash Equivalents

<i>In thousands of AUD</i>	2010	2009
Cash on hand	2	2
Cash at bank	836	1,539
Cash and cash equivalents in the statement of cash flows	838	1,541

16 Trade and Other Receivables

<i>In thousands of AUD</i>	2010	2009
Trade receivables (a)	388	1,214
Provision for impairment of receivables (b)	(315)	(322)
Deposits	310	-
Prepayments	249	99
Other receivables (note 27)	790	339
Total current trade and other receivables	1,422	1,330

(a)

The average credit period on sales of goods is 30 days. No interest is charged on the trade receivables. Included in the Group's trade receivables balance are debtors with a carrying amount of \$63,160 (2009: \$806,355) which are past due at reporting date which have not been impaired as the Group believes that the amounts are still considered recoverable. Included in other receivables is an overdue amount of \$500,000 (2009: \$Nil) relating to the sale of Nexteq Pty Ltd. The Group is taking legal action to recoup this money and does not believe this amount is impaired. Based upon historic default rates, the Group believes that there is no requirement to provide for receivables not past 30 days.

(b) Movement in the allowance for trade receivable impairment

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

<i>In thousands of AUD</i>	2010	2009
Balance at the beginning of the year	322	284
Amounts applied against allowance	(3)	(13)
Increase/(decrease) in allowance recognised in profit or loss	(4)	51
Balance at end of year	315	322

17 Inventories

<i>In thousands of AUD</i>	2010	2009
CURRENT		
Raw materials and consumables	735	711
Water entitlements and allocations	13,553	5,117
Finished goods at lower of cost and net realisable value	-	55
	14,288	5,883
NON CURRENT		
Water entitlements and allocations	1,418	-
	1,418	-
Total inventory	15,706	5,883

There were no write downs recorded against inventories during the year (2009: Nil).

Water entitlements were reclassified to inventories in the prior year as a consequence of the company's decision to trade water entitlements as a separate business unit.

18 Biological Assets

In thousands of AUD

	Trees	Vines	Crops	Livestock	Total
Opening balance 1 January 2009	517	1,235	-	169	1,921
Increases due to new plantings/acquisitions	65	-	-	162	227
Decrease due to harvesting/picking	(854)	(182)	-	(113)	(1,149)
Transfers to held for sale	(516)	(1,053)	-	-	(1,569)
Change in fair value of livestock	-	-	-	405	405
Change in fair value less estimated point of sale costs	788	172	-	-	960
Balance at 31 December 2009	-	172	-	623	795
(Current)	-	-	-	623	623
(Non current)	-	172	-	-	172
Total	-	172	-	623	795
Opening balance 1 January 2010	-	172	-	623	795
Increases due to new plantings/acquisitions	-	-	7,665	-	7,665
Purchase of livestock	-	-	-	697	697
Decreases due to sales	-	-	-	(249)	(249)
Decrease due to harvesting/picking	(1,506)	(87)	-	-	(1,593)
Change in fair value of livestock	-	-	-	478	478
Change in fair value less estimated point of sale costs	1,506	(85)	-	-	1,421
Balance at 31 December 2010	-	-	7,665	1,549	9,214
Current	-	-	7,665	1,549	9,214
Non current	-	-	-	-	-
Total	-	-	7,665	1,549	9,214

(a) Physical quantities

	2010	2009
In number		
Vines	159,030	159,030
Trees	46,167	46,167
Livestock	13,016	6,572
In hectares		
Vines	109	109
Trees	50	50
Crops - Cotton	4,000	-

(b) Regulatory and environmental risks

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

(c) Supply and demand risk

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

18 Biological Assets (continued)

(d) Climate and other risks

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

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

(e) Fair value

The fair value of vines and trees is based on an independent valuation performed by R.G.C. Barnden, FAPI, AIArb.A. The fair value of Crops – Cotton is based on a discounted cash flow methodology as detailed in Note 3. The fair value of livestock is based upon market prices less estimated point of sale costs.

(f) Output during the period

In physical quantity

	2010	2009
In tonnes		
Trees - fruit harvested and sold	315	223
Vines - grapes picked and sold	929	1,888
In number		
Livestock - sheep sold	2,319	1,536

19 Deferred tax assets and liabilities

(a) Recognised tax assets and liabilities

<i>In thousands of AUD</i>	2010	2009
Trade and other receivables	98	116
Inventories	4,383	6,772
Assets classified as held for sale	(141)	442
Other assets	(52)	(45)
Property, plant and equipment	(3,092)	(2,231)
Biological assets	-	99
Trade and other payables	166	318
Employee benefits	167	162
Other items	289	367
	1,818	6,000
Tax value of losses carried forward	3,504	-
Temporary differences not recognised	-	(4,793)
	5,322	1,207

The consolidated deferred tax asset for 2009 of \$1,207,000 is disclosed in note 6 Assets and Liabilities held for sale as it relates to the net deferred tax balance that is in Nexteq Pty Limited which was sold on 29 January 2010 (see note 37). The deferred tax asset for 2010 of \$5,322,000 primarily relates to the recognition of previously unrecognised losses carried forward in addition to temporary differences recognised on inventories and property, plant and equipment.

Tax losses and temporary differences have been recognised in the current year as the current trading conditions and availability of water have given a reasonable level of surety over future taxable income such that it is probable that these amounts will be recouped.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

<i>In thousands of AUD</i>	2010	2009
Temporary differences	-	4,793
Tax losses	-	855
	-	5,648

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

Movement in recognised deferred tax balances

<i>In thousands of AUD</i>	2010	2009
Opening balance	1,207	-
Recognised in income	4,115	1,207
Closing balance	5,322	1,207

20 Property, Plant and Equipment

(a) Detailed table-current and prior years

<i>In thousands of AUD</i>	Leasehold & Freehold Land	Land & Buildings Improvements	Buildings	Plant & Equipment	Equipment Under Finance Lease	Total
Cost						
Balance at 1 January 2010	12,167	14,485	5,761	16,902	548	49,863
Additions	-	-	11	610	-	621
Transfers	-	-	-	(320)	-	(320)
Disposals	-	(10)	(108)	(108)	(40)	(266)
Balance at 31 December 2010	12,167	14,475	5,664	17,084	508	49,898
Depreciation and impairment losses						
Balance at 1 January 2010	-	(7,873)	(1,510)	(13,895)	(242)	(23,520)
Depreciation expense	-	(585)	(249)	(498)	(71)	(1,403)
Impairment	-	3,571	-	-	-	3,571
Disposals	-	2	51	59	20	132
Balance at 31 December 2010	-	(4,885)	(1,708)	(14,334)	(293)	(21,220)
Carrying amount						
At 31 December 2010	12,167	9,590	3,956	2,750	215	28,678

20 Property, Plant and Equipment (continued)
(a) Detailed table-current and prior years

<i>In thousands of AUD</i>	Leasehold & Freehold Land	Land & Buildings Improvements	Buildings	Plant & Equipment	Equipment Under Finance Lease	Total
Cost						
Balance at 1 January 2009	12,469	17,794	7,202	18,721	3,036	59,222
Additions	-	78	-	788	-	866
Transfers to held for sale	(302)	(3,034)	(1,478)	(2,628)	(1,054)	(8,496)
Transfers	-	(353)	79	1,458	(1,184)	-
Disposals	-	-	(42)	(1,437)	(250)	(1,729)
Balance at 31 December 2009	12,167	14,485	5,761	16,902	548	49,863
Depreciation and impairment losses						
Balance at 1 January 2009	-	(12,033)	(2,329)	(15,138)	(1,492)	(30,992)
Depreciation expense	-	(1,063)	(242)	(1,004)	(303)	(2,612)
Impairment	-	2,202	-	(414)	-	1,788
Transfers to held for sale	-	3,021	1,050	2,136	767	6,974
Transfers	-	-	-	(717)	717	-
Disposals	-	-	11	1,242	69	1,322
Balance at 31 December 2009	-	(7,873)	(1,510)	(13,895)	(242)	(23,520)
Carrying amount						
At 31 December 2009	12,167	6,612	4,251	3,007	306	26,343

Assesment of recoverable amount of assets

The recoverable amount of property, plant and equipment, including water entitlements (notes 17 and 21) was assessed based on the fair market value less costs to sell of these assets, using the results of independent valuations performed by R.G.C. Barnden, FAPI, AIArb.A, and Peter J Spackman Valuations Pty Ltd during October/November 2010. The Board consider these valuations to be a reasonable estimate of recoverable amounts at 31 December 2010, the basis of which was their fair market value on their existing use. Details of impairment gains (losses) recognised at 31 December 2010 as a result of this assessment are set out in note 9(b).

Leased plant and machinery

The consolidated entity leases production equipment under a number of finance lease agreements. At the end of each of the leases the consolidated entity has the option to purchase the related item for a nominal amount. The leased equipment secures lease obligations (see note 23).

Security

At 31 December 2010, bank overdraft and loans are secured by: a) a first mortgage over the consolidated entity's freehold land and Western Lands lease held in perpetuity; and b) an equitable charge over buildings and plant and equipment. The carrying amount of these assets at 31 December 2010 is \$28.5m (2009: \$26.0m).

Change in estimates

During the year ended 31 December 2010 as a result of a cessation of extended dry conditions, the Group changed the expected useful life of certain items of property, plant and equipment. The result of this was a decreased rate of depreciation expense for the period and for future periods arising from an increase in the expected useful lives of these assets. The estimated impact on the depreciation expense for the Company and consolidated entity for the changes in effective life is an decrease of approximately \$0.4m for the year ended 31 December 2010 and decrease of approximately \$0.8m for the year ending 31 December 2011.

21 Intangible Assets

<i>In thousands of AUD</i>	Water Entitlements	Other	Total
Year ended 31 December 2009			
Opening balance	4,465	7	4,472
Reclassification to inventory	(3,876)	-	(3,876)
Balance at 31 December 2009	589	7	596
Year ended 31 December 2010			
Opening balance	589	7	596
Disposals	-	(7)	(7)
Balance at 31 December 2010	589	-	589

Water entitlements are carried at cost and are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the consolidated entity given the indefinite legal right to retain the entitlements for an insignificant cost. The recoverable amount of water entitlements has been based on fair value less costs to sell as assessed by management in conjunction with the independent valuation performed on property, plant and equipment (see note 20).

Water entitlements held for trading were reclassified to inventories in 2009 as a consequence of the company's decision to trade in water as a separate business unit.

Security

At 31 December 2010, bank overdraft and loans are secured by a first mortgage and an equitable charge over water entitlements. The carrying amount of these assets at 31 December 2010 is \$14.0m (2009: \$5.7m)

22 Trade and Other Payables

<i>In thousands of AUD</i>	2010	2009
Trade creditors	588	206
Other trade payables and accrued expenses	3,010	1,360
Fair value derivatives	-	65
	3,598	1,631

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 27.

The Company has also entered into a Deed of Cross Guarantee as outlined in note 31.

23 Interest bearing loans and borrowings

This note provides information about the contractual terms of the company's and consolidated entity's interest bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rate and foreign currency risk, see note 27.

<i>In thousands of AUD</i>	2010	2009
CURRENT		
Finance lease obligation	109	81
	109	81
NON CURRENT		
Bills or exchange and promissory notes	13,750	-
Finance lease obligation	147	269
	13,897	269

Notes to the Financial Statements For the year ended 31 December 2010 (continued)

23 Interest bearing loans and borrowings (continued)

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

<i>In thousands of AUD</i>	Currency	Nominal interest rate %	Year of maturity	Face value 2010	Carrying amount 2010	Face value 2009	Carrying amount 2009
Secured bill facility	AUD	7.31	2012	13,750	13,750	-	-
Finance lease liabilities	AUD	8.60	2012	277	256	399	351
Total interest bearing liabilities				14,027	14,006	399	351

Financing facilities

<i>In thousands of AUD</i>	2010	2009
Bank overdraft	2,500	5,000
Secured bank loans	24,000	-
	26,500	5,000
Facilities used at reporting date		
Bank overdraft	-	-
Secured bank loans	13,750	-
	13,750	-
Facilities not used at reporting date		
Bank overdraft	2,500	5,000
Secured bank loans	10,250	-
Total	12,750	5,000

Financing arrangements

Bank overdrafts

The consolidated entity has bank overdraft facilities which are due to expire on 30 June 2011. These are subject to annual review. The bank overdraft facilities bear interest at the banks' farmer's choice variable indicator rate plus 0.5%, payable monthly.

Bank loans

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

Security

The bank overdraft and bank loans are secured by first mortgages over all the consolidated entity's freehold and leasehold land and by an equitable charge over water entitlements as discussed at note 20 and note 21.

Finance lease and hire purchase liabilities

Finance lease and hire purchase liabilities are payable as follows:

<i>In thousands of AUD</i>	Minimum payments 2010	Interest 2010	Principal 2010	Minimum payments 2009	Interest 2009	Principal 2009
Less than one year	124	15	109	122	40	82
Between one and five years	153	6	147	277	8	269
	277	21	256	399	48	351

Under the terms of the lease and hire purchase agreements, no contingent rents are payable. Finance leases and hire purchase agreements relate to plant and equipment with terms of between 1 and 5 years. At the end of the term, the consolidated entity has the option to purchase the related item for a nominal amount.

The lease and hire purchase liabilities are secured by the leased assets with a net book value as disclosed in note 20. In the event of default, the assets revert to the lessor.

24 Employee benefits

(a) Current

<i>In thousands of AUD</i>	2010	2009
Salaries and wages accrued	179	78
Liability for long service leave	192	240
Liability for annual leave	116	130
Total	487	448

(b) Non current

Liability for long service leave	81	24
----------------------------------	----	----

The consolidated entity makes contributions to various defined contribution plans. The amount recognised as an expense was \$325,000 for the year ended 31 December 2010 (2009: \$317,000) – refer to note 10.

Employee share option plan

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

The Group has an ownership based compensation 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. An employee expense of \$6,000 (2009: \$12,000) has been recognised in respect of options issued during the period.

	Number	Grant date	Exercise date	Exercise price	Fair value at grant date
Tranche vesting date					
31 December 2011	83,334	30 April 2008	30 Dec 2011	\$0.26	\$0.1275

The options are exercisable from their exercise date as above. 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.

	Tranche 2	Tranche 3
Inputs into the model		
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.

25 Provisions

<i>In thousands of AUD</i>	2010	2009
Opening balance at 1 January	269	579
Additional provisions	86	-
Amounts used	(269)	(310)
Balance at 31 December	86	269

The Board declared a consultancy agreement contract onerous in December 2008 on the basis that future costs exceed future benefits. The provision as at 31 December 2010 comprises the cost of future payments to be made under the contract

26 Capital and reserves

Reconciliation in movement in capital and reserves

<i>In thousands of AUD</i>	Share capital	Share option reserve	(Accumulated losses)	Cashflow hedge reserve	Total
Balance at 1 January 2009	52,271	7	(15,015)	-	37,263
Total recognised income and expense	-	-	1,353	-	1,353
Employee share options issued	-	12	-	-	12
Balance at 1 January 2010	52,271	19	(13,662)	-	38,628
Total recognised income and expense	-	-	6,012	-	6,012
Employee share options issued	-	6	-	-	6
Cash flow hedge	-	-	-	115	115
Balance at 31 December 2010	52,271	25	(7,650)	115	44,761

Share option reserve

The share option reserve records the value of equity benefits provided to employees and directors as part of their remuneration

<i>In thousands of AUD</i>	2010	2009
88,100,707 fully paid ordinary shares (2009: 88,100,707)	52,246	52,246
125,000 partly paid shares paid to 20 cents (2009: 125,000)	25	25
	52,271	52,271

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

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

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

a – there are no calls in arrears; and

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

The Group has also issued share options (see note 24).

Movements in issued shares

<i>In thousands</i>	Ordinary shares		Partly paid ordinary shares to 20 cents		Partly paid ordinary shares to 1 cent	
	2010	2009	2010	2009	2010	2009
On issue at 1 January	88,101	88,101	125	125	40	40
New shares issued for cash	-	-	-	-	-	-
On issue 31 December	88,101	88,101	125	125	40	40

Dividends

There were no dividends recognised in the current year by the Company (2009: Nil)

<i>In thousands of AUD</i>	2010	2009
Dividend franking account		
30% franking credits available to shareholders of Tandou Limited for subsequent financial years	6	6

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

- franking credits that will arise from the payment of the current tax liabilities;
- franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end; and
- franking credits that the entity may be prevented from distributing in subsequent years.

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

27 Financial instruments

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

Credit risk

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

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

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

Interest Rate Risk

At reporting date the interest rate profile of the Company's and the Group's interest bearing financial instruments was:

Interest rate swaps

The consolidated entity has previously entered into interest rate swap agreements to convert the variable interest rate of a proportion of its long-term interest-bearing borrowings to fixed interest rates. Net receipts and payments are recognised as an adjustment to interest rate expense.

The notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	Notional principal <i>Thousand AUD</i>	Effective date	Maturity date	Fixed interest rate
2010	Nil	N/A	N/A	N/A
2009	15,000	31 March 2009	31 March 2010	5.96%

These swaps are measured at fair value by comparing the fixed rate to the market variable rate at balance date. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value of swaps at 31 December 2010 was \$Nil (2009: liability of \$65,000) for both the Company and the consolidated entity.

27 Financial instruments (continued)

Sensitivity analysis

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

At 31 December 2010, it is estimated that a general increase of one percentage point in interest rates would decrease the consolidated entity's earnings (including equity) by approximately \$137,500 (2009: Nil)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 24 is a listing of additional undrawn facilities that the Company/Group has at its disposal to further reduce liquidity risk.

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

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

Financial liability and financial asset maturity analysis

<i>In thousands of AUD</i>	Within 1 Year		1 - 2 Years		2 - 5 Years		Over 5 years		Total Contractual Cash Flow	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Financial liabilities due for payment										
Secured bank loans	-	-	13,750	-	-	-	-	-	13,750	-
Finance lease liabilities	109	87	147	206	-	58	-	-	256	351
Trade and other payables	3,598	1,566	-	-	-	-	-	-	3,598	1,566
Derivatives	-	65	-	-	-	-	-	-	-	65
Total contractual outflows	3,707	1,718	13,897	206	-	58	-	-	17,604	1,982

Foreign currency risk

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

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

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

(a) Derivative financial instruments

<i>In thousands of AUD</i>	2010	2009
Forward currency contracts - cash flow hedges	164	-

(b) Instruments used by the Company

Derivative financial instruments are used by the Company in the normal course of business in order to hedge exposure to fluctuations in foreign currency rates.

Forward currency contract - cash flow hedge

The Company has entered into a sales contract based on US dollars. In order to protect against exchange rate movements the Company has entered into a forward currency contract to sell US dollars. These contracts are hedging highly probable forecasted purchases and they are timed to mature when payments are scheduled to be made.

The cash flows are expected to occur between 4 and 10 months from 1 January 2011. At balance date the details of the outstanding contract is as follows:

<i>In thousands of AUD</i>	Notional amounts \$AUD		Average exchange rate	
	2010	2009	2010	2009
Sell US \$ / Buy Australian \$				
Sell US\$ maturity 4 10 months	1,430	-	0.8740	-

The forward currency contract is considered to be a highly effective hedge as it is matched against forecast sales and any gain or loss on the contract attributable to the hedged risk is taken directly to equity. When the contract is completed the amount recognised in equity is adjusted to the sales account in the statement of comprehensive income.

(c) Movement in forward currency contract cash flow hedge reserve

<i>In thousands of AUD</i>	2010	2009
Opening balance	-	-
Transferred to sales	-	-
Charged to other comprehensive income	115	-
Closing balance	115	-

Note these amounts have been tax effected.

Cash flow ineffectiveness recognised immediately in profit or loss

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of "net financing costs" (see note 12). The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 31 December 2010 was \$Nil (2009: \$Nil) for the consolidated entity.

Fair values

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements of the Company and the Group approximates their fair values.

28 Operating leases

Operating Lease Commitments

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

<i>In thousands of AUD</i>	2010	2009
Payable minimum lease payments:		
- not later than 12 months	104	103
- between 12 months and 5 years	393	415
- greater than 5 years	14	14
	511	532

Operating leases relate to NSW Western Land with lease terms in perpetuity with a rental review each 5 years, a lease on land from the Mildura Rural City Council with a 15 year term and an option to extend another 6 years and leases for minor items of plant and equipment.

During the years ended 31 December 2010 and 2009 no leased properties were sublet by the Company.

During the year ended 31 December 2010 payments totalling \$92,000 (2009: \$151,000) were made in relation to the above obligations.

29 Capital and other commitments

The Company has capital expenditure commitments at 31 December 2010 of \$Nil (2009: \$Nil).

30 Contingencies

Contingent Liabilities not considered remote

The company is formalising legal action to recover monies owed from the purchaser of Nexteq Pty Ltd. While the purchaser has disputed certain elements of the contract negotiations and has issued a statement of claim, legal advisers believe the case against Tandou is not strong and the Directors expect to receive full payment under the original terms of the contract.

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

As detailed in note 31, the Company has entered into a Deed of Cross Guarantee with its wholly owned controlled entities. As at 31 December 2010, the Company has a contingent liability of \$Nil (31 December 2009: \$Nil) representing the total liabilities of the wholly owned controlled entities not recognised in the accounts of the Company.

31 Controlled entities

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiary subject to the Deed is Millewa County Farms Pty Ltd

Millewa County Farms Pty Ltd became a party to the Deed on 2 December 2003, by virtue of a Deed of Assumption.

The consolidated income statements, balance sheets and notes to the financial statements of entities which are party to the Deed of Cross Guarantee are the same as the consolidated income statements, balance sheets and notes to the financial statements disclosed in this financial report.

Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)* 2010	Percentage Owned (%)* 2009
Parent Entity:			
Tandou Limited	Australia		
Subsidiaries of parent entity:			
Millewa Country Farms Pty Ltd	Australia	100	100
Nexteq Pty Ltd (formerly Tandou Pacific Marketing Pty Ltd)	Australia	-	100

32 Cash Flow Information
Reconciliation of Cash Flow from Operations with Profit after Income Tax

<i>In thousands of AUD</i>	2010	2009
Profit / (loss) for the period	6,012	1,353
Non cash flows in profit		
Impairment loss on other non current assets	1,971	414
Impairment reversal	(3,571)	(2,202)
Depreciation	1,332	2,309
Amortisation	71	303
Bad debts	(4)	50
Employee share options	6	12
Biological assets	-	(353)
Income tax expense/(benefit)	(5,362)	(1,207)
Net gain on disposal of property, plant and equipment	(264)	(223)
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	57	(284)
(Increase)/decrease in inventories	(9,823)	(1,195)
(Increase)/decrease in biological assets	(8,419)	162
(Increase)/decrease in other assets	315	129
(Increase)/decrease in liabilities held for sale	(256)	362
(Increase)/decrease in assets held for sale	1,795	-
Increase/(decrease) in trade payables and accruals	2,017	(769)
Increase/(decrease) in provisions	(183)	(310)
Increase/(decrease) in employee benefits	14	35
	(14,292)	(1,414)

33 Related parties

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

Transaction with related parties:

(a) Key management personnel compensation details

The key management personnel compensation included in 'personnel expenses' (see note 10) is as follows:

<i>In AUD</i>	2010	2009
Short term employee benefits	1,179,736	1,006,894
Other long term benefits	-	63,429
Post employment benefits	-	112,589
	1,179,736	1,182,912

Individual directors and executive compensation disclosures

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

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

Consultancy agreement with R.W. Smith is a related party transaction as noted within the Remuneration Report. A consultancy agreement was entered into with R.W. Smith when he resigned as Managing Director and became a non executive director. On 24 January 2008, R.W. Smith resigned as a non executive director and is therefore no longer a key management person. However, he still receives payments under the consultancy agreement, which was classified as an onerous contract in 2008.

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

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

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

(c) Shareholdings and movements in shares

	Held at 1 January 2009	Purchases 2009	Held at 31 December 2009	Purchases 2010	Held 31 December 2010
Directors					
R.F.E. Warburton (resigned 31/12/2010)	550,000	-	550,000	-	550,000
R.G. Woolley	100,000	999	100,999	-	100,999
G.A. Hunt	55,000	-	55,000	-	55,000
D.D. Farley* (resigned 31/03/2010)	140,000	-	140,000	-	N/A
G.S. Kingwill	75,000	-	75,000	-	75,000
J.D.O Boyd (appointed 1/04/2010)	-	-	-	20,000	-
Executives					
B.F. Woollard	32,000	-	32,000	(32,000)	-
P.J. Sullivan	59,140	-	59,140	-	59,140
B.P. Barry	4,875	-	4,875	-	4,875
R.W. Lowe	30,000	-	30,000	-	30,000

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

* D.D. Farley ceased to be a key management person in March 2010. Therefore his shareholding as at 31 December 2010 has not been included.

(d) Options and rights over equity instruments

Director	Held at 1 January	Granted as compensation	Held at 31 December	Vested during the year	Vested and exercisable at 31 December
G.S. Kingwill					
2009	250,000	-	250,000	83,333	83,333
2010	250,000	-	250,000	83,333	166,666

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

34 Non key management personnel disclosure

Other related party transactions

Subsidiaries

Other transactions between subsidiaries and the Company consist of:

- loans provided by the Company to its subsidiaries, which totalled \$Nil in 2010 (2009: \$Nil); and
- transactions arising from tax consolidation arrangements between the Company and its tax consolidated subsidiaries – no amounts were recognised in the Company's financial statements in 2010 (2009: \$Nil).
- the Company was charged the impairment loss of \$Nil (2009: \$297,000) on the Nexteq plant owned by a controlled entity.

Interest free loans and receivables made by and owing to the Company from its subsidiaries are repayable on demand. At December 2010 the amount owed to the Company was \$Nil (2009 \$Nil). The amount owed to the Company is shown net of impairment losses of \$Nil (2009: \$Nil). At 31 December 2010, the Company owed a subsidiary \$715,000 (2009: \$670,000).

35 Events After the End of the Reporting Period

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

36 Water entitlement information

The Directors' valuation of the Group's water entitlement assets at 31 December 2010 is \$37,682,350 (2009: \$30,385,650) and is based upon independent valuations. In the Directors' view this is a reasonable estimate of the current market value of the Group's water entitlements at 31 December 2010.

The Group currently records the value of water entitlement assets at historical cost in accordance with the Accounting Standards. The book value of the same water entitlement assets at 31 December 2010 is \$14,620,384 (2009: \$5,707,000).

Group water entitlements

Valley	License Category	Entitlement (Megalitres)
Lower Darling	High Security	438
Lower Darling	General Security	19,103
Murrumbidgee	General Security	9,753
Murray (NSW)	General Security	3,492
Murray (NSW)	High Security	92
Goulburn	High Reliability	57
Murray (VIC)	High Reliability	4,932
Total		37,867

37 Parent entity supplementary information

(a) Balance Sheet items

<i>In thousands of AUD</i>	2010	2009
Assets		
Current assets	27,176	12,947
Non current assets	36,007	27,116
Total Assets	63,183	40,063
Liabilities		
Current liabilities	5,150	3,702
Non current liabilities	13,978	293
Total Liabilities	19,128	3,995
Net assets	44,055	36,068
Share capital		
Share capital	52,271	52,271
Share option reserve	25	19
Cash flow hedge reserve	115	-
Accumulated losses	(8,356)	(16,222)
Total equity	44,055	36,068

(b) Income Statement items

<i>In thousands of AUD</i>	2010	2009
Profit / Loss for the year	6,012	1,695
Total comprehensive income for the year	6,127	1,695

(c) Other items

(i) Guarantees

As detailed in note 31, the Company has entered into a Deed of Cross Guarantee with its wholly owned controlled entities.

(ii) Contingent liabilities

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

(iii) Contractual commitments

The Company has capital expenditure commitments at 31 December 2010 of \$Nil (2009: \$Nil).


In the directors' opinion:

- (a) the financial statements and notes set out on pages 22 to 61 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the company and the controlled entities identified in note 31 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31.

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

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

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



R.G. Woolley
Chairman



G.S. Kingwill
Chief Executive Officer / Managing Director

Dated at Mildura this 25th day of March 2011.



PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999
www.pwc.com/au

Report on the financial report

We have audited the accompanying financial report of Tandou Limited (the company), which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Tandou Group (the consolidated entity). The consolidated entity comprises 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Liability limited by a scheme approved under Professional Standards Legislation



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

Auditor's opinion

In our opinion:

- (a) the financial report of Tandou Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 17 of the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Tandou Limited for the year ended 31 December 2010, complies with section 300A of the Corporations Act 2001.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'A. Mill'.

Andrew Mill
Partner

Melbourne
25 March 2011



PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999
www.pwc.com/au

As lead auditor for the audit of Tandou Limited for the year ended 31 December 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Andrew Mill
Partner
PricewaterhouseCoopers

Melbourne
25 March 2011

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Officers and Offices

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

Shareholder Information

Ordinary Share Capital

As at 9 March 2011:

The number of issued ordinary shares of \$1.00 in the company totalled 88,100,707 held by 605 individual shareholders. The number of issued (unquoted) ordinary shares of \$1.00 partly paid to \$0.20 (20 cents) totalled 125,000 held by two individual shareholders.

The number of issued (unquoted) ordinary shares of \$1.00 partly paid to \$0.01 (1 cent) totalled 40,000 held by four individual shareholders. There are 250,000 options currently on issue.

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

There are no voting rights attached to the options.

Distribution of equity security holders

Category	Number of equity security holders		
	Ordinary Shares Fully paid	*Party Paid (20 cents)	*Party Paid (1 cent)
1 – 1,000	117	-	-
1,001 – 5,000	188	-	3
5,001 – 10,000	84	-	-
10,001 – 100,000	163	2	1
100,000 and over	53	-	-
	605	2	4
The number of shareholders holding less than a marketable parcel	80	Not quoted	Not quoted

One equity security holder is in possession of 250,000 (unquoted) non voting options; see note 25.

Twenty Largest Holders of Quoted Fully Paid Securities

Shareholders	Number	% held
GPG (No.4) Pty Limited	19,218,093	21.81
HSBC Custody Nominees (Australia) Limited - GSCO ECA	8,896,623	10.10
Citicorp Nominees Pty Limited	8,600,504	9.76
HSBC Custody Nominees (Australia) Limited - A/C 2	8,592,405	9.75
Mr Andrew Roy Newberry Sisson	5,720,000	6.49
JP Morgan Nominees Australia Limited <Cash Income A/C>	4,575,350	5.19
GPG No 4 Pty Limited	3,692,724	4.19
JP Morgan Nominees Australia Limited	2,643,030	3.00
HSBC Custody Nominees (Australia) Limited	2,208,335	2.51
GPG (No 4) Pty Limited	1,458,999	1.66
Mr Zhiwei Lin	1,125,311	1.28
Mr Jonathan West + Mrs Susan West <J&S West Super Fund A/C>	1,000,000	1.14
Zicorp Pty Ltd	1,000,000	1.14
Mr Malcolm Albert Parkes Thom + Mr Ian William Parkes Thom <Parkes Holdings Prov FD A/C>	800,000	0.91
Melbourne Corporation of Australia Pty Ltd	700,000	0.79
Gwynvill Trading Pty Limited	667,388	0.76
GPG (No 4) Pty Limited	649,153	0.74
Mr Robert James Kenrick	636,000	0.72
Ms Hongyu Zhao	532,138	0.60
Featherline Pty Ltd	500,000	0.57
	73,216,053	83.10

Substantial Shareholders, Fully Paid Ordinary Shares

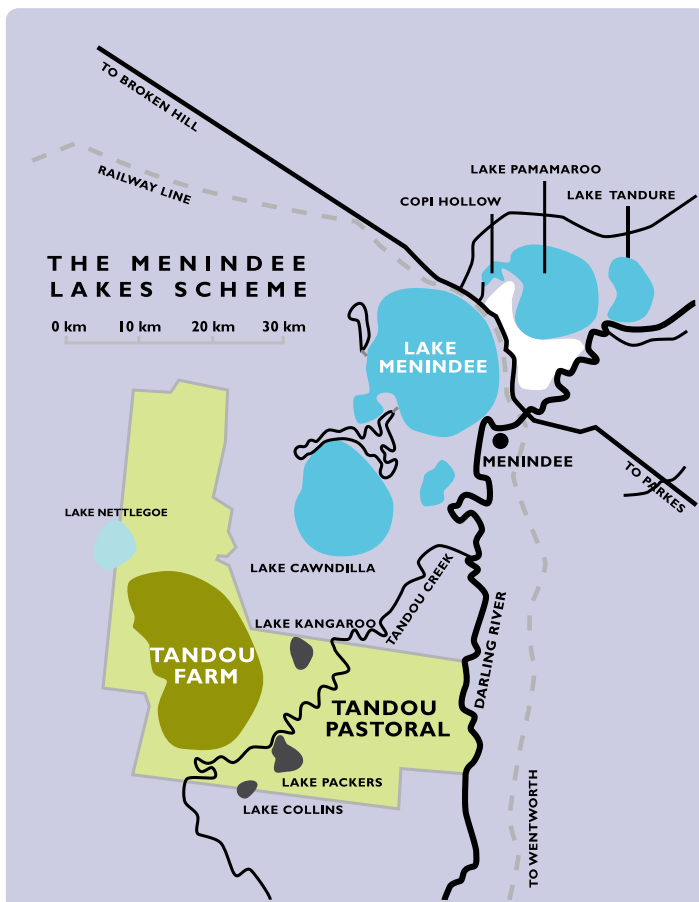
Shareholder	Number
Guinness Peat Group plc & its subsidiaries	25,018,969
Water Asset Management, LLC	11,539,653
Ecofin Limited on behalf of Ecofin Special Situations Utilities Master Fund Limited	8,592,405
Citicorp Global Markets Limited	8,592,404
Norges Bank	5,769,231
Mr Andrew Roy Newbery Sisson	5,720,000

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www.haynesdesign.com.au

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Sunnyland Press

Location and Staff Photography
Tandou Image Library and by Darren Seiler - afoto

Board of Directors Photography
by PhotoMedia





Tandou Limited

ASX TAN
PO Box 5062
Mildura VIC 3502
Telephone 03 5018 6500
Facsimile 03 5018 6599
Email cosec@tandou.com.au
Website www.tandou.com.au

Tandou Farm

PO Box 19
Menindee NSW 2879
Telephone 08 8091 1513
Facsimile 08 8091 1512
Email farm@tandou.com.au