## TIDEWATER RELEASES ANNUAL REPORT & PROPOSES DISTRIBUTION OF MEF STAKE

Tidewater Investments Limited (Tidewater or the Company) has today released its 2011 annual report and financial statements to ASX. The report shows a loss before tax of $578,149 which predominantly arose as a result of a negative movement in the fair value of investments retained of $793,138.

In turn, this negative movement – which has been substantially recouped in July 2011 – was brought about by declines in the share prices of Adelaide Resources Limited, where Tidewater owns an 8.9% stake and vanEyk Three Pillars Limited, where Tidewater currently holds 19.8% of the shares.

Whilst the loss is disappointing, the board of Tidewater believe it reflects short term factors impacting on the share prices of what are otherwise attractive investments. The board further believes there is greater value in Tidewater than shown in the simple net asset value as at 30 June 2011, and has undertaken to move to achieve this outcome, through divestment or distribution of Tidewater's remaining investments.

### Distribution of MEF stake

Tidewater holds 1,936,467 shares in Merricks Capital Special Opportunity Fund (MEF), representing some 6.8% of MEF's capital. After due consideration, Tidewater believes it is in the best interests of both itself and MEF to distribute these shares through a capital return on the basis of 1 MEF share for every 13 Tidewater shares. Such a move will require Tidewater shareholder approval at a meeting to be convened for September 2011.

In the opinion of the Tidewater board, MEF shares are substantially undervalued, but it is acknowledged that the process of re-rating MEF shares may take some time until market acceptance is gained for the investment style and strategy of the manager of MEF.

### Future outlook

Despite lacklustre stockmarket conditions in July 2011, Tidewater's NTA has rebounded sharply by over 12% to 18.3cents during the month. Ironically, this shows that with a modest quantum of capital, Tidewater's style of investing is not suited to a publicly listed vehicle and is better done privately. As a consequence, Tidewater will, with due compliance for ASX regulations, seek to transition its public structure over the coming months, whilst optimising the value of its investments.

### For further information:

Andrew Brown
(02) 9380 2876 / 0418 215 255

# Appendix 4E

## Preliminary Final Report to the Australian Stock Exchange

| | |
|---|---|
| **Name of Entity** | Tidewater Investments Limited |
| **ACN** | 52 001 746 710 |
| **Financial Year Ended** | 30 June 2011 |
| **Previous Corresponding Reporting Period** | 30 June 2010 |

### Results for Announcement to the Market

| | $ | Percentage increase /(decrease) over previous corresponding period |
|---|---|---|
| **Revenue from ordinary activities** | 3,522,945 | -22.0% |
| **Loss from ordinary activities after tax attributable to members** | (616,581) | Prior year profit |
| **Loss for the period attributable to members** | (616,581) | Prior year profit |

| Dividends (distributions) | Amount per security | Franked amount per security |
|---|---|---|
| **Final Dividend** | Nil | - |
| **Previous corresponding period** | Nil | - |
| **Record date for determining entitlements to the dividends (if any)** | n/a | |

### Dividends

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

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

## NTA Backing

| | Current Period | Previous corresponding period |
|---|---|---|
| **Net tangible asset backing per ordinary security** | $0.163 | $0.199 |

| |
|---|
| **Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position:**<br><br>See attached Annual Report |

**Commentary on the Results for the Period**

| |
|---|
| **The earnings/(loss) per security and the nature of any dilution aspects:**<br><br>(2.4) cents |
| **Returns to shareholders including distributions and buy backs:**<br>See attached Annual Report |
| **Significant features of operating performance:**<br>See attached Annual Report |
| **The results of segments that are significant to an understanding of the business as a whole:**<br>See attached Annual Report |
| **Discussion of trends in performance:**<br>See attached Annual Report |
| **Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:**<br>See attached Annual Report |

## Audit/Review Status

| **This report is based on accounts to which one of the following applies:** (Tick one) | | | |
|---|---|---|---|
| The accounts have been audited | * | The accounts have been subject to review | |
| The accounts are in the process of being audited or subject to review | | The accounts have not yet been audited or reviewed | |

| **If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:** |
|---|
| n/a |

| **If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:** |
|---|
| n/a |

**Attachments Forming Part of Appendix 4E**

| **Attachment #** | **Details** |
|---|---|
| 1 | Annual Report |
| | |
| | |

| | |
|---|---|
| **Signed By (Director/Company Secretary)** | Andrew J. Brown |
| **Print Name** | Andrew Brown |
| **Date** | 1 August 2011 |

# 2011

# tidewater INVESTMENTS LIMITED

ABN 52 001 746 710

ANNUAL REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR TO 30 JUNE 2011

# DIRECTORY

**Directors**

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

**Company Secretary**
Andrew Brown

**Registered Office**
Suite 7.09
2-14 Kings Cross Road
POTTS POINT
NSW 2011

**Communications**
**telephone:** (02) 9380 2876
**facsimile:** (02) 8354 0923
**mail:** GPO Box 4870, SYDNEY NSW 2001
**email:** admin@tidewater.com.au

**Share Registry**
Registries Limited
Level 7
207 Kent Street
SYDNEY NSW 2000

**Shareholder Enquiries: 1 300 737 760 / (02) 9290 9600**
Shareholders requiring clarification of holdings, or requesting changes of name or address should contact Registries Limited directly. A variety of requisite forms may be downloaded from www.registriesltd.com.au

**Bankers**
National Australia Bank Limited
255 George Street
SYDNEY NSW 2000

**Auditors**
PKF
Level 10
1 Margaret Street
SYDNEY NSW 2000

**Legal Advisers**

| | | |
|---|---|---|
| Watson Mangioni | Addisons | Finlaysons |
| Level 13 | Level 12 | 81 Flinders Street |
| 50 Carrington Street | 60 Carrington Street | ADELAIDE |
| SYDNEY NSW 2000 | SYDNEY NSW 2000 | SA 5000 |

**Controlled Entities and Licence Holders**
Loftus Lane Investments Pty. Limited
Rowe Street Investments Pty. Limited
Tidewater Property Management Pty. Limited (AFS Licence Number 296137)
Tidewater Funds Management Limited (AFS Licence Number 247479)

# CONTENTS

# CHAIRMAN'S STATEMENT

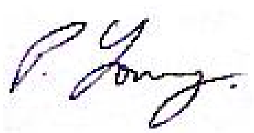
The 2011 financial year was somewhat disappointing, with the second six months taking the gloss off the early part of the period, especially between July – September 2010. Tidewater did continue to repatriate capital to shareholders with an on-market share buyback program and the exhausting of the Company's franking account through payment of a dividend in November 2010.

We have tried to be as frugal as possible in respect of the running costs of the Company, reflecting its smaller size. This will continue to be a necessity as we downsize the asset base of the Company even further ahead of transitioning Tidewater to a potential new incarnation.

Andrew Brown's review assesses the reasons for drawing the curtain down on Tidewater in its current incarnation, the first step of which is to distribute our shareholding in Merricks Capital Special Opportunity Fund directly into your hands through a capital return. In rough terms, this is worth 6.5cents per Tidewater shares and, if approved, gives you direct exposure to the investing style of a very different and talented funds management group.

We will be shortly convening a general meeting, coinciding with the AGM, to authorise this distribution, and hope to be in a position to make other announcements prior to that date.

The Directors believe the prices of the Company's investments at 30 June 2011 understates their true worth and hope through this more aggressive capital repatriation process to unlock significant value for all of our benefit.



Paul Young
Chairman

# MANAGING DIRECTORS REVIEW

Two years ago we flagged that Tidewater Investments Limited (*Tidewater* or *the Company*) would start to wind down its activities and repatriate capital. We were keen, however, to ensure that we didn't sell various investments at heavily discounted prices proximate to the nadir of the equity market cycle. In general, this has been a successful strategy, although there is little doubt that it could have been executed more effectively, especially this year.

Since June 2010, Tidewater has divested two assets – Vocus Communications and Equities and Freeholds Limited – paid a further 1c per share fully franked dividend to exhaust the franking account, and made one major new investment, being a 19.8% stake in vanEyk Three Pillars Limited (*VTP*).

The mistake of selling our shares in Vocus (ne First Opportunity Fund) too early was magnified by a sharp decline in share prices of some of our remaining investments in the last three months of the financial year. This was particularly marked in the case of Adelaide Resources (*ADN*), where we are the largest shareholder with just under 9% of ADN's shares; whilst the failure of ADN to spin-off Peninsula Resources would have had a negative impact, together with a reduced-risk influenced sell off of mining exploration and development counters, we feel the 41% decline between 31 March and 30 June 2011 to have been overdone. I will explain later why this appears to be the case.

This was supplemented by a 13% decline in the price of VTP shares in the last month of the financial year, for no reason other than small volumes of tax loss selling. This particular decline was entirely reversed in the month of July.

From these two perspectives alone, the 30 June 2011 accounts, due to their "mark to market" accounting, represent a mere snapshot at a brief moment in time of the effective value of Tidewater. The Tidewater board believe there is greater value in the Company than shown in the net asset value at 30 June 2011, and we are aggressively setting about achieving it.

The means and mechanism to do so come from concluding the process commenced in 2009 to divest or distribute our investments. We believe that there is little point in Tidewater continuing as a public company in its current guise, given the lack of investor desire for small concentrated "listed private equity" type investment companies. We acknowledge that Tidewater has not been a success and that it is better to hand over the public structure to an enterprise which can benefit from the prima-facie need to access public capital markets. Tidewater's style of investing is better done privately, without the impost of public listing and compliance costs, which irrespective of our frugal nature, are still significant given the small capital base.

At 30 June 2011, Tidewater had effectively been reduced to four investments of significance plus some minor residual positions and some subsidiary company structures with Australian Financial Services Licences (*AFSL's*). It is not our intention to make any new investments within Tidewater, but to deal appropriately – which doesn't necessarily mean selling (see MEF below) – with the existing ones. We have reason to believe Tidewater can be extensively dealt with, though perhaps not fully transitioned, by the end of the 2011 calendar year.

**Merricks Capital Special Opportunities Fund (*MEF*)**

We have decided to distribute Tidewater's 1.935 million shares in MEF directly to shareholders on the basis of a capital return of 1 MEF share for every 13 Tidewater shares; at the prevailing trading price of MEF of 85c per share, this is worth approximately 6.5cents per share to Tidewater shareholders.

Due to the potential of MEF's share price to fluctuate and the need for a certain environment for Australian Taxation Office (*ATO*) evaluation, we will make the distribution and then seek ATO approval that the distribution is a capital return for tax purposes and not a dividend.

MEF is an activist listed investment company, and is unique within the Australian LIC space. At the time of writing, MEF holds three major portfolio investments: Straits Resources, ING Entertainment Fund and a mezzanine loan to a specific building within the Digital Harbour project in Melbourne's docklands. MEF shares have tended to trade at a significant discount to net asset value, generally in the area of 25%, which reflects the small number of investments, the lack of wider market knowledge about the manager Merricks capital, and the consequential lack of appreciation of MEF as an investment. We firmly believe that MEF is an excellent investment given the skill, focus and sheer detail of the analytical effort put in by the manager, which distinguishes them from more mainstream fiduciaries. We are of the view that this will be manifested both in the long term performance of MEF but also a closure of the discount to NTA. However, whilst we have tremendous confidence that this will occur, the timing of when is rather more uncertain. As a consequence, we would rather leave shareholders to make up their own minds, as well as experiencing the benefits of having at least a small part of their funds invested by Merricks Capital.

**vanEyk Three Pillars Limited (*VTP*)**

VTP is effectively the stub of a previously large ($180million) listed investment company. From September 2009, a new board elected at an extraordinary general meeting has adopted a policy of returning capital to shareholders through capital returns, on market buy-backs and dividends. With just under $4million of assets remaining, they have pulled out the last weapon in their armoury being an offmarket buy-back. If approved – as is likely – at the 24 August 2011 EGM, VTP shareholders will be able to offer their shares back to the company at prevailing NTA/share.

In April and May 2011, Tidewater saw the opportunity to acquire shares at a discount to NTA and after initial small purchases, noticed its ability to buy a far larger stake and potentially have a highly influential role in proceedings. After moving to an 8% stake, Tidewater purchased the shares of the largest holder and now owns 19.8% of VTP, or five times the stake of any other shareholder.

Whilst we would have preferred VTP to have maintained a larger asset base, from a practical viewpoint it is better that Tidewater vote in favour of allowing the buy-back to take place but not participate in it. Based on a careful analysis of the VTP share register, we estimate some 40-60% of shares are likely to sell into the buy back, reflecting the suggestions of their financial advisers. At the upper end of this range, Tidewater would control 50% of VTP which at current levels would have $1.6million of assets.

We have received a number of approaches to acquire our stake, but have yet to receive an acceptable offer reflecting the strategic and valuable nature of the holding.

**Cheviot Bridge Limited (*CVB*)**

CVB's accounts for the 2011 financial year are yet to be released, and the period has proved to be even more difficult than we had previously surmised, given the painful nature of retailing at present. CVB has, however, benefitted from some strong management, entrepreneurial brand acquisition and creation, and the ongoing paydown of debt. On virtually all fronts of the wine industry, there is significant pressure for consolidation or reintegration, and we hope that CVB will be a participant in such activity.

**Adelaide Resources Limited (ADN)**

ADN's idea of spinning off its non-Tennant Creek projects in early 2011 unfortunately fell foul of a particularly difficult equity market in the resource exploration area, and the proposed float, Peninsula Resources Limited, was withdrawn in mid June 2011. However, ADN has been very active in the weeks since, re-evaluating its *raison d'etre* and reaffirming its commitment to the key assets at the Rover copper-gold project near Tennant Creek and Moonta copper-gold project in South Australia.

This is an important upcoming twelve months at Rover with the most aggressive drilling program across at least four different project locations, a $4m plus spend, and the knowledge that there are clear plans for a decline and subsequent mining activity adjacent to ADN's Rover-1 discovery by Westgold Resources Limited. In recent strategy meetings, ADN has reaffirmed its commitment to Tennant Creek, and appointed a Director and executive with relevant experience at the location to supplement our analysis and thought processes. ADN is well cashed up with just under $9million of liquid assets, some exciting projects, a highly competent board and management, and yet had an equity market capitalisation of only $14million at the closing price on 30 June 2011.

ADN's clear intent is to delineate resources, if possible, over the next year at each of its key projects, which Tidewater hopes will assist investors in gaining a clearer picture of the merits of its assets.

**House cleaning**

We have two subsidiary companies which hold AFSL's and which cannot be unravelled until the sale of the underlying trust and assets for which they act as responsible entity (Tidewater Funds Management - TFM) and manager (Tidewater Property Management - TPM). The assets are the six vineyards owned by Cheviot Kirribilly Vineyard Property Trust (*CKP Trust*) which are currently being marketed for sale by Colliers with initial non-binding expressions of interest closing on 16 August 2011. If and when these assets are liberated from the CKP Trust, it is likely that TFM and TPM can be readily wound up or sold. TFM is currently the sixth defendant in a court case which multifariously shows why Australia's commercial judicial system is in dire need of overhaul. The participants in the case will know why; due to obvious legal constraints, Tidewater shareholders will have to wait for the full story.

We have more or less liquidated the portfolio of passive investments, with only a tiny number remaining, and expect to complete this process as Tidewater itself comes to a conclusion in its current incarnation.

I must apologise for being less fulsome than is normally the case, but given the timing of the annual report, there are a number of commercial considerations, not necessarily within Tidewater's immediate ambit, which preclude a more transparent assessment.

Sincerely,

Andrew J. Brown

Andrew Brown
Managing Director

# DIRECTORS' REPORT

The Directors present their annual report on the Company and its controlled entities ("Group" or "Economic Entity") for the financial year ended 30 June 2011.

## DIRECTORS

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

**Paul Antony Young** *(Non-Executive Chairman)*
Paul Young is the co-founder and a director of Baron Partners Limited, a well established corporate advisory business and has been in merchant banking in Australia for over 25 years. Paul has a degree in economics from the University of Cambridge, is qualified as a Chartered Accountant in the United Kingdom, has a Diploma in Corporate Finance and is a Fellow of the Australian Institute of Company Directors. Paul is the Chairman of the Tidewater Investments Limited Audit Committee.

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

- Ambition Group Limited (non-executive Director – ongoing)
- GB Energy Limited (appointed 7/2/2011; resigned 25/7/2011)
- Thomas and Coffey Limited (non-executive Director – ongoing)
- Peter Lehmann Wines Limited (appointed 31/10/2003; resigned 4/3/2010)
- Sapex Limited (appointed 14/4/2006; resigned 15/10/2008)
- Site Group International Limited (formerly Lazco Limited) (appointed 29/6/2010; resigned 1/4/2011)

**Andrew John Brown** *(Managing Director and Company Secretary)*
Andrew Brown has 30 years experience in the Australian equity market as a stockbroker, corporate investor and funds manager. Andrew has an honours degree majoring in economics and econometrics from the University of Manchester, England.

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

- Adelaide Resources Limited (non-executive Director – ongoing)
- Aequs Capital Limited (appointed 14/4/2005; resigned 18/12/2008)
- Cheviot Bridge Limited (non-executive Director – ongoing)
- Cheviot Kirribilly Vineyard Property Group (executive Director – ongoing)
- Equities and Freeholds Limited (appointed 2/10/2007; resigned 16/3/2010)
- Fat Prophets Australia Fund Limited (Chairman – ongoing)

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

During the past three years, Steve has served as a non-executive Director of the public companies, Equities and Freeholds Limited (appointed 5/3/2008; resigned 12/10/2009) and Hamilton James and Bruce Group Limited (appointed 9/7/2009; resigned 24/9/2009).

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

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

| | *Ordinary Shares* |
|---|---:|
| Mr Andrew Brown | 7,558,277 |
| Mr Stephen Roberts | 1,870,451 |
| Mr Paul Young | 1,189,714 |

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

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

## PRINCIPAL ACTIVITIES

The group's primary activities are:

(A) Equity investment – historically the company has made strategic investments in "microcap" Australian listed companies – generally those valued at under $30million - with a view to playing an active role (including board representation) to release the difference between appraised value and quoted trading prices of the investee's securities. In the future, the company will also take a more passive, but diversified stance towards equity investing;

(B) Funds management and financial services – the establishment of, and provision of capital and services to new "boutique" funds management businesses, the acquisition of strategic shareholdings in existing "boutique" funds management, operation of a wholesale funds management business, and other related financial services businesses.

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

## RESULTS AND DIVIDENDS

The net loss after income tax for the financial year to 30 June 2011 was $616,581 (2010: profit $674,359)

A fully franked dividend of 1.0 cents per share was declared on 5 October 2010 and paid on 4 November 2010.

## REVIEW OF OPERATIONS

A full review of operations is given on pages 2 to 5 which include the Chairman's Statement and Managing Director's Review.

## TRADING IN COMPANY SHARES

During the 12 months to 30 June 2011, the Company's shares traded in the following ranges:

| Quarter ending | High price | Low price | Closing price | Volume |
|---|---|---|---|---|
| 30th September 2010 | $ 0.240 | $ 0.210 | $ 0.240 | 597,762 |
| 31st December 2010 | $ 0.270 | $ 0.235 | $ 0.235 | 176,956 |
| 31st March 2011 | $ 0.250 | $ 0.235 | $ 0.245 | 87,889 |
| 30th June 2011 | $ 0.245 | $ 0.170 | $ 0.170 | 65,377 |

Source: IRESS/ASX

## SIGNIFICANT EVENTS DURING THE YEAR

On 14 July 2010, the Company fully repaid its secured external debt.

On 5 October 2010, the Company declared an interim dividend of 1.0cents per share fully franked which was paid on 4 November 2010.

On 3 May 2011, the Company completed its on-market share buyback having repurchased 902,457 shares at a cost of $212,082

During March and April 2011, the Company divested its shareholding in Equities and Freeholds Limited.

In the period 25 March 2011 to 18 May 2011, the Company acquired a 19.5% interest in the shares of vanEyk Three Pillars Limited.

## DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of a committee of Directors) attended by each of the Directors of the Company for the 12 months to 30 June 2011 was:

| | Directors' Meetings held during period in office | | Audit committee Meetings held during period in office | |
|---|---|---|---|---|
| | No. of meetings eligible to attend | No. of meetings attended | No. of meetings eligible to attend | No. of meetings attended |
| Andrew Brown | 4 | 4 | - | - |
| Stephen Roberts | 4 | 4 | 2 | 2 |
| Paul Young | 4 | 4 | 2 | 2 |

## REMUNERATION REPORT (AUDITED)

### (A) Key Management Personnel

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

**Directors**

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

### (B) Directors Remuneration for the financial years ended 30 June 2011 and 30 June 2010

| | *Short-Term Benefits* | | | *Post Employment Benefits* | | *Share Based Payments* | |
|---|---|---|---|---|---|---|---|
| **2011** | **Salaries & fees** | **Cash bonuses** | **Non Monetary Benefits** | **Super-annuation** | **Other** | **Options** | **Total** |
| Paul Young | $50,000 | - | - | - | - | - | $50,000 |
| Andrew Brown[1] | $66,667 | - | - | $4,167 | $6,412 | - | $77,246 |
| Stephen Roberts | - | - | - | $25,000 | - | - | $25,000 |
| TOTAL | $116,667 | - | - | $29,167 | $6,412 | - | $152,246 |
| **2010** | | | | | | | |
| Paul Young | $ 50,000 | - | - | - | - | - | $ 50,000 |
| Andrew Brown | $200,000 | - | - | $20,000 | - | - | $220,000 |
| Stephen Roberts[2] | - | - | - | $33,750 | - | - | $ 33,750 |
| Richard Ochojski[3] | $8,750 | - | - | - | - | - | $ 8,750 |
| Lee Iafrate[4] | - | - | - | - | - | - | - |
| Campbell McComb[4] | - | - | - | - | - | - | - |
| Jonathan Sweeney[4] | - | - | - | - | - | - | - |
| TOTAL | $258,750 | - | - | $53,750 | - | - | $312,500 |

1: Andrew Brown ceased to be directly remunerated as an employee on 31 March 2011, and was contracted under a consultancy arrangement from 1 April 2011; Andrew Brown's remuneration includes Directors fees paid by the controlled entity Tidewater Funds Management Limited from 1 November 2010 to 30 June 2011 of $16,667.
2: includes remuneration paid by Equities and Freeholds Limited to 24 September 2009
3: remuneration solely paid by Equities and Freeholds Limited in the period from 1 July 2009 to 24 September 2009
4: Director of Equities and Freeholds Limited from 12 October 2009 to 16 December 2009

### (C) Specified Executives Remuneration for the years ended 30 June 2011 and 30 June 2010

| | *Short-Term Benefits* | | | *Post Employment Benefits* | | *Share Based Payments* | |
|---|---|---|---|---|---|---|---|
| 2011 | Salaries & fees | Cash bonuses | Non Monetary Benefits | Super-annuation | Other | Options | Total |
| There were no specified executives in the period from 1 July 2010 to 30 June 2011. The only full time employee was Andrew Brown, the Managing Director, from 1 July 2011 to 31 March 2011 and who reverted to an outsourced consultancy arrangement on 1 April 2011. | | | | | | | |
| 2010 | | | | | | | |
| Lachlan Batchelor[1] | $54,167 | - | - | $5,417 | $30,466 | - | $90,050 |
| Steve McDowell[1] | $45,167 | - | - | $14,417 | $19,083 | - | $78,667 |
| Steve O'Hanna[2] | $43,333 | - | - | $4,333 | $12,334 | - | $60,000 |
| TOTAL | $142,667 | - | - | $24,167 | $61,883 | - | $228,717 |
| 1: resigned 30 November 2009<br>2: resigned 31 October 2009 | | | | | | | |

### (D) Remuneration Policy

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

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

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

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

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

## (E) Service Agreements

Remuneration and other terms of engagement of the Managing Director, Andrew Brown, is formalised in a service agreement, the key terms of which are given below:

- Payment of $50,000 per annum to A. Brown and Company Pty. Limited, invoiced monthly;
- Payment of $25,000 per annum in respect of services provided to Tidewater Funds Management, invoiced monthly or quarterly;
- Term of engagement to 30 June 2012 subject to three months notice if contract concludes prior to end of period;
- Automatic rollover subject to certain conditions, for a further twelve months to 30 June 2013; and
- Mr. Brown (or his nominee) to be paid Directors' fees directly by investee companies of Tidewater Investments Limited. These companies presently comprise Adelaide Resources Limited, Cheviot Bridge Limited, Cheviot Kirribilly Vineyard Property Group and Merricks Capital Special Opportunity Fund Limited.

There are no longer any specified executives.

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

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

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

| | Balance at 1/7/10 | Received as Remuneration | Options Exercised | Net change – other[1] | Balance at 30/6/11 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Andrew Brown | 7,465,572 | - | - | 92,705 | 7,558,277 |
| Stephen Roberts | 1,870,451 | - | - | - | 1,870,451 |
| Paul Young | 1,189,714 | - | - | - | 1,189,714 |
| TOTAL | 10,525,737 | - | - | 92,705 | 10,618,442 |

[1] Net change – other refers to shares purchased or sold during the financial year

There have been no transactions subsequent to 30 June 2011.

This concludes the Remuneration Report, which has been audited.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

## DEFERRED SHARE PLAN

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

## ENVIRONMENTAL REGULATION

No significant environmental regulations apply to the economic entity.

## CHANGES IN STATE OF AFFAIRS

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

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

## SUBSEQUENT EVENTS

There has been no matter or circumstance, other than those referred to in note 25 of the financial statements, that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

## NON AUDIT SERVICES

During the year, the auditors of the Company provided non-audit taxation advisory services at a cost to the Company of $11,311.

The Directors of Tidewater Investments Limited are satisfied that the provision of non-audit services during the year by PKF:

- is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001; and
- did not compromise the auditor independence requirements of the Corporations Act 2001 in view of the materiality of the amounts, the nature of the services and the processes established to monitor the independence of the auditors.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 14.

Dated at Sydney this 1st day of August 2011.

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

*P A Young - Chairman*

*A J Brown – Managing Director*

Chartered Accountants
& Business Advisers

# AUDITOR'S INDEPENDENCE DECLARATION

**To : The Directors**
**Tidewater Investments Limited**

In accordance with section 307C of the Corporations Act 2001, as lead audit partner for the audit of Tidewater Investments Limited for the financial year ended 30 June 2011, 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.

**PKF**

**Arthur Milner**
Partner

1 August 2011
Sydney

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# CORPORATE GOVERNANCE

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

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

The Company is a small company with a strong commitment to containing costs. This commitment, when related to the relatively small size of the Company, makes it difficult to fully attain all of the recommended principles; indeed, many of the principles have limited relevance to the operation of the Company, and as a consequence, the corporate governance framework has been adapted to the operation of a smaller entity. In any event, shareholders are significantly advantaged by the fact that the board of Directors of the Company hold a significant equity position, cumulatively owning over 40% of Tidewater shares. Further, all of the Board and staff are very experienced company officers and are well aware of their responsibilities to the Company, to the security holders and to all other stakeholders, and fulfil similar roles in other corporations. As a consequence, the Company looks to attract Directors who exhibit the requisite innate characteristics of honesty and integrity, rather than simply adopt a series of boilerplate documents, and attempt to justify divergence from them.

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

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

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

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

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

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

### *B. LETTERS OF APPOINTMENT*

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

*C. INDUCTION OF SENIOR EXECUTIVES*

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

*D. PERFORMANCE EVALUATION OF SENIOR EXECUTIVES*

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

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

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

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

*A. SIZE AND COMPOSITION OF THE BOARD*

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

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

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

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

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

*B. DIRECTORS' INDEPENDENCE*

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

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

### *C. CONFLICT OF INTEREST*

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

### *D. ELECTION OF DIRECTORS*

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

### *E. BOARD COMMITTEES*

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

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

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

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

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

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

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

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

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

### *G. BOARD EVALUATION*

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

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

*A. BUSINESS CONDUCT AND ETHICS*

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

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

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

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

*B. DIVERSITY*

Within the confines of being a small listed company, Tidewater seeks to ensure diversity within the organisation. Significantly, 100% of Tidewater's consultants and Directors were born outside of Australia. Of Tidewater's current 1.2 full time equivalent employees or consultants, 16.6% are female. There are no female Directors, and in light of the Company's future direction, there are no current specific plans to recruit female Directors to the Tidewater board. Historically, 57% of Tidewater's past employees and consultants have been female, and Tidewater's Managing Director has a particularly strong history of providing a workplace environment facilitating part time female employment.

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

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### *A. AUDIT COMMITTEE*

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

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

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

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

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

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

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

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

### *B. FINANCIAL REPORT ACCOUNTABILITY*

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

In the 2011 financial year, the Managing Director has provided a statement to the Board in writing in respect to the integrity of the financial statements and the efficient and effective operation of the risk management and internal compliance and control systems.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

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

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

Tidewater provides a review of operations and financial performance in the 2011 Annual Report which includes the company's financial report. Results announcements to the ASX, analyst presentations and the full text of the Chairman's and Managing Director's addresses at the Company's Annual General Meeting are lodged with ASX and available at www.asx.com.au.

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

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

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

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

### *A. OVERSIGHT OF RISK*

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

The Company pays significant attention to risk as a consequence of its activities which involve dealing in financial assets, the holding of appropriate licenses to facilitate such transactions on behalf of third parties, and to act as a responsible entity for an external trust. As a consequence of the core activities of the Company, Tidewater deliberately assumes a level of risk of capital loss, the quantum of which is regularly discussed and debated by the Board. Through the reporting of the Managing Director, the Board is able to monitor the level of interest rate, asset concentration of, capital, reputational, credit and overall financial market risk being assumed by the Company.

The Company employs a part time Compliance Officer who is responsible for the assessment of specific risks in relation to the licensing of the Company's controlled entities holding Australian Financial Services Licenses, but also in relation to wider risk management concepts.

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

### *B. IMPLEMENTATION OF RISK MANAGEMENT SYSTEMS*

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

- an internal compliance officer who provides training in respect of certain risk assessment procedures on a quarterly basis to all employees of the Company;
- external providers of accounting services to the Company;
- a Compliance Committee in respect of the services of a controlled entity, which by definition requires disclosures from that controlled entity;
- external company secretarial and compliance for certain activities carried out by the Company on behalf of third parties;
- requirement for regular reporting to the Company's external financiers; and
- regular reporting to the Board of Directors.

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

*C. ACCOUNTABILITY*

In the 2011 financial year, the Managing Director has provided a statement to the Board in writing in respect to the integrity of the financial statements and the efficient and effective operation of the risk management and internal compliance and control systems.

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

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

- the statements made in relation to the financial integrity of the group financial reports are founded on a sound system of risk management and internal compliance and control;
- the system of risk management in operation at 30 June 2011 implements the policies adopted and delegated by the Board and was operating effectively; and
- the systems relating to financial reporting were operating effectively in all material respects.

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

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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

### Directors Remuneration

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

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

Since all Directors of Tidewater are significant shareholders in the Company, the Board does not currently offer equity based remuneration for Executive or Non Executive Directors. However, certain Directors are part of a Deferred Equity Share Plan ("DESP") which enables them to take Director remuneration in shares of Tidewater. As a result of changes in the 2009 Federal Budget, as subsequently amended, this DESP is not being utilised at the present time, although remains in existence.

# '11

## financial report for the year to 30th June 2011



NOTES:

## TIDEWATER INVESTMENTS LIMITED AND CONTROLLED ENTITIES
### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

| | Note | Economic Entity 2011 $ | 2010 $ |
|---|---|---|---|
| Revenues | 2A | 3,522,945 | 4,514,904 |
| Other income | 2B | - | 295,876 |
| Other expenses | 3A | (4,070,030) | (3,877,626) |
| Finance costs | 4 | (31,064) | (133,360) |
| (Loss)/profit before income tax | | (578,149) | 799,794 |
| Income tax (charge)/benefit | 6 | (38,432) | 3,847 |
| Net (loss)/profit after income tax | | (616,581) | 803,641 |
| Profit attributable to non-controlling interests | | - | (129,282) |
| (Loss)/profit after income tax and non-controlling interests | | (616,581) | 674,359 |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income attributable to owners of Tidewater Investments Limited | | (616,581) | 674,359 |
| Basic (loss)/earnings (cents) per share | 8 | (2.4) | 2.7 |
| Diluted (loss)/earnings (cents) per share | 8 | (2.4) | 2.7 |
| Dividends (cents) per share | 7 | 1.0 | 4.2 |

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

# TIDEWATER INVESTMENTS LIMITED AND CONTROLLED ENTITIES
## *STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011*

| | Note | Economic Entity 2011 $ | 2010 $ |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 9 | 11,535 | 343,825 |
| Financial assets | 10,15 | 4,030,616 | 4,994,787 |
| Trade and other receivables | 11 | 81,573 | 360,623 |
| Prepayments | | 36,057 | 32,418 |
| TOTAL CURRENT ASSETS | | 4,159,781 | 5,731,653 |
| NON-CURRENT ASSETS | | | |
| Financial assets | 12,15 | 745,000 | 482,570 |
| Property, plant and equipment | 16,17 | 11,500 | 15,944 |
| Deferred tax assets | 6 | 34,302 | 72,734 |
| TOTAL NON-CURRENT ASSETS | | 790,802 | 571,248 |
| TOTAL ASSETS | | 4,950,583 | 6,302,901 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 19 | 179,127 | 294,654 |
| Short term borrowings | 21 | 681,318 | 887,500 |
| TOTAL CURRENT LIABILITIES | | 860,445 | 1,182,154 |
| TOTAL LIABILITIES | | 860,445 | 1,182,154 |
| NET ASSETS | | 4,090,138 | 5,120,747 |
| EQUITY | | | |
| Issued Capital | 23 | 16,307,922 | 16,471,395 |
| Accumulated Losses | | (12,217,784) | (11,350,648) |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF TIDEWATER INVESTMENTS LIMITED | | 4,090,138 | 5,120,747 |
| Minority interests in controlled entities | | - | - |
| | | 4,090,138 | 5,120,747 |

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

TIDEWATER INVESTMENTS LIMITED AND CONTROLLED ENTITIES

*STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011*

| ECONOMIC ENTITY | Attributable to equity holders of Parent Entity | | | | |
|---|---|---|---|---|---|
| | Issued Capital $ | Accumulated Losses $ | Total Interest $ | Non-Controlling Interest $ | Total Equity $ |
| As at 30 June 2009 | 15,740,266 | (10,934,771) | 4,805,495 | 146,880 | 4,952,375 |
| Total comprehensive income for the year | - | 674,359 | 674,359 | 129,282 | 803,641 |
| Dividends paid | - | (1,090,236) | (1,090,236) | - | (1,090,236) |
| Contributions of equity | 825,000 | - | 825,000 | - | 825,000 |
| Cost of contributions of equity | (45,262) | - | (45,262) | - | (45,262) |
| Share buy back | (48,609) | - | (48,609) | - | (48,609) |
| Adjustment for sale of controlled entity | - | - | - | (276,162) | (276,162) |
| As at 30 June 2010 | 16,471,395 | (11,350,648) | 5,120,747 | - | 5,120,747 |
| Total comprehensive income for the year | - | (616,581) | (616,581) | - | (616,581) |
| Dividends paid | - | (250,555) | (250,555) | - | (250,555) |
| Share buy back | (163,473) | - | (163,473) | - | (163,473) |
| As at 30 June 2011 | 16,307,922 | (12,217,784) | 4,090,138 | - | 4,090,138 |

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

## TIDEWATER INVESTMENTS LIMITED AND CONTROLLED ENTITIES

### *STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011*

| | Note | Economic Entity 2011 $ | Economic Entity 2010 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | 397,523 | 553,428 |
| Payments to suppliers and employees | | (825,678) | (1,140,243) |
| Purchases of investments† | | (2,473,097) | (730,217) |
| Proceeds from sale of investments | | 3,204,023 | 3,102,837 |
| Proceeds from return of capital | | 291,792 | 46,836 |
| Dividends received | | 3,566 | 91,959 |
| Interest received | | 3,484 | 29,940 |
| Finance costs paid | | (12,234) | (133,360) |
| Income tax received | | - | 581 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 28 (A) | **589,379** | **1,821,761** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Repayment of loans issued to other entities | | 17,499 | 98,000 |
| Purchase of controlled entities, net of cash acquired†† | | (290) | - |
| Proceeds from sale of controlled entities, net of cash divested | 27 | - | 10,993 |
| Deconsolidation of controlled entities, net of cash divested | 27 | - | (515,727) |
| Purchase of property plant and equipment | | (464) | (12,404) |
| **NET CASH FLOW PROVIDED BY/(USED IN) INVESTING ACTIVITIES** | | **16,745** | **(419,138)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Repayment of borrowings from other entities | | (887,500) | (1,712,500) |
| Proceeds from borrowings from related parties† | | 395,000 | - |
| Repayment of borrowings from related parties | | (288,765) | (17,500) |
| Proceeds from issue of shares, net of costs | | - | 779,625 |
| Share buy back | | (208,157) | (3,925) |
| Dividends paid | | (250,070) | (385,883) |
| **NET CASH FLOW USED IN FINANCING ACTIVITIES** | | **(1,239,492)** | **(1,340,183)** |
| Net (decrease)/increase in cash held | | (633,368) | 62,440 |
| Cash at the beginning of the financial year | | 343,825 | 281,385 |
| **Cash at the end of the financial year** | 9 | **(289,543)** | **343,825** |

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

† Proceeds of borrowings in the year to 30 June 2011 exclude $256,353 which was paid directly to securities brokers by Andrew Brown, a related party, in settlement of the purchases of investments; this amount is not reflected in this statement of cash flows.

†† Re-presented cheque in respect of acquisition of Goldlink Growth Plus Limited (now Equities and Freeholds Limited) in the year to 30 June 2008.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been approved for issue by the Board of Directors of Tidewater Investments Limited on 1 August 2011. The functional currency of the entity is measured using the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the economic entity's functional and presentation currency.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements cover the economic entity, consisting of Tidewater Investments Limited and its subsidiaries and covers the financial year ended 30 June 2011. Tidewater Investments Limited is a publicly listed entity, incorporated and domiciled in Australia.

### A. Basis of Preparation

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

*Historical cost convention*

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

*Amendments to Accounting Standards*

In accordance with Corporations Amendment (Corporate Reporting Reform) Act 2010, the economic entity has dispensed with the inclusion of parent company accounts but discloses the requisite information for the parent company as per note 13.

### B. Principles of Consolidation

*Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tidewater Investments Limited ("company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. Tidewater Investments Limited and its subsidiaries together are referred to in this financial report as "group" or "the economic entity".

Subsidiaries are all those entities over which the economic entity has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the economic entity controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the economic entity. They are de-consolidated from the date that control ceases.

A list of controlled entities is contained in note 14.

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

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

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

### D. Income Tax
The income tax (expense) revenue for the year comprises current income tax (expense) income and deferred tax (expense) income.

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

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

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

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

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

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

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

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

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

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

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

### F. Financial Instruments

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

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

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

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

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

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

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

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

### H. Trade and Other Payables
Accounts payable represent the principal amounts outstanding at the reporting date plus, where applicable, any accrued interest.

### I. Finance Costs
Borrowing costs are expensed as incurred.

### J. Employee Benefits

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

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

*Long service leave*
The liability for long service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Employee benefit on-costs*
Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

*Share based payments*
There is no equity based compensation scheme.

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

### L. Goods and Services Tax
Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australia Taxation Office. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position. Cash flows in the Statement of Cash Flows are included on a gross basis. The GST component of cash flows arising from investing and financing activities that are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

### M. Contributed equity
Ordinary shares are classified as equity.

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

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

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

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

### O. Plant and Equipment

*Plant and equipment*

Plant and equipment are measured on the cost basis.

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

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

*Depreciation*

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

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

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Plant and equipment | 5% - 20% |

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

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

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

### P. Intangibles

*Intangibles – Identifiable intangibles*

Identifiable intangibles in the form of funds management contracts to manage Cheviot Kirribilly Vineyard Property Group ("CKP") are recognised at cost of acquisition. These funds management contracts have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Contracts to manage CKP were amortised over their useful life of 8.5 years being the term remaining on the contracts at their time of acquisition.

### Q. Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

### R. Leases

No assets have been acquired under finance leases.

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

### S. Comparative Figures

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

### T. New Australian Accounting Standards

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

### U. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. The group tests annually whether intangible assets have suffered any impairment in accordance with the accounting policy stated in note 1(Q). The recoverable amounts of identifiable intangibles have been determined based on discounted cash flow calculations. These calculations require the use of assumptions. Refer to note 18 for details of these assumptions and the potential impact of changes to the assumptions.

| | Economic Entity 2011 $ | 2010 $ |
|---|---|---|
| **2A. REVENUES** | | |
| Proceeds from sale of investments | 3,242,606 | 3,068,087 |
| Change in fair value of investments distributed | - | 276,124 |
| Interest | 4,010 | 44,652 |
| Dividends received – other corporations | 1,500 | 94,336 |
| Fees and commissions | 251,004 | 469,110 |
| Change in fair value of investments retained | - | 562,595 |
| Other | 23,825 | - |
| **TOTAL REVENUES** | **3,522,945** | **4,514,904** |
| **2B. OTHER INCOME** | | |
| Profit on sale and deconsolidation of controlled entities | - | 295,876 |
| **TOTAL OTHER INCOME** | **-** | **295,876** |
| **3. PROFIT/(LOSS) FOR THE YEAR** | | |
| **(A) EXPENSES** | | |
| Amortisation of intangibles | - | 40,689 |
| Auditors remuneration – audit, audit review and accruals | 89,279 | 116,000 |
| Auditors remuneration – other services | 11,311 | - |
| Consultancy and other outsourced services | 56,280 | 95,904 |
| Cash cost of investments sold | 2,393,579 | 4,281,803 |
| Change in fair value of investments sold | 260,242 | (2,165,903) |
| Change in fair value of investments retained | 793,138 | - |
| Depreciation of property, plant and equipment | 4,908 | 23,174 |
| Directors fees and costs | 123,025 | 137,650 |
| Employee benefits: | | |
| Wages, salaries and consulting fees | 76,412 | 424,550 |
| Contributions to defined contribution plans | 6,167 | 46,167 |
| Movements in provisions for employee benefits | (6,412) | (25,570) |
| GST written back | - | (7,349) |
| Office and occupancy expenses - leases | 30,942 | 60,872 |
| Office and occupancy expenses - other | 13,256 | 12,194 |
| Other expenses | 213,742 | 194,560 |
| Impairment of identifiable intangible assets | - | 642,885 |
| Writedown of loans to other entities | 4,161 | - |
| **TOTAL EXPENSES EXCLUDING FINANCE COSTS** | **4,070,030** | **3,877,626** |

## 3. PROFIT/(LOSS) FOR THE YEAR (continued)

### (B) SIGNIFICANT REVENUE AND EXPENSES (FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS)

| | Economic Entity 2011 $ | Economic Entity 2010 $ |
|---|---|---|
| Proceeds from sale of investments | 3,242,606 | 3,068,087 |
| Total cost of investments sold | (2,653,821) | (2,115,900) |
| Realised gain on investments sold | 588,785 | 952,187 |
| | | |
| Realised gain on investments sold consists of: | | |
| Gains | 747,372 | 1,006,283 |
| Losses | (158,587) | (54,096) |
| | 588,785 | 952,187 |
| | | |
| Proceeds from distribution of investments | - | 891,571 |
| Total cost of investments distributed | - | (615,447) |
| Realised gain on investments distributed | - | 276,124 |
| | | |
| Realised gain on investments distributed consists of: | | |
| Gains | - | 276,124 |
| Losses | - | - |
| | - | 276,124 |

## 4. FINANCE COSTS

| | 2011 $ | 2010 $ |
|---|---|---|
| External | 8,933 | 133,360 |
| Paid to related parties | 22,131 | - |
| **Total finance costs** | 31,064 | 133,360 |

## 5. AUDITORS REMUNERATION

| | 2011 $ | 2010 $ |
|---|---|---|
| **Remuneration of the auditors of the parent entity for:** | | |
| Auditing and reviewing the financial statements | 77,279 | 104,000 |
| Other assurance related services | 12,000 | 12,000 |
| Other services | 11,311 | - |
| | 100,590 | 116,000 |

| | Economic Entity 2011 $ | Economic Entity 2010 $ |
|---|---|---|

## 6. INCOME TAX

### (A) INCOME TAX EXPENSE/(BENEFIT)

The aggregate amount of income tax expense attributable to the year differs from the amount prima facie payable on the profit/(loss) from ordinary activities. The differences are reconciled as follows:

| | 2011 $ | 2010 $ |
|---|---|---|
| (Loss)/profit before tax | (578,149) | 799,794 |
| Prima facie income tax (benefit)/expense on the (loss)/profit before income tax at 30% (2010: 30%) | (173,445) | 239,938 |
| **Add/(deduct) tax effect of:** | | |
| Tax benefit arising from franked dividend rebate | - | (39,296) |
| Tax losses not brought to account | 173,445 | - |
| Utilisation of tax losses | - | (203,499) |
| Other timing differences | (38,432) | (990) |
| | 211,877 | (243,785) |
| Income tax expenses/(benefit) attributable to entity | 38,432 | (3,847) |

The effective tax rate of (6.6%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses in respect of the current year. In the year to 30 June 2010, the effective tax rate of (0.5%) mainly arose from the utilisation of past tax losses.

| **Income tax (expense)/benefit is made up of:** | | |
|---|---|---|
| Deferred tax | (38,432) | 990 |
| Tax attributable to previous controlled entity | - | 2,857 |
| | (38,432) | 3,847 |

### (B) DEFERRED TAX ASSETS

| **Deferred tax assets comprise:** | | |
|---|---|---|
| Temporary differences – accruals and provisions | 34,302 | 72,734 |
| | 34,302 | 72,734 |

### (C) RECONCILIATIONS

| **The overall movement in the deferred tax account is as follows:** | | |
|---|---|---|
| Opening balance | 72,734 | 71,744 |
| Income tax refunded | - | (581) |
| (Debit)/credit to statement of comprehensive income | (38,432) | 3,847 |
| Other adjustments | - | (2,276) |
| Closing balance | 34,302 | 72,734 |

(D) DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT

As at 30 June 2011, the economic entity had estimated unrecouped operating income tax losses of $9,425,745 (2010 restated: $8,738,188) which are not presented on the statement of financial position. The benefit of these losses of $2,827,724 (2010 restated: $2,621,456) has not been brought to account as realisation is not probable. The benefit will only be obtained if:

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

| | Economic Entity | |
|---|---|---|
| | 2011 | 2010 |
| | $ | $ |
| **7. DIVIDENDS AND FRANKING CREDIT BALANCES** | | |
| **Recognised amounts:** | | |
| | 250,555 | 1,090,236 |

An interim cash dividend of 1.0c per share fully franked at the tax rate of 30% was paid on 4 November 2010.

A special dividend of 2.7c per share fully franked at the tax rate of 30% in respect of profits earned in the financial year ended 30 June 2010 was paid on 6 April 2010. This special dividend was paid in the form of shares in InvestorFirst Limited, at the rate of 0.3 InvestorFirst Limited shares per Tidewater Investments Limited share at an imputed price of $0.09 per Investor First Limited share.

An interim cash dividend of 1.5c per share fully franked at the tax rate of 30% in respect of the profits earned in the financial year ended 30 June 2010 was paid on 26 March 2010.

**Franking Credits**

| | 2011 | 2010 |
|---|---|---|
| Balance of franking account at the reporting date adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years. | (13,676) | 117,517 |

| | Economic Entity 2011 $ | Economic Entity 2010 $ |
|---|---|---|
| **8. EARNINGS PER SHARE** | | |
| (A) Earnings used in the calculation of basic EPS | (616,581) | 674,359 |
| Earnings used in the calculation of diluted EPS | (616,581) | 674,359 |
| (B) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS | 25,212,761 | 25,043,788 |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS | 25,212,761 | 25,043,788 |
| Basic (loss)/earnings per share (cents) | (2.4) | 2.7 |
| Diluted (loss)/earnings per share (cents) | (2.4) | 2.7 |
| **9. CASH AND CASH EQUIVALENTS** | | |
| Cash at bank held in escrow | - | 212,500 |
| Cash on hand and at bank | 11,535 | 131,325 |
| Total cash | 11,535 | 343,825 |
| Bank overdraft | (301,078) | - |
| Net cash and cash equivalents as per statement of cash flows | (289,543) | 343,825 |
| **10. FINANCIAL ASSETS (CURRENT)** | | |
| **Loans and receivables at amortised cost:** | | |
| Loans to other entities (i) | - | 21,660 |
| **Fair value through profit and loss:** | | |
| Listed investments at fair value | | |
| - shares in listed corporations (note 15, 30F) | 4,030,616 | 4,973,127 |
| TOTAL | 4,030,616 | 4,994,787 |

(i) Loans to other entities include fixed rate debentures of Vesture Limited (formerly Australian Institute of Property Management) which were due for repayment on 31 October 2009. The Economic Entity entered into a repayment arrangement with Vesture Limited, and the loans were fully repaid after minor adjustments for accrued interest.

| | Economic Entity 2011 $ | 2010 $ |
|---|---|---|
| **11. TRADE AND OTHER RECEIVABLES** | | |
| **CURRENT** | | |
| Trade receivables | 63,782 | 333,265 |
| less provision for doubtful debts | - | - |
| | 63,782 | 333,265 |
| Other debtors and receivables | 17,791 | 27,358 |
| | 81,573 | 360,623 |

*Provision For Impairment of Receivables:*
Current trade and term receivables are non-interest bearing loans and generally on 7-30 day terms for funds management and consulting receivables or 5 day terms for receivables on share sale contracts. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

## 12. FINANCIAL ASSETS (NON CURRENT)

**Fair value through profit and loss:**

| | 2011 $ | 2010 $ |
|---|---|---|
| Unlisted investments at fair value: | | |
| - shares in unlisted corporations at fair value (note 15, 30F) | 745,000 | 482,570 |
| | 745,000 | 482,570 |

## 13. PARENT ENTITY INFORMATION

**Information relating to the parent entity, Tidewater Investments Limited:**

| | 2011 $ | 2010 $ |
|---|---|---|
| Current Assets | 2,952,102 | 3,532,723 |
| Total Assets | 5,304,551 | 6,825,017 |
| Current Liabilities | 1,214,326 | 1,961,729 |
| Total Liabilities | 1,214,326 | 1,961,729 |
| Issued Capital | 16,307,922 | 16,471,395 |
| Retained Earnings | (12,217,697) | (11,608,107) |
| Total Shareholders' Equity | 4,090,225 | 4,863,288 |
| (Loss)/profit of the parent entity | (359,036) | 1,005,044 |
| Total comprehensive (loss)/income of the parent entity | (359,036) | 1,005,044 |

As at 30 June 2011 and 30 June 2010, the parent entity had not entered into any guarantees in relation to the debts of its subsidiaries, nor had entered into any contractual commitments for the acquisition of property, plant or equipment. The parent entity has issued a total of $407,000 of promissory notes to two controlled entities.

As at 30 June 2010, a financial facility entered into by the parent entity was secured by a floating charge against all controlled entities and registered mortgage charges against specific assets of controlled entities and guarantees and indemnities given by controlled entities Loftus Lane Investments Pty. Limited, Rowe Street Investments Pty. Limited and Discount Assets Limited. This facility was discharged on 14 July 2010. As at 30 June 2011, a financial facility entered into by the parent entity was secured by a fixed and floating charge against all controlled entities.

## 14. CONTROLLED ENTITIES

| | Country of Incorporation | Percentage Owned 2011 | 2010 |
|---|---|---|---|
| **Parent Entity:** | | | |
| Tidewater Investments Limited | Australia | - | - |
| **Controlled Entities of Tidewater Investments Limited:** | | | |
| Discount Assets Limited | Australia | - | 100% |
| Loftus Lane Investments Pty. Limited | Australia | 100% | 100% |
| Rowe Street Investments Pty. Limited † | Australia | 100% | 100% |
| Tidewater Funds Management Limited | Australia | 100% | 100% |
| Tidewater Property Management Pty. Limited | Australia | 100% | 100% |

† controlled entity of Loftus Lane Investments Pty. Limited

## 15. FINANCIAL ASSETS

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

| | Economic Entity 2011 $ | 2010 $ |
|---|---|---|
| Adelaide Resources Limited<br>*Principal activity is mineral exploration*<br>8.9% interest in Adelaide Resources Limited (2010: 10.4%) | 1,249,705 | 1,552,787 |
| Cheviot Bridge Limited (2011: unlisted; 2010: unlisted)<br>*Principal activity is wine distribution and brands*<br>10.4% interest in Cheviot Bridge Limited (2010: 10.4%) | 725,000 | 462,290 |
| Cheviot Kirribilly Vineyard Property Group ("CKP")<br>*Principal activity is vineyard ownership*<br>8.1% interest in CKP (2010: 8.1%) | - | - |
| Equities and Freeholds Limited<br>*Principal activity is investment*<br>Nil interest in Equities and Freeholds Limited (2010: 9.9%) | - | 546,000 |
| Merricks Capital Special Opportunity Fund Limited ("MEF")<br>(formerly Fat Prophets Australia Fund Limited)<br>*Principal activity is investment*<br>6.8% interest in MEF (2010: 6.4%) | 1,587,903 | 1,701,893 |
| National Hire Limited<br>*Principal activity is capital sales and investment in plant rental business*<br>0.1% interest in National Hire Limited (2010: nil) | 249,164 | - |
| vanEyk Three Pillars Limited<br>*Principal activity is investment*<br>19.6% interest in vanEyk Three Pillars Limited (2010: nil) | 685,080 | - |
| Vocus Communications Limited<br>*Principal activity is telecommunication services*<br>nil interest in Vocus Communications Limited (2010: 4.6%) | - | 1,165,518 |

| | Economic Entity | |
|---|---|---|
| | 2011 | 2010 |
| | $ | $ |

## 16. PROPERTY, PLANT & EQUIPMENT

| | 2011 $ | 2010 $ |
|---|---|---|
| Plant and equipment at cost | 72,807 | 72,343 |
| Accumulated depreciation | (61,307) | (56,399) |
| | 11,500 | 15,944 |

## 17. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

| | 2011 $ | 2010 $ |
|---|---|---|
| Balance at commencement of year | 15,944 | 25,565 |
| Capital expenditure | 464 | 13,553 |
| Depreciation and amortisation | (4,908) | (23,174) |
| Balance at end of year | 11,500 | 15,944 |

## 18. IDENTIFIABLE INTANGIBLE ASSETS

| | 2011 $ | 2010 $ |
|---|---|---|
| Balance at commencement of year | - | 683,574 |
| Amortisation | - | (40,689) |
| Impairment charges | - | (642,885) |
| Balance at end of year | - | - |

Intangible assets, being a management contract, arose from the acquisition of Tidewater Property Management Pty. Limited which holds a funds management contract for the management of Cheviot Kirribilly Vineyard Property Group. The value of the contract, which has a remaining finite useful life of five years plus a five year option, had been assessed by the Directors using discounted cash flow projections. In the year to 30 June 2010, based on the financial performance of the vineyards, the Directors believed the previous assumptions underpinning the valuation of identifiable intangible assets were no longer sustainable, and deemed the management contracts to be fully impaired (Note 3A).

## 19. TRADE AND OTHER PAYABLES

| | 2011 $ | 2010 $ |
|---|---|---|
| CURRENT (UNSECURED) | | |
| Trade creditors | 53,327 | 63,876 |
| Other creditors and accruals | 114,346 | 218,552 |
| Employee entitlements | - | 6,412 |
| Other payables | 11,454 | 5,814 |
| | 179,127 | 294,654 |

## 20. EMPLOYEE ENTITLEMENTS

| | 2011 $ | 2010 $ |
|---|---|---|
| Aggregate employee entitlements | - | 6,412 |
| Number of employees at year end | - | 1 |

| | Economic Entity 2011 $ | 2010 $ |
|---|---|---|
| **21. BORROWINGS** | | |
| CURRENT (SECURED) | | |
| Bills payable | - | 887,500 |
| Bank overdraft | 301,078 | - |
| Total current secured borrowings | 301,078 | 887,500 |
| CURRENT (UNSECURED) | | |
| Loans from related parties | 380,240 | - |
| Total current unsecured borrowings | 380,240 | - |
| Total current borrowings | 681,318 | 887,500 |

Tidewater Investments Limited has an overdraft facility with a major bank with a fixed and floating charge against all the assets of the Company and its controlled entities Loftus Lane Investments Pty. Limited and Rowe Street Investments Pty. Limited. At 30 June 2010, Tidewater Investments Limited had a facility with a major bank with a floating charge against all the assets of the Company and its controlled entities with a registered mortgage over certain specific assets of controlled entities. The registered mortgage was supported by coverage of listed shares and cash assets with a value of $2,148,113 as at 30 June 2010. The facility, at a then prevailing interest rate of 5.91% (plus facility fees), was operated by means of draw-downs of bank accepted bills, with maximum 180 days duration. On 14 July 2010, the Economic Entity fully repaid the residual $887,500 and, as a consequence, the facility expired.

The Economic Entity also operates an unsecured loan facility provided by a related party being the Managing Director of the Company, Andrew Brown. The facility, which is repayable at call, is operated at the discretion of Mr. Brown, and has a limit of $500,000. The facility attracts an interest rate of 9% per annum, calculated daily, credited monthly.

## 22. CONTINGENT LIABILITIES

As at the date of this report and as at 30 June 2010, a controlled entity of the Company, Tidewater Funds Management Limited ("TFM"), is the sixth of twelve defendants in a Statement of Claim ("Claim") made by William Lester Jacobs & Or versus Sean Christopher Edwards & Ors in the Supreme Court of South Australia. TFM denies the Claims allegations which arise from a period prior to the economic entity's ownership of TFM, believes various statements within the Claim to be erroneous and will defend the Claim as required. On 22 July 2011, Judge Lunn *inter alia* ordered that the plaintiff not be allowed to pursue the case on pleadings, disallowed a specific purported Claim, and awarded costs and the opportunity to claim supplementary costs in favour of TFM and other defendants.

A controlled entity of the Company, TFM has guaranteed loans in its capacity as the Responsible Entity of Cheviot Kirribilly Vineyard Property Trust ("CKVPT"). The guarantees made by TFM, which arise from a Letter of Offer from National Australia Bank Limited dated 7 December 2007 and subsequent Letters of Variation, are limited to and can be enforced against TFM only to the extent to which it can be satisfied out of the property of CKVPT out of which TFM is actually indemnified for the liability. It should be noted that parties to the Letter of Offer other than TFM may not sue TFM in any capacity other than as responsible entity of CKVPT, including seek the appointment of a receiver (except in relation to property of CKVPT), a liquidator, an administrator or any similar person to TFM or prove in any liquidation, administration or arrangement of or affecting TFM (except in relation to property of CKVPT).

| | Economic Entity 2011 $ | Economic Entity 2010 $ |
|---|---|---|
| **23. ISSUED CAPITAL** | | |
| 25,055,549 fully paid authorised ordinary shares (2010: 25,737,460) | 16,307,922 | 16,471,395 |

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

MOVEMENT IN ISSUED SHARES OF THE PARENT ENTITY FOR THE YEAR

ORDINARY SHARES

| Date | details | price | number of shares | $ |
|---|---|---|---|---|
| 1 July 2010 | Opening balance | | 25,737,460 | 16,471,395 |
| 1 July 2010 – 3 May 2011 | On market share buyback | $0.24 | (681,911) | (163,473) |
| 30 June 2011 | Closing balance | | 25,055,549 | 16,307,922 |

## 24. CAPITAL AND LEASING COMMITMENTS

### (A) OPERATING LEASE COMMITMENTS

Non-cancellable operating lease commitments contracted for but not provided for in the financial statements:

| | 2011 $ | 2010 $ |
|---|---|---|
| **Minimum lease payments:** | | |
| Not later than one year | 12,031 | 30,250 |
| Later than one year but not later than five years | - | 12,604 |
| | 12,031 | 42,854 |

The commitments above include rental and associated fees paid in respect of the corporate office premises. These licence and rental fees are non cancellable with rent payable monthly in advance, are subject to a fixed annual increase which is incorporated in the stated amounts, which also includes GST. The lease term extends to 30 November 2011.

### (B) CAPITAL COMMITMENTS

The Economic Entity has no outstanding capital commitments (2010: nil).

### (C) SUPERANNUATION

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

## 25. EVENTS SUBSEQUENT TO REPORTING DATE

On 1 August 2011, the Company announced its intention to distribute up to 1,936,467 shares of Merricks Capital Special Opportunity Fund Limited ("MEF") as a capital return to Tidewater Investments Limited shareholders on the basis of 1 MEF share for every 13 Tidewater shares subject to shareholder approval at an upcoming general meeting of the Company.

In month of July 2011, predominantly as a result of gains in the share prices of Adelaide Resources Limited (from 9.7cents at 30 June 2011 to 12.5cents at 31 July 2011) and vanEyk Three Pillars Limited (from 67.5cents to 77cents), realised investment gains and change in fair value of investments exceeded $520,000.

## 26. KEY MANAGEMENT PERSONNEL

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

**Directors**

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

Full details of remuneration paid to key management personnel and their shareholdings in the Economic Entity are contained on pages 9 - 11 of the Directors Report as a Remuneration report.

## 27. SALE AND DECONSOLIDATION OF CONTROLLED ENTITIES – PRIOR PERIOD

### (A) DESCRIPTION

On 16 December 2009, Tidewater Investments Limited ("**Tidewater**") disposed of its controlled entity Tidewater Asset Management Pty. Limited ("**TAM**") to Andrew Brown, Tidewater's Managing Director. TAM supplied wholesale equity funds management and underwriting services. On the same day, as a result of Tidewater not taking up its entitlement to an underwritten 8:1 non-renounceable rights issue by the controlled entity, Equities and Freeholds Limited ("**EQF**"), EQF ceased to be a controlled entity of Tidewater. EQF is a listed investment company.

### (B) DETAILS OF SALE AND DECONSOLIDATION OF CONTROLLED ENTITIES

On 16 December 2009, Tidewater divested its wholly owned controlled entity TAM. The divested business contributed revenues of $70,719 during the period between 1 July 2009 and the date of divestment and a profit before tax of $42,641 (after internal management charges), and a gain on sale of $10,000.

On 16 December 2009, as a result of Tidewater not taking up its rights entitlement in the controlled entity EQF, to an underwritten 8:1non-renounceable rights issue, EQF ceased to be a controlled entity of Tidewater. The deconsolidated entity contributed revenues of $1,680,709, profit before tax of $954,351 and a gain on deconsolidation of $285,876.

## 27. SALE AND DECONSOLIDATION OF CONTROLLED ENTITIES – PRIOR PERIOD (continued)

Details of the sale of TAM are as follows:

| | $ |
|---|---|
| Cash consideration received | 125,368 |
| TOTAL DISPOSAL CONSIDERATION | 125,368 |
| Carrying value of net assets sold | (115,368) |
| GAIN ON SALE (before income tax – no tax applicable) | 10,000 |

The carrying amounts of assets and liabilities at the date of sale (16 December 2009) were:

| | |
|---|---|
| Cash | 114,375 |
| Debtors | 993 |
| TOTAL ASSETS | 115,368 |
| Liabilities | - |
| NET ASSETS | 115,368 |
| | |
| Cash component of consideration | 125,368 |
| Cash balances divested | (114,375) |
| Total inflow of cash | 10,993 |

Details of the deconsolidation of EQF are as follows:

| | |
|---|---|
| Fair value of shareholding maintained | 755,230 |
| Carrying amount of net assets deconsolidated | (469,354) |
| GAIN ON DECONSOLIDATION (before income tax – no tax applicable) | 285,876 |

The carrying amounts of assets and liabilities of EQF at the date of deconsolidation (16 December 2009) were:

| | |
|---|---|
| Cash | 515,727 |
| Debtors | 74,684 |
| Prepayments | 6,749 |
| Investment in associate | 50,000 |
| Investment in listed securities | 2,702 |
| Deferred tax asset | 2,857 |
| TOTAL ASSETS | 652,719 |
| | |
| Creditors | 52,491 |
| Accruals | 14,276 |
| TOTAL LIABILITIES | 66,767 |
| | |
| Minorities | 116,598 |
| NET ASSETS ON DECONSOLIDATION | 469,354 |
| | |
| Cash component of deconsolidation | - |
| Cash balances divested on deconsolidation | (515,727) |
| Total outflow of cash | (515,727) |

| | Economic Entity 2011 $ | 2010 $ |
|---|---|---|

## 28. CASH FLOW INFORMATION

### (A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS) AFTER TAX

| | 2011 $ | 2010 $ |
|---|---|---|
| Operating (loss)/profit after income tax | (616,581) | 674,359 |
| **Cash flows excluded from profit/(loss) attributable to operating activities:** | | |
| Purchases of investments | (2,473,097) | (730,317) |
| Proceeds from sales of investments | 3,204,023 | 3,102,837 |
| Proceeds from return of capital | 291,792 | 46,836 |
| **Non cash flows in operating profit/(loss):** | | |
| Change in fair value of investments retained | 793,138 | (562,595) |
| Profit on sale of investments | (588,785) | (952,187) |
| Profit on distribution of investments | - | (276,124) |
| Profit on disposal of controlled entities | - | (295,876) |
| Provision for doubtful debts | 4,161 | - |
| Depreciation and amortisation | 4,908 | 63,863 |
| Interest on related party borrowings accrued to capital | 22,131 | - |
| Interest paid from prior year accrual | (3,301) | - |
| Impairment of identifiable intangible asset | - | 642,885 |
| Profit attributable to minorities | - | 129,282 |
| **Changes in assets and liabilities net of acquisitions:** | | |
| Decrease in deferred tax balances | 38,432 | 990 |
| Decrease in sundry debtors & prepayments | 22,203 | 67,238 |
| Decrease in trade creditors & accruals | (109,645) | (77,917) |
| Decrease in other provisions | - | (13,551) |
| Other | - | 2,039 |
| **Cash flows from operations** | **589,379** | **1,821,761** |

### (B) NON CASH FLOW FINANCING ACTIVITY

During the year to 30 June 2010, the economic entity paid dividends of $891,571 through the distribution of investments which was not reflected in the statement of cash flows. During the year to 30 June 2011, no such distributions were made.

## 28. CASH FLOW INFORMATION (continued)

| | Economic Entity 2011 $ | Economic Entity 2010 $ |
|---|---|---|
| **(C) LOAN FACILITIES** | | |
| Overdraft/loan facilities | 400,000 | 1,000,000 |
| Amount utilised | (301,078) | (887,500) |
| Unused loan facilities | 98,922 | 112,500 |

Tidewater Investments Limited has an overdraft facility with a major bank with a fixed and floating charge against all the assets of the Company and its controlled entities Loftus Lane Investments Pty. Limited and Rowe Street Investments Pty. Limited. The overdraft facility is available until 31 July 2012 and as at the reporting date attracted an interest rate of 12.9% per annum. At 30 June 2010, Tidewater Investments Limited had a facility with a major bank with a floating charge against all the assets of the Company and its controlled entities with a registered mortgage over certain specific assets of controlled entities. The registered mortgage was supported by coverage of listed shares and cash assets with a value of $2,148,113 as at 30 June 2010. The facility, at a then prevailing interest rate of 5.91% (plus facility fees), was operated by means of draw-downs of bank accepted bills, with maximum 180 days duration. On 14 July 2010, the Economic Entity fully repaid the residual $887,500 and, as a consequence, the facility expired.

The Economic Entity also operates an unsecured loan facility provided by a related party being the Managing Director of the Company, Andrew Brown. The facility, which is repayable at call, is operated at the discretion of Mr. Brown, and has a limit of $500,000. The facility attracts an interest rate of 9% per annum, calculated daily, credited monthly. In the year to 30 June 2011, the economic entity drew down $651,433 under the facility, including $243,063 which was paid to third party stockbrokers in settlement of share purchases, and repaid $293,324. Interest of $22,131 in the year to 30 June 2011 was credited to the facility.

## 29. RELATED PARTY INFORMATION AND TRANSACTIONS

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

### Key management personnel remuneration
During the financial year, total remuneration of $152,246 (2010: $541,217) was paid to Directors and key management personnel. Details of the payments and the shareholdings in Tidewater Investments Limited of Directors and key management personnel are shown in the Remuneration report contained as part of the Directors Report on pages 9-11 of this Financial Report.

This remuneration includes Directors fees of $nil (2010: $8,750) paid to common Directors of Tidewater Investments Limited and Equities and Freeholds Limited.

## 29. RELATED PARTY INFORMATION AND TRANSACTIONS (continued)

**Tidewater Investments Limited transactions with controlled entities**

During the financial year, Tidewater Investments Limited advanced and repaid loans, sold and purchased goods and services, and provided management, accounting and administrative assistance to its controlled entities. At 30 June 2011, controlled entities owed the parent entity $5,643,262 (2010: $5,423,878) (prior to provisions for non recovery) and the parent entity owed the controlled entities $10,048 (2010: $399,640). All loans advanced to and from these controlled entities are unsecured, subordinate to other liabilities and do not bear interest. Loans between members of the tax consolidated group are not on normal terms and conditions.

$130,000 in dividends were received from controlled entities (2010: nil).

Tidewater Investments Limited charged management fees of $240,000 (2010: $240,000) to Tidewater Property Management Pty. Limited, $28,463 (2010: nil) to Loftus Lane Investments Pty. Limited, $25,534 (2010: nil) to Rowe Street Investments Pty. Limited and nil (2010: $30,000) to a former controlled entity Tidewater Asset Management Pty. Limited. Tidewater Funds Management Limited charged Tidewater Investments Limited management fees of nil (2010: $240,000). Tidewater Investments Limited received reimbursements of $32,000 from Tidewater Funds Management Limited in respect of previous years fees.

In the year to 30 June 2010, Tidewater Investments Limited and its then wholly owned controlled entity, Discount Assets Limited, received:

(i) 2,417,663 and 603,257 shares of Adelaide Resources Limited ("**ARL**") respectively on 26 October 2009 as a result of a 27.6cents per share dividend payment by EQF; and
(ii) 1,611,775 and 402,171 shares of ARL respectively on 17 December 2009 as a result of a 24.0cents per share capital return by EQF.

**Other related parties**

Andrew Brown is a Director of Adelaide Resources Limited, Cheviot Bridge Limited, Cheviot Kirribilly Vineyard Property Group and Merricks Capital Special Opportunities Fund Limited (2010: all the above entities plus Equities and Freeholds Limited). In the year to 30 June 2011, all Directors fees earned by Mr. Brown from these parties were paid directly to Mr. Brown or his family owned companies A. Brown and Company Pty. Limited or Abron Management Services Pty. Limited and amounted to $136,552 plus superannuation of $3,744 as part of changed remuneration arrangements which were documented in the 2010 financial statements of the economic entity. In the year to 30 June 2010, all Directors fees and other arrangements from these parties were paid to Tidewater Investments Limited and amounted to $93,685.

During the year to 30 June 2010 Andrew Brown acted as a Key Person in relation to an Australian Financial Services Licence held by Fat Prophets Funds Management Australia Pty. Limited ("**FPFMA**") which managed Fat Prophets Australia Fund Limited (now Merricks Capital Special Opportunity Fund Limited) until 29 July 2010. In the year to 30 June 2011, FPFMA paid or accrued fees to Tidewater Investments Limited and controlled entities of nil (2010: $70,719) in relation to services rendered in relation to the management of the Fat Prophets Australia Fund of which Mr. Brown is a Director.

## 29. RELATED PARTY INFORMATION AND TRANSACTIONS (continued)

Tidewater Property Management Pty. Limited is the asset manager and Tidewater Funds Management Limited is the Responsible Entity of Cheviot Kirribilly Vineyard Property Group ("**CKP**"). In the year to 30 June 2010, Tidewater Property Management Pty. Limited earned or accrued fees of $176,667 (2010: $304,705) from CKP.

Andrew Brown advanced a total of $651,433 (2010: $195,000) in loans to Tidewater Investments Limited during the year to 30 June 2011 of which $293,324 (2010: $195,000) was repaid. Interest of $22,131 in the year to 30 June 2011 (2010: nil) was credited to the facility in respect of the loans. The loan facility, which is repayable at call, is operated at the discretion of Mr. Brown, and has a limit of $500,000. The facility attracts an interest rate of 9% per annum, calculated daily, credited monthly.

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

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

- listed shares and equity type securities in other corporations;
- cash assets;
- receivables;
- payables;
- deposits; and
- bills of exchange and commercial paper.

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

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

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

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

### (A) CAPITAL RISK MANAGEMENT

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

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

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

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

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

**Interest rate risk** refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets, such as bank deposits and interest bearing current accounts. Historically, our interest rate liability risk arose primarily from drawdowns of bank accepted bills with a maximum of 180 days duration, supported by a facility with a major commercial bank, with a floating charge over the assets of the economic entity. The timing of rollover of these bank accepted bills gave rise to variable interest rate and cash flow risks. The economic entity currently has access to loan facilities provided by a related party at a fixed rate of 9.0% per annum together with a short term bank overdraft. The parent entity largely assumes interest rate risk insofar as it acts as a effective treasury for the economic entity by arranging debt facilities with a major commercial bank. These proceeds, together with other available capital, are available to be loaned to controlled entities through non-interest bearing inter-company loan accounts.

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

| ECONOMIC ENTITY 2011 | Interest Rate | Fixed Interest Rate $ | Floating Interest Rate $ | Non Interest Bearing $ | Total $ |
|---|---|---|---|---|---|
| **Financial assets:** | | | | | |
| Cash and cash equivalents | - | - | - | 11,535 | 11,535 |
| Trade and other receivables | - | - | - | 81,573 | 81,573 |
| Investments | - | - | - | 4,775,616 | 4,775,616 |
| | | - | - | 4,868,724 | 4,868,724 |
| **Financial Liabilities:** | | | | | |
| Bank overdraft | 12.9% | - | 301,078 | - | 301,078 |
| Borrowings from related parties | 9.0% | 380,240 | - | - | 380,240 |
| Trade and other payables | - | - | - | 172,828 | 172,828 |
| | | 380,240 | 301,078 | 172,828 | 854,146 |
| **Net Financial Assets/(Liabilities)** | | (380,240) | (301,078) | 4,695,896 | 4,014,578 |

| ECONOMIC ENTITY 2010 | Interest Rate | Fixed Interest Rate $ | Floating Interest Rate $ | Non Interest Bearing $ | Total $ |
|---|---|---|---|---|---|
| **Financial assets:** | | | | | |
| Cash and cash equivalents | 2.32% | - | 343,825 | - | 343,825 |
| Loans | 7.00% | - | 21,660 | - | 21,660 |
| Trade and other receivables | - | - | - | 333,265 | 333,265 |
| Investments | - | - | - | 5,455,697 | 5,455,697 |
| | | - | 365,485 | 5,788,962 | 6,154,447 |
| **Financial Liabilities:** | | | | | |
| Borrowings | 5.91% | - | 887,500 | - | 887,500 |
| Trade and other payables | - | - | - | 288,241 | 288,241 |
| | | - | 887,500 | 288,241 | 1,175,741 |
| **Net Financial Assets/(Liabilities)** | | - | (522,015) | 5,500,721 | 4,978,706 |

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

At current interest rates, over the course of a full year, a movement of 100 basis points in borrowing rates with an accompanying change in deposit rates would increase or decrease pre- tax profit/(loss) by $3,011 (2010: $5,220).

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

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

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

Over the course of the financial year, the economic entity's major credit risk relates to its exposure to sold securities transactions where Members of ASX Limited are required to settle such transactions in the normal course of business on the Australian Securities Exchange. Members of ASX Limited are generally covered by the National Guarantee Fund for the types of transactions entered into by the Economic Entity. To help manage this risk, we monitor our exposures to individual entities. The maximum amount to which the economic entity is exposed as at 30 June 2011 is $38,582 (2010: nil).

Other than receivables in respect of sales of securities, trade and other receivables consists of a small number of customers for whom the Economic Entity manages external funds, or corporations to whom Directors of the economic entity supply services. Our risks in these respects are mitigated by intimate knowledge of the customer, or board representation by management of the economic entity.

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

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

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

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

To help mitigate these risks we maintain constant monitoring of the economic entity's financial position through a series of cross-linked financial programs, and attempt to ensure the economic entity has accessible liquidity in the form of cash, readily saleable securities and access to bank and margin financing. The contracted cash flows of all financial liabilities (refer notes 19 and 21) are equal to their carrying value and will mature within twelve months of the reporting date.

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

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

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

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

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

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

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

In the event that the listed company portfolio increased or decreased in value by 10% from the levels of 30 June 2011, there would be a corresponding positive or negative impact on pre-tax profit/(loss) of $403,062 (2010: $497,313).

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

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

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

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

| 30 June 2011 | Level 1 | Level 2 | Level 3 | TOTAL |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Financial assets at fair value through profit or loss: | | | | |
| Shares in other corporations | 4,030,616 | 745,000 | - | 4,775,616 |
| Loans to other entities | - | - | - | - |
| TOTAL | 4,030,616 | 745,0000 | - | 4,775,616 |

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

| 30 June 2010 | Level 1 | Level 2 | Level 3 | TOTAL |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Financial assets at fair value through profit or loss: | | | | |
| Shares in other corporations | 4,973,127 | 482,570 | - | 5,455,697 |
| Loans to other entities | - | - | 21,660 | 21,660 |
| TOTAL | 4,973,127 | 482,570 | 21,660 | 5,477,357 |

The fair value of financial instruments traded in active markets (being shares in listed corporations) is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (e.g. shares in unlisted corporations) is determined using valuation techniques. The group uses a variety of valuation methods and makes assumptions that are based on market conditions existing at the end of each reporting period. These instruments are included in level 2 and comprise two sets of shares in unlisted corporations. One instrument included within level 2, being shares in Cheviot Bridge Limited ("CBL") moved from level 1 to level 2 during the year to 30 June 2010, as a result of the delisting of shares in CBL from Australian Securities Exchange. As at 30 June 2011, shares in CBL are carried at the last price of 5.0cents per share at which funds were raised by CBL in November 2010 (2010: 4.5cents per share).

As at 30 June 2010, the only asset held in level 3 financial instruments, being a loan to Vesture Limited, was been repaid after 30 June 2010. No gain or loss in profit or loss was recorded in the year ended 30 June 2010. As a consequence of the repayment, the loan has been valued at par and no sensitivity analysis or other assumptions required in determining fair value have been presented.

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

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

| | Economic Entity | |
|---|---|---|
| | 2011 | 2010 |
| | $ | $ |
| Net Financial Assets as above | 4,014,578 | 4,978,706 |
| **Non financial assets and liabilities:** | | |
| Other assets | 36,057 | 59,775 |
| Deferred tax assets | 34,302 | 72,734 |
| Property, plant and equipment | 11,500 | 15,944 |
| Other liabilities | (6,299) | (6,412) |
| Net assets per balance sheet | 4,090,138 | 5,120,747 |

## 31. SEGMENT REPORTING

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

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

**Funds management**: the management of closed end investment vehicles and provision of other funds management services; and

**Investment**: investment in closed end investment funds, "microcap" Australian companies, and other financial services entities.

Unallocated expenses include all financing costs except those directly attributable to investment, and personnel costs associated with the Economic Entity except the use of outside personnel as Directors of partly owned subsidiaries and compliance committees which are capable of allocation to a specific business segment; interest and dividend income is allocated to "Investment".

| 2011 | Funds Management | Investment | Unallocated | TOTAL |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| External revenue | 232,239 | 3,252,293 | 34,403 | 3,518,935 |
| Interest revenue | - | 4,010 | - | 4,010 |
| Expenses other than finance, depreciation and amortisation | (222,805) | (3,446,959) | (395,358) | (4,065,122) |
| Depreciation | (64) | - | (4,844) | (4,908) |
| SEGMENT RESULT | 9,370 | (190,656) | (365,799) | (547,085) |
| Finance Costs | - | - | (31,064) | (31,064) |
| PROFIT/(LOSS) BEFORE INCOME TAX | 9,370 | (190,656) | (396,863) | (578,149) |
| Income tax expense | - | - | (38,432) | (38,432) |
| PROFIT/(LOSS) AFTER INCOME TAX | 9,370 | (190,656) | (435,295) | (616,581) |
| | | | | |
| Segment Assets | 73,472 | 4,831,459 | 45,652 | 4,950,583 |
| Segment Liabilities | 45,215 | 133,911 | 681,319 | 860,445 |
| | | | | |
| Capital Expenditure | - | - | 464 | 464 |

31. SEGMENT REPORTING (continued)

| 2010 | Funds Management $ | Investment $ | Unallocated $ | TOTAL $ |
|---|---|---|---|---|
| External revenue | 375,428 | 4,001,141 | 93,683 | 4,470,252 |
| Interest revenue | - | 44,652 | - | 44,652 |
| Other revenue | - | - | 295,876 | 295,876 |
| Expenses other than finance, depreciation and amortisation | (147,278) | (2,115,899) | (907,701) | (3,170,878) |
| Depreciation | (1,590) | - | (21,584) | (23,174) |
| Amortisation and impairment | (683,574) | - | - | (683,574) |
| SEGMENT RESULT | (457,014) | 1,929,894 | (539,726) | 933,154 |
| Finance Costs | - | (57) | (133,303) | (133,360) |
| PROFIT/(LOSS) BEFORE INCOME TAX | (457,014) | 1,929,837 | (673,029) | 799,794 |
| Income tax benefit | - | 3,847 | - | 3,847 |
| Minority Interests | - | (129,282) | - | (129,282) |
| PROFIT/(LOSS) AFTER INCOME TAX | (457,014) | 1,804,402 | (673,029) | 674,359 |
| | | | | |
| Segment Assets | 447,428 | 5,767,008 | 88,465 | 6,302,901 |
| Segment Liabilities | 26,541 | 268,113 | 887,500 | 1,182,154 |
| | | | | |
| Capital Expenditure | - | - | 12,404 | 12,404 |

32. COMPANY DETAILS

The Registered Office and Principal Place of Business of the Economic Entity is Suite 7.09, 2-14 Kings Cross Road, POTTS POINT NSW 2011

## TIDEWATER INVESTMENTS LIMITED

## DIRECTORS DECLARATION

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

(a) The financial statements and notes of the Economic Entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Economic Entity's financial position as at 30 June 2011 and of its performance for the year ended on that date;

  (ii) complying with Accounting Standards and Corporations Regulations; and

  (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements; and

(b) In the opinion of the directors, there are reasonable grounds to believe that the Economic Entity will be able to pay its debts as and when they become due and payable.

(c) The Managing Director has declared that:

  (i) the financial records of the Economic Entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
  (iii) the financial statements and notes for the financial year give a true and fair view.

(d) The remuneration disclosures that are contained in pages 9 to 11 of the Directors' Report comply with Australian Accounting Standard AASB 124 Related Parties and Corporations Regulations 2001.

On behalf of the Board

P A Young
Chairman

A J Brown
Managing Director

Date: 1 August 2011

PKF

Chartered Accountants
& Business Advisers

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF TIDEWATER INVESTMENTS LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Tidewater Investments Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's Responsibility*

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

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

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

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PKF

Chartered Accountants
& Business Advisers



*Independence*

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

*Opinion*

In our opinion:

(a) the financial report of Tidewater Investments Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 11 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion, the Remuneration Report of Tidewater Investments Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

**PKF**

**Arthur Milner**
Partner

1 August 2011
Sydney

# TIDEWATER INVESTMENTS LIMITED.

## OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2011

### A. Range of Shares Issued as at 25 July 2011

As at 25 July 2011 there were 25,055,549 shares held by 450 shareholders, all of which were quoted on the ASX.

| Range | Holders | Shares held | % of capital |
|---|---|---|---|
| 1-1,000 | 208 | 98,365 | 0.39 |
| 1,001-5,000 | 143 | 401,051 | 1.60 |
| 5,001-10,000 | 26 | 196,791 | 0.79 |
| 10,001-100,000 | 51 | 1,423,318 | 5.68 |
| Over 100,001 | 22 | 22,936,024 | 91.54 |
| **Totals** | **450** | **25,055,549** | **100.00** |

### B. Top Twenty shareholders as at 25 July 2011

| Holder | Shares held | % of capital |
|---|---|---|
| A Brown And Company Pty Limited | 5,052,572 | 20.17% |
| Mr Victor John Plummer | 3,760,000 | 15.01% |
| Abron Management Services Pty Ltd <Brown Family Super A/C> | 2,450,000 | 9.78% |
| National Nominees Limited | 1,538,500 | 6.14% |
| Dr Stephanie Phillips | 1,500,000 | 5.99% |
| Rbc Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C> | 1,429,975 | 5.71% |
| Ms Lorraine Young | 945,096 | 3.77% |
| Mr Stephen Roberts & Mrs Megan Roberts <Dover Downs Super Fund A/C> | 750,948 | 3.00% |
| Pethol (Vic) Pty Ltd <Macdy No 5 Super Fund A/C> | 695,323 | 2.78% |
| Mr Stephen Roberts <Roberts Pension Fund A/C> | 690,018 | 2.75% |
| Pilrift Pty Ltd <Critchley Retirement A/C> | 577,685 | 2.31% |
| Sanolu Pty Limited | 482,454 | 1.93% |
| Mr Christopher Arthur Malin & Mrs Gabrielle Eve Malin <Jingera Super Fund A/C> | 456,762 | 1.82% |
| Megwil Pty Ltd <Wpg Super Fund A/C> | 443,774 | 1.77% |
| Agrico Pty Ltd <Palm Super Fund A/C> | 425,000 | 1.70% |
| Mr Stephen Murray Roberts & Mrs Megan Roberts <Roberts Pension Fund A/C> | 408,333 | 1.63% |
| Pacific Gold Resources Limited | 350,000 | 1.40% |
| TCL Employee Share Plan Managers Pty Ltd <Desp A/C> | 244,618 | 0.98% |
| Mr John Edwin Cordukes & Mrs Elizabeth Julia Moreton Cordukes <John Cordukes S/F A/C> | 214,500 | 0.86% |
| Panstyn Investments Pty Ltd | 200,000 | 0.80% |
| TOTAL TOP TWENTY SHAREHOLDERS | 22,615,558 | **90.26%** |

### C. Voting Rights

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

## D. Substantial Shareholders

The company has been notified of six shareholders who hold relevant interests of in excess of 5% of the company's ordinary shares as at 25 July 2011:

| Holder | Shares held | % of capital |
|---|---|---|
| Andrew John Brown (relevant interests) | 7,558,277 | 30.17% |
| Victor John Plummer | 3,760,000 | 15.01% |
| Stephen Murray Roberts (relevant interests) | 1,870,451 | 7.47% |
| Contango Capital Limited | 1,538,500 | 6.14% |
| Mrs. Stephanie Phillips | 1,500,000 | 5.99% |
| Wilson Asset Management (International) Pty. Limited | 1,429,975 | 5.71% |