



ANNUAL REVIEW
FINANCIAL YEAR 2009



Funds Limited

Orchard's core business is **property funds management** with approximately \$2.6 billion in funds under management.

Orchard's funds invest in quality commercial property including traditional assets in retail, office and industrial and a range of non-traditional assets such as medical centres, hospitals and childcare centres.

To find out more, visit
www.orchardfunds.com



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All information is as at 30 June 2009 unless otherwise stated.



01 FINANCIAL POSITION SUMMARY

\$30.8m revenue from continuing operations

\$30.8m total assets

\$2.6b funds under management (FUM)



KEY RESULTS	12 months to 30 Jun 2008	6 months to 31 Dec 2008	6 months to 30 Jun 2009	12 months to 30 Jun 2009
	\$'000	\$'000	\$'000	\$'000
Revenue from continuing operations	65,131	18,622	12,178	30,800
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(59,663)	(1,556)	7,783	6,227
Net profit/(loss) after tax (NPAT) including devaluation	(65,384)	(5,792)	6,079	287
Total assets	54,930	45,153	decreased by 14,377	30,776
Total liabilities	130,813	55,252	decreased by 20,327	34,925
Total shareholder funds	(75,883)	(10,099)	increased by 5,950	(4,149)
Funds under management (FUM) \$	3.5b	3.1b	decreased by 0.5b	2.6b

01 FINANCIAL POSITION SUMMARY

39 Herbert Street, St Leonards NSW

RECONCILIATION OF FINANCIAL RESULTS TO PROSPECTUS FORECAST

ITEM	Variance to prospectus \$ million	Result	Comment
Revenue	(3.0)	Unfavourable	Reduction in fund management fees and a reduction in other income (largely driven by a reduction of deferred management fees)
Commissions and rebates	0.4	Favourable	Lower than expected activity
Overheads	0.7	Favourable	Strict cost control through the reduction of staff, lower accommodation costs and a reduction in professional and legal costs
Non recurring costs:			
Recovery of SAI Group Receivable	7.7	Favourable	Higher than anticipated recovery
Sale of Stayplton units	(2.0)	Unfavourable	Sales results lower than expected
Staff redundancies	0.1	Favourable	Lower cost than anticipated
Impairment of prepaid fees	(1.0)	Unfavourable	Deemed unrecoverable
Lease obligations	(0.1)	Unfavourable	Fit out expensed, leasing fees and surrender of deposit
Receivables written off	(0.3)	Unfavourable	Discounted receivable
PIF rent support	0.9	Favourable	Release of provision
Depreciation and amortisation	(0.4)	Unfavourable	Write down in assets
Net interest charge	0.9	Favourable	Facility repaid quicker than forecast and a 4.45% reduction in cost of funding

Please note: The Financial Report containing: Directors' Report; Auditor's Independence Declaration; Consolidated Income Statement; Consolidated Balance Sheet; Consolidated Statement of Changes in Equity; Consolidated Cash Flow Statement; Notes to the Financial Statements; Directors' Declaration; and the Independent Auditor's Report is available on the Orchard website www.orchardfunds.com or from Orchard upon request.



STATUS OF KEY FINANCIAL DRIVERS AS AT 31 OCTOBER 2009

CORPORATE DEBT	Orchard has a corporate debt facility with Bank of Scotland International (BOSI). Orchard and BOSI are negotiating new terms which are expected to include a requirement to amortise the advances down to \$20 million by 31 December 2009, an increase in the margin, relaxation or removal of financial covenants, regular cash sweeps funded by any available free cash to further amortise advances (subject to maintaining sufficient working capital and regulatory capital), a facility of up to \$3 million to ensure regulatory requirements are always met and an extended term. As at the date of this report the Company has sufficient free cash to repay advances to a reduced \$20 million limit.
CASH POSITION	Cash on hand, used principally to support our Australian Financial Services Licence (AFSL), bank guarantees and working capital is \$12 million.
BANKING RELATIONSHIPS	Orchard and its managed funds continue to receive the support of their principal financiers. Approximately \$700 million of managed fund debt has been renegotiated in the last four months.
CASH FLOW	Orchard's net operating cash flows are forecast to remain positive. This should enable further amortisation of the corporate debt during the year.
ASSET REALISATION	Since the conversion of the SAI Notes in December 2008 to date, Orchard has collected \$12.8 million net attributable to the SAI Group Receivable. A further \$1 million in surplus assets is expected to be realised during the financial year ending 30 June 2010.





02 CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REVIEW





02 CHAIRMAN'S LETTER

THE BOARD OF ORCHARD FUNDS LIMITED ('ORCHARD' OR 'THE GROUP') IS PLEASED TO PRESENT THE FOLLOWING ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2009.

We apologise for the delay in sending you this report, however, as was the case in the previous reporting period, the finalisation of critical banking negotiations and inclusion of information concerning two of our managed funds delayed the issue of this report.

FULL YEAR RESULTS

During the year, Orchard made significant progress in restoring its financial position. The Group reported earnings before interest, tax depreciation and amortisation (EBITDA) of \$6.227 million in the 12 months to 30 June 2009 compared with negative EBITDA of \$59.663 million in the previous 12 months.

In the six months to 30 June 2009 Orchard recorded an operating profit after tax of \$6.079 million compared with a loss of \$5.792 million for the previously reported six month period. This result was pleasing given revenues declined by 35% to \$12.178 million in the half year and fell 53% to \$30.8 million over the full year.

This result can be attributed to:

- (i) lower management fee revenues due to asset sales and asset devaluations;
- (ii) the expense reduction program commenced part way through 2008; and
- (iii) a better than anticipated result in collecting the SAI Group Receivable.

However, as noted in the Independent Auditor's opinion, there is an emphasis of matter regarding the ability of the Group and its Funds to operate as going concerns without the support of their financiers. As at the date of the signing of the accounts, the Directors of the Group were of the view there are reasonable grounds to believe that the financiers will continue to support the Funds and the Group.

OPERATING ENVIRONMENT

Despite recent improvements in consumer and business sentiment and general widespread support for the extensive recapitalisations of many Australian businesses and Real Estate Investment Trusts (REITs), banking pressure for the continued deleveraging of many asset backed investment vehicles, including unlisted property trusts has continued to severely impact on businesses like Orchard. Until the credit cycle turns and a more accommodative stance is adopted by banks in general towards the property investment industry, participants will continue to be subjected to historically high credit spreads and fees, restrictions on the application of cash flow towards distributions and limited facility durations.

A feature of the current environment is the substantial amount of new capital looking to enter the property market and capitalise on the "distress" in the market. Many of these investors have, to date, been unable to find suitable opportunities. This is principally due to the level of REIT recapitalisations, particularly by listed property trusts, that has taken place and the corresponding lack of assets for sale.

In addition, given the attractiveness of funds management platforms as a surrogate for direct property purchases, there is now a strong likelihood of a consolidation in the property funds management industry through merger or acquisition activity. Orchard is well placed to participate in this phase and we will be actively pursuing opportunities that are in the interests of our stakeholders.

REBUILDING FOR THE FUTURE

The fundamental objective of the Board and our management team continues to be on securing the long term viability of Orchard, thus preserving as much value as possible for our stakeholders. The approval of the Note conversion at the meeting of Noteholders on 15 December 2008 was a significant step forward for the Group.

Following on from the conversion, our clear focus has been on rebuilding Orchard's value. This rebuilding has

occurred with considered incremental steps. To this end our key strategies remain:

1. Negotiation of key banking arrangements to provide stabilisation at both the fund and corporate level;
2. Recapitalisation of our managed funds through the issue of entitlement offers; and
3. Provision of liquidity for Shareholders and managed fund investors.

YOUR BOARD

The Board continues to focus on ensuring that Shareholders benefit from a sound Orchard business model going forward, whilst maintaining high standards of transparency and corporate governance.

During the last few months both of Orchard's longest serving Directors, Robert (Bob) Appleby and Greg McMahon have tendered their resignations. Bob, as the former Chairman of SAI Group Pty Ltd (SAI), has served as a Director of various group entities since 1990. Greg joined the Board of SAI as a result of the merger of SAI with TeysMcMahon in 1997. I thank both Bob and Greg for their long service to the company.

During the last few months we have progressed discussions with several individuals to join the Orchard Board in the capacity of Non-Executive Director. While no appointment has been made it remains our desire to maintain a process of Board renewal by further strengthening the Board in order to meet the challenges we are facing. Accordingly we encourage further nominations from suitably qualified individuals.

CONCLUSION

Orchard continues to meet the challenges of a very different operating environment to the one that existed when many of our Shareholders subscribed for the SAI Notes. The Board and management have worked very diligently through a step by step process of rebuilding the foundations of the business and we are today a very focused property investment and funds management business with a clear aspiration to rebuild value for all its managed fund investors and Shareholders.

We recognise the past 12 months have been difficult for many investors and Shareholders. The restoration of distributions across many of the funds has been a pleasing outcome for this year. While the reopening of funds for applications and redemptions remains some way off we are heartened that a number of funds can now accommodate quarterly distributions.

I thank all of the management team and staff for their dedication and commitment throughout this difficult period and acknowledge the continued support provided by the Board.

There are now clear signs that the property market is bottoming and investor confidence is returning. The next 12 months should see some of the hard decisions we have made to restructuring the business begin to show a positive impact.

I look forward to continuing to report to you on Orchard's progress.

Yours sincerely,

Charles Macek
Chairman
Orchard Funds Limited



Charles Macek
Chairman



02

CHIEF EXECUTIVE OFFICER'S REPORT



DESPITE CONTINUED DOWNSIZING AND SEEMINGLY UNRELENTING BANKING PRESSURES, THE ORCHARD TEAM HAS CONTINUED TO POSITIVELY AND PROACTIVELY WORK TOWARDS OUR GOAL OF STABILISING THE COMPANY AND THE POSITION OF OUR MANAGED FUNDS.

Over the past 12 months, Orchard has worked hard to stabilise and restructure its debt facilities and implement a range of other measures to improve the position for all stakeholders.

The entire Group debt restructure is coming to an end with successful agreement with the major banks expected to occur during the first quarter of 2010. This will create a stabilised environment but will not resolve all of the gearing and other issues in the Group.

Amidst this progress by Orchard, the global economic environment has remained volatile but has begun to show signs of improvement. Several large scale initial public offerings in the retail sector could be interpreted as a bellwether of upcoming attempts by corporates to raise funds from the equity markets.

In commercial property, early signs of market value stabilisation are now appearing and industry experts suggest a recovery is imminent in 2010. They also suggest property values may not fall as far as initially anticipated due to \$18 billion of capital raised by the Australian REIT industry over the past 12 months.

The property funds management landscape has continued to remain resilient and investors are now starting to consider the sector. The publicly reported move by Centro Properties Group to engage investment banks to advise on future capitalisation options, and the recent launch of the CorVal Industry House Trust in Canberra indicates that this sector could be once again gaining momentum. Nevertheless, valuations remain challenging, debt is difficult to access and new equity is still expecting strong risk adjusted returns.

A key risk for any player will be to ensure that as the industry consolidates through the next up-turn, it is not left behind, bearing the burdens associated with lower funds under management and the need for growth to preserve market share.

A challenge for Orchard in the medium term will be to ensure that it positions itself well to take advantage of future opportunities in the sector. Successful navigation of these medium term opportunities will then position Orchard well for larger strategic moves in the longer term.

FINANCIAL RESULTS

The Group made an after tax profit of \$287,000 for the year (compared with a loss of \$65.4 million in 2008). Results in the second half of the year were particularly strong generating a profit of \$6.079 million as both cost containment measures yielded results and better than anticipated recoveries of the SAI Group Receivable. The Group has generated a positive cash flow, albeit that there have been significant nonrecurring costs.

Revenue for the year declined by 53% from 2008 reflecting both lower property values leading to lower management fees (down 11%), zero application fees (2008 - \$8.4 million) and an 82% reduction in acquisition and disposal fees. Due to little inflows in the funds, commissions and rebates have declined 69% from \$9.1 million to \$2.8 million.

Decisive and stringent cost controls ensured that salary and administration costs were reduced by 42% (\$6.4 million) in the second half of the year and staff costs reduced by 46%. The company is now positioned with a lower cost base to be able to manage within its expected lower management fees for the near future.

Shareholders will recall that in 2008 the Group had substantial impairment expense of \$68.7 million as a result of the restructuring of the Group and the impairment of amounts due by SAI. Due to a better than anticipated recovery of designated SAI assets, there has been a release of the impairment provision of \$6.6 million. Because of a \$16 million reduction in borrowings and a 445 basis point reduction in interest rates over the year, bank funding costs fell by 33%.

The major change in the Group's balance sheet as at 30 June 2009 reflects the conversion of the SAI Notes in December 2008 to equity, the sale of the Stapylton industrial property, as well as the reduction of debt and the collection of a \$6.9 million receivable from SAI.

As a result of this considerable effort under difficult conditions, the deficiency in Shareholders' equity fell from \$10.1 million in December 2008 to \$4.1 million in June 2009. At 30 September 2009 unaudited results show that this has continued to improve, resulting in a positive balance in Shareholders' funds of \$1.3 million.

CORPORATE INITIATIVES

Since the date of our last report, Orchard has continued to pursue a number of corporate and fund level strategies, including:

1. Further improvements to our operational efficiency;
2. A \$200 million recapitalisation of the Orchard Industrial Property Fund and associated sale of the management rights;
3. Further corporate debt repayment;
4. Recovery of SAI Group Receivable and sale of non-core assets; and
5. Extension of the corporate banking facility.

OPERATIONAL EFFICIENCY

Orchard has continued to reduce staff numbers (primarily through natural attrition) and its operating costs in line with changing to a revised revenue base and financial position. Executives have taken voluntary salary cuts and leave without pay, and other staff have agreed to reduced working hours. In addition, we are in the process of consolidating our Brisbane and Sydney offices into a smaller more efficient space at our new head office location in Melbourne. We have also tendered a number of key external contracts and further operational improvements are being sought.

David Hinde
Chief Executive Officer



ORCHARD INDUSTRIAL PROPERTY FUND

Given concerns of a banking covenant breach and pending capital expenditure commitments, Orchard undertook a strategic review of the Orchard Industrial Property Fund (OIF) in early 2009 and as a result of a competitive process run by Macquarie Bank, elected to pursue a \$200 million recapitalisation of the Fund through a placement and underwritten rights issue.

Subsequent to year end, the Group sold its management rights of OIF as well as Orchard Management Limited to Growthpoint Properties Limited, realising an accounting profit of \$5.4 million. This reduced funds under management (FUM) by \$672 million from 6 August 2009, the date of sale. In the financial year ended 30 June 2009, Orchard received fees of \$1.8 million in respect of the management of OIF.

DEBT REPAYMENT

As at 31 October 2009, Orchard's gross bank debt was \$23 million or \$8 million lower than last reported. A further repayment of \$3 million is forecast to be made prior to 31 December 2009.

SAI GROUP RECEIVABLE AND SALE OF NON-CORE ASSETS

As at 30 June 2008, Orchard was owed \$68.5 million by SAI. This amount comprised historical advances of approximately \$40 million for SAI's agribusiness investments and approximately \$25 million for its venture capital and superannuation administration business.

The SAI Group Receivable was impaired to \$6.4 million in Orchard's 30 June 2008 accounts. This amount was determined after reviewing the enforceable contracts relating to various surplus assets in SAI that were in place at that time and what Orchard could expect to receive by 30 June 2009.

In the last 12 months, Orchard has received \$12.8 million net from SAI in part settlement of its loan. These realisations have predominantly been sourced from SAI's venture capital and non-agribusiness related ventures.

The only remaining asset of SAI yet to be realised is its agribusiness, Seven Fields Operations Pty Ltd. Seven Fields manages 495 hectares of citrus, 80 hectares of table grapes and 150 hectares of mangoes in the Sunraysia region in Victoria and in Katherine in the Northern Territory and several managed investment schemes. Recently Seven Fields has reported a poor result from its citrus operations and has a number of its managed investment schemes in the process of being wound up.

The current outlook for Seven Fields is poor. The demise of Timbercorp and Great Southern has severely impacted the market value for irrigated horticulture (the market in which Seven Fields predominately operates) and currently, assets in the Sunraysia region (in which Seven Fields holds its only freehold property interests) are trading at water value only. We now regard the prospect of any recovery from the Seven Fields assets as diminished since the last report and in a worst case scenario Orchard's rental guarantee in favour of the Primary Infrastructure Fund (PIF) may be called upon in the event Seven Fields fails to meet its rental obligations to PIF of approximately \$2.7 million per annum.

The management teams of Seven Fields and Orchard are currently working on several proposals for the sale and restructure of the Seven Fields business. The best result for Orchard and the unit holders of PIF would involve the transfer of the rental obligations to a party with a better financial capacity than Seven Fields.

CORPORATE DEBT FACILITY

Orchard's corporate debt facility with Bank of Scotland International (BOSI) is being renegotiated.

The new terms of the facility are likely to include a requirement to amortise the debt down to \$20 million by 31 December 2009 to be funded by any available free cash flow, an increase in margin, the relaxation or removal of financial covenants, maintaining sufficient working capital and regulatory capital, a facility of up to \$3 million to ensure regulatory requirements are always met and an extended term.

As at the date of this report, the Group has sufficient free cash to repay debt advances to a reduced \$20 million limit.

SUMMARY

Orchard's strategy of corporate and managed fund stabilisation is nearing completion and we are on track to deliver into the market a number of entitlement offers in early 2010. The Orchard management team is committed to participating in the recovery of the sector and exploring further initiatives to maximise value and liquidity for all stakeholders.

Yours sincerely,



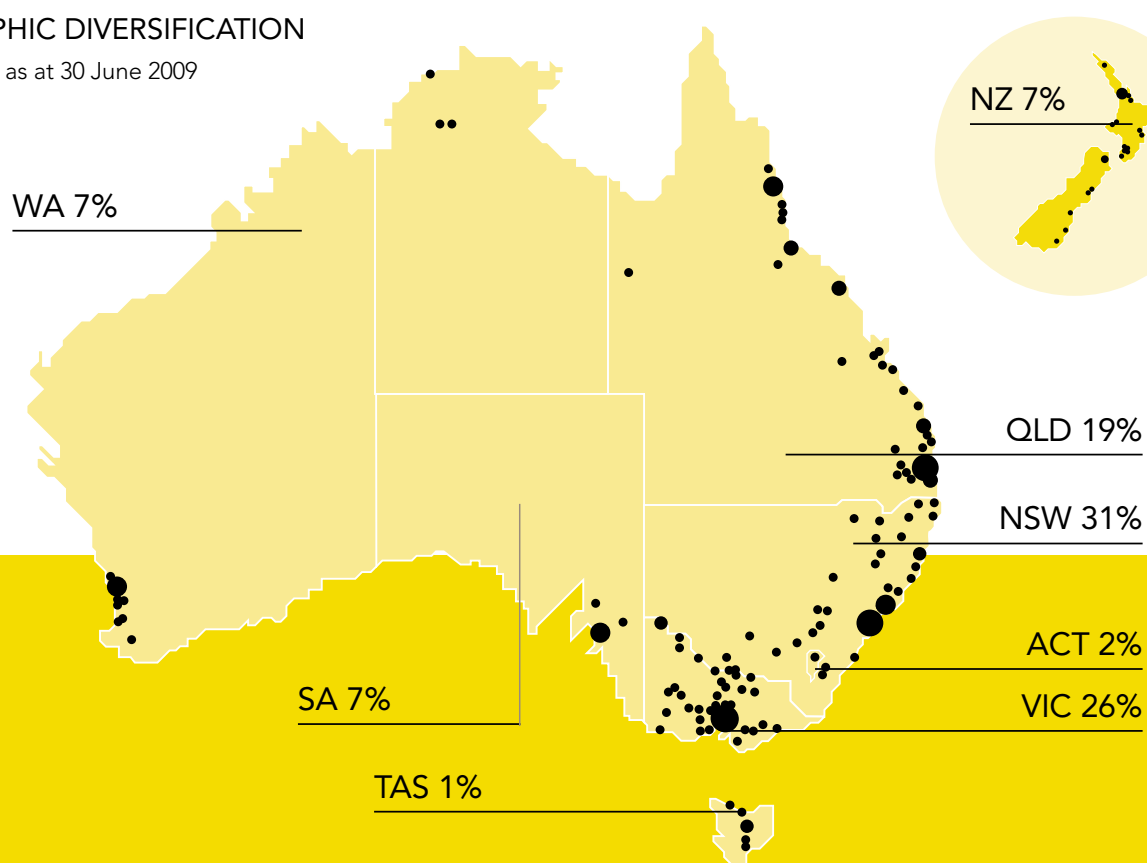
David Hinde
Chief Executive Officer
Orchard Funds Limited



02 FUNDS' SUMMARY



GEOGRAPHIC DIVERSIFICATION
BY VALUE as at 30 June 2009



Fund	Total asset value	Gearing		Audited NTA per unit as at 30 Jun 2009	NTA per unit as at 31 Dec 2008	% change since 31 Dec 2008 NTA	Last reported unit price***
		Balance sheet	Look through**				
Childcare Property Fund	\$241.8m	47.6%	50.3%	\$0.8731	\$0.8562	+2.0%	\$1.0462 (28 Feb 2009)
Commercial Office Fund	\$325.9m	58.4%	71.8%	\$0.5270	\$0.7611	-30.8%	\$0.9979 (28 Feb 2009)
Diversified Property Fund*	\$764.9m	79.5%	88.0%	\$0.2209	\$0.4711	-53.1%	\$0.7539 (28 Feb 2009)
Essential HealthCare Trust	\$165.1m	55.5%	55.5%	\$0.8753	\$0.9158	-4.4%	\$1.1084 (28 Feb 2009)
Hybrid Property Fund	\$5.5m	0.0%	0.0%	\$0.6198	\$0.8029	-22.8%	\$0.7732 (31 Mar 2009)
Primary Infrastructure Fund*	\$102.2m	79.9%	79.9%	\$0.2989	\$0.6227	-52.0%	\$0.6746 (28 Feb 2009)
Social Infrastructure Trust	\$8.6m	0.0%	55.5%	\$0.6858	\$0.8599	-20.2%	\$0.9039 (28 Feb 2009)
Sydney HealthCare Trust	\$65.8m	56.9%	56.9%	\$0.8882	\$1.0260	-13.4%	\$1.1969 (28 Feb 2009)
Banksia Street Heidelberg Joint Venture	\$16.0m	52.2%	52.2%	\$67,108.1700	\$64,915.5792	+3.4%	\$73,424.2058 (31 Dec 2008)
Barossa Valley Resort	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Chevron Renaissance Property Trust	\$77.7m	75.7%	75.7%	\$0.5045	\$0.7748	-34.9%	\$0.9303 (28 Feb 2009)
Primary Health Care Darlinghurst Syndicate	\$13.6m	59.4%	59.4%	\$6,201.7438	\$5,699.2405	+8.8%	\$6,719.2137 (31 Dec 2008)
Sydney Land Syndicate	\$5.6m	n/a	n/a	\$0.7294	n/a	n/a	n/a

*Based on audited financial statements, as at 30 June 2009 and effective 13 November 2009. **Look through gearing includes any gearing within a fund's indirect investments.
*** Based on financial statements, as at 31 December 2008.

02

FUND INITIATIVES



ORCHARD CHILDCARE PROPERTY FUND

FUND OVERVIEW

Inception date	November 2003
Distribution status ¹	Annually in June
Total asset value ²	\$241.8 million
Net tangible asset (NTA) ²	\$0.8731
Weighted Average Lease Expiry (WALE) by income ³	9.5 years
Occupancy rate	98%
Direct properties held	210
Indirect assets held	1

LEASING SUMMARY⁴

Vacant	2009	2010	2011	2012	2013	2014+
2%	0%	0%	0%	0%	0%	98%

FUND SUMMARY

The sale process for ABC Learning Centres (ABC) has commenced and in early December 2009 the Federal Court will review progress.

Pleasingly, recent valuations indicate that the Orchard Childcare Property Fund's (CCPF or Fund) property portfolio has increased in value by almost \$4 million.

LEASING SUMMARY

The above leasing summary is based on the number of completed childcare centres that are operating as licensed premises.

The Fund currently owns 201 completed childcare centres. As a result of the ABC receivership, ABC is not expected to continue as a tenant of the Fund for very much longer.

Out of the 705 ABC centres currently up for sale, the Fund owns 115 centres. As such in the near term we expect 57% of the centres owned by the Fund will have their leases assigned to new tenants. This will be a material change to the structure of the portfolio and we will provide further information regarding the new tenants as soon as the leases are reassigned. In any case the tenants will need to demonstrate their long term financial capabilities to pay the rent on each centre.

DEBT OVERVIEW

The bank facility has been recently extended to June 2012 subject to:

- CCPF making a monthly payment of \$500,000 into a sinking fund that will be returned to CCPF upon a satisfactory resolution of the ABC receivership.
- A review event occurring if there is not a satisfactory outcome to the ABC receivership, with the debt maturity date being brought forward to 31 December 2010.

KEY FUND INITIATIVES

- Stabilisation of the Fund's key tenants including tenancy for the portfolio of 112 centres still currently under the ABC receivership process.
- Divestment of undeveloped land parcels and possible sale of New Zealand based assets (proceeds will be used to further reduce the Fund's debt facility).
- After securing new tenants for the ABC portfolio of centres, renegotiation of the debt facility which will mature in June 2012.
- Continue to explore and consider options for the Fund to provide liquidity to investors.



Tarneit Childcare Centre, Tarneit VIC

1 Subject to the Fund's financial condition at that time. 2 Audited as at 30 June 2009. 3 Based on underlying direct property investments. 4 Based on % of gross lettable area (GLA).

ORCHARD COMMERCIAL OFFICE FUND

FUND OVERVIEW

Inception date	October 2005
Distribution status ¹	On hold
Total asset value ²	\$325.9 million
Net tangible asset (NTA) ²	\$0.5270
Weighted Average Lease Expiry (WALE) by income	3.4 years
Occupancy rate	95%
Direct properties held	6
Indirect assets held	5

LEASING SUMMARY³

Vacant	2009	2010	2011	2012	2013	2014+
5%	0%	8%	17%	22%	8%	40%

FUND SUMMARY

Contracts were recently entered into for the sale of 350 Collins Street, Melbourne for \$52.25 million. Settlement is expected to take place on 15 December 2009.

A \$300,000 chiller upgrade was completed at 600 St Kilda Road Melbourne, improving the efficiency and energy rating of the building's air conditioning system.

LEASING SUMMARY

We successfully renewed Optus as a tenant at 280 George Street, Sydney on a 10 year lease at a 91% increase on their current rent. This represents 21% of the total gross income for the property.

The Victorian State Government has included a budget allocation of \$16 million to Victoria Police to be spent over the next two years on refurbishment works at its accommodation at the World Trade Centre, at 637 Flinders Street Melbourne.

This demonstrates the tenant's strong commitment to secure the long term occupancy of its Victorian corporate headquarters at the World Trade Centre, whilst at the same time, provide improved working facilities for police.

DEBT OVERVIEW

National Australia Bank (NAB) has approved an extension to the debt facility until September 2011. The default LVR is 75%, and reducing to 70% by June 2010. With the sale proceeds from 350 Collins Street Melbourne due in December 2009, it is forecast that these covenants will be met. There is a requirement for the Commercial Office Fund to amortise debt by \$500,000 per month until the LVR is below 65%; income distribution payments may recommence after that time.

KEY FUND INITIATIVES

- Recapitalisation through an underwritten entitlement and placement offer.
- Undertake required asset sales to further reduce the gearing levels.
- Refinance the Suncorp facility.
- Longer term, continue to explore and consider options for the Fund to provide liquidity to investors.



35 Clarence Street, Sydney NSW

¹ Until further notice. ² Audited as at 30 June 2009. ³ Based on % of gross lettable area (GLA).

ORCHARD DIVERSIFIED PROPERTY FUND

FUND OVERVIEW

Inception date	June 1992
Distribution status ¹	On hold
Total asset value ²	\$764.9 million
Net tangible asset (NTA) ³	\$0.2209
Weighted Average Lease Expiry (WALE) by income ⁴	6.08 years
Occupancy rate	93.5%
Direct properties held	7
Indirect properties held	25

LEASING SUMMARY⁵

Vacant	2009	2010	2011	2012	2013	2014+
4%	13%	12%	5%	25%	8%	33%

FUND SUMMARY

The Orchard Diversified Property Fund (DPF or Fund) participated in a unit swap to provide the Fund with a stronger value proposition and greater control over the Orchard Essential HealthCare Trust (EHCT).

DPF unit swap

DPF participated in a unit swap, exchanging the Fund's units in MacArthurCook Industrial Fund for units in EHCT. This provides DPF with a stronger value proposition and also enables Orchard to have greater control over EHCT.

Decline in NTA value

A number of factors contributed to the decline in the Fund's NTA based on 30 June 2009 revaluations:

- DPF's direct portfolio declined by \$39.4 million or 6.8%;
- Property disposals of \$46.8 million during the last six months of the year;
- Indirect investments held as units in other Orchard funds dropped in value by \$89.5 million due largely to the reduction in underlying property valuations;
- Disposal of Goodman Industrial investment of \$13.5 million;

- Other smaller indirect investments held as units in non-Orchard funds lost \$10.5 million in value;
- The investment in Growthpoint Properties Australia Limited (ASX code: GOZ) is valued at share price not NTA; and
- Indirect investments valued at NTA not unit price.

Growthpoint Properties Limited

DPF has retained its position as a significant investor in GOZ, formerly the Orchard Industrial Property Fund (OIF) and along with the majority of Unitholders voted in favour of the proposal to recapitalise and restructure OIF through a \$56 million placement to Growthpoint Properties Limited, a \$144 million Rights Issue underwritten by Growthpoint Properties Limited and an internalisation of the Fund's management.

This transaction ensures that DPF's investor capital in GOZ is protected and DPF will benefit from the following:

- The quality portfolio of assets occupied predominantly by Woolworths on long term leases; and
- We anticipate that DPF may also look forward to receiving income distributions from GOZ on a regular basis to assist with enhancing DPF's cash flow position.

DEBT OVERVIEW

NAB and BOSI are currently in discussions with Orchard with a view of entering into an in principle agreement that will be the basis for longer term funding arrangements by both banks.

The deadline for this outcome is 31 March 2010. If by 31 January 2010 BOSI and/or NAB, in their absolute discretion determine they are not satisfied with the progress made, then an event of default will arise.

KEY FUND INITIATIVES

- Finalise strategic review and debt renegotiations being done in conjunction with KPMG.
- Progress required sales of non-core direct and indirect assets.

1 Until further advice. 2 Audited as at 30 June 2009. 3 Effective 13 November 2009. 4 Based on underlying direct property investments. 5 Based on % of gross lettable area (GLA).

ORCHARD ESSENTIAL HEALTHCARE TRUST

FUND OVERVIEW

Inception date	January 2003
Distribution status ¹	Quarterly
Total asset value ²	\$165.1 million
Net tangible asset (NTA) ²	\$0.8753
Weighted Average Lease Expiry (WALE)	15.2 years
Occupancy rate	100%
Direct properties held	12
Indirect properties held	0

LEASING SUMMARY³

Vacant	2009	2010	2011	2012	2013	2014+
0%	0%	0.4%	0.3%	0.5%	1.7%	97.1%

FUND SUMMARY

North Gosford Private Hospital was sold in June 2009. A finance facility that will assist the Essential HealthCare Trust (EHCT or Trust) in funding four key redevelopment projects was established.

In addition, the first stage of the development process for Lingard Private Hospital and Maitland Private Hospital commenced in March 2009.

LEASING AND TENANT SUMMARY

The portfolio remains 100% occupied. The Trust holds predominantly private hospitals that are leased to single tenants on long term leases.

Healthscope Limited and Healthe Care Australia Pty Limited continue as major tenants of the Trust.

Healthscope Limited (HSP)

- For the financial year 2009 HSP reported revenue of \$1.467 billion and adjusted net profit after tax (NPAT) of \$88.2 million.
- For the financial year 2009, hospital operating earnings before interest, tax, depreciation and amortisation (EBITDA) was \$178.7 million.

- The financial year 2009 result was accompanied by the announcement of a fully underwritten \$140 million placement to fund existing acquisitions and future opportunities.

Healthe Care Australia Pty Limited (HeC)

- For the financial year 2009 HeC reported revenue of \$222.77 million, operating costs of \$193.80 million and earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) of \$28.97 million.
- Expansion of the hospital group is being driven by a \$60 million development program.

DEBT OVERVIEW

EHCT is currently compliant, and forecast to be compliant with all aspects of its debt facility, and as a result there are currently no banking issues. There is no amortisation requirement and the facility has a maturity date of March 2011.



Allamanda Surgi Centre, Gold Coast QLD

KEY FUND INITIATIVES

- Complete committed developments at Lingard, Maitland, South Eastern and North West Private hospitals.
- Consideration of additional property enhancement opportunities at Allamanda Private Hospital.
- Review capital raising options to fund capital works.
- Plan for the liquidity mechanism due in 2012.

1 Subject to the Fund's financial condition at that time. 2 Audited as at 30 June 2009. 3 Based on % of gross lettable area (GLA)

ORCHARD HYBRID PROPERTY FUND

FUND OVERVIEW

Inception date	May 2003
Distribution status ¹	Quarterly
Total asset value ²	\$5.5 million
Net tangible asset (NTA) ²	\$0.6198
Weighted Average Lease Expiry (WALE) by income	Not applicable
Occupancy rate	Not applicable
Direct properties held	0
Indirect investments held	7

FUND SUMMARY

BT and ING listed property trust managers outperformed their respective benchmarks on a 12 month and two year basis.

The unlisted managers underperformed their benchmark primarily due to the deferral of distributions until June 2009.

Hybrid remains underweight to both Australian and global listed property and overweight in Australian unlisted property. In order to reweight, Orchard will need to redeem unlisted units, however given the market conditions this is currently not possible.

DEBT OVERVIEW

This Trust does not have any debt.

KEY FUND INITIATIVES

- Monitor investments in unlisted funds in relation to distributions and liquidity options.
- Explore disposal options for unlisted investments to facilitate a restructure or wind up options for investors.



600 St Kilda Road, Melbourne VIC



296 Queen Street, Campbelltown NSW

1 Subject to Fund's financial condition at that time. 2 Audited as at 30 June 2009.

ORCHARD PRIMARY INFRASTRUCTURE FUND

FUND OVERVIEW

Inception date	September 2004
Distribution status ¹	On hold
Total asset value ²	\$102.2 million
Net tangible asset (NTA) ³	\$0.2989
Weighted Average Lease Expiry (WALE) by income	12 years
Occupancy rate	100%
Direct properties held	18
Indirect properties held	1

LEASING SUMMARY⁴

Vacant	2009	2010	2011	2012	2013	2014+
0%	0%	0%	0%	0%	0%	100%

FUND SUMMARY

A number of capital expenditure demands were either contained or delayed, including the water purchase on Lake Carpul which is now expected to take place in the 2010 calendar year.

The expenditure on the Meldrum breeder farm construction was capped.

The Orchard Primary Infrastructure Fund's (PIF or Fund) arrears position was also improved.

LEASING SUMMARY

The Fund's properties are currently 100% occupied. The Qualco Vineyard lease will come up for renewal in June 2016.

DEBT OVERVIEW

Commonwealth Bank of Australia (CBA) has provided credit approval, subject to documentation of terms, to reset the maturity of the entire facility to 31 July 2012. Documentation of terms has been placed on hold pending the provision of further information in relation to Seven Fields' (a major tenant) trading position. In the meantime, CBA has verbally indicated that it will continue to support the Fund and where necessary, continue to roll expired facilities.

KEY FUND INITIATIVES

- Decrease exposure to irrigated horticulture and the Murray Darling basin through asset sales (proceeds to be used to reduce debt).
- Negotiation of a longer debt facility term and solution pending covenant issues.
- Formally oppose the Northern Territory Water Controller's recent allocation of additional water licenses to a variety of neighbouring irrigators in order to protect the Fund's water supply.
- Monitor and manage key tenant risks.
- Continue to explore and consider restructure options for the Fund to provide liquidity to investors.



Orange Grove Sunwest, Mildura NSW



Qualco Vineyard, Waikerie SA

1 Until further advice. 2 Audited as at 30 June 2009 3 Effective as at 13 November 2009. 4 Based on % of gross lettable area (GLA).

ORCHARD SOCIAL INFRASTRUCTURE TRUST

TRUST OVERVIEW

Inception date	July 2007
Distribution status ¹	Quarterly
Total asset value ²	\$8.6 million
Net tangible asset (NTA) ²	\$0.6858
Weighted Average Lease Expiry (WALE)	15.2 years
Occupancy rate	100%
Direct properties held	0
Indirect properties held	12

LEASING SUMMARY³

Vacant	2009	2010	2011	2012	2013	2014+
0%	0%	0.4%	0.3%	0.5%	1.7%	97.1%

FUND SUMMARY

The Social Infrastructure Trust (Trust) continued to hold units in the Orchard Essential HealthCare Trust (EHCT). As such, there was no change to the activities of this Trust.

Asset sales and capital expenditure featured heavily for the EHCT.

These activities included the sale of North Gosford Private Hospital and the establishment of a development finance facility that will assist EHCT in funding four key redevelopment projects which will involve expansions and enhancements.

In addition, the first stage of the redevelopments for Lingard Private Hospital and Maitland Private Hospital has commenced.

LEASING AND TENANT SUMMARY

The EHCT portfolio remains 100% occupied and holds predominantly private hospitals that are leased to single tenants on long term leases.

Tenancy changes are generally infrequent and this is reflected in the stable rental income stream of EHCT. Healthscope and HealtCare Australia Pty Limited continue as major tenants of EHCT.

Healthscope (HSP)

- For the financial year 2009 HSP reported revenue of \$1.467 billion and adjusted net profit after tax (NPAT) of \$88.2 million.
- For the financial year 2009 hospital operating earnings before interest, tax, depreciation and amortisation (EBITDA) was \$178.7 million.
- The financial year 2009 result was accompanied by the announcement of a fully underwritten \$140 million placement to fund existing acquisitions and future opportunities.

HealtCare Australia Pty Limited (HeC)

- For the financial year 2009 HeC reported revenue of \$222.77 million, operating costs of \$193.80 million and earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) of \$28.97 million.
- Expansion of the hospital group is being driven by a \$60 million development program.

DEBT

This Trust does not have any debt.



South Eastern Private Hospital,
Noble Park VIC

KEY FUND INITIATIVES

- Continue to monitor EHCT investment from a distribution and liquidity perspective.
- Continue to explore and consider restructure options for the Trust to provide liquidity to investors.

¹ Subject to the Fund's financial condition at that time. ² Audited as at 30 June 2009. ³ Based on % of gross lettable area (GLA).

ORCHARD SYDNEY HEALTHCARE TRUST

FUND OVERVIEW

Inception date	October 2002
Distribution status ¹	Quarterly
Total asset value ²	\$65.8 million
Net tangible asset (NTA) ²	\$0.8882
Weighted Average Lease Expiry (WALE) by income	13.7 years
Occupancy rate	100%
Direct properties held	8
Indirect properties held	0

LEASING SUMMARY³

Vacant	2009	2010	2011	2012	2013	2014+
0%	0%	0%	0%	0%	0%	100%

FUND SUMMARY

A highlight for the Sydney HealthCare Trust (Trust) was the sale of Caringbah Medical Centre at a significant premium to the purchase price and March 2009 independent valuation. The sale allowed the Trust to alleviate banking covenant pressures and make a special distribution of 4.46 cents per unit and return distributions to the quarterly timetable.

The tenant, Primary Health Care Limited (PHC), continues to deliver strong performance results amidst economic uncertainty, with a full year operating EBITDA of \$355 million exceeding analyst expectations of \$350 million.

DEBT OVERVIEW

The Trust has a \$29.4 million facility with NAB, and is complying with all of its bank lending covenants. The facility is not due for repayment until September 2012.

KEY FUND INITIATIVES

- Position the Trust to maximise the value of its assets leading up to October 2014, the Trust's proposed termination date.



Bondi Junction Medical & Dental Centre, Bondi Junction NSW



Leichhardt Medical Centre, Leichhardt NSW

¹ Subject to Trust's financial condition at that time. ² Audited as at 30 June 2009. ³ Based on % of gross lettable area (GLA).

BANKSIA STREET HEIDELBERG JOINT VENTURE

FUND OVERVIEW

Inception date	May 2000
Distribution status ¹	Quarterly
Total asset value ²	\$16.0 million
Net tangible asset (NTA) ²	\$67,108.1700
Weighted Average Lease Expiry (WALE) by income	4.8 years
Occupancy rate	100%
Direct properties held	1
Indirect properties held	0

LEASING SUMMARY³

Vacant	2009	2010	2011	2012	2013	2014+
0%	0%	0%	0%	0%	0%	100%

FUND SUMMARY

The tenant, Dorevitch Pathology Limited is a 100% owned subsidiary of Primary Health Care Limited (PHC). Dorevitch continued to perform and meet its obligations under the lease.

The property is in good repair and we are not forecasting significant capital works in 2010.

LEASING AND TENANT SUMMARY

The property remains 100% leased to Dorevitch Pathology and this is reflected in the stable rental income stream of the Banksia Street Heidelberg Joint Venture (Fund).

DEBT

The Fund has a facility with Westpac that is drawn to \$8.3 million. The facility expires in June 2011.

KEY FUND INITIATIVES

- Work with the tenant to encourage an extension to the lease which expires in April 2014.
- Monitor market conditions to determine an appropriate wind up date.



16-18 Banksia Street, Heidelberg VIC



16-18 Banksia Street, Heidelberg VIC

1 Subject to the Fund's financial condition at that time. 2 Audited as at 30 June 2009. 3 Based on % of gross lettable area (GLA).

BAROSSA VALLEY RESORT

FUND OVERVIEW

Inception date	1 July 2002
Distribution status ¹	Monthly
Total asset value	Not applicable
Net tangible asset (NTA)	Not applicable
Weighted Average Lease Expiry (WALE)	Not applicable
Occupancy rate	Not applicable
Direct properties held	Not applicable
Indirect properties held	Not applicable

RESORT SUMMARY

The Resort continued to prove its resilience in tough economic conditions.

The strong performance of the Resort was due largely to the increased efficiencies achieved by resort management. This was reflected in a decrease in department overhead expenses.

The current economic conditions impacted the Resort's revenue over the first half of the calendar year. Despite this, management is expecting to achieve a net operating profit in line with the 2008 calendar year result.

Prudent management and sound guest satisfaction will ensure the resort remains well positioned in the challenging economic conditions.

The immediate forecast is for tough conditions to continue before improving in the second half of 2010. Conference and Catering (C&C) is the area of business under the most pressure. C&C quotes are down 20% for the year. Occupancy is forecast to be relatively stable at approximately 75% for the remaining calendar year.

DEBT

This investment does not have any debt.

KEY INITIATIVES

- Appropriate cost control and improve efficiency.
- Management of programmed capital works, with landscaping and pool refurbishment works scheduled over the next 12 months.
- Management is conducting feasibility analysis on expanding facilities to accommodate larger wedding receptions.



Barossa Valley Resort, Barossa Valley SA



Barossa Valley Resort, Barossa Valley SA

¹ Subject to Resort's financial condition at that time.

CHEVRON RENAISSANCE PROPERTY TRUST

TRUST OVERVIEW

Inception date	January 2005
Distribution status ¹	On hold
Total asset value ²	\$77.7 million
Net tangible asset (NTA) ²	\$0.5045
Weighted Average Lease Expiry (WALE) by income	3.6 years
Occupancy rate	97.5%
Direct properties held	1
Indirect properties held	0

LEASING SUMMARY³

Vacant	2009	2010	2011	2012	2013	2014+
4%	0%	9%	16%	13%	16%	42%

FUND SUMMARY

Pleasingly, Chevron Renaissance's (Chevron) total tenant revenue increased in June 2009 due to the introduction of new marketing initiatives by centre management. In addition, joint marketing activities continued between Chevron and the three residential holiday apartment complexes located around the centre, known as the Towers of Chevron (Towers).

Despite these activities, foot traffic was down during the last quarter of the financial year due to a number of factors, including the drop in occupancy of the Towers of Chevron to just 30% which is 10% lower than the same time last year. This decrease was attributed to the significant decline in the number of overseas visitors coming to Australia due to the Swine Flu pandemic.

LEASING AND TENANT SUMMARY

Lease renewals include:

- Supre signed a five year lease for \$470,000 p.a. net plus GST, which was a good result.

- Valley Girl signed a one year lease for \$300,000 p.a. gross plus GST. This will allow our longer term proposal for this space to be considered.
- Exceptional Dental Pty Ltd has renewed for five years for \$83,964 p.a. gross plus GST. The tenant requested two further five year options. This was a good result considering the vacancy factor for office space on the Gold Coast is approximately 30%.

DEBT OVERVIEW

NAB approved a facility extension to February 2012 subject to:

- Chevron repaying a minimum of \$10 million by June 2010
- Amortisation of \$250,000 per quarter until LVR is 65%

A capital raising is proposed for early 2010 to facilitate the \$10 million repayment. Based on recent draft valuations, this will bring the LVR under 65%.



Chevron Renaissance, Gold Coast QLD

KEY FUND INITIATIVES

- Recapitalisation through an underwritten entitlement offer to raise \$12-15 million.
- Continue to assess options to sell the property at a reasonable price.
- Actively manage specialty lease expiries and minimise capital expenditure.

1 Until further advice. 2 Audited as at 30 June 2009. 3 Based on % of gross lettable area (GLA).

PRIMARY HEALTH CARE DARLINGHURST SYNDICATE

FUND OVERVIEW

Inception date	September 2001
Distribution status ¹	Quarterly
Total asset value ²	\$13.6 million
Net tangible asset (NTA) ²	\$6,201.7438
Weighted Average Lease Expiry (WALE) by income	12.5
Occupancy rate	100%
Direct properties held	1
Indirect properties held	0

LEASING SUMMARY³

Vacant	2009	2010	2011	2012	2013	2014+
0%	0%	0%	0%	0%	0%	100%

FUND SUMMARY

The tenant of the Primary Health Care Darlinghurst Syndicate (Fund) Primary Health Care Limited (PHC) continued to meet its obligations under the lease.

The property is in good repair and we are not forecasting significant capital works in 2010. PHC's rent is due to increase by 5.5% in December 2009 in line with the lease agreement.

LEASING SUMMARY

The property remains 100% leased to PHC until December 2021.

DEBT OVERVIEW

- The Fund made a voluntary debt repayment of \$235,000 in September 2009, alleviating loan to value ratio covenant pressure.
- PHC has a debt facility with Westpac that is drawn to \$7.8 million. The facility expires in December 2011.

KEY FUND INITIATIVES

- Continue to monitor market conditions influencing the performance and saleability of the asset.



213-219 Darlinghurst Road,
Darlinghurst NSW

1 Subject to the Fund's financial condition at that time. 2 Audited as at 30 June 2009. 3 Based on % of gross lettable area (GLA).

SYDNEY LAND SYNDICATE

FUND OVERVIEW

Inception date	1 July 2002
Distribution status ¹	On hold
Total asset value ²	\$5.6 million
Net tangible asset (NTA) ²	\$0.7294
Weighted Average Lease Expiry	Not applicable
Occupancy rate	Not applicable
Direct properties held	2
Indirect properties held	0

FUND SUMMARY

Earlier in 2009 a Development Application (DA) was submitted to the local council for the proposed Balmoral Road development. The proposal included that the development be subdivided into 19 separate residential lots with the development of the lots to take place on a staged basis.

Staging the development is seen as the most risk averse strategy given the current volatility in the global economy as it enables management to assess how sales are tracking prior to incurring further development costs. The number of required stages is still under review.

The DA is well progressed within the local council. However, recent legislative changes announced but not enacted in parliament have unfortunately slowed the approval process. Management is doing all that it can to expedite this approval process and has executed the deed to defer payment of infrastructure levies as a result.

DEBT OVERVIEW

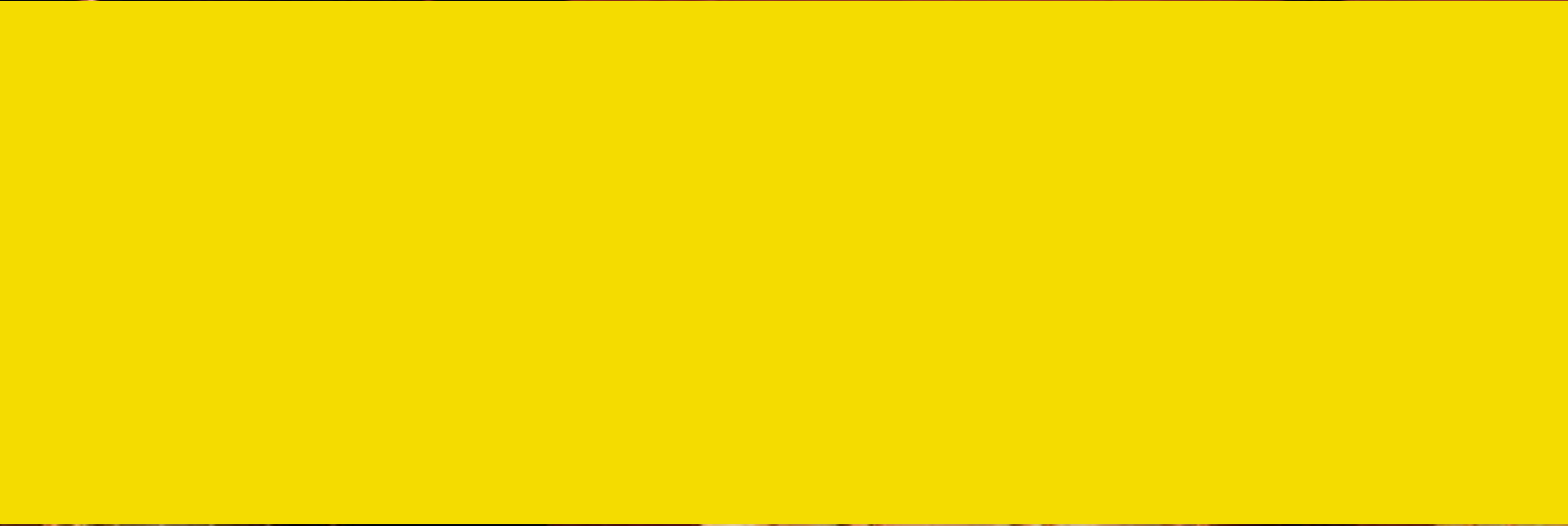
- Following the sale of Memorial Avenue, Kellyville, the Syndicate has no debt.
- The Syndicate has sought finance proposals from a number of lenders to fund the staged development of Balmoral Road.
- Terms have been agreed with NAB and funding has been conditionally approved.

KEY FUND INITIATIVES

- As part of the refinancing discussions and in the best interests of Unitholders, Orchard Capital Investments Limited has offered to retire as the Responsible Entity (RE) of the Syndicate.
- In due course, Unitholders will be provided with comprehensive information about the proposed change and implication for the Syndicate, including details of the proposed new RE.



¹ Until further advice. ² Audited as at 30 June 2009.





03

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE



03

BOARD OF DIRECTORS



ORCHARD CONTINUES TO RESTRUCTURE AND RESHAPE ITS BUSINESS TO REFLECT THE EVOLVING INVESTMENT MANAGEMENT LANDSCAPE.

As part of the restructure and cost saving strategy of the organisation, Orchard has accepted the resignations of two long standing Board members Robert (Bob) Appleby and Greg McMahon. Bob Appleby has been a long standing member and former Chairman of the Orchard Board since 2001 and was a member of Orchard's Audit and Risk, Remuneration and Nominations Committees. Greg McMahon has been a Non-Executive Director of Orchard since 2001, having previously held an executive position with Orchard.

Chris Thiris has assumed the responsibility of Company Secretary from Matt Kilbride.

Both Peter Scully and Grant Ross retired from their positions as Directors on the Orchard Funds Limited Board on 24 October 2008.

The revised Orchard Board now consists of two independent representatives Charles Macek as Chairman and David Spruell as Director and David Hinde as Chief Executive Officer and Chris Thiris as Finance Director. Both Mr Macek and Mr Thiris are eligible for re-election at the Orchard Annual General Meeting to be held on Friday 27 November 2009 at the Melbourne Convention and Exhibition Centre.

CHARLES MACEK

Chairman

Charles has extensive experience in the finance industry, including insurance, stockbroking, investment management and investment banking roles in Australia, New Zealand, the United Kingdom and Japan.

He has previously held senior positions and Directorships in a range of public companies including Telstra Corporation. Charles is presently Chairman of the Financial Reporting Council, and the Sustainable Investment Research Institute. He is also a Director of Wesfarmers.

The Orchard executive team members are highly experienced industry leaders in their respective disciplines with over 20 years' experience, on average, relevant professional qualifications and membership to industry bodies.



DAVID HINDE

Executive Director

David is the Chief Executive Officer of the Orchard Group. He is responsible for overseeing all aspects of the Group's strategic development, fund raising and core operations. David has 17 years' experience in funds management.

Prior to joining Orchard, David was Managing Director of Becton Property Group's funds management division. Previously he held management positions at MCS Property (now Centro MCS) and Lend Lease.

David has a Bachelor of Business (Property), Graduate Diplomas of Business (Accounting) and Applied Finance and Investment. David is also a member of the Institute of Chartered Accountants and fellow of the Financial Services Institute of Australasia.



CHRIS THIRIS

Executive Director

Chris is the Finance Director of the Orchard Group. Chris has over 25 years' experience in financial roles, designing and implementing financial strategies.

Prior to joining the Orchard Group, Chris served as Group Treasurer of Coles Myer Limited. He is a member of the Institute of Chartered Accountants, the Financial Services Institute of Australasia and the Finance and Treasury Association of Australia.

Chris holds a Bachelor of Arts (Acc) and a Master of Business Administration (MBA).



DAVID SPRUELL

Non-Executive Director

David has over 30 years' experience in investment management and financial services both in the UK and Australia.

David has held a number of senior roles at Prudential, including Head of Investment Management and Chief Executive Officer of Prudential's investment dealer group and then six years as Chief Executive Officer of Allianz Asset Management Australia. He is Chairman of the Workers Compensation Insurance Fund Investment Board in NSW, a Non-Executive Director of Rabo Financial Advisors Limited and the Lead Independent Director at Macquarie DDR Management Limited.

David is a fellow of the Australian Institute of Company Directors and the Financial Services Institute of Australasia. He holds a B.Comm. (Hons) from the University of Birmingham.

03

CORPORATE GOVERNANCE

THE BOARD IS RESPONSIBLE FOR THE OVERALL CORPORATE GOVERNANCE OF ORCHARD, INCLUDING PUTTING IN PLACE THE APPROPRIATE POLICIES AND PROCEDURES IN ORDER THAT ORCHARD FULFILS ITS FUNCTIONS EFFECTIVELY AND RESPONSIBLY. THE BOARD RECOGNISES THE ROLE AND IMPORTANCE OF CORPORATE GOVERNANCE TO SHAREHOLDERS AND ENSURING APPROPRIATE ACCOUNTABILITY OF THE BOARD AND MANAGEMENT. THE BOARD HAS CREATED A FRAMEWORK FOR MANAGING ENTITIES WITHIN THE ORCHARD GROUP, INCLUDING PUTTING IN PLACE RELEVANT INTERNAL CONTROLS AND A RISK MANAGEMENT PROCESS.

BOARD COMMITTEES

Orchard has established a number of Board Committees to assist the relevant boards within Orchard in exercising their authority. Each Committee is composed of the individuals considered best suited to fulfil the role. Each Committee has been provided with adequate resources to effectively carry out their activities.

AUDIT AND RISK COMMITTEE

An Audit and Risk Committee has been established to oversee the financial reporting and risk management activities of entities within the Orchard Group. This Committee performs a range of functions including reviewing financial statements, reviewing risk management and financial reporting systems, overseeing Orchard's relationship with external auditors and monitoring Orchard's capital. The Audit and Risk Committee consists of David Spruell (Chairman) and Charles Macek.

REMUNERATION COMMITTEE

A Remuneration Committee has been established to oversee the development of Orchard's remuneration and rewards policy. The Remuneration Committee consists of Charles Macek (Chairman) and David Spruell.

INVESTMENT COMMITTEE

An Investment Committee has been established to oversee the various investment activities for Orchard Capital Investments Limited, the responsible entity or trustee of all of the Group's funds. This Committee performs a range of functions including considering real property acquisitions and dispositions, fund strategies, fund models and asset sector economic views. All Directors of Orchard Capital Investments Limited are members of the Investment Committee.

CONFLICTS OF INTEREST

Various potential conflicts of interest between entities within Orchard exist or may arise in the future in a number of areas relating to Orchard's past and ongoing relationships. Orchard personnel who manage and operate the company and its assets will also generally be involved in the management and operation of Orchard's other businesses and funds. Simultaneous service to both Groups could create or appear to create potential conflicts of interest when such persons are faced with decisions that could have different implications for Orchard and its subsidiaries and funds. Orchard has adopted a conflicts policy (which sets out how conflicts are to be managed and dealt with) and where relevant, obtains external professional advice on such conflicts.

CONTINUOUS DISCLOSURE

Orchard has a continuous disclosure policy designed to ensure that Orchard complies with the continuous disclosure requirements of the Corporations Act.

CODE OF CONDUCT

Orchard has developed a Code of Conduct (the Code) which applies to all Directors and employees. In summary, the Code requires that at all times Directors and Orchard personnel act with the highest standards of integrity and fairness and in compliance with the spirit and letter of applicable law and company policies. The Code is intended to help Directors and Orchard personnel understand their responsibilities to uphold the goals and values to which the Group aspires. It provides a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The Code requires employees who are aware of unethical practices or breaches of the Code to report these. The matter will be handled in strict confidence. Where breaches are considered to be of a serious nature, penalties may be imposed ranging from counselling to dismissal (in extreme circumstances).

RISK MANAGEMENT

Orchard believes that the management of risk is fundamental to its business operations. The Board is responsible for the overall risk management strategy which is implemented by management. The risk management framework aims to identify, manage and control operational risks by identifying and quantifying risks; implementing policies and procedures; training staff on identifying, maintaining and controlling risks; reporting incidents upwards and maintaining a Compliance function. This framework is integrated within the day to day business activities. Risks managed include:

- regulatory and reporting risks;
- financial risks (such as liquidity, interest rate and credit);
- legal risks (such as contract enforceability, covenants and litigation);
- operational risks (such as people, processes and technology); and
- reputation risk (such as investor relations).



RESPONSIBLE ENTITY

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KEY SHAREHOLDER DATES FOR 2009/2010

Orchard Annual General Meeting	27 November 2009
Outlook Spring/Summer Quarterly Report	December 2009
Half year end	31 December 2009
Half year Report	March 2010
Outlook Autumn Quarterly Report	March 2010
Outlook Winter Quarterly Report	June 2010
Full year end	30 June 2010
Annual Report	October 2010

Important Notice

This report has been prepared by the Orchard Group (Orchard), including Orchard Funds Limited ABN 39 097 125 874, Orchard Securities Pty Ltd ABN 16 091 909 376 AFSL No. 241053 (Orchard Securities) and Orchard Capital Investments Limited ABN 23 077 235 879 AFSL No. 233190 (OCIL). Orchard Securities has prepared any financial product advice contained in this report for general information only, and it does not take into account your current or future financial circumstances. You should consider these matters and seek professional advice before making an investment decision on holding or acquiring any financial products.

The information contained in this report including any forecast financial or economic information, should not be considered as a recommendation in relation to holding, purchasing or selling units or other instruments in funds operated by OCIL. Forecasts, by their very nature, are subject to uncertainty and contingencies many of which are outside the control of Orchard. Orchard has made assumptions in preparing this information and those assumptions may prove to be materially incorrect. Actual results may vary from forecasts and any variation may be materially positive or negative. Orchard has relied in part on market experts in preparing this information, and it contains material provided by third parties. To the extent permissible by law, Orchard accepts no responsibility for the accuracy or completeness of any such material. Information in this report is current as at the date of publication, unless indicated otherwise. All information is as at 30 June 2009 unless otherwise stated.



Funds Limited

www.orchardfunds.com

For more information contact us on 1800 008 494 or speak with your financial adviser.