FINANCIAL REPORT **2009**

for year ended 30 June 2009

Funds Limited

DIRECTORS' REPORT
30 JUNE 2009

Directors' report

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Orchard Funds Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2009.

Directors

The following persons were directors of Orchard Funds Limited during the whole of the financial year and up to the date of this report:

Charles Macek - Chairman

David Hinde – Chief Executive Officer

Chris Thiris

David Spruell

Robert Appleby and Greg McMahon were directors from the beginning of the financial year until their resignation on 3 September 2009 and 23 October 2009, respectively.

Peter Scully and Grant Ross were directors from the beginning of the financial year until their retirement on 24 October 2008.

Change in reporting status

Orchard Funds Limited is an unlisted public company. In December 2008, the Company's shareholders and the holders of SAI Notes, issued by a controlled entity, approved the conversion of SAI Notes into the Company's shares and hence, the Company issued new shares to the holders of SAI Notes pursuant to the prospectus. Since then the Company has become an unlisted disclosing entity.

Principal activities

During the financial year, the principal activities of the Group consisted of the management of real property prescribed interest and managed investment schemes, the investment in a portfolio of property development projects, and the provision of financial services. No significant change in the nature of these activities occurred during the year.

Dividends

On 14 November 2008, Orchard NZ Limited (a subsidiary 50% owned by the Company until March 2009, 100% owned thereafter) paid dividends to its shareholders totalling $945,000 (2008: $nil).

Review of operations

The Group continued to engage in its principal activities. In addition, the Group commenced operating in the provision of real property management services during the year. These real property management services were previously outsourced by the Group to external parties.

The results of operations are disclosed in the attached financial report.

Going concern basis of the financial report preparation

The Company has a corporate debt facility with BOS International (Australia) Ltd which will mature on 31 July 2010. Subsequent to year end, on 30 October 2009, Bank of Scotland International (BOSI) informed the Company during the course of negotiations for the renewal of the corporate debt facility that it was seeking to change the maturity date from 31 July 2010 to 31 March 2010 (refer to Note 36).The amount of this facility at 30 June 2009 was $30.1 million, comprising $29.4 million cash advances and $0.7 million bank guarantees. Subsequent to year end, on 5 August 2009, the Group received a fee of $6.2 million for the sale of its management rights over Orchard Industrial Property Fund and the sale of Growthpoint Properties Australia Limited (previously Orchard Management Limited), a wholly owned subsidiary of the Group. The fee received has been used by the Company for partial settlement of the corporate debt facility. As at the date of this report, the facility has been reduced to $22.7 million, comprising $22.3 million cash advances and $0.4 million bank guarantees. A further amortisation to reduce cash advances to $20 million is expected to occur prior to 31 December 2009.

The subsidiaries of the Group are the responsible entities for property investment funds (the Funds) with assets under management in excess of $2 billion as at 30 June 2009 and derive the majority of their revenue from management and other fees from these Funds. Based on a twelve month forecast for the next financial year, the six largest Funds contribute 83% of the Group's total management fees revenue. This is based on property valuations adopted as at 30 June 2009 with the largest Fund, Orchard Diversified Property Fund (DPF), and its wholly-owned entities representing 28% of the management fee revenue forecast. DPF holds interests in a number of Funds, including the other five largest Funds, and as such is dependent upon these Funds continuing as a going concern in order to receive distribution income from these Funds. If a major Fund was to breach its covenants and be unable to extend or renegotiate its bank facilities, the revenue received by both DPF and also the Group could be impacted since the Funds could be precluded from paying distributions to DPF and possibly fees to the Group. In such an event, a significant uncertainty would exist in relation to whether DPF and the Group would be able to continue as going concerns since DPF and the Group rely upon the continued operations of the Funds and the revenue received from them.

At 30 June 2009, there are a number of bank covenants, debt amortisation and debt maturity related issues which give rise to going concern uncertainties within the five of the six largest Funds. Within each Fund the financiers have cross default rights, but such rights do not extend to other Funds. Subsequent to the year end, some of these issues have been resolved with the financiers of the Funds. The directors of the responsible entities continue to work with the financiers to address the remaining issues. The details of the six largest Funds contributing management and other fees to the Group are disclosed in Note 1 of the financial report.

As a result of the above matters, significant uncertainty exists over the ability of the key Funds and Group to continue as going concerns. However, the directors of the Group are of the view that there are reasonable grounds to believe that the financiers will continue to support the Funds and Group based on:

- the Funds' and Groups' previous history of reaching agreement on renegotiation of loan facility terms, including revised debt amortisation schedules and loan covenants;
- the Funds' historical ability to meet interest payments, the cash flow forecasts and the ability to capitalise interest and fees that cannot be met by operating cash flows which demonstrate that they ought to be able to continue meeting these obligations;
- the Funds' historical ability to realise their assets in line with the requirements of debt repayments;
- the Funds' assets and their potential in recovering these assets to meet debt amortisation under the extended terms; and
- written and oral indications from the Funds' and Group's financiers that they will continue to support the Funds and Group.

The auditor's opinion on the financial reports for the year ended 30 June 2009 of the key Funds are unqualified (or expected to be unqualified), but with the exception of Essential Healthcare Trust they contain (or are expected to contain) an emphasis of matter drawing attention to the significant uncertainty over the ability of the Funds to continue as going concerns without the support of their financiers.

Going concern basis of the financial report preparation (continued)

As noted earlier, the Group is reliant on the receipt of management fees from the Funds in order to continue as a going concern, and meet its debts as and when they fall due. As a result of the significant going concern matters noted above, a significant uncertainty exists in relation to whether the Group will be able to continue as a going concern and therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. However, after taking into account all available information in relation to each of the Funds, the status of each Fund's and Group's negotiations with its financiers as at the date of this report and the Group's projected cash flows, the directors of the Group have concluded that there are reasonable grounds to believe that the Funds will be able to pay their management fees to the Group and hence, the going concern basis of preparation of the financial report is appropriate and that the Group will continue to be able to pay its debts as and when they fall due. This is subject to the Group and its managed Funds continuing to receive the support of their financiers.

At the date of this report, the directors of the Group are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2009. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Significant changes in the state of affairs

Conversion of SAI Notes into the Company's shares

On 15 December 2008 the Company's shareholders and the holders of SAI Notes approved the conversion of SAI Notes into the Company's shares. As a result, the Group's $77 million interest-bearing liability was reduced to zero and the Company's contributed equity increased by $73.2 million (net of $3.8 million transaction costs after tax). The Company issued 442,326,340 new shares to the holders of SAI Notes. This has significantly increased the number of the Company's issued shares to 491,473,655 at 30 June 2009.

Changes in the Group structure

During the year there were changes in the Group structure as follows:

- Integrated Fund Services Pty Ltd was established as a wholly-owned subsidiary of the Company to provide services in the management of property.
- The Company purchased the ownership interest of its joint venture partner in Orchard NZ Limited (ONZ). As a result, ONZ becomes a wholly-owned subsidiary of the Company.
- SAITeys McMahon Real Estate Pty Ltd, a wholly-owned subsidiary of the Company, was closed and deregistered. This company ceased trading in the 2008 financial year.
- The Company purchased the remaining ownership interest of its subsidiary, Pensus Funds Management LLP (Pensus). As a result, Pensus became a wholly-owned subsidiary of the Company.
- Orchard Asset Management Ltd, a wholly-owned subsidiary of the Company, was sold.

There was no material impact from the above changes to the Group's financial report.

Matters subsequent to the end of the financial year

Debt repayment and restructure

Orchard Property Limited ("OPL"), a wholly owned subsidiary of the Company, was the Responsible Entity of Orchard Industrial Property Fund ("the Fund") until 5 August 2009. Growthpoint Properties Australia Limited ("GPAL") (previously Orchard Management Limited) was a wholly owned subsidiary within the Orchard Funds Limited Group ("OFL Group") until 5 August 2009.

On 18 May 2009 OPL announced that it had entered into an Implementation Agreement with a large South African public company, Growthpoint Properties Limited ("GPL"), regarding a proposal to recapitalise and restructure the Fund.

Subsequent to year end, on 30 July 2009, the Fund's unit holders voted in favour of the recapitalisation and restructure of the Fund.

Matters subsequent to the end of the financial year (continued)

Debt repayment and restructure (continued)

Key features of the recapitalisation and restructure are as follows:

- A $55.6 million placement to GPL which occurred on 5 August 2009. The Fund raised $55.6 million via a placement of 347,563,813 new units to GPL at a price of 16 cents per unit, resulting in GPL owning 50.1% of the Fund.
- The shares in GPAL were sold by the OFL Group to the unitholders of the Fund for a consideration of $6.2 million. The Fund offset the amount due from the unitholders by undertaking a capital return from the Fund to the unitholders of $6.2 million. This transaction resulted in each unitholder owning an equal number of shares and units in the Fund.
- The internalisation of management and the change in Responsible Entity from Orchard Property Limited to Growthpoint Properties Australia Limited on 5 August 2009.
- The Fund and Orchard Management Limited were renamed Growthpoint Properties Australia Trust and Growthpoint Properties Australia Limited respectively.
- Change of the Fund structure with unitholders acquiring shares in GPAL, and the units of the Fund being "stapled" to shares in GPAL. The new stapled entity is known as Growthpoint Properties Australia.
- The Board composition of the stapled group has changed.

Corporate Debt Facility

The $25 million of the corporate debt facility has been classified as a non-current liability as at 30 June 2009 in line with the corporate facility's maturity date of 31 July 2010. $4.4 million of the corporate debt facility has been classified as a current liability as at 30 June 2009 in line with the required amortisation profile required by the facility agreement in place at that date. On 30 October 2009, Bank of Scotland International (BOSI) informed the Company during the course of negotiations for the renewal of the corporate debt facility (refer Note 19) that it was seeking to change the maturity date from 31 July 2010 to 31 March 2010 to be coterminous with the National Australia Bank (NAB) commercial bill facility to DPF. NAB and BOSI as principal financers to DPF have at the same time indicated that they intend to negotiate together to achieve the long term funding of DPF but with the view of concluding a new agreement by 31 March 2010. Both NAB and BOSI have indicated that they will review on 31 January 2010 whether they are each satisfied with the progress of such negotiations, failure of which could at each Bank's discretion lead to a default. In the event that the renegotiation in respect of DPF financing is successful BOSI has indicated that it is prepared to consider extending the term of the Company corporate debt facility.

Apart from the above, the directors are not aware of any event or circumstance since the end of financial year not otherwise dealt with in this report that has or may significantly affect the operation of the Company, the result of those operations, or the state of affairs of the Company in the subsequent financial year.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report, as the directors believe on reasonable grounds that the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental regulation

As a property owner, the Group is subject to the normal environmental regulations of landowners within Australia. The directors are not aware of any material breaches of environmental regulations during the year.

Information on directors

Robert Appleby	Non-executive Director, Age 73
Qualification	Certificate in Financial Markets (Securities Institute of Australia)
Experience	With over 40 years experience in the real estate industry, Bob has been a principal of his own real estate business for 37 years.
David Hinde	Executive Director, Chief Executive Officer, Age 41
Qualifications	Bachelor of Business (Property) (Royal Melbourne Institute of Technology) Graduate Diploma of Business Accounting (Monash University) Graduate Diploma of Applied Finance and Investment (Securities Institute of Australia)
Experience	David joined the Orchard Group in December 2005 as Chief Executive Officer. He has 20 years experience in funds management and finance, has held senior positions at a number of leading property organisations and is a Chartered Accountant. *Other current directorships* David is a director of Growthpoint Properties Australia Limited.
Chris Thiris	Executive Director, Age 51
Qualifications	Bachelor of Arts (Acc) Master of Business Administration (MBA)
Experience	Chris has over 25 years experience in finance, specialising in designing and implementing financial strategies. Prior to joining the Orchard Group, Chris served as Group Treasurer of Coles Limited. He is a member of the Institute of Chartered Accountants, the Financial Services Institute of Australia and the Finance & Treasury Association of Australia.
Charles Macek	Non-executive Director, Chairman, Age 62 Bachelor of Economics & Master of Administration (Monash University) FAICD, FCPA, SF Fin, FCA
Experience	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. *Other current directorships* Charles is a current director of Wesfarmers Ltd (appointed 2001), a prior director of Telstra Corporation Limited (appointed 2001 – retired 4 November 2009) and a prior director of Living Cell Technologies Limited (appointed March 2006 – resigned August 2007). He was Chairman of IOOF Holdings Ltd (appointed August 2002 – resigned August 2003). Charles was Chairman of the Financial Reporting Council (2003 - 2007) and has been chairperson of Sustainable Investment Research Institute Pty Ltd since 2002.

Information on directors (continued)

David Spruell	Non-executive Director, Age 60
	Bachelor of Commerce (Hons) University of Birmingham, FAICD, F Fin
Experience	David has over 38 years experience in investment management and financial services in the UK and Australia, including senior roles at Prudential and Allianz Australia.
	Other current directorships
	David is chairperson of the Workers Compensation Insurance Fund Investment Board in NSW, chairperson of the Audit Committee of the Company, a director of Rabo Financial Advisors Ltd, Macquarie DDR Management Ltd, Orchard Capital Investments Limited and Growthpoint Properties Australia Limited.
Greg McMahon	Non-executive Director, Age 40
Qualifications	Bachelor of Commerce (University of Queensland)
	Bachelor of Laws (Hons) (University of Queensland)
	Master of Business Administration (Executive) (AGSM)
	Graduate Diploma in Applied Finance and Investment
	(Securities Institute of Australia)
Experience	Greg has 16 years experience in the legal and funds management industries. Partner with McMahon Clarke Legal from 1994 to 2006 and Director of SAI group of companies since 2001. Greg joined the Orchard Group in April 2006. Greg is the Managing Director of the Seven Fields group of companies.
Peter Scully	Non-executive Director, Age 59
Qualification	Graduate Diploma in Business Administration
	(Swinburne University)
Experience	Peter has over 30 years experience as a financial strategist.
Grant Ross	Non-executive Director, Age 42
Qualifications	Bachelor of Science (Hons) (Monash University)
	Master of Enterprise Innovation (Swinburne University)
	Master of Applied Finance (Melbourne University)
Experience	Non-Executive Director of Orchard Funds Limited, Executive Director and former Managing Director of SAI Group Pty Limited, since its inception.

Company secretary

Subsequent to year end, on 29 October 2009, Mr Chris Thiris, a current executive director of the Company, was appointed to the position of company secretary.

Mr Matthew Kilbride resigned as a company secretary effective from 29 October 2009. Mr Kilbride was appointed to the position of company secretary in 2004. He had over 18 years' experience in legal and compliance roles both in private legal practice and in the financial services industry where he worked for a range of organisations including AMP, Perpetual, County Investment Management and Equity Trustees.

Meetings of directors

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2009 and the numbers of meetings attended by each director were:

Name	Meetings of directors		Meetings of committees					
			Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B
Robert Appleby	13	17	3	4	1	1	2	2
David Hinde	17	17	*	*	*	*	*	*
Chris Thiris	16	17	*	*	*	*	*	*
Charles Macek	16	17	3	4	1	1	2	2
David Spruell	17	17	4	4	1	1	2	2
Greg McMahon	16	17	*	*	*	*	*	*
Peter Scully	6	7	*	*	*	*	*	*
Grant Ross	6	7	*	*	*	*	*	*

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

* = Not a member of the relevant committee

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Remuneration report

The key management personnel of the Group hold office by virtue of their capacity as directors of Orchard Funds Limited (the ultimate parent entity from 1 June 2008), Orchard Capital Investments Limited, Orchard Property Limited and SAI Group Pty Ltd (the former ultimate parent entity) prior to that date. Their total remuneration is paid by Orchard Funds Limited (from 1 April 2008) and prior to that date by SAI Group Pty Ltd and in 2009 covers their responsibilities as directors of Orchard Funds Limited, Orchard Capital Investments Limited and Orchard Property Limited and in the case of 2008 covers their responsibilities as directors of Orchard Funds Limited / SAI Group Pty Ltd and other entities in the respective groups.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Relationship between the remuneration policy and company performance
D Service agreements
E Share-based compensation

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration

In consultation with external remuneration consultants, an executive remuneration framework has been structured that is market competitive and complementary to the reward strategy of the organisation. The objective is to ensure that reward for performance is competitive and appropriate for the results delivered.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The directors' fees are paid based upon a standard annual fee inclusive of statutory superannuation. Directors' base fees are:

Orchard Funds Limited

1. Base payment: $100,000 per annum inclusive of superannuation.
2. Board Chairperson: additional $175,000 per annum.

Orchard Property Limited (responsible entity of the Orchard Industrial Fund)

1. Base payment: $50,000 per annum inclusive of superannuation.
2. Board Chairperson: additional $25,000 per annum.

Non-executive director fees paid in relation to Orchard Property Limited were recovered from the Orchard Industrial Fund.

From 1 July 2009 total compensation for all non-executive directors is not to exceed $500,000. The base fees for non-executive directors will be $75,000. The Chairperson's fee has reduced to a multiple of 2.75 of the base fee. An additional fee of $25,000 per annum will be paid to the Chairperson of the Audit Committee.

Executive pay

The executive pay and reward framework has three components:

- Total fixed remuneration and benefits, including superannuation
- Short-term individual incentives (STI)
- Long-term individual incentives (LTI)

Total fixed remuneration (TFR)

The total fixed remuneration comprises base salary, superannuation and any applicable allowance or fixed salary item that may apply to the position.

Base salary for executives is reviewed annually to ensure the executive's pay is competitive with the market. There are no guaranteed base salary increases included in any executive's contract.

Benefits

Executives receive benefits including car allowances, staff insurance, rebates on investment products and other items.

Short-term individual incentives (STI)

The short-term performance incentives are payable subject to the achievement of certain specific objectives each year under consideration. The objectives and target range are confirmed each year. The target ranges from 0% to 90% of total fixed remuneration for executive directors. The incentives are paid after completion of the annual reviews.

Long-term individual incentives (LTI)

Executive directors are eligible to participate in the Orchard Group Executive Option & Share Plan (or any other long-term incentive plan offered, such as the Pre-IPO Long Term Incentive Plan). Participation in any long-term incentive plan is subject to the rules of the relevant plan and any requisite shareholder approval.

Remuneration report (continued)

B Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group and specified executives of the Company and the Group are set out in the following tables.

The key management personnel of the Group are the directors of the Company and the following executive who had authority and responsibility for planning, directing and controlling the activities of the Company, during the financial year:

Darren Brusnahan Head of Capital Transactions

In addition, the following persons must be disclosed under the *Corporation Act 2001* as they are among the 5 highest remunerated Group and Company executives:

Timothy Collyer Head of Funds Management

Bernadette Spiteri Head of Investment Services

Key management personnel of the Group and other executives of the Company and the Group – 2009

	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Superannuation $**	**Long service leave $**	**Options $**	**Total $**
Non-executive directors							
Charles Macek	261,871	-	-	13,745	-	-	275,616
David Spruell	137,615	-	-	12,385	-	-	150,000
Robert Appleby	67,890	-	-	6,110	-	-	74,000
Greg McMahon (a)	91,743	-	-	8,257	-	2,787	102,787
Grant Ross (b)	111,667	-	3,009	4,376	2,179	1,090	122,321
Peter Scully (c)	45,872	-	-	4,128	-	-	50,000
Executive directors							
David Hinde	354,371	250,000	9,353	13,745	-	-	627,469
Chris Thiris	287,314	200,000	9,026	13,745	-	-	510,085
Other KMP							
Darren Brusnahan	275,000	125,000	9,026	13,745	-	-	422,771
Total key management personnel compensation	**1,633,343**	**575,000**	**30,414**	**90,236**	**2,179**	**3,877**	**2,335,049**
Other Company and Group executives							
Tim Collyer	275,000	100,000	9,026	13,745	-	-	397,771
Bernadette Spiteri	287,314	100,000	9,026	13,745	-	-	410,085

(a) Greg McMahon's directors fees were paid by the Company until October 2008 and has received no directors fees from the Company since that time. Greg McMahon is employed as the managing director of Seven Fields Pty Ltd (a subsidiary of SAI Group Pty Ltd and therefore a related party until 31 December 2008) and receives a salary from that company. Options are in respect of shares of SAI Group Pty Ltd a related party until 31 December 2008.

(b) Director until his retirement on 24 October 2008. Options are in respect of shares of SAI Group Pty Ltd a related party until 31 December 2008.

(c) From 1 July 2008 until his retirement on 24 October 2008, Peter Scully's remuneration was paid by the Company.

From 1 July 2009 total compensation for all non-executive directors is not to exceed $500,000. The base fees for non-executive directors will be $75,000.

Remuneration report (continued)

B Details of remuneration (continued)

Key management personnel of the Group and other executives of the Company and the Group – 2008

	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Long service leave $	Options $	Total $
Non-executive directors							
Charles Macek (a)	261,871	-	-	13,129	-	-	275,000
David Spruell (a)	126,147	-	-	11,353	-	-	137,500
Robert Appleby	-	-	-	-	-	-	-
Greg McMahon (c)	317,936	-	8,510	19,066	-	5,573	351,085
Grant Ross (c)	335,000	-	8,960	13,129	-	6,543	363,632
Peter Scully (b)	-	-	-	-	-	-	-
Executive directors							
David Hinde	354,371	150,000	9,980	13,129	-	-	527,480
Chris Thiris	287,314	300,000	8,960	13,129	-	-	609,403
Other KMP							
Darren Brusnahan	275,000	150,000	8,960	13,129	-	-	447,089
Total key management personnel compensation	**1,957,639**	**600,000**	**45,370**	**96,064**	**-**	**12,116**	**2,711,189**
Other Company and Group executives							
Tim Collyer	264,584	75,000	7,500	12,632	-	-	359,716
Bernadette Spiteri	270,989	135,000	7,500	12,383	-	-	425,872

(a) Appointed as director from 25 October 2007.

(b) During 2008 Peter Scully's remuneration was paid by SAI Private, a company which was a subsidiary of SAI Group Pty Ltd, until June 2006.

(c) Options are in respect of shares of SAI Group Pty Ltd a related party until 31 December 2008.

C Relationship between the remuneration policy and company performance

The key management personnel of the Group hold office by virtue of their capacity as directors of Orchard Funds Limited (the ultimate parent entity) from 30 May 2008 and SAI Group Pty Ltd (the former ultimate parent entity) prior to that date. Their total remuneration is paid by Orchard Funds Limited (from 1 April 2008) and prior to that date by SAI Group Pty Ltd which covers their responsibilities as directors of Orchard Funds Limited / SAI Group Pty Ltd and other entities in the respective groups. Given the above described restructure, it is not possible to apportion the remuneration across the various entities under the previous SAIG group for the periods prior to May 2008 and thereby link the Company's performance to the remuneration policy.

In light of the improved performance during 2009, remuneration levels were kept constant. No performance bonuses were paid. The bonuses paid are in line with contractual retention payments which entered into so as to prevent the resignation of key personnel at a critical time. They were paid in January 2009. These payments were approved by the Company's principal financier.

Remuneration report (continued)

D Service agreements

Name (a)	Base Salary (inclusive of superannuation) 2009 $	2008 $	Directors fees (inclusive of superannuation) 2009 $	2008 $	Termination notice period required (b)	Termination benefit (c)	Terms of review
Executive directors							
David Hinde	368,116	367,500	-	-	3 months	12 months	(d)
Chris Thiris	301,059	300,443	-	-	3 months	12 months	(d)
Non- executive directors							
Greg McMahon (f)	-	333,129	100,000	-	6 months	-	(e)
Grant Ross (g)	348,129	348,129	-	-	6 months	-	(e)
Other executives							
Darren Brusnahan	288,745	288,129	-	-	3 months	6 months	(d)
Timothy Collyer	288,745	288,129	-	-	3 months	6 months	(d)
Bernadette Spiteri	301,059	300,443	-	-	3 months	6 months	(d)

(a) No staff has any contractual entitlement to bonus.

(b) In the case of serious misconduct the employer can terminate the employment contract immediately and without notice or payment in lieu of notice.

(c) In the event that Orchard Funds Limited terminates employment (without cause) it is obligated to pay the employee a termination benefit equal to the number of months total fixed remuneration according to the employment agreement.

(d) Annual by the Company, with any changes taking effect from 1 July each year.

(e) Annual by SAI Group Pty Ltd, with any changes taking effect from 1 July each year.

(f) From 1 April 2008, Greg McMahon became a non-executive director of the Company and $100,000 of the base salary (inclusive of superannuation) is paid as Orchard Funds Limited directors' fees. Fees are paid by the Company until October 2008. Thereafter the fees were paid by Seven Fields Pty Ltd, a subsidiary of SAI Group Pty Ltd which was a related party of the Orchard Funds Limited group until 31 December 2008.

(g) Grant Ross retired as a director on 24 October 2008.

E Share-based compensation

Options over SAIG shares

In 2007, SAI Group Pty Ltd (a related party until December 2008) and its controlled entities at that time (including the Company and its subsidiaries) established the Pre-IPO Long Term Incentive (LTI) Plan to reward employees for contributing to growth in the value of the group. The LTI plan is also intended to provide retention incentive for eligible employees. Options over ordinary unlisted shares of SAI Group Pty Ltd (SAIG) were granted to eligible employees on 23 August 2007 with an effective date of 1 July 2006 (if a person was a current employee at that time) or otherwise on the date that a person commenced employment with SAIG. Each option entitles the holder to receive one SAIG share.

Remuneration report (continued)

E Share-based compensation (continued)

Options vest in accordance with timetables contained in option certificates, but subject to the requirement that vested options cannot be exercised until either a prospectus is available or the shares have been listed on the ASX for at least 12 months. All options expire five years after the option grant date. If SAIG does not proceed to IPO (initial public offering) within the five year life of the options, for participants remaining in employment with SAIG at that date, the options will be cancelled just before they would expire and a cash payment will be made equal to the intrinsic value of the options or such greater amount as the SAIG Board may determine.

In 2008, options were granted to other employees as they became eligible on the same terms and conditions as the initial grant. In May 2008 the SAIG group was restructured whereby the Company and its controlled entities were demerged from SAIG. A number of option holders were offered new employment contracts whereby they forfeited their options.

During the 2009 financial year and up to the date of this report, no options have been granted to the Company's key management personnel. No option was exercised or vested during the year.

Fair value of options

The assessed fair value of options as at grant date was 31 cents per option. The fair value of the option is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for the options granted included:

(a) Options are granted for no consideration and vest in accordance with timetables contained in the option certificates
(b) Exercise price: $7.21
(c) Grant date: 23 August 2007
(d) Expiry date: 23 August 2012
(e) Share price at grant date: $5.28
(f) Expected price volatility of the Company's shares: 26.6%
(g) Expected dividend yield: 5.0%
(h) Risk free interest rate: 5.9%

Insurance of officers

During the financial year the Company paid premiums in respect of an insurance contract to indemnify officers against liabilities that may arise from their position as officers of the Company. Officers indemnified include the company secretary, all directors and executive officers participating in the management of the Company.

Further disclosure required under section 300(9) of the Corporations Law is prohibited under the terms of the contract.

Agreement to indemnify auditor

The Company has entered into an agreement to indemnify their auditor, PricewaterhouseCoopers, against any claims or liabilities asserted by third parties arising out of their services as auditor of the Company, unless prohibited by the *Corporations Act 2001*. The Company has also agreed to indemnify PricewaterhouseCoopers against all legal costs incurred in defending any claim or liability that falls within the scope of the indemnity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceeding to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Directors' emoluments

Since the end of the previous financial year no director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the accounts) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member, or with the Company in which the director has a substantial interest.

Auditor's independence declaration

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is set out in the following report.

Presentation currency and rounding of amounts

The amounts in the Directors' Report and Financial Report are presented in Australian dollars.

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off, in accordance with that Class Order, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.

David Hinde
Director

Melbourne
13 November 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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Auditor's Independence Declaration

As lead auditor for the audit of Orchard Funds Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
13 November 2009

ANNUAL FINANCIAL REPORT – 30 JUNE 2009

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Orchard Funds Limited is a company limited by shares, incorporated and domiciled in Australia.
It conducts business predominately in Australia and its registered office is at:

Level 20
600 Bourke Street
Melbourne VIC 3000

The financial report was authorised for issue by the directors on 13 November 2009. The Company has the power to amend and reissue the financial report.

ORCHARD FUNDS LIMITED
ABN 39 097 125 874
AND CONTROLLED ENTITIES

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent entity	
	Notes	**2009**	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
Revenue from continuing operations	4	**30,800**	65,131	**27,631**	47,086
Other income	4	**110**	5,185	**1,450**	201
Impairment expense	5	**(861)**	(68,683)	**(6,298)**	(70,974)
Reversal of impairment expense	5	**6,613**	-	**3,013**	-
Service fees		**-**	(17,998)	**-**	(7,258)
Intercompany service fees		**-**	-	**(33)**	(10,008)
Finance costs	5	**(5,636)**	(8,394)	**(5,123)**	(5,494)
Employee benefits expense		**(12,467)**	(6,637)	**(11,834)**	(5,260)
Commission expense		**(831)**	(6,543)	**-**	(3)
Management fee rebates		**(1,936)**	(2,571)	**-**	-
Cancelled projects expense		**(86)**	(5,774)	**(17)**	(4,731)
Professional fees		**(1,728)**	(3,073)	**(1,514)**	(2,013)
Consulting expense		**(1,123)**	(2,010)	**(731)**	(1,154)
Lease expense	5	**(2,847)**	(1,227)	**(2,478)**	(879)
Depreciation and amortisation	5	**(2,551)**	(1,113)	**(1,363)**	(880)
Travel expense		**(265)**	(767)	**(253)**	(576)
Marketing expense		**(195)**	(475)	**(92)**	(261)
(Loss) / gain on sale of inventories		**(3,265)**	377	**-**	-
Loss on sale of property, plant and equipment		**(451)**	-	**(451)**	-
Other expenses		**(1,676)**	(4,648)	**(1,393)**	(2,082)
Gain / (loss) on revaluation of financial assets held at fair value through profit or loss		**(252)**	(3,664)	**(230)**	762
Profit / (loss) before income tax		**1,353**	(62,884)	**284**	(63,524)
Income tax (expense) / revenue	6	**(88)**	(450)	**2,456**	8,788
Profit / (loss) from continuing operations		**1,265**	(63,334)	**2,740**	(54,736)
Profit / (loss) from discontinued operations	7	**(978)**	(2,050)	**(72)**	(1,565)
Profit / (loss) for the year		**287**	(65,384)	**2,668**	(56,301)
Profit / (loss) attributed to:					
Equity holders of Orchard Funds Limited		**60**	(64,414)	**2,668**	(56,301)
Minority interest		**227**	(970)	**-**	-
		287	(65,384)	**2,668**	(56,301)

		Cents	Cents
Earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	35	**0.36**	(377.06)
Diluted earnings per share	35	**0.31**	(377.06)
Earnings per share for profit / (loss) attributable to the ordinary equity holders of the Company:			
Basic earnings per share	35	**0.02**	(389.45)
Diluted earnings per share	35	**0.11**	(389.45)

The above income statements should be read in conjunction with the accompanying notes.

ORCHARD FUNDS LIMITED
ABN 39 097 125 874
AND CONTROLLED ENTITIES

BALANCE SHEETS
AS AT 30 JUNE 2009

		Consolidated		Parent entity	
	Notes	**2009**	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	8	**15,324**	14,747	**1,277**	4,788
Trade and other receivables	9	**2,199**	7,354	**1,438**	6,324
Inventories	10	**-**	10,742	**-**	-
Financial assets held at fair value through profit or loss	11	**484**	737	**118**	348
Other financial assets	12	**-**	6,900	**-**	2,913
Total current assets		**18,007**	40,480	**2,833**	14,373
Non-current assets					
Receivables	13	**3,613**	5,798	**50**	68
Other financial assets	14	**-**	-	**17,993**	17,469
Property, plant and equipment	15	**1,446**	3,195	**1,207**	2,989
Deferred tax assets	16	**2,694**	965	**3,147**	1,958
Intangible assets	17	**5,016**	4,492	**-**	-
Total non-current assets		**12,769**	14,450	**22,397**	22,484
Total assets		**30,776**	54,930	**25,230**	36,857
LIABILITIES					
Current liabilities					
Trade and other payables	18	**5,151**	5,696	**4,827**	5,279
Borrowings	19	**3,772**	123,320	**3,772**	115,051
Provisions	20	**486**	686	**486**	686
Total current liabilities		**9,409**	129,702	**9,085**	121,016
Non-current liabilities					
Borrowings	21	**24,857**	-	**24,857**	**-**
Deferred tax liabilities	22	**-**	-	**-**	-
Provisions	23	**659**	1,111	**659**	1,111
Total non-current liabilities		**25,516**	1,111	**25,516**	1,111
Total liabilities		**34,925**	130,813	**34,601**	122,127
Net liabilities		**(4,149)**	(75,883)	**(9,371)**	(85,270)

ORCHARD FUNDS LIMITED
ABN 39 097 125 874
AND CONTROLLED ENTITIES

BALANCE SHEETS
AS AT 30 JUNE 2009 (continued)

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
EQUITY					
Contributed equity	24	**85,204**	11,973	**85,204**	11,973
Share buy-back reserve		**(40,315)**	(40,315)	**(40,315)**	(40,315)
Reserves		**(548)**	(85)	**-**	-
Accumulated losses	25	**(48,490)**	(45,822)	**(54,260)**	(56,928)
Parent entity interest		**(4,149)**	(74,249)	**(9,371)**	(85,270)
Minority interest		**-**	(1,634)	**-**	-
Total capital deficiency		**(4,149)**	(75,883)	**(9,371)**	(85,270)

The above balance sheets should be read in conjunction with the accompanying notes.

ORCHARD FUNDS LIMITED
ABN 39 097 125 874
AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Consolidated	Attributable to members of Orchard Funds Limited					Minority interest	Total
	Contributed equity	Share buy-back reserve	Reserves	Retained profits/ (accumulated losses)	Total		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2007	16,658	-	65	18,592	35,315	(141)	35,174
Loss for the year	-	-	-	(64,414)	(64,414)	(970)	(65,384)
Buy-back of ordinary shares	(4,685)	-	-	-	(4,685)	-	(4,685)
Share buy-back reserve	-	(40,315)	-	-	(40,315)	-	(40,315)
Foreign exchange translation reserve	-	-	(150)	-	(150)	-	(150)
Current account drawings	-	-	-	-	-	(561)	(561)
Adjustment to prior year's minority interest	-	-	-	-	-	38	38
Balance at 30 June 2008	11,973	(40,315)	(85)	(45,822)	(74,249)	(1,634)	(75,883)
Balance at 1 July 2008	**11,973**	**(40,315)**	**(85)**	**(45,822)**	**(74,249)**	**(1,634)**	**(75,883)**
Profit for the year	**-**	**-**	**-**	**60**	**60**	**227**	**287**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(945)**	**(945)**
Foreign exchange translation reserve	**-**	**-**	**(463)**	**-**	**(463)**	**-**	**(463)**
Current account drawings	**-**	**-**	**-**	**-**	**-**	**(289)**	**(289)**
Adjustment to prior year's minority interest for acquisitions	**-**	**-**	**-**	**-**	**-**	**(87)**	**(87)**
Transfer of remaining Minority interests to retained losses on acquisition	**-**	**-**	**-**	**(2,728)**	**(2,728)**	**2,728**	**-**
Conversion of convertible notes to ordinary shares, net of transaction costs	**73,231**	**-**	**-**	**-**	**73,231**	**-**	**73,231**
Balance at 30 June 2009	**85,204**	**(40,315)**	**(548)**	**(48,490)**	**(4,149)**	**-**	**(4,149)**

Total recognised income / (expense) for the year attributable to members of Orchard Funds Limited and its controlled entities is ($3,131,000) (2008: ($64,564,000)). The total amount attributable to minority interest is $2,955,000 (2008: ($932,000)).

Parent entity	Contributed equity	Share buy-back reserve	Retained profits/ (accumulated losses)	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2007	16,658	-	(627)	16,031
Loss for the year	-	-	(56,301)	(56,301)
Buy-back of ordinary shares	(4,685)	-	-	(4,685)
Share buy-back reserve	-	(40,315)	-	(40,315)
Balance at 30 June 2008	11,973	(40,315)	(56,928)	(85,270)
Balance at 1 July 2008	**11,973**	**(40,315)**	**(56,928)**	**(85,270)**
Profit for the year	**-**	**-**	**2,668**	**2,668**
Conversion of convertible notes to ordinary shares, net of transaction costs	**73,231**	**-**	**-**	**73,231**
Balance at 30 June 2009	**85,204**	**(40,315)**	**(54,260)**	**(9,371)**

Total recognised income / (expense) for the year attributable to members of Orchard Funds Limited is $2,668,000 (2008: ($56,301,000)).

The above statements of changes in equity should be read in conjunction with the accompanying notes.

ORCHARD FUNDS LIMITED
ABN 39 097 125 874
AND CONTROLLED ENTITIES

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Cash flows from operating activities					
Receipts from customers and related parties (inclusive of goods and services tax)		**36,571**	78,252	**20,089**	12,388
Payments to suppliers and employees (inclusive of goods and services tax)		**(26,683)**	(61,650)	**(20,157)**	(30,941)
Proceeds from sale of inventories		**7,477**	3,515	**-**	-
Proceeds from sale of financial assets held at fair value through profit and loss		**17**	4,937	**-**	-
Payments for purchase of financial assets held at fair value through profit or loss		**-**	(815)	**-**	(815)
Payments for purchase of inventories		**-**	(428)	**-**	-
Income tax paid		**(29)**	(2,373)	**2,882**	6,777
Net cash inflow (outflow) from operating activities	33	**17,353**	21,438	**2,814**	(12,591)
Cash flows from investing activities					
Interest received		**1,063**	4,236	**896**	3,089
Security deposits		**127**	(275)	**18**	(68)
Dividends and distributions received		**27**	641	**10,173**	34,670
Proceeds from disposal of equipment		**23**	-	**23**	-
Payments for purchase of equipment		**(270)**	(874)	**(67)**	(638)
Settlement of loan receivables from external parties		**-**	12,000	**-**	-
Proceeds from sale of subsidiaries, net of cash disposed	7	**-**	3,606	**-**	3,606
Payments for purchase of subsidiaries, net of cash acquired		**(605)**	(32)	**(581)**	(672)
Net cash inflow from investing activities		**365**	19,302	**10,462**	39,987
Cash flows from financing activities					
Finance costs paid		**(5,321)**	(9,222)	**(5,009)**	(6,330)
Repayment of external borrowings		**(18,006)**	(34,068)	**(9,536)**	(30,913)
Payment of equity raising costs		**(5,384)**	-	**(5,384)**	-
Dividends paid		**(945)**	-	**-**	-
Funds received from / (advanced to) related parties		**12,805**	(3,589)	**3,142**	14,267
Current account drawings		**(289)**	(561)	**-**	-
Net cash outflow from financing activities		**(17,140)**	(47,440)	**(16,787)**	(22,976)
Net increase (decrease) in cash and cash equivalents		**578**	(6,700)	**(3,511)**	4,420
Cash and cash equivalents at the beginning of the financial year		**14,747**	21,447	**4,788**	368
Cash and cash equivalents at end of year	8	**15,325**	14,747	**1,277**	4,788

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Orchard Funds Limited as an individual entity ("the Company" or "parent entity") and the consolidated entity consisting of Orchard Funds Limited and its subsidiaries ("the Group").

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The financial report of Orchard Funds Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Early adoption of standards

The Group has elected to apply AASB 8 Operating Segments in the preparation of these financial statements. AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 are applicable to annual reporting periods beginning on or after 1 January 2009. The standard applies to "for-profit entities whose debt or equity instruments are traded in a public market or that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market." As the Company does not come under this definition, segment information is not required.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including any derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Going concern

As at 30 June 2009, the Group had a capital deficiency of $4.15 million. This deficiency was significantly less than the $75.9 million deficiency at 30 June 2008. During the year there were significant reductions in liabilities resulting from the conversion of $77 million SAI Notes into equity and the bank loan repayment of $18 million.

The Company has a corporate debt facility with BOS International (Australia) Ltd (BOSI) which will mature on 31 July 2010. The amount of this facility as at 30 June 2009 was $30.1 million, comprising $29.4 million cash advances and $0.7 million bank guarantees. Subsequent to year end, on 5 August 2009, the Group received a fee of $6.2 million for the sale of its management rights over Orchard Industrial Property Fund and the sale of Growthpoint Properties Australia Limited (previously Orchard Management Limited), a wholly owned subsidiary of the Group. The fee received has been used by the Company for partial settlement of the corporate debt facility. As at the date of this report, the facility has been reduced to $22.7 million, comprising $22.3 million cash advances and $0.4 million bank guarantees. A further amortisation to reduce cash advances to $20 million is expected to occur prior to 31 December 2009.

The $25 million of the corporate debt facility has been classified as a non-current liability as at 30 June 2009 in line with the corporate facility's maturity date of 31 July 2010. $4.4 million of the corporate debt facility has been classified as a current liability as at 30 June 2009 in line with the required amortisation profile required by the facility agreement in place at that date. On 30 October 2009, Bank of Scotland International (BOSI) informed the Company during the course of negotiations for the renewal of the corporate debt facility (refer Note 19) that it was seeking to change the maturity date from 31 July 2010 to 31 March 2010 to be coterminous with the National Australia Bank (NAB) commercial bill facility to DPF.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

NAB and BOSI as principal financers to DPF have at the same time indicated that they intend to negotiate together to achieve the long term funding of DPF but with the view of concluding a new agreement by 31 March 2010. Both NAB and BOSI have indicated that they will review on 31 January 2010 whether they are each satisfied with the progress of such negotiations, failure of which could in each Bank's discretion lead to a default. In the event that the renegotiation in respect of DPF financing is successful BOSI has indicated that it is prepared to consider extending the term of the Company corporate debt facility.

The subsidiaries of the Group are the responsible entities for property investment funds (the Funds) with assets under management in excess of $2 billion as at 30 June 2009 and derive the majority of their revenue from management and other fees from these Funds. Based on twelve month forecasts for the next financial year, the six largest Funds contribute 83% of the Group's total management fees revenue. This is based on property valuations adopted as at 30 June 2009 with the largest Fund, Orchard Diversified Property Fund (DPF), and its wholly-owned entities representing 28% of the management fee revenue forecast. DPF holds interests in a number of Funds, including the other five largest Funds, and as such is dependent upon these Funds continuing as a going concern in order to receive distribution income from these Funds. If a major Fund was to breach its covenants and be unable to extend or renegotiate its bank facilities, the revenue received by both DPF and also the Group could be impacted since the Funds could be precluded from paying distributions to DPF and possibly fees to the Group. In such an event, a significant uncertainty would exist in relation to whether DPF and the Group would be able to continue as going concerns since DPF and the Group rely upon the continued operations of the Funds and the revenue received from them.

At 30 June 2009, there are a number of bank covenants, debt amortisation and debt maturity related issues which are giving rise to going concern uncertainties within five of the six largest Funds (except Essential Healthcare Trust). Within each Fund the financiers have cross default rights, but such rights do not extend to other Funds. The details of the six largest Funds contributing management and other fees to the Group are summarised below including significant uncertainties within the funds, if any.

Orchard Diversified Property Fund (DPF) has a commercial bill facility of $194.5 million with Bank of Scotland, International ('BOSI'). BOSI has security over the Fund's financial assets (primarily investments in managed investment schemes). The Fund used free cash flows to meet amortisation requirements and repay $16.9 million during the year, and has a further requirement to repay $59.5 million by 31 December 2009. Due to illiquidity in the unlisted market, there is minimal opportunity to dispose of the Fund's financial assets to meet this requirement.

The Fund was in breach of the Net Tangible Value ('NTV') and Gearing Ratio covenants during the year and at 30 June 2009. Subsequent to balance date, BOSI has provided a term sheet issuing waivers for all covenant breaches up to and including 30 June 2009. While the term sheet addresses prior waivers, it does not address the likely breaches for the September 2009, December 2009, and March 2010 quarters or the amortisation requirement by 31 December 2009. BOSI is aware of the likely breaches and of the Fund's inability to meet:

- the amortisation requirement of $59.5 million by 31 December 2009;
- full payment of interest expense; and
- capital expenditure requirements.

Based on its historical actions and oral indications from BOSI, the Fund has reasonable expectation that waivers will be provided if breaches eventuate and interest may be capitalised.

BOSI has provided oral indication that it may fund completed capital expenditure works and capital expenditure works in progress relating to the direct assets held within the NAB security pool by capitalising its interest. BOSI has also provided oral indication that reasonable consideration will be given to requests to fund future essential capital expenditure relating to the direct assets held within the NAB security pool, which if not carried out may be detrimental to asset values. BOSI has confirmed its intention to work with the Fund and its other financiers to facilitate the ability of the Fund to continue as a going concern.

The maturity of the facility remains 31 August 2010, by which time it is expected that the Fund, BOSI and NAB will have entered into an in principle agreement that will be the basis for longer term funding arrangements by both banks. If by 31 January 2010 (or later as may be otherwise agreed between BOSI and the Fund) BOSI in its absolute discretion determines it is not satisfied with the progress made between it, NAB and any other stakeholder bank in relation to the longer term stabilisation of the Fund, then an event of default may arise.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

DPF has a commercial bill facility of $229.7 million with NAB. NAB has security over the majority of DPF's direct property assets. DPF was in breach of the Net Tangible Assets and Gearing Ratio. Waivers have been issued to 31 October and subsequently NAB has agreed not to test the Net Tangible Assets and Gearing Ratio covenants until 31 March 2010 when it is expected that an intercreditor arrangement will have been agreed in principle with BOSI, thus providing DPF with more certainty of continued bank support. The maturity of the facility has been reset to 31 March 2010 (previously 30 June 2011). If by 31 January 2010 (or later as may be otherwise agreed between NAB and the Fund) NAB in its absolute discretion determines it is not satisfied with the progress made between it, BOSI and any other stakeholder bank in relation to the longer term stabilisation of the Fund, then an event of default will arise. As part of the continuing negotiations with NAB, independent valuations were requested to be undertaken for seven of the nine investment properties within NAB's security pool. It is anticipated that these will be finalised prior to 30 November 2009.

NAB has also provided oral indication that reasonable consideration will be given to requests to fund future essential capital expenditure relating to the direct assets held within the its security pool, which if not carried out may be detrimental to asset values.

DPF has a commercial bill facility of $9.6 million with Commonwealth Bank of Australia (CBA) expiring in February 2010, which is currently in breach as the Loan to Value Ratio ('LVR') exceeds the 65% covenant. CBA has security over the Lighthouse Plaza Shopping Centre in Port Macquarie, NSW and the Fund is in the process of marketing this property for sale, with the proceeds to be used to repay debt. CBA has been advised, and has agreed to this strategy. A potential buyer has commenced due diligence for a price of $11.3m, with settlement due 60 days from exchange of contract.

Orchard Sustainable Canberra Trust ('OSCT'), a wholly-owned subsidiary of DPF, has a commercial bill facility of $39.5 million with CBA. The facility defines the measurement of the LVR covenant against external valuations. The most recent external valuation was $60.7 million, adopted upon acquisition in September 2007. On the basis of the directors' valuation of $50.0 million adopted in this financial report, OSCT's LVR is above the required limit of 65%, but does not trigger a breach. Under the facility, the next external revaluation is not required until June 2010. The Consolidated Entity will seek to renegotiate covenants and obtain waivers should a breach eventuate.

One of DPF's wholly-owned entities, Orchard NZ Diversified Property Fund (DPF NZ), has a loan facility of NZ $62.6 million from CBA which represented 8% of the DPF consolidated bank debts as at 30 June 2009. The waiver that DPF NZ had previously received for the LVR and the amendment to the Interest Cover Ratio ('ICR') covenants expired on 30 April 2009, after which the covenants were in breach. Subsequent to balance date, CBA has provided credit approval for an extension of the entire facility and to waive the LVR and ICR covenants to 31 December 2010. Conditions of the credit approval require independent valuations of the investment properties before 31 December 2009, and that any capital expenditure is met from operating cash flows of the Fund. CBA's recourse is limited to the assets of DPF NZ.

The management fees the Group receives from DPF with its wholly-owned entities based on twelve month forecasts for next financial year represent 28% of the Group's total management fees revenue. This is based on property valuations adopted as at 30 June 2009.

Commercial Office Fund (COF) has a loan facility of $190.2 million with NAB with an expiry date of 30 June 2010. NAB has provided credit approval, subject to documentation, to extend the facility to 30 September 2011. The facility requires the default LVR to be 75% until June 2010 then 70% thereafter, an amortisation of $500,000 per month and 100% of net proceeds of all secured asset sales to be provided to NAB. On 19 August 2009, COF entered into an unconditional contract for disposal of the investment property located at 350 Collins Street, Melbourne, which is due to settle on 15 December 2009. The net sale proceeds should satisfy the debt reduction requirements.

The impact of the sale will not be significant on the fees received for the next financial year as the sale attracts a deferred management fee which is higher than the net impact of the management fees received. COF is preparing a Product Disclosure Statement for a possible rights issue to raise capital in order to reduce further debt.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

The management fees the Group receives from COF based on twelve month forecast for next financial year represent 18% of the Group's total management fees revenue. This is based on property valuations adopted as at 30 June 2009.

Essential Healthcare Trust (EHT) has a loan facility of $115 million with BOSI which matures in March 2011. The facility was renegotiated in March 2009 to incorporate a development facility. 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. The management fees the Group receives from EHT based on twelve month forecast for next financial year represent 11% of the Group's total management fees revenue. This is based on property valuations adopted as at 30 June 2009.

Orchard Childcare Property Fund (CPF) has a loan facility of $116.1 million which matures on 31 March 2010. CPF leases a large proportion of its properties to ABC Learning Centres Limited (ABC). Despite ABC still being under administration, CPF was able to pay a distribution of $4.3 million as at 30 June. The bank has indicated that it will continue the debt facility, given that the LVR is 50% on latest director valuations (46% on latest independent valuations), with strong cash flows and rentals still being received on all the leased properties. NAB has provided credit approval, subject to documentation, to extend the debt facility to June 2012 upon successful outcome of the McGrath Nicol sales process (McGrath Nicol is the receiver of ABC). The McGrath Nicol sale process for the Australia and New Zealand operations is currently underway. The management fees the Group receives from CPF based on twelve month forecast for next financial year represent 14% of the Group's total management fees revenue. This is based on property valuations adopted as at 30 June 2009.

Chevron Renaissance Property Trust (CRP) has a loan facility of $58.8 million with NAB. The facility requires the LVR to be less than 70% until 28 February 2010, and 65% by June 2010. Based on the latest independent valuation completed in March 2009, the property had a value of $85m, and an LVR of 69%. As at 30 June, the directors valued the property at $75 million which will result in an LVR of 78%. The facility was due to expire in February 2010, but subsequent to balance date, NAB has provided credit approval, subject to documentation, to extend the facility until February 2012, provided a $10 million capital raising and corresponding debt reduction can be achieved by 30 June 2010. If the required capital is not raised, the facility will expire on 31 December 2010. CRP has undertaken to execute an unconditional contract for the sale of the property in the event that a capital raising is unsuccessful. NAB has required payments of $250,000 per quarter commencing on 1 July 2009 from free cash flows until the LVR is below 65%. The management fees the Group receives from CRP based on twelve month forecast for next financial year represent 5% of the Group's total management fees revenue. This is based on property valuations adopted as at 30 June 2009.

Orchard Primary Infrastructure Fund (PIF) has loan facilities from CBA of $73.7 million comprising:

- Tranche A: $63.0 million, expiring in December 2017;
- Tranche B: $7.4 million, which was due for repayment in November 2008; and
- $3.3 million, held in Sunwest Citrus Property Trust ('Sunwest'), a controlled entity of the Fund which was due for repayment in August 2009.

Subsequent to balance date, CBA has provided credit approval, subject to documentation of terms, for an extension 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' trading position. In the meantime, CBA has orally indicated that it will continue to support the Fund and where necessary, continue to roll expired facilities. A waiver for the current LVR breach has been granted, and the LVR requirement has been waived until June 2011, at which time, CBA will require independent valuations across the entire property portfolio. A condition of the credit approval is that all free cash flow is used to amortise debt.

The Company has guaranteed payments due under certain leases to PIF (refer Note 29).

The management fees the Group receives from PIF based on twelve month forecast for next financial year represent 7% of the Group's total management fees revenue. This is based on property valuations adopted as at 30 June 2009.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The breach and potential breach of loan covenants by certain of these Funds have caused their bank loans to be classified as current liabilities in their balance sheets as at 30 June 2009.

Summary - Going Concern

As a result of the above matters, significant uncertainty exists over the ability of the key Funds and Group to continue as going concerns. However, the directors of the Group are of the view that there are reasonable grounds to believe that the financiers will continue to support the Funds and Group based on:

- the Funds' and Groups' previous history of reaching agreement on renegotiation of loan facility terms, including revised debt amortisation schedules and loan covenants;
- the Funds' historical ability to meet interest payments, the cash flow forecasts and ability to capitalise interest and fees that cannot be met by operating cash flows which demonstrate that they ought to be able to continue meeting these obligations;
- the Funds' historical ability to realise their assets in order to meet debt repayments;
- the Funds' assets and their potential in recovering these assets to meet debt amortisation under the extended terms; and
- written and oral indications from the Groups' and the Funds' financiers that they will continue to support the Funds.

Provided that the Group and its managed Funds continue to receive the support of their financiers, the directors believe that the Funds and Group will be able to refinance any maturing debt and meet their repayment obligations as and when they fall due and that the going concern basis of financial reporting is appropriate as a result of:

- the underlying performance of the Funds' investment properties;
- continued positive cash flows from operating activities;
- the financiers demonstrated willingness to capitalise interest;
- the ability to sell surplus assets; and
- planned or potential capital restructuring opportunities.

The auditor's opinion on the financial reports for the year ended 30 June 2009 of the key Funds are unqualified (or expected to be unqualified), but with the exception of Essential Healthcare Trust they contain (or are expected to contain) an emphasis of matter drawing attention to the significant uncertainty over the ability of the Funds to continue as going concerns without the support of their financiers.

As noted earlier, the Group is reliant on the receipt of management fees from the Funds in order to continue as a going concern, and meet its debts as and when they fall due. As a result of the significant going concern matters noted above, a significant uncertainty exists in relation to whether the Group will be able to continue as a going concern and therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

However, after taking into account all available information in relation to the Group and each of the Funds, the status of each Fund's negotiations with its financiers as at the date of this report and the Group's projected cash flows, the directors of the Group have concluded that there are reasonable grounds to believe that the Funds will be able to pay their management fees to the Group and, hence, the going concern basis of preparation of the financial report is appropriate and that the Group will continue to be able to pay its debts as and when they fall due. This is subject to the Group and its managed Funds continuing to receive the support of their financiers.

At the date of this report, the directors of the Group are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2009. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Orchard Funds Limited as at 30 June 2009 and the results of all subsidiaries for the year then ended. Orchard Funds Limited and its subsidiaries together are referred to in this financial report as the "Group" or the "consolidated entity".

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of consolidation (continued)

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, 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 Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests resulting in gains and losses for the Group are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

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

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Orchard Funds Limited.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

The Group carries out business primarily in the management of investment schemes and operates predominantly within Australia.

As discussed in Note 1(a), the Group has adopted AASB 8 Operating Segments (which supersedes AASB 114 Segment Reporting) in the preparation of these financial statements. As a result of early adopting this standard the Group is not required to include segmental disclosures.

(d) Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Management fees

Management fees earned from managed investments schemes and/or trusts are calculated based on the agreed percentage of funds under management and agreed percentages of schemes' or trusts' acquisitions and disposals. The management fees are recognised on an accrual basis.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition (continued)

(ii) Land development and resale

Revenue is recognised when the risks and rewards have been transferred, which is considered to occur on settlement.

(iii) Lease income

Lease income from operating leases is recognised on a straight-line basis over the lease term.

(iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(v) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(vi) Distributions

Distribution income is brought to account on an accrual basis.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and is expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation commencing on 1 June 2008. Prior to that date the Company and its Australian subsidiaries were member entities of the tax consolidated group under SAI Group Pty Ltd, a related entity until December 2008.

On adoption of the tax consolidation legislation, the head entity and the wholly-owned entities account for their own current and deferred tax amounts. These tax amounts are measured as if each company under the tax consolidated group continues to be a standalone tax payer in its own right.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income tax (continued)

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the wholly-owned entities in the tax consolidated group.

The entities in the tax consolidated group entered into a tax funding agreement under which the wholly-owned entities fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. The funding amounts are recognised as current intercompany receivables or payables. Any difference between the amounts assumed and amounts receivable or payable by the head entity under the tax funding agreement are recognised as a contribution to or distribution from the wholly-owned entities in the tax consolidated group.

(f) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the asset given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the acquisition cost over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

When settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(g) Discontinued operations

A discontinued operation is a component of the Group or the Company that has been disposed of. The results of discontinued operations are presented separately on the face of the income statement.

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(i) Impairment of assets

Goodwill and 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 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

(l) Inventories

Land held for resale and capitalisation of borrowing costs

Land held for resale is recognised at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(m) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in any case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets (continued)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised costs using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented separately in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded on an active market (for example, investment in unlisted subsidiary) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques are used to determine fair value for the remaining financial instruments, such as estimated discounted cash flow, recent arm's length transactions, reference to other instruments that are substantially similar in nature, and option pricing models. The application of these valuation techniques are making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line and diminishing value methods to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. Depreciation rates are as follows:

Class of fixed asset	Depreciation rate
Computer and office equipment	8% – 60%
Furniture, fixtures and fittings	1% – 19%
Leasehold improvements	10% – 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 (Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(p) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment, annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other groups of assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amounts is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(s) Provisions

(i) Lease provisions

These comprise lease incentive provision and operating lease provision.

The lease incentive provision represents landlord contribution on the leasehold improvements. This provision is amortised on a straight-line basis over the term of the lease and reported as a reduction of lease expenses.

The operating lease provision represents accrued lease payments resulting from the recognition of operating lease expense on the straight-line basis over the lease term.

(ii) Make good provision

Make good provision is recognised at the present value of the estimated expenditure required to remove the leasehold improvements. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as operating lease expense.

(t) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables 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.

(ii) Long service leave

The liability for long service leave 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 the 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

(iii) Retirement benefit obligation

Employees of the Group are entitled to benefits from their nominated superannuation plan on retirement, disability or death. The Group has a defined contribution plan. The defined contribution plan receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. The employees of the parent entity are all members of the defined contribution plan.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue 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 the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as the result 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 or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(v) Dividends

Provision is made for the amount of any dividends declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders 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 year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) 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 of 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(y) Presentation currency and rounding of amounts

The amounts in the financial report are presented in Australian dollars.

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases to the nearest dollar.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's assessment of the impact of the new standards and interpretations that may be applicable to the Group's financial statements is set out below.

- Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

- Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

- Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in Note 1(f) above.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) New accounting standards and interpretations (continued)

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see Note 1(b). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009. As a result, the impact on the future transactions in unknown.

- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)

The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of the IASB’s annual improvements project published in May 2008. They clarify that all of a subsidiary’s assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009. There is no partial disposal of subsidiaries that has resulted in loss of control for the Group. The shareholding interests held by the Company and the Group in its subsidiaries are disclosed in Note 32.

- AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AABS 127 Consolidated and Separate Financial Statements. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity’s current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks at varying degrees of exposure. The financial risks that the Group is exposed to comprise market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and capital funding risk. It is the Group's objective to ensure that those risks are identified and, when practical and economic, measures implemented to mitigate or otherwise manage the adverse impact of such risks on the Group's operations and financial performance. The Group's financial risk management is carried out by a central Treasury department under policies approved by the Board of directors. The Board provides principles for overall risk management with policies covering specific areas including controls around the treasury and cash management functions. The Treasury Functions in this regard are to identify, evaluate, report and manage the risks in close collaboration with relevant operating units in line with the Board's policies and prevailing procedures.

The Group and the parent entity hold the following financial instruments as at the balance sheet date.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents	**15,324**	14,747	**1,277**	4,788
Trade and other receivables	**5,812**	13,152	**1,488**	6,392
Financial assets held at fair value through profit or loss	**484**	737	**118**	348
Other financial assets	**-**	6,900	**-**	20,382
	21,620	35,536	**2,883**	31,910
Financial liabilities				
Trade and other payables	**5,151**	5,696	**4,827**	5,279
Borrowings	**28,629**	123,320	**28,629**	115,051
	33,780	129,016	**33,456**	120,330

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices**.** The Group is exposed to the market risk that comprises interest rate risk and price risk.

(i) Currency risk

The Group is exposed to currency risk arising from investments, receivables and payables in foreign exchange denomination particularly in relation to overseas subsidiaries. The exposure is limited primarily to the New Zealand dollar and UK pound sterling and to a much lesser extent the US dollar. However, the associated risks are deemed immaterial due to the small size of the international operations and transactions.

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group is exposed to interest rate risk arising from its cash and cash equivalents, deposits, deferred management fees, loan receivables and borrowings. These financial instruments are subject to variable interest rates which expose the Group to the risk of unfavourable changes in future cash flows due to a change in interest rate (cash flow interest rate risk).

The majority of cash and deposits are placed with Westpac Bank and earn interest at the bank account or deposit rates. These rates are generally lower than the current borrowing rates thus eliminating partially the interest rate risk related to the short-term bank loans. Deferred management fees from the managed investment schemes are discounted at an appropriate discount rate. Any unfavourable changes in the interest rate of debts may increase the discount rate thus reducing the value of the fees revenue.

The main interest rate risk of the Group remains in the bank loan. This loan is subject to Reuters' BBSY (Bank Bill Swap Rate) plus a margin of up to 4% per annum. See Note 19 for further details of the interest cost of the facility. During the 2009 financial year the Reuters' BBSY decreased significantly by approximately 4.5%. The Forward Rate Agreement curve estimates the Reuters' BBSY rates to increase over the next financial year. As the loan will mature on 31 July 2010 and the loan is being reduced through subsequent repayments, the risk of loss caused by any adverse changes in interest rate is considered an acceptable level of risk by the Group.

In 2008 the Group had convertible notes with a fixed coupon rate which exposed the Group to the risk of unfavourable changes in the fair value due to a change in interest rate (fair value interest rate risk). These notes have been converted into the Company's ordinary shares in December 2008.

The following table sets out the Group and parent entity's exposure to interest rate risk and its sensitivity to changes in market interest rates. Management considers +/- 1% (2008: +/- 2%) being a reasonably possible change based on current market indicators.

	Consolidated		**Parent entity**	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Instruments with cash flow interest rate risk				
Cash and cash equivalents	**15,324**	14,747	**1,277**	4,788
Deposits	**648**	775	**50**	68
Deferred management fees	**3,534**	4,596	**-**	-
Borrowings	**(29,351)**	(47,357)	**(29,351)**	(38,887)
Sensitivity of post-tax profit / (loss) to movements in market interest rates:				
Interest rates increase by 1% (2008: 2%)	**(69)**	(191)	**(196)**	(238)
Interest rates decrease by 1% (2008: 2%)	**69**	191	**196**	238
Sensitivity of equity to movements in market interest rates:				
Interest rates increase by 1% (2008: 2%)	**(69)**	(191)	**(196)**	(238)
Interest rates decrease by 1% (2008: 2%)	**69**	191	**196**	238

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to price risk arising from its financial assets held at fair value through profit or loss and deferred management fees.

The financial assets held at fair value through profit or loss mainly consist of investments in the property schemes managed by the Group. The Group's investments are held primarily in unlisted property funds and the parent entity's investment is in a listed fund. The carrying value of these investments represents approximately 1% of the total assets and therefore implicates immaterial risk to the Group.

The Group's deferred management fees are calculated based on the price of the underlying properties held by the managed investment schemes. Any unfavourable changes in the property price may reduce the amount of the deferred management fees and consequently the Group's revenue. All the funds are managed by the Group, hence the associated price risk is closely monitored to mitigate any loss.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss. The Group and parent entity are exposed to credit risk in their financial assets that include cash and cash equivalents, deposits, debtor accounts, advances and loans provided to managed investment schemes and related entities. The maximum exposures to credit risk are the carrying amounts of the financial assets comprising cash and cash equivalents, receivables and other financial assets (refer to the previous details of financial instruments).

The Group's management of credit risk is centralised. Measures implemented by the Group in managing its credit risk, include among others, cash and deposits are held with high credit quality financial institutions (rated equivalent A or higher by the major rating agencies), advances and loans are provided to the managed investment schemes and related entities where the Group and the Trusts are comfortable with the underlying property exposures. Members of the Group are the responsible entities of property investment schemes and derive their majority revenue from management and other fees from these schemes. The Group's trading terms do not include any requirement for debtors to provide collateral as security. The Group regularly monitors the loans and receivables as well as the performance of the controlled entities, managed investment schemes and related entities. Ageing analysis of loans and receivables are presented in Notes 9 and 13.

At the reporting date the Group has no significant concentration of credit risk except for majority cash and cash equivalents which are held with Westpac Bank (rated Aa1/P-1 by Moody's).

Credit risk further arises in relation to a financial guarantee provided for a related party (refer Note 29 – Contingencies). Such a guarantee is only provided in exceptional circumstances and is subject to specific Board approval.

At the reporting date the carrying amounts of the Group's and parent entity's financial assets are expected to be received in full. There are no issues with the credit quality of financial assets that are neither past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and other liquid financial assets to meet the ongoing operational requirements of the business, having available funding through adequate amounts of committed credit facilities, the ability to close-out market positions and the ability to raise funds through a number of means including an issue of new securities through public offering or private placement. It is the Group's policy to maintain sufficient liquid financial assets to cover current liabilities and any unforeseen expenditures of the Group. The Group prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flows. The Group also monitors the maturity profiles of borrowings and puts in place strategies to ensure that all maturing obligations are settled or refinanced within the required timeframes.

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The adverse conditions in the financial and property markets had severe impact on the Group's operational results. The Group had significant liquidity issues due to impaired receivables, the amount of interest-bearing loans, termination of credit lines caused by breaches of debt covenants and an inability to raise equity financing in the highly volatile financial market. In an attempt to recover from deteriorating financial conditions, in the 2009 financial year the Group repaid $18.0 million of its interest-bearing loans using the proceeds from sale of investment properties and cash generated from operations. In addition, the Group reduced its debts significantly through conversion of $77 million SAI Notes into the parent entity's ordinary shares. As a result, the Group has improved the liquidity level in its financial position. The Group continues restructuring its finances to enhance its liquidity condition.

At 30 June 2009, however, there are a number of issues related to bank covenants, debt amortisation and debt maturity within major schemes managed by the Group which are giving rise to going concern uncertainties in the managed schemes. As members of the Group derive the majority of its revenue from management and other fees from these managed investment schemes, the Group would be impacted by any liquidity matter in the managed schemes. The details of this matter are disclosed in Note 1 (a).

Subsequent to 30 June 2009, Bank of Scotland International informed the Company during the course of negotiations for the renewal of the corporate debt facility that it was seeking to change the maturity date of the facility from 31 July 2010 to 31 March 2010 (refer Note 36).

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Less than 6 months $'000	6 - 12 months $'000	1 - 2 years $'000	2 - 3 years $'000	Total contractual cash flows $'000	Carrying amount $'000
2009						
Non-interest bearing	5,151	-	-	-	5,151	5,151
Variable rate	844	30,195	-	-	31,039	29,351
Fixed rate	-	-	-	-	-	-
Total	**5,995**	**30,195**	**-**	**-**	**36,190**	**34,502**
2008						
Non-interest bearing	5,696	-	-	-	5,696	5,696
Variable rate	39,299	8,745	-	-	48,044	47,357
Fixed rate	80,657	-	-	-	80,657	77,000
Total	125,652	8,745	-	-	134,397	130,053

Parent	Less than 6 months $'000	6 - 12 months $'000	1 - 2 years $'000	2 - 3 years $'000	Total contractual cash flows $'000	Carrying amount $'000
2009						
Non-interest bearing	4,827	-	-	-	4,827	4,827
Variable rate	125	4,476	-	-	4,601	4,351
Fixed rate	-	-	-	-	-	-
Total	**4,952**	**4,476**	**-**	**-**	**9,428**	9,178
2008						
Non-interest bearing	5,279	-	-	-	5,279	5,279
Variable rate	38,887	-	-	-	38,887	38,887
Fixed rate	80,657	-	-	-	80,657	77,000
Total	124,823	-	-	-	124,823	121,166

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

(d) Capital funding risk

The Group has debt and equity as its capital sources of funding. The members of the Group have to comply with certain capital and distribution requirements under their constitutions and/or trust deeds. Certain entities in the Group hold an Australian Financial Services Licence (AFSL) and act as responsible entities for a number of the Group's managed investment schemes. The AFSLs require certain levels of net tangible assets, cash reserves and liquidity which may restrict the entities in paying dividends that would breach these requirements. The parent entity has sourced the Group's funding requirement through debt financing which stipulates a certain level of debt to equity ratio (gearing ratio) to the Group under the debt covenants. The Group is exposed to the risk of having inadequate capital or non-compliance of capital and distribution requirements.

The Group capital management strategy seeks to maximise shareholder value through optimising the level and use of capital resources as well as the mix of debt and equity financing. It is the Group's objectives to ensure sufficient capital resources to support its operational requirements, comply with capital and distribution requirements under the constitutions, relevant regulatory authorities and debt covenants, and safeguard the Group's ability to continue as a going concern. The Group monitors the adequacy of its capital requirements, cost of capital and gearing ratio as part of its overall strategic plans and corporate action. The Group is able to alter its capital mix by issuing new securities, activating distribution reinvestment plan, activating security buy-back program, adjusting the amount of distribution to members and selling assets to reduce borrowings.

In the previous year the Group was more highly leveraged with a total debt as at 30 June 2008 of approximately $124 million comprising $77 million SAI Notes and $47 million bank loans, while contributed equity was $12 million. During the 2009 financial year the Group has significantly reduced its debts through accelerated repayments and the conversion of $77 million SAI Notes into the parent entity's ordinary shares. As at 30 June 2009 the balance of the Group's bank debt was $29.4 million and the contributed equity was $85.2 million. The Group continues improving its capital structure to restore its financial performance and to review alternative financial restructuring plans. Subsequent to year end, the Group further repaid $6.2 million of its total bank debt (refer to Note 36). As at the date of this report, the Corporate debt facility has been reduced to $22.7 million, comprising $22.3 million cash advances and $0.4 million bank guarantees.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Deferred management fees

The Group may receive management fees on the sale of property by an investment scheme for which it is a responsible entity. Revenue for deferred disposal and performance fees is recognised for finite life schemes when the performance criteria has been met, and for indefinite life schemes, in the period when the decision to sell a property has been made. The amount of this “deferred” management fee is dependent on the sale price of the property. In the calculation of deferred management fees, the sale price is assumed to be the most current valuation as reported in the investment scheme. An appropriate discount rate of 10.3% at 30 June 2009 (2008: 11.9%) has been applied.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(ii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 1(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 17 for details of these assumptions and the potential impact of changes to the assumptions.

(iii) Impairment of other assets

The Group assesses the recoverability of both current and non-current assets on at least an annual basis. In determining the recoverability of these assets the Group assesses the likelihood that future cash flows or net assets support the carrying values.

(iv) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognised liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(b) Critical judgements in applying the entity's accounting policies

Deferred management fees

For certain managed investment schemes, the Company defers management fees for the first few years until the scheme has grown to a sufficient size to be able to pay these fees. These fees will be dependent on the size of the scheme in the future and the management fee that applies at the time. The Company's revenue recognition principle is that changes in the present value of these deferred amounts are included in current year revenues. Management judgements are made about the discount rate to be used in calculating the present value of these future fees and any change in the management fee rate.

NOTE 4: REVENUE AND OTHER INCOME

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Revenue from continuing operations				
Service revenue	**28,434**	60,254	**15,813**	9,327
Interest revenue	**2,339**	4,236	**1,645**	3,089
Distribution income	**27**	641	**27**	170
Dividend income	**-**	-	**10,146**	34,500
	30,800	65,131	**27,631**	47,086
Other income				
Gain on sale of financial assets	**17**	2,429	**-**	-
Other	**93**	2,756	**1,450**	201
	110	5,185	**1,450**	201
From discontinued operations (Note 7)				
Distribution income	**-**	253	**-**	-
Interest revenue	**12**	-	**-**	-
	12	253	**-**	-

NOTE 5: EXPENSES

Profit / (loss) before income tax includes the following specific expenses:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Impairment expense				
Receivables				
Schemes/trusts managed by companies in the Group	**-**	3,344	**-**	7,733
Other related parties	**-**	63,104	**6,006**	63,224
External	**861**	33	**292**	17
Inventories	**-**	2,202	**-**	-
	861	68,683	**6,298**	70,974
Reversal of impairment expense				
Receivables				
Schemes/trusts managed by companies in the Group	**876**	-	**876**	-
Other related parties	**5,737**	-	**2,137**	-
	6,613	-	**3,013**	-

NOTE 5: EXPENSES (continued)

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Finance costs				
Interest, finance charges and other costs associated with borrowings				
Other related parties	**-**	-	**-**	345
External	**5,636**	8,394	**5,123**	5,149
Finance costs expensed	**5,636**	8,394	**5,123**	5,494
Lease expense				
Minimum payments of operating leases	**3,166**	1,556	**2,797**	1,208
Lease incentives	**(319)**	(329)	**(319)**	(329)
	2,847	1,227	**2,478**	879
Depreciation and amortisation				
Depreciation	**1,396**	913	**1,363**	880
Amortisation*	**1,155**	200	**-**	-
	2,551	1,113	**1,363**	880
Defined contribution superannuation expense	**620**	251	**620**	251
(Loss) / gain on sale of inventories	**(3,265)**	377	**-**	-
Loss on disposal of property, plant and equipment	**(451)**	-	**(451)**	-
Depreciation-from discontinued operation	**155**	-	**-**	-

*The prepayments of Orchard Property Limited, a fully owned subsidiary of the Group at 30 June 2009, totalling $950,000 have been fully written-off to amortisation expense in the current financial year, as no future economic benefit is expected to be derived from them.

NOTE 6: INCOME TAX EXPENSE / (REVENUE)

(a) Income tax expense / (revenue)

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Current tax	**202**	9,747	**(2,882)**	-
Deferred tax	**(114)**	(9,297)	**426**	(8,788)
	88	450	**(2,456)**	(8,788)
Income tax expense / (revenue) is attributable to:				
Profit / (loss) from continuing operations	**89**	450	**(2,456)**	(8,788)
Loss on discontinued operations	**(1)**	-	**-**	-
Aggregate income tax expense / (revenue)	**88**	450	**(2,456)**	(8,788)
Deferred income tax expense / (revenue) included in income tax comprises:				
Decrease / (increase) in deferred tax assets (Note 16)	**1,480**	(9,903)	**441**	(8,631)
(Decrease) / increase in deferred tax liabilities (Note 22)	**(1,594)**	606	**(15)**	(157)
	(114)	(9,297)	**426**	(8,788)

(b) Numerical reconciliation of income tax expense / (revenue) to prima facie tax payable

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Profit / (loss) from continuing operations before income tax expense / (revenue)	**1,353**	(62,884)	**284**	(63,524)
Loss from discontinuing operations before income tax expense / (revenue) (Note 7)	**(978)**	(2,050)	**(72)**	(1,565)
	375	(64,934)	**212**	(65,089)

NOTE 6: INCOME TAX EXPENSE / (REVENUE) (continued)

(b) Numerical reconciliation of income tax expense / (revenue) to prima facie tax payable (continued)

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Tax at the Australian tax rate of 30% (2008: 30%)	**113**	(19,480)	**64**	(19,527)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Entertainment	**9**	27	**9**	27
Office fit-out contribution received	**-**	291	**-**	291
(Gain) / loss on sale of assets	**-**	(842)	**-**	470
Capital losses	**-**	(488)	**-**	(579)
Capital losses not recognised	**1,637**	-	**-**	-
Loss / (gain) on revaluation of investments	**(2)**	(369)	**-**	(369)
Impairment of receivables	**(1,984)**	19,971	**898**	21,286
Impairment of fixed assets	**(417)**	-	**(417)**	-
Intercompany advances written off	**-**	-	**(411)**	-
Legal expenses	**-**	7	**-**	3
Trust distribution	**(8)**	(96)	**(8)**	(40)
Dividends received	**-**	-	**(3,043)**	(10,350)
Tax losses not recognised	**277**	730	**277**	-
Loss on discontinued operations	**(1)**	615	**(1)**	-
Witholding tax written off	**137**	-	**137**	-
Adjustment to deferred tax of prior year	**112**	2	**-**	-
Tax base adjustment	**171**	-	**-**	-
Sundry items	**44**	82	**39**	-
	88	450	**(2,456)**	(8,788)

(c) Tax losses

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Unused tax losses for which no deferred tax asset has been recognised:				
Revenue losses	**4,254**	-	**4,254**	-
Capital losses	**6,279**	688	**6,279**	688
	10,533	688	**10,533**	688
Potential tax benefit at 30%	**3,160**	206	**3,160**	206

The Group has $308,000 of losses from overseas operations which are not recognised as at 30 June 2009 (2008: $2.4 million).

NOTE 7: DISCONTINUED OPERATIONS

(a) Description

In the 2009 financial year SAITeys McMahon Real Estate Pty Ltd, a wholly-owned subsidiary of the Company, was closed and deregistered. This company ceased trading in the 2008 financial year. The closure had no material impact to the Group's financial statements.

In the 2009 financial year the Company sold Orchard Asset Management Limited, a wholly-owned subsidiary for $10,000.

In the 2009 financial year Orchard Capital Ltd, a wholly-owned subsidiary of the Company ceased trading. The loss contributed to the Group from Orchard Capital Limited is $921,000.

In the 2008 financial year the Company sold its 50% ownership interest in Orchard Asset Management Asia Pty Ltd (OAMA) to the other shareholders of that company for $77,000. The Company also sold its 70% ownership interest in Orchard Property Securities Fund (PSF) for $3,529,000. The subsidiaries were sold at the book value of the Company's investment. The discontinued operations had caused a total loss of $2.05 million to the Group.

Financial information relating to the discontinued operations is as follows:

(b) Financial performance and cash flow information

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Revenue	**12**	253	**-**	-
Expenses	**(1,001)**	(3,064)	**-**	-
Loss before income tax	**(989)**	(2,811)	**-**	-
Income tax revenue	**1**	-	**-**	-
Loss after income tax	**(988)**	(2,811)	**-**	-
Minority interest	**-**	(985)	**-**	-
Loss after income tax of discontinued operations	**(988)**	(1,826)	**-**	-
Gain / (loss) on sale of discontinued operations before income tax	**10**	954	**(72)**	(1,565)
Income tax expense	**-**	-	**-**	-
Gain / (loss) on sale of discontinued operations after income tax	**10**	954	**(72)**	(1,565)
Loan to OAMA forgiven by the Company subsequent to the sale	**-**	(1,178)	**-**	-
Loss from discontinued operations	**(978)**	(2,050)	**(72)**	(1,565)
Net cash outlow from operating activities	**(988)**	(664)	**-**	(664)
Net cash outflow from investing activities (2008 includes $3.606 million inflow from the sale of discontinued operations)	**-**	3,462	**-**	3,462
Net (decrease) increase in cash caused by the discontinued operations	**(988)**	2,798	**-**	2,798

NOTE 7: DISCONTINUED OPERATIONS (continued)

(c) Carrying amount of assets and liabilities

	Consolidated		Parent entity	
Consolidated	**2009**	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Cash	**-**	155	**-**	-
Trade and other receivables	**6**	240	**-**	-
Financial assets held at fair value through profit or loss	**-**	3,502	**-**	-
Investment in subsidiaries	**-**	-	**82**	5,171
Plant and equipment	**-**	67	**-**	-
Total assets	**6**	3,964	**82**	5,171
Payables	**-**	79	-	-
Bank overdraft	**-**	55	-	-
Loan from Orchard Funds Limited	**-**	1,178	**-**	-
Total liabilities	**-**	1,312	**-**	-
Net assets	**6**	2,652	**82**	5,171

(d) Details of the sale

	Consolidated		Parent entity	
Consolidated	**2009**	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Consideration received	**10**	3,606	**10**	3,606
Carrying amount of net assets sold	**-**	(2,652)	**(82)**	(5,171)
Gain / (loss) on sale before income tax	**10**	954	**(72)**	(1,565)
Income tax expense	**-**	-	**-**	-
Gain / (loss) on sale of discontinued operations after income tax	**10**	954	**(72)**	(1,565)

NOTE 8: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**15,319**	13,044	**1,277**	4,788
Deposits at call	**5**	1,703	**-**	-
	15,324	14,747	**1,277**	4,788

(a) Reconciliation to Statements of Cash Flows

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Balances per statement of cash flows	**15,324**	14,747	**1,277**	4,788

(b) Interest rate risk exposure

Cash at bank earned interest at rates between 0% and 4.5% per annum (2008: 0% and 6.7%).

The Group's and parent entity's exposure to interest rate risk is discussed in Note 2.

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Trade receivables				
Schemes/trusts managed by companies in the Group	**52**	2,902	**1**	8
Other related parties	**-**	-	**-**	11
External	**2,314**	3,523	**375**	1,447
Provision for impairment - trade receivables	**(293)**	-	**(291)**	-
	2,073	6,425	**85**	1,466
Prepayments	**126**	405	**112**	145

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (continued)

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Security deposits	**569**	523	**-**	-
Impairment of security deposit	**(569)**	-	**-**	-
	-	523	**-**	-
Other receivables				
External*	**24,642**	-	**24,642**	-
Provision for impairment - other receivables*	**(24,642)**	-	**(24,642)**	-
	-	-	**-**	-
Other receivables (advances)				
Schemes/trusts managed by companies in the Group	**-**	1	**510**	1
Other related parties*	**-**	26,504	**2,747**	32,220
Provision for impairment - advances*	**-**	(26,504)	**(2,016)**	(27,508)
	-	1	**1,241**	4,713
	2,199	7,354	**1,438**	6,324

* Other receivables relating to amounts receivable from SAI Group Pty Ltd is reclassed from other receivables (advances) to other receivables (external) in the current financial year. SAI Group Pty Ltd was a related party of the Company and of the Group until December 2008.

(a) Impaired receivables

Trade receivables

As at 30 June 2009 current trade receivables of the Company and of the Group with a nominal value of $291,000 and $293,000, respectively, (2008: $nil) were impaired. The amount of provision for impairment of these receivables of the Company and of the Group was $291,000 and $293,000, respectively (2008: $nil). The impaired trade receivables mainly relate to SAI Private Investments Ltd and Mansion Group Holdings Ltd. The amounts are considered unlikely to be recoverable.

Other receivables

(i) Group

As at 30 June 2009 current other receivables (advances) of the Group with a nominal value of $nil (2008: $26.5 million) were impaired. The amount of provision for impairment of these receivables was $nil (2008: $26.5 million). The impaired other receivables (advances) as at 30 June 2008 relate to SAI Group Pty Ltd, a related entity until December 2008. The amount receivable from SAI Group Pty Ltd, with a nominal value of $24.6 million as at 30 June 2009, is fully impaired and is reclassed to other receivables in the current financial year. The amounts are considered unlikely to be recoverable.

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (continued)

(a) Impaired receivables (continued)

Other receivables (continued)

(ii) Parent entity

As at 30 June 2009 current other receivables (advances) of the Company with a nominal value of $3.2 million (2008: $32.2 million) were impaired. The amount of provision for impairment of these receivables was $2.0 million (2008: $27.5 million). The impaired other receivables (advances) in the current year relate to schemes, trusts and related entities. The other receivables (advances) as at 30 June 2008 relate to SAI Group Pty Ltd, a related entity until December 2008. The amount receivable from SAI Group Pty Ltd, with a nominal value of $24.6 million as at 30 June 2009, is fully impaired and is reclassed to other receivables in the current financial year. The amounts are considered unlikely to be recoverable.

Movements in the provision for impairment of receivables of the Group are as follows:

	Consolidated		**Parent entity**	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Trade receivables - Provision for impairment				
At 1 July	**-**	(605)	**-**	-
Provision recognised during the year	**(293)**	-	**(291)**	-
Recovery of amount previously provided for	**-**	352	**-**	-
Transfer to SAIG **	**-**	253	**-**	-
At 30 June	**(293)**	-	**(291)**	**-**
Other receivables (external) - Provision for impairment				
At 1 July	**-**	-	**-**	-
Reallocation of provision from other receivables (advances)*	**(26,504)**	-	**(26,504)**	-
Recovery of amount previously provided for	**1,862**	-	**1,862**	-
At 30 June	**(24,642)**	-	**(24,642)**	**-**
Other receivables (advances) - Provision for impairment				
At 1 July	**(26,504)**	(1,474)	**(27,508)**	-
Provision recognised during the year	**-**	(26,504)	**(1,950)**	(27,508)
Reallocation of provision to other receivables *	**26,504**	-	**26,504**	-
Receivables written off during the year as uncollectable	**-**	-	**938**	-
Transfer to SAIG **	**-**	1,474	**-**	-
At 30 June	**-**	(26,504)	**(2,016)**	(27,508)

* Other receivables relating to amounts receivable from SAI Group Pty Ltd (SAIG) is reclassed from other receivables (advances) to other receivables (external) in the current financial year. SAIG was a related party of the Company and of the Group until December 2008.

** The provisions and receivables relating to the Primary Agribusiness Fund (PAF), a scheme managed by a subsidiary of SAIG, were transferred to SAIG (the ultimate parent entity at the time of demerger).

The creation and release of the provision for impaired receivables has been included in “impairment” in the income statement. Amounts charged to the allowance account are generally written-off when there is no expectation of recovering additional cash.

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (continued)

(b) Past due but not impaired

As at 30 June 2009, the Group's trade receivables of $20,000 (2008: $2.9 million) and other receivables of $nil (2008: $nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

As at 30 June 2009, the parent entity's trade receivables of $11,000 (2008: $26,000) and other receivables of $1,000 (2008: $15,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these past due receivables is as follows:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Trade receivables				
> 30 days	**-**	1,003	**-**	**-**
> 60 days	**20**	26	**11**	**26**
> 90 days	**-**	1,909	**-**	**-**
	20	2,938	**11**	26
Other receivables				
> 30 days	**-**	**-**	**-**	**-**
> 60 days	**-**	**-**	**-**	**-**
> 90 days	**-**	**-**	**1**	15
	-	-	**1**	15

The $1.9 million trade receivable from schemes/ trusts as at 30 June 2009 was due to be received on 30 June 2009.

The Group does not hold any collateral in relation to these receivables.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for more information on the risk management policy of the Group.

(d) Foreign exchange and interest rate risk

Information about the Group's and parent entity's exposure to foreign exchange and interest rate risk in relation to trade and other receivables is provided in Note 2.

(e) Advances to other related parties

Advances to other related parties are short term cash advances repayable within one year. These advances are non-interest bearing.

NOTE 10: CURRENT ASSETS – INVENTORIES

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Land and developments held for resale				
- at cost	**-**	12,944	**-**	-
Provision for impairment	**-**	(2,202)	**-**	-
	-	10,742	**-**	-

Land and developments held for resale comprises completed projects of 22 units out of which five units were sold in 2008 resulting in a total net gain of $0.4 million recognised in the profit and loss in 2008. An impairment loss on the inventories was provided for $2.2 million in 2008.

In 2009 the Group accelerated the sale of the 17 remaining units through auctions which resulted in further reduction in the consideration received and recognition of further loss of $3.3 million, net of reversal of impairment provision, through profit and loss. The impairment provision of $2.2 million is reversed in the current financial year through profit and loss. The proceeds from these property sales, after deducting relevant expenses, was used to repay the bank loan in the current financial year (refer Note 19).

NOTE 11: CURRENT ASSETS – FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Shares in other corporations	**14**	14	**-**	-
Units in schemes/trusts managed by companies in the Group	**352**	375	**-**	-
Units in listed trusts	**118**	348	**118**	348
	484	737	**118**	348

Changes in fair values of other financial assets at fair value through profit or loss are recorded in the income statement.

(a) Risk exposure

Information about the Group's and parent entity's exposure to price risk is provided in Note 2.

NOTE 12: CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Loan receivables				
Schemes/trusts managed by companies in the Group	**2,467**	3,344	**2,467**	3,344
Other receivables*	**34,566**	-	**-**	-
Other related parties*	**-**	42,500	**8,020**	10,015
Provision for impairment				
Schemes/trusts managed by companies in the Group	**(2,467)**	(3,344)	**(2,467)**	(3,344)
Other receivables*	**(34,566)**	-	**-**	-
Other related parties*	**-**	(35,600)	**(8,020)**	(7,102)
	-	6,900	**-**	2,913

* Other receivables relating to amounts receivable from SAI Group Pty Ltd (SAIG) is reclassed from other related parties to other receivables in the current financial year. SAIG was a related party of the Company and of the Group until December 2008.

With effect from 1 November 2008, the outstanding loans to SAIG (included in “Other receivables”) is subject to interest at the rate of the Company’s cost of borrowing under its corporate debt facility (refer Note 19) plus 0.25% per annum.

The loans to schemes/trusts managed by companies in the Group, where there is a loan agreement in place, are subject to an interest rate of 9.5% (2008: 9.5%) per annum.

The loans to related parties are subject to interest at the rate of Reuters’ BBSY (Bank Bill Swap Bid Rate) for bills of a tenor equivalent to the interest period plus a margin of 2% per annum. The weighted average interest rate on this loan was 8% (2008: 9.5%) per annum.

(a) Impaired receivables

(i) Group

At 30 June 2009, loan receivables from schemes/trusts managed by companies in the Group with a nominal value of $2.5 million (2008: $3.3 million) were fully impaired. The receivable was due from one scheme. Refer Note 29 for more details.

At 30 June 2009, loan receivable from other receivables with a nominal value of $34.6 million (2008: $42.5 million included in other related parties) was fully impaired (2008: $35.6 million). The impaired loan receivables relate to SAI Group Pty Ltd (SAIG) as follows:

In 2007 Orchard Group Capital Limited (OGCL), a wholly owned subsidiary of the Company, provided a $77 million loan to SAIG from the proceeds of the convertible notes issue. In May 2008, as a result of SAIG restructuring, $45 million of this loan was assumed directly by the Company following a return of capital by the Company to SAIG. The balance of the loan from OGCL to SAIG amounting to $32 million was guaranteed by the Company. As at 30 June 2008, the directors of OGCL assessed the recoverability of the receivable of $32 million due from SAIG and determined that its recoverable amount was zero. In 2009 the loan is subject to interest resulting in $2.6 million being charged to SAIG in the current financial year by OGCL, a wholly owned subsidiary. As at 30 June 2009, the directors of OGCL further assessed the recoverability of the current receivable of $34.6 million from SAIG, including principal plus interest, and determined that its recoverable amount is zero. The directors have determined the recoverable amount based on SAIG’s ability to repay the loan.

NOTE 12: CURRENT ASSETS – OTHER FINANCIAL ASSETS (continued)

In 2008, the directors also assessed the recoverability of the receivable of $10 million due from SAIG to Orchard Capital Investments Limited, a subsidiary of the Company, and determined that its recoverable amount was $6.4 million after an impairment of $3.6 million. The receivable of $10 million was fully recovered in the current financial year.

(ii) Parent entity

At 30 June 2009, loan receivables from schemes/trusts managed by companies in the Group with a nominal value of $2.5 million (2008: $3.3 million) were fully impaired. The amount is receivable from Primary Infrastructure Fund (PIF), a scheme managed by the Group. Impairment amounts were determined after assessing the future recoverability based on the future cash flows and net assets. As at 30 June 2009, the Company has guaranteed payments due under certain rental leases to PIF (refer to Note 29).

At 30 June 2009, loan receivables from other related parties with a nominal value of $8 million (2008: $10 million) were fully impaired (2008: $7.1 million). The impairment relates to a non-recoverable loan to subsidiaries.

(iii) Movements in the provision for impairment of loan receivables

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Schemes/trusts managed by companies in the Group - Provision for impairment				
At 1 July	**(3,344)**	-	**(3,344)**	-
Recovery of amount previously provided for	**877**	(3,344)	**877**	(3,344)
At 30 June	**(2,467)**	(3,344)	**(2,467)**	(3,344)
Other related parties - Provision for impairment				
At 1 July	**(35,600)**	-	**(7,102)**	-
Receivables written off during the year as uncollectable	**-**	-	**3,193**	-
Reallocation of provision to other receivables*	**35,600**	-	**-**	-
Provision recognised during the year	**-**	(35,600)	**(4,111)**	(7,102)
At 30 June	**-**	(35,600)	**(8,020)**	(7,102)
Other receivables - Provision for impairment				
At 1 July	**-**	-	**-**	-
Reallocation of provision from other related parties*	**(35,600)**	-	**-**	-
Recovery of amount previously provided for	**3,600**	-	**-**	-
Provision recognised during the year	**(2,566)**	-	**-**	-
At 30 June	**(34,566)**	-	**-**	-

* Other receivables – provision for impairment relating to amounts receivable from SAI Group Pty Ltd (SAIG) is reclassed from other related parties – provision for impairment to other receivables in the current financial year. SAIG was a related party of the Company and of the Group until December 2008.

The creation and release of the provision for impaired receivables has been included in “impairment” in the income statement. Amounts charged to the allowance account are generally written-off when there is no expectation of recovering additional cash.

NOTE 12: CURRENT ASSETS – OTHER FINANCIAL ASSETS (continued)

(b) Past due but not impaired

As at 30 June 2009, the Group's loan receivables from other related parties of $nil (2008: $6.9 million) were past due but not impaired.

The ageing analysis of these past due loan receivables is as follows:

The Group does not hold any collateral in relation to these receivables.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Other related parties				
> 90 days	-	6,900	-	500

(c) Fair values

The fair values and carrying values of other financial assets are as follows:

Consolidated	**2009** Carrying amount	**2009** Fair value	2008 Carrying amount	2008 Fair value
	$'000	**$'000**	$'000	$'000
Loan receivables				
Other related parties	**-**	**-**	6,900	6,900
	-	**-**	6,900	6,900

Parent entity	**2009** Carrying amount	**2009** Fair value	2008 Carrying amount	2008 Fair value
	$'000	**$'000**	$'000	$'000
Loan receivables				
Other related parties	**-**	**-**	2,913	2,913
	-	**-**	2,913	2,913

Given the short term nature of the receivables their carrying value approximates their fair value.

(d) Interest rate and credit risk

Information about the Group's and parent entity's exposure to interest rate and credit risk in relation to these assets is provided in Note 2.

NOTE 13: NON-CURRENT ASSETS – RECEIVABLES

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Deferred management fees	**3,534**	4,596	**-**	-
Prepayments	**-**	950	**-**	-
Security deposits	**79**	252	**50**	68
	3,613	5,798	**50**	68

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

(b) Fair values

The fair values and carrying values of non-current receivables of the Group are as follows:

Consolidated	2009		2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Deferred management fees	**3,534**	**3,534**	4,596	4,596

The fair values are based on cash flows discounted using the Group's cost of capital of 10.3% per annum (2008: 11.9%).

(c) Risk exposures

Information about the Group's and parent entity's exposure to credit, and market risks in relation to non-current receivables is provided in Note 2.

NOTE 14: NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Shares in subsidiaries	**-**	-	**17,993**	17,469

These financial assets are carried at cost.

Refer to Note 32 for details of the Company's investments in subsidiaries.

ORCHARD FUNDS LIMITED
ABN 39 097 125 874
AND CONTROLLED ENTITIES

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NOTE 15: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Plant and equipment $'000	Computer and office equipment $'000	Furniture, fixtures and fittings $'000	Total $'000
At 1 July 2007				
Cost or fair value	280	323	-	603
Accumulated depreciation	(144)	(164)	-	(308)
Net book amount	136	159	-	295
Year ended 30 June 2007				
Opening net book amount	136	159	-	295
Additions	-	1,788	5,350	7,138
Disposals	-	(171)	(1,204)	(1,375)
Depreciation	-	(431)	(482)	(913)
Impairment	-	-	(1,950)	(1,950)
Reclassification	(136)	-	136	-
Closing net book amount	-	1,345	1,850	3,195
At 30 June 2008				
Cost or fair value	-	1,847	2,388	4,235
Accumulated depreciation	-	(502)	(538)	(1,040)
Net book amount	-	1,345	1,850	3,195
Year ended 30 June 2009				
Opening net book amount	-	1,345	1,850	3,195
Additions	-	264	6	270
Disposals	-	(239)	(229)	(468)
Depreciation	-	(869)	(682)	(1,551)
Reclassification	-	609	(609)	-
Closing net book amount	-	1,110	336	1,446
At 30 June 2009				
Cost or fair value	**-**	**2,685**	**900**	**3,585**
Accumulated depreciation	**-**	**(1,575)**	**(564)**	**(2,139)**
Net book amount	**-**	**1,110**	**336**	**1,446**

NOTE 15: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

Parent entity	**Plant and equipment** $'000	**Computer and office equipment** $'000	**Furniture, fixtures and fittings** $'000	**Total** $'000
At 1 July 2007				
Cost or fair value	280	323	-	603
Accumulated depreciation	(144)	(164)	-	(308)
Net book amount	136	159	-	295
Year ended 30 June 2008				
Opening net book amount	136	159	-	295
Additions	-	1,723	5,176	6,899
Disposals	-	(171)	(1,204)	(1,375)
Depreciation	-	(408)	(472)	(880)
Impairment	-	-	(1,950)	(1,950)
Reclassification	(136)	-	136	-
Closing net book amount	-	1,303	1,686	2,989
At 30 June 2008				
Cost or fair value	-	1,782	2,215	3,997
Accumulated depreciation	-	(479)	(529)	(1,008)
Net book amount	-	1,303	1,686	2,989
Year ended 30 June 2009				
Opening net book amount	-	1,303	1,686	2,989
Additions	-	64	3	67
Disposals	-	(293)	(193)	(486)
Depreciation	-	(822)	(541)	(1,363)
Reclassification	-	662	(662)	-
Closing net book amount	-	914	293	1,207
At 30 June 2009				
Cost or fair value	**-**	**2,421**	**725**	**3,146**
Accumulated depreciation	**-**	**(1,507)**	**(432)**	**(1,939)**
Net book amount	**-**	**914**	**293**	**1,207**

These assets have been pledged as security for a bank loan (refer Note 19).

NOTE 16: NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
The balance comprises of temporary differences attributable to:				
Tax losses*	**-**	16	**-**	16
Employee benefits	**202**	245	**202**	245
Capitalised project costs	**2,394**	1,465	**2,138**	1,099
Property, plant and equipment	**-**	746	**-**	86
	2,596	2,472	**2,340**	1,446
Others				
Borrowing costs	**22**	21	**14**	36
Audit fees and other accruals	**379**	227	**370**	211
Impairment of receivables and interest revenue	**1,123**	-	**183**	-
Deferred rentals	**19**	-	**19**	-
Provision for repairs and maintenance	**18**	-	**-**	-
Make good provision	**45**	102	**45**	102
Unrealised foreign exchange loss	**-**	67	**-**	71
Provision for diminution in investments	**230**	1,408	**209**	140
	1,836	1,825	**840**	560
Total deferred tax assets	**4,432**	4,297	**3,180**	2,006
Set-off of deferred tax liabilities pursuant to set-off provision	**(1,738)**	(3,332)	**(33)**	(48)
Net deferred tax assets	**2,694**	965	**3,147**	1,958
Deferred tax assets to be recovered:				
- within 12 months	**1,345**	432	**1,265**	747
- after more than 12 months	**3,087**	3,865	**1,915**	1,259
	4,432	4,297	**3,180**	2,006

* The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

NOTE 16: NON-CURRENT ASSETS – DEFERRED TAX ASSETS (continued)

(a) Movements in deferred tax assets

Movements - Consolidated	Tax losses $'000	Property, plant and equipment $'000	Capitalised project costs $'000	Other $'000	Total $'000
At 1 July 2007	85	-	-	1,831	1,916
(Charged)/credited to the income statement	7,453	746	1,465	239	9,903
Losses utilised	(3,151)	-	-	-	(3,151)
Losses transferred out prior to the new OFL tax consolidated group	(4,371)	-	-	-	(4,371)
At 30 June 2008	16	746	1,465	2,070	4,297
Credited directly to equity	-	-	1,615	-	1,615
(Charged)/credited to the income statement	(16)	(746)	(686)	(32)	(1,480)
At 30 June 2009	**-**	**-**	**2,394**	**2,038**	**4,432**

Movements - Parent entity	Tax losses $'000	Property, plant and equipment $'000	Capitalised project costs $'000	Other $'000	Total $'000
At 1 July 2007	-	-	-	152	152
(Charged)/credited to the income statement	6,793	86	1,099	653	8,631
Losses transferred in from other entities in the new OFL tax consolidated group	745	-	-	-	745
Losses utilised	(3,151)	-	-	-	(3,151)
Losses transferred out prior to the new OFL tax consolidated group	(4,371)	-	-	-	(4,371)
At 30 June 2008	16	86	1,099	805	2,006
Credited directly to equity	-	-	1,615	-	1,615
(Charged)/credited to the income statement	(16)	(86)	(576)	237	(441)
At 30 June 2009	**-**	**-**	**2,138**	**1,042**	**3,180**

NOTE 17: NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Goodwill $'000	Total $'000
At 1 July 2007		
Cost	6,243	6,243
Accumulated impairment	(1,751)	(1,751)
Net book amount	4,492	4,492
Year ended 30 June 2008		
Opening net book amount	4,492	4,492
Impairment charge	-	-
Closing net book amount	4,492	4,492
At 30 June 2008		
Cost	6,243	6,243
Accumulated impairment	(1,751)	(1,751)
Net book amount	4,492	4,492
Year ended 30 June 2009		
Opening net book amount	**4,492**	**4,492**
Additions - acquisition*	**524**	**524**
Closing net book amount	**5,016**	**5,016**
At 30 June 2009		
Cost	**6,243**	**6,243**
Additions - acquisition*	**524**	**524**
Accumulated impairment	**(1,751)**	**(1,751)**
Net book amount	**5,016**	**5,016**

* The acquisition relates to goodwill arising from the purchase of the remaining shares in Orchard NZ Limited during the financial year, thereby, gaining full control of the subsidiary.

NOTE 17: NON-CURRENT ASSETS – INTANGIBLE ASSETS (continued)

(a) Impairment tests for goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units (CGUs) according to business segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

	2009 **$'000**	2008 $'000
Orchard Capital Investments Limited	**3,896**	3,896
Orchard Property Limited*	**596**	596
Orchard NZ Limited	**524**	-
	5,016	4,492

***** From 5 August 2009, Orchard Property Limited ceased to act as the Responsible Entity of Orchard Industrial Property Fund (the "Fund) with Growthpoint Properties Australia Limited (previously Orchard Management Limited) assuming the roles and responsibilities as the Responsible Entity of the Fund. As a result, the goodwill attributable to Orchard Property Limited as a cash generating unit amounting to $596,000 has been realised in cash subsequent to year end.

Refer to Note 36 for details of the restructure.

The recoverable amounts of goodwill have been determined based on value-in-use calculations. These calculations use management estimates of future cash flow projections.

Based on the impairment testing, there was no impairment charge during the financial year (2008: $nil).

(b) Key assumptions used for value-in-use calculations

The recoverable amount of the Orchard Capital Investments Limited and Orchard NZ Limited cash generating unit is based on value-in-use calculations. These calculations use cash flow projections based on fund models covering a five year period.

The key assumptions used in the value in use calculations for the Orchard Capital Investments Limited and Orchard NZ Limited cash generating units are based on the budgeted revenue net of direct costs in relation to generating the revenue. The net cash flows of the funds are used to determine the fees that will be received by the cash generating units which is the management fees revenue. The budgeted gross margin for the funds managed by the cash generating units is based on the past performance of the funds and its expectations for the future using a 5 year forecast.

On average, a 6.5% devaluation of property value has been forecast and recorded as a reduction in asset value as at 30 June 2009 in the funds. Thereafter, growth rate for rental increases and capital rates have been included which are between 1% and 2.5% in line with CPI increases.

The terminal growth rate used is 2.5% which does not exceed the long-term growth rate for the business in which the cash generating units operate.

The discount rate used of 14.7% per annum (2008: 11.9%) reflects the Group's pre-tax nominal weighted average cost of capital.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

NOTE 17: NON-CURRENT ASSETS – INTANGIBLE ASSETS (continued)

(b) Key assumptions used for value-in-use calculations (continued)

The recoverable amount of the Orchard Property Limited cash generating unit is based on the proceeds from the ultimate disposal of the investment. Orchard Property Limited was the Responsible Entity of Orchard Industrial Property Fund ("the Fund"). Subsequent to year end the Fund's unit holders have voted in favour of recapitalisation and restructure of the Fund through a $55.6 million placement to Growthpoint Properties Limited ("Growthpoint"), a $144.4 million rights issue underwritten by Growthpoint and internalisations of the Fund's management. Under the restructure, Orchard Property Limited received a fee of $6.2 million for the sale of its management rights and obligations. As a result, the goodwill relating to Orchard Property Limited as a cash generating unit is not impaired at 30 June 2009.

Refer to Note 36 for details of the restructure.

NOTE 18: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Trade payables				
Schemes/trusts managed by companies in the Group	**-**	31	**-**	-
External	**2,053**	1,649	**1,527**	799
	2,053	1,680	**1,527**	799
Accruals	**3,098**	3,874	**2,764**	2,464
Unearned income	**-**	5	**-**	-
Other payables (advances)				
Schemes/trusts managed by companies in the Group	**-**	110	**-**	150
Other related parties	**-**	27	**536**	1,866
	-	137	**536**	2,016
	5,151	5,696	**4,827**	5,279

Due to the short-term nature of these payables, their carrying amounts approximate their fair values.

(a) Risk exposures

Information about the Group's and parent entity's exposure to currency risk is provided in Note 2.

NOTE 19: CURRENT LIABILITIES – BORROWINGS

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Secured				
Bank loan - Stapylton construction facility	**-**	8,269	**-**	-
Bank loan - Orchard Funds Corporate Facility	**3,772**	38,733	**3,772**	38,733
Unsecured				
Convertible notes	**-**	76,318	**-**	-
Loans from subsidiary company	**-**	-	**-**	76,318
	3,772	123,320	**3,772**	115,051

(a) Details of secured loans

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Stapylton construction facility				
Loan amount	**-**	8,470	**-**	-
Costs associated with bank loans	**-**	(459)	**-**	-
Amortisation	**-**	258	**-**	-
	-	8,269	**-**	-
Orchard Funds Corporate Facility				
Loan amount	**4,351**	38,887	**4,351**	38,887
Costs associated with bank loans	**(1,142)**	(250)	**(1,142)**	(250)
Amortisation	**563**	96	**563**	96
	3,772	38,733	**3,772**	38,733

Stapylton construction facility

The bank loan represented a cash advance (construction) facility provided by BOS International (Australia) Ltd to Orchard Capital Investments Limited, a subsidiary, as Trustee for the Stapylton Industrial Property Trust. The loan facility was for financing the acquisition of land and the costs of development and construction of industrial property. The facility is repaid using the net proceeds from the sale of the property. The interest on this loan was at the rate of Reuters' BBSY (Bank Bill Swap Rate) for bills of a tenor equivalent to the interest period plus a margin of 2% per annum. The loan had an initial maturity on 2 February 2008 which was extended to 30 April 2009. The Stapylton debt facility was fully repaid in the current financial year.

NOTE 19: CURRENT LIABILITIES – BORROWINGS (continued)

(a) Details of secured loans (continued)

Orchard Funds Corporate Facility

Orchard Funds Limited (OFL), the parent entity, has a Corporate Facility of $30.1 million, comprising $29.4 million cash advances and $0.7 million bank guarantees as at 30 June 2009 from BOS International (Australia) Limited (the Financier). The loan agreement also includes a guarantee facility provided by the Bank of Western Australia Limited. The loan facility matures on 31 July 2010. The interest on this loan is charged at the rate of Reuters' BBSY for the respective interest period plus a margin of 1.5% to 3.5% per annum which was determined by the ratio of principal outstanding to EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation). The balance of this loan as at 30 June 2009 was $29.4 million (2008: $38.9 million). A further amortisation to reduce cash advances to $20 million is expected to occur prior to 31 December 2009.

The terms of the Corporate Facility, among others, are as follows:

- the Company and the other Security Providers have entered into cross-guarantee and indemnity agreements in favour of the Financier and the Bank of Western Australia Limited, and have also granted security in favour of the Financier under fixed and floating charges securing the obligations of OFL under this loan facility;
- Under the corporate debt facility, OFL has to satisfy the following financial ratios:
  - Total financial indebtedness to EBITDA of the borrower group does not exceed:

    3.00:1 in respect of any 12-month period ending on a quarter date after 30 June 2009;
  - EBITDA to total interest of the borrower group exceeds:

    2.50:1 for any three-month period ending on a quarter date on or before 30 June 2009, and

    3.00:1 for any three-month period ending on a quarter date thereafter; and
  - Borrower group equity to total financial indebtedness is not less than:

    2.00:1 at any time after 31 January 2009.

In August 2009 the bank facility was reduced to $22.7 million, comprising $22.3 million cash advances and $0.4 million bank guarantees.

As at 30 June 2009, OFL met all financial covenants under the facility.

The Company and the Financier 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.

The $25 million of the corporate debt facility has been classified as a non-current liability as at 30 June 2009 in line with the corporate facility's maturity date of 31 July 2010. $4.4 million of the corporate debt facility has been classified as a current liability as at 30 June 2009 in line with the required amortisation profile required by the facility agreement in place at that date. On 30 October 2009, Bank of Scotland International (BOSI) informed the Company during the course of negotiations for the renewal of the corporate debt facility (refer Note 36) that it was seeking to change the maturity date from 31 July 2010 to 31 March 2010 to be coterminous with the National Australia Bank (NAB) commercial bill facility to DPF. NAB and BOSI as principal financers to DPF have at the same time indicated that they intend to negotiate together to achieve the long term funding of DPF but with the view of concluding a new agreement by 31 March 2010. Both NAB and BOSI have indicated that they will review on 31 January 2010 whether they are each satisfied with the progress of such negotiations, failure of which could at each Bank's discretion lead to a default. In the event that the renegotiation in respect of DPF financing is successful BOSI has indicated that it is prepared to consider extending the term of the Company corporate debt facility.

NOTE 19: CURRENT LIABILITIES – BORROWINGS (continued)

(b) Details of unsecured loans

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Convertible notes				
Face value of convertible notes	**-**	77,000	**-**	-
Costs associated with convertible notes issue	**-**	(787)	**-**	-
Amortisation	**-**	105	**-**	-
	-	76,318	**-**	-
Loans from subsidiary company				
Proceeds from convertible notes issue provided as loan by subsidiary company	**-**	-	**-**	77,000
Costs associated with convertible notes issue	**-**	-	**-**	(787)
Amortisation	**-**	-	**-**	105
	-	-	**-**	76,318

Convertible notes (SAI Notes)

The convertible notes comprised 770,000 subordinated unsecured reset notes (SAI Notes) with a face value of $100 each issued by Orchard Group Capital Limited (OGCL), a subsidiary, in 2007. The SAI Notes were converted into ordinary shares of Orchard Funds Limited, the parent entity, in December 2008. The detail of this conversion is discussed in Note 24.

(c) Fair values

	2009		2008	
Consolidated	**Carrying amount**	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Bank loan - Stapylton construction facility	**-**	**-**	8,269	8,269
Bank loan - Orchard Funds Corporate Facility	**4,351**	**4,351**	38,733	38,733
	4,351	**4,351**	47,002	47,002
Convertible notes	**-**	**-**	76,318	76,318

	2009		2008	
Parent entity	**Carrying amount**	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Bank loan - Orchard Funds Corporate Facility	**4,351**	**4,351**	38,733	38,733
Loans from subsidiary company	**-**	-	76,318	76,318
	4,351	**4,351**	115,051	115,051

NOTE 19: CURRENT LIABILITIES – BORROWINGS (continued)

(d) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Stapylton construction facility	**-**	8,269	**-**	-
Orchard Funds Corporate Facility	**28,629**	38,733	**28,629**	38,733
Secured bank loans	**28,629**	47,002	**28,629**	38,733

Stapylton construction facility

The Stapylton construction facility was secured by first mortgages over the assets financed by the loans.

The carrying amounts of assets pledged as security for the construction loan facility were:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
First mortgage				
Land and development held for resale	**-**	8,470	**-**	-

Orchard Funds Corporate Facility

The bank loan facility has a fixed and floating charge and a cross-guarantee securing the obligations of the facility over the Company and its subsidiaries, namely, Orchard Capital Investment Limited, Orchard Securities Pty Ltd and Orchard Property Limited.

(e) Unused facility

Unrestricted access to the bank loan facilities (current and non-current) as at balance date are as follows:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Total facilities	**30,067**	47,357	**30,067**	38,887
Used at balance date	**(30,067)**	(47,357)	**(30,067)**	(38,887)
Unused at balance date	**-**	-	**-**	-

(f) Risk exposure

Information about the Group's and parent entity's risk exposure related to current and non-current borrowings is provided in Note 2.

NOTE 20: CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Employee benefits - annual leave provisions	**486**	686	**486**	686

NOTE 21: NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Secured				
Bank loan - Orchard Funds Corporate Facility	**24,857**	-	**24,857**	-

Refer to Note 19 for details relating to the bank loan - Orchard Funds Corporate Facility.

(a) Details of secured loans

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Orchard Funds Corporate Facility				
Loan amount	**25,000**	-	**25,000**	-
Costs associated with bank loans	**(143)**	-	**(143)**	-
	24,857	-	**24,857**	-

(b) Fair values

	2009		2008	
Consolidated and parent entity	**Carrying amount**	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Orchard Funds Corporate Facility	**25,000**	**25,000**	-	-

(c) Risk exposure

Information about the Group's and parent entity's risk exposure related to current and non-current borrowings is provided in Note 2.

NOTE 22: NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
The balance comprises of temporary differences attributable to:				
Financial assets at fair value through profit or loss	**90**	1,359	**-**	48
	90	1,359	**-**	48
Others				
Deferred fee revenue	**1,041**	1,379	**-**	-
Accrued income	**570**	570	**-**	-
Impairment of receivables	**-**	24	**-**	-
Unrealised foreign exchange loss	**37**	-	**33**	-
	1,648	1,973	**33**	-
Total deferred tax liabilities	**1,738**	3,332	**33**	48
Set-off of deferred tax liabilities pursuant to set-off provision	**(1,738)**	(3,332)	**(33)**	(48)
Net deferred tax liabilities	**-**	-	**-**	-
Deferred tax liabilities to be recovered:				
- within 12 months	**607**	570	**33**	-
- after more than 12 months	**1,131**	2,762	**-**	48
	1,738	3,332	**33**	48

NOTE 22: NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES (continued)

(a) Movements in deferred tax liabilities

Movements - Consolidated	Financial assets at fair value through profit or loss $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 1 July 2007	869	63	1,794	2,726
Charged/(credited) to the income statement	490	(63)	179	606
At 30 June 2008	1,359	-	1,973	3,332
Charged/(credited) to the income statement	(1,269)	-	(325)	(1,594)
At 30 June 2009	**90**	**-**	**1,648**	**1,738**

Movements - Parent entity	Financial assets at fair value through profit or loss $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 1 July 2007	48	157	-	205
Charged/(credited) to the income statement	-	(157)	-	(157)
At 30 June 2008	48	-	-	48
Charged/(credited) to the income statement	(48)	-	33	(15)
At 30 June 2009	**-**	**-**	**33**	**33**

NOTE 23: NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Lease provisions	**323**	642	**323**	642
Deferred rentals	**63**	-	**63**	-
Make good provision	**150**	340	**150**	340
Employee benefits - long service leave provisions	**123**	129	**123**	129
	659	1,111	**659**	1,111

NOTE 23: NON-CURRENT LIABILITIES – PROVISIONS (continued)

(a) Movements in provisions

Movements - Consolidated and Parent Entity	Lease incentive provision $'000	Make good provision $'000	Deferred rentals	Total $'000
At 1 July 2007	-	-	-	-
Lease incentive received	971	-	-	971
Charged/(credited) to the income statement	(329)	340	-	11
At 30 June 2008	642	340	-	982
Charged/(credited) to the income statement	(319)	(190)	63	(446)
At 30 June 2009	**323**	**150**	**63**	**536**

NOTE 24: CONTRIBUTED EQUITY

	Consolidated and Parent Entity		Consolidated and Parent Entity	
	2009	2008	**2009**	2008
	Shares	Shares	**$'000**	$'000
Share capital				
Fully paid ordinary shares	**491,473,655**	49,147,315	**85,204**	11,973

The ordinary shares have par value of $1 per share. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each holder of ordinary shares has one vote on a show of hands.

(a) Movements in ordinary share capital

Date	Details	Number of shares	Issue price $	Amount $'000
1 July 2007	Balance	13,625,774		16,458
	Conversion of preference shares into ordinary shares	50,000	4.00	200
	Shares bought back and cancelled	(3,846,311)		(4,685)
	Shares issued at $nil consideration	39,317,852		-
30 June 2008	Balance	49,147,315		11,973
	Conversion of SAI Notes into ordinary shares	442,326,340	0.17	77,000
	Transactions costs arising in SAI Notes conversion			(5,384)
	Deferred tax credit recognised directly in equity			1,615
30 June 2009	**Balance**	**491,473,655**		**85,204**

NOTE 24: CONTRIBUTED EQUITY (continued)

As part of the demerger from SAI Group Pty Ltd (SAIG) in May 2008, the Company undertook a buy-back of 3,846,311 of its shares from SAIG for a consideration of $45 million. This share buy-back resulted in the recognition of a buy-back premium charge to equity of $40,315,024. In addition, the Company also issued 39,317,852 shares to the shareholders of SAIG at no consideration, pro rata to their holdings in SAIG and ranking pari passu with shares already issued.

On 15 December 2008 the Company's shareholders and the holders of SAI Notes approved the conversion of SAI Notes into the Company's shares. As a result, the Group's $77 million interest-bearing liability was reduced to zero and the Company issued 442,326,340 new shares to the holders of SAI Notes. The costs incurred in relation to this conversion, net of tax, totalling $3.8 million were deducted from the equity value which resulted in a net addition of $73.2 million in contributed equity.

NOTE 25: (ACCUMULATED LOSSES) / RETAINED PROFITS

Movements in (accumulated losses) / retained profits were as follows:

	Consolidated		**Parent entity**	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
(Accumulated losses) / Retained profits at beginning of the year	**(45,822)**	18,592	**(56,928)**	(627)
Transfer of remaining minority interests to retained losses on acquisition	**(2,728)**	-	**-**	-
Profit / (loss) attributable to the equity holders of the Company	**60**	(64,414)	**2,668**	(56,301)
Accumulated losses at end of the year	**(48,490)**	(45,822)	**(54,260)**	(56,928)

NOTE 26: DIVIDENDS

On 14 November 2008, Orchard NZ Limited (50% owned by the Company until March 2009, 100% owned thereafter) paid dividends to its shareholders totalling $945,000 (2008: $nil).

NOTE 27: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

The key management personnel of the Group hold office by virtue of their capacity as directors of Orchard Funds Limited (the ultimate parent entity from 1 June 2008) and SAI Group Pty Ltd (the former ultimate parent entity) prior to that date. Their total remuneration is paid by Orchard Funds Limited (from 1 April 2008) and prior to that date by SAI Group Pty Ltd and covers their responsibilities as directors of Orchard Funds Limited / SAI Group Pty Ltd and other entities in the respective groups. It is not possible to apportion their remuneration across the various entities they have responsibility for. Therefore, the following table details the total compensation they received in their capacity as directors of the Orchard Funds Limited / SAI Group Pty Ltd groups during the 2009 and 2008 financial years.

Detailed remuneration disclosures are provided in the remuneration report on pages 8 to 13.

The following is the remuneration of key management personnel during the financial years of 2009 and 2008.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Short-term employee benefits	**2,238,757**	2,603,009	**2,238,757**	2,603,009
Post-employment benefits	**90,236**	96,064	**90,236**	96,064
Long-term benefits	**2,179**	-	**2,179**	-
Share-based payments	**3,877**	12,116	**3,877**	12,116
	2,335,049	2,711,189	**2,335,049**	2,711,189

(b) Equity and debt instruments disclosures related to key management personnel

(i) Shareholdings

Key management personnel and their related parties hold 15,402,489 (2008: 27,164,327) shares in the Company. This represents 3.1% (2008: 55.3%) of the issued capital of the Company.

There were no shares granted during the reporting period as compensation.

The number of shares in the Company held during 2009 by key management personnel and their related parties is set out below:

Name	Balance at the start of the year	SAI Notes conversion (a)	SAIG loan extinguishment (b)	Other (c)	Balance at 30 June 2009
David Hinde	415,796	574,450	(415,796)	-	574,450
Chris Thiris	-	1,148,900	-	-	1,148,900
Greg McMahon (d)	2,251,216	1,579,737	-	-	3,830,953
Robert Appleby (d)	3,960,074	5,888,112	-	-	9,848,186
Grant Ross (c)	7,540,243	-	-	(7,540,243)	-
Peter Scully (c)	12,996,998	-	-	(12,996,998)	-
Total	27,164,327	9,191,199	(415,796)	(20,537,241)	15,402,489

(a) Refer to Note 24 for details of SAI notes conversion.

(b) Refer below note (d) (iii) for details.

(c) Peter Scully and Grant Ross retired as directors on 24 October 2008. As a result, the shareholding balance is not disclosed.

(d) Greg McMahon and Robert Appleby retired as directors effective from 23 October 2009 and 3 September 2009, respectively.

NOTE 27: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Equity and debt instruments disclosures related to key management personnel (continued)

(i) Shareholdings (continued)

The number of shares in the Company held during 2008 by key management personnel and their related parties is set out below:

Name	Balance at the start of the year	Shares issued	Balance at 30 June 2008
David Hinde	-	415,796	415,796
Chris Thiris	-	-	-
Greg McMahon	-	2,251,216	2,251,216
Robert Appleby	-	3,960,074	3,960,074
Grant Ross	-	7,540,243	7,540,243
Peter Scully	-	12,996,998	12,996,998
Total	-	27,164,327	27,164,327

On 31 May 2008, as part of the restructure of the SAI Group, the Company issued new shares to the shareholders of SAI Group Pty Limited (to those who were shareholders at 31 May 2008), pro-rata to their shareholdings in SAI Group Pty Limited. Refer to Note 24 for details.

(ii) Convertible notes

Key management personnel and their related parties hold nil (2008: 21,000) convertible notes on the same terms as other note holders. Refer Note 24 for further details.

The number of convertible notes held during 2009 by key management personnel and their related parties is set out below:

Name	Balance at the start of the year	Changes during the year - conversion	Balance at 30 June 2009
David Hinde	1,000	(1,000)	-
Chris Thiris	2,000	(2,000)	-
Greg McMahon (a)	2,750	(2,750)	-
Robert Appleby (a)	10,250	(10,250)	-
Peter Scully (a)	5,000	(5,000)	-
Total	21,000	(21,000)	-

(a) Greg McMahon, Peter Scully and Robert Appleby retired as directors on 23 October 2009, 24 October 2008 and 3 September 2009, respectively.

The number of convertible notes held during 2008 by key management personnel and their related parties is set out below:

Name	Balance at the start of the year	Changes during the year	Balance at 30 June 2008
David Hinde	1,000	-	1,000
Chris Thiris	2,000	-	2,000
Greg McMahon	2,000	750	2,750
Robert Appleby	10,250	-	10,250
Peter Scully	5,000	-	5,000
Total	20,250	750	21,000

During 2008, some convertible notes were transferred between key management personnel (and their related parties) and other staff members.

NOTE 27: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(c) Other transactions with key management personnel

There have been no other transactions between the key management personnel (and their related parties) and the Company during 2009 and 2008.

(d) Transactions with SAI Group Pty Ltd - a related party until December 2008

Set out below are details of transactions between SAI Group Pty Ltd (the parent entity until 31 May 2008 and a related party until 31 December 2008) and the key management personnel and their related parties.

(i) Shareholdings

Key management personnel and their related parties held 16,680,236 shares in SAI Group Pty Ltd as at 30 June 2008. This represented 69.1% of the issued capital of SAI Group Pty Ltd.

There were no shares granted during the reporting period as compensation.

(ii) Options

The SAI Group established the Orchard Group Pre-IPO Long Term Incentive (LTI) Plan to reward employees for contributing to growth in the value of the Orchard Group. The LTI plan is also intended to provide retention incentive for participating employees.

On 23 August 2007, SAI Group Pty Ltd, a related entity until December 2008, granted options to employees participating in the LTI plan. The options were granted with an effective date of 1 July 2006 (if a person was a current employee at that time) or otherwise on the date that a person commenced employment with SAI Group Pty Ltd. During 2008, options held by David Hinde and Chris Thiris totalling 243,576 and 52,084 respectively were forfeited.

Key management personnel held a total of 156,340 options at 30 June 2008.

(iii) Loans to key management personnel

Details of loans made by SAI Group Pty Ltd to directors, including their related parties, are set out below.

Aggregates for key management personnel:

	Balance at the start of the year $	Interest paid and payable for the period until 31 December 2008 $	Repayments $	Balance at 31 December 2008 $	Number in total at the end of the period until 31 December 2008
2009	**3,161,062**	**74,676**	**(3,235,738)**	**-**	**-**
2008	2,963,509	226,830	-	3,161,062	2

NOTE 27: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(d) Transactions with SAI Group Pty Ltd - a related party until December 2008 (continued)

Individuals with loans above $100,000 for the period 1 July 2008 to 31 December 2008:

2009 Name	Balance at the start of the year $	Interest paid and payable for the period until 31 December 2008 $	Repayments (b) $	Balance at 31 December 2008 $	Highest indebtedness during the period $
Grant Ross (a)	1,599,409	37,183	(1,636,592)	-	1,636,592
David Hinde	1,561,653	37,493	(1,599,146)	-	1,599,146
Total	3,161,062	74,676	(3,235,738)	**-**	3,235,738

(a) Grant Ross retired as a director on 24 October 2008.

(b) Loans were extinguished on 1 November 2008 by way of transfer of the Company shares held by the key management personnel and their related parties to SAI Group Pty Limited.

Individuals with loans above $100,000 during 2008:

2008 Name	Balance at the start of the year $	Interest paid and payable for the year $	(Repayments) $	Other $	Balance at the end of the year $	Highest indebtedness during the year $
Grant Ross	1,422,498	103,806	-	73,105	1,599,409	1,599,409
David Hinde	1,490,967	123,067	(52,381)	-	1,561,653	1,614,034
Total	2,913,465	226,873	(52,381)	73,105	3,161,062	3,213,443

Of the total loan balance $nil (2008: $123,105) is unsecured.

Terms of loans

SAI Group Pty Ltd had issued loans to key management personnel (and their related parties) for the purpose of them acquiring shares in SAI Group Pty Ltd. The term of each loan was 3 years from the date of the loan. Interest was charged by reference to the Benchmark interest rate in Division 7A of the Income Tax Assessment Act. For 2009 and 2008 the rate was equal to the Fringe Benefits Tax (FBT) rate. Interest was payable in arrears annually on 31 December until the loan was repaid.

SAI Group Pty Ltd had a first ranking lien on each share acquired under the loan agreements. In some instances further loans equating to the interest for the period, had been issued on the same terms as the share loans.

Individual loans

2008 - Grant Ross

During 2008, amounts totalling $73,105 were added to the loan balance. These amounts represent $20,965 of receivables from a related party and $52,140 of sundry receivables. This represents a consolidation of the director’s outstanding amounts to SAI Group Pty Ltd. Interest is being charged on these amounts.

Allowances

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

NOTE 27: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(d) Transactions with SAI Group Pty Ltd - a related party until December 2008 (continued)

(iv) Other transactions with key management personnel

The following transactions occurred during 2008:

Peter Scully

SAI Group Pty Ltd (the ultimate parent entity at the time) paid consulting fees of $187,500 to a related party of Peter Scully. The payment was subject to normal commercial terms and conditions. There was no balance outstanding at 30 June 2008.

Grant Ross

SAI Group Pty Ltd (the ultimate parent entity at the time) provided office accommodation of $13,896 and IT support to the value of $3,485 (total $17,381) to a related party of Grant Ross for the period July to October 2007. The amounts were charged on an arm's length basis. At 30 June 2008, the amounts have been incorporated in the loan balance for Grant Ross.

NOTE 28: REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Audit services				
PricewaterhouseCoopers (PWC)	**752,700**	803,437	**752,700**	459,240
BDO Kendalls	**30,000**	77,000	**-**	-
WHK Sherwin Chan & Walshe	**8,693**	6,476	**-**	-
	791,393	886,913	**752,700**	459,240
Non-audit services				
Related practices of PWC	**903,243**	1,334,239	**856,210**	1,334,239
Related practices of BDO Kendalls	**5,160**	3,355	**-**	3,355
WHK Sherwin Chan & Walshe	**7,563**	-	**-**	-
	915,966	1,337,594	**856,210**	1,337,594

It is the Group's policy to employ PricewaterhouseCoopers and BDO Kendalls on assignments additional to their statutory audit duties where their expertise and experience with the Group are important.

NOTE 29: CONTINGENCIES

Guarantee

The bank loan facility disclosed in Note 19 has a fixed and floating charge and a cross-guarantee securing the obligations of the facility over the Company and its subsidiaries, namely, Orchard Capital Investment Limited, Orchard Securities Pty Ltd and Orchard Property Limited.

The parent entity also provides financial security for office lease payments via a bank guarantee of $716,866.

Orchard Property Limited, a subsidiary, has provided a bank guarantee of $500,000 for an office lease by SAI Group Pty Ltd, a related party.

Orchard Securities Pty Ltd, a subsidiary, has provided a bank guarantee of $20,000 to Australian Securities and Investments Commission (ASIC).

Guarantee in relation to farm leases

The Company has guaranteed payments due under certain rental leases to the Primary Infrastructure Fund (PIF), a scheme managed by a company in the Group. The lessees are Seven Fields Operations Pty Ltd (SFO), previously Orchard Agriholdings Pty Ltd, and the Primary Agribusiness Fund (PAF), who were related parties until December 2008. In the 2008 financial year PAF was ordered by the Supreme Court in Queensland to be wound up and following this SFO took an assignment of the leases. The annual rent under these leases is $3,149,000, which generally increases by 2.75% per annum. The leases expire between July 2019 and November 2025. During the year ended 30 June 2008 SFO requested from PIF, which PIF granted, a reduction in rent over three years on selected properties due to its financial constraints. The Group is compensating PIF unitholders for the shortfall arising from the rent relief through gradual reduction, $1,091,000 in the financial year 2010, of a receivable due from PIF to the Group. In the event that the guarantee is called upon, the Group is required to step in and assume all of the tenant's obligations such as maintaining farms and assets, as well as paying rent and outgoings. Before calling on the guarantee, PIF will have first utilised the $1.7 million in security deposits SFO has provided to PIF and PIF will be obliged to mitigate its loss by seeking an alternative tenant for the properties. It is unlikely, given present conditions that PIF will be able to find alternative tenants who are prepared to lease the properties on the same terms and conditions as SFO. The group has forecasted cash outflows for the rental guarantee which are not expected to exceed $900,000 in the following twelve months.

Subsequent to the year end, SFO has informed the Company that it is unlikely to be able to meet its rental obligations from 1 January 2010. The Company is currently considering a number of options available to it and is engaged in discussions with key stakeholders, including CBA, SFO and various other interested parties to bring forward a satisfactory long term solution.

Notwithstanding the above, the Company expects that, if required, PIF would first call upon the bank guarantee to satisfy the tenant's rental obligations. PIF currently owes the Company approximately $2.3m. If called upon by PIF to satisfy the tenant's lease obligations, the Company expects that it could do so by amortising this loan in line with the loss of rent.

In the 2009 financial year the unitholders, Orchard Capital Investments Limited (OCIL), SFO and the Company entered into an agreement whereby the Company granted SFO a put option requiring the Company to assume the lease of each of the farms on the terms and conditions prevailing twelve months from the date of service of the option notice. The period of the option commenced on 1 March 2009 and expires on 30 June 2024 and in the event that SFO serves notice, the Company is obliged to lease the farms from 1 July 2009.

Aside from the above, the directors are not aware of any contingent assets or liabilities which have not already been dealt with in these financial statements.

Operating lease agreement entered subsequent to year end

The Company entered into an operating lease agreement on 17 July 2009. The annual rent under the lease is $298,434 which is subject to be reviewed on 1 December 2009 with an increment of 3.75%. The rental term expires on 30 November 2010. The lease agreement has normal terms and conditions.

NOTE 30: COMMITMENTS

(a) Capital commitments

There is no capital expenditure commitment contracted for at the reporting date.

(b) Lease commitments: Group as lessee

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**251**	1,096	**251**	1,096
Later than one year but not later than five years	**167**	4,259	**167**	4,259
Later than five years	**-**	462	**-**	462
	418	5,817	**418**	5,817

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged to the profit or loss on a straight line basis over the lease term. Contingent rent payments, renewal options or escalation clauses do not exist. There are no restrictions imposed under the terms of the lease.

NOTE 31: RELATED PARTY TRANSACTIONS

(a) Parent entity

The parent entity within the Group and the ultimate parent entity is Orchard Funds Limited, a company limited by shares, incorporated and domiciled in Australia.

SAI Group Pty Ltd was the ultimate parent entity until 31 May 2008.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 32.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 27.

NOTE 31: RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Sale of goods and services				
Schemes/trusts managed by companies within the Group	**28,433,389**	60,184,993	**47,146**	70,833
Other related parties	**-**	106,000	**15,766,147**	9,293,170
Purchases of goods and services				
Schemes/trusts managed by companies within the Group	**1,935,900**	3,246,751	**-**	8,500
Other related parties	**79,641**	18,117,461	**32,777**	17,265,614
Distribution and dividend revenue				
Schemes/trusts managed by companies within the Group	**26,897**	640,888	**26,871**	170,157
Subsidiaries	**-**	-	**10,145,582**	34,500,000
Interest revenue				
Schemes/trusts managed by companies within the Group	**540,995**	242,023	**-**	-
Other related parties	**-**	3,993,501	**570,791**	3,089,004
Finance costs				
Other related parties	**-**	-	**-**	371,658
Advances / (receipts) - net				
Schemes/trusts managed by companies within the Group	**108,456**	13,783,780	**658,004**	(396,276)
Other related parties	**(26,477,563)**	5,417,626	**(31,159,776)**	7,244,459
Transfer of tax losses from members of tax consolidation group				
Other related parties	**-**	-	**608,218**	3,624,848
Loans provided / (repaid)				
Schemes/trusts managed by companies within the Group	**(3,343,510)**	(38,023,196)	**4,676,723**	(38,023,196)
Other related parties	**(40,032,987)**	42,500,000	**(10,014,548)**	10,014,548

NOTE 31: RELATED PARTY TRANSACTIONS (continued)

(e) Outstanding balances arising from sales / purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Trade receivables (sale of goods and services)				
Schemes/trusts managed by companies within the Group	**52,278**	2,902,619	**1,243**	7,602
Other related parties	**-**	-	**-**	10,800
Other receivables (advances)				
Schemes/trusts managed by companies within the Group	**236**	1,336	**509,728**	1,336
Other related parties	**-**	26,504,204	**3,356,108**	35,845,809
Provisions for impairment	**-**	(26,504,204)	**(2,015,913)**	(27,508,349)
Loan receivables				
Schemes/trusts managed by companies within the Group	**2,467,013**	3,343,510	**2,467,013**	3,343,510
Other related parties	**-**	42,500,000	**8,020,233**	10,014,548
Provisions for impairment	**(2,467,013)**	(38,943,510)	**(10,487,246)**	(10,445,508)
Trade payables (purchases of goods and services)				
Schemes/trusts managed by companies within the Group	**-**	30,613	**-**	-
Other payables (advances)				
Schemes/trusts managed by companies within the Group	**-**	109,556	**-**	149,612
Other related parties	**(63)**	26,578	**536,051**	1,865,976
Other payables (tax funding agreement)				
Other related parties	**-**	-	**608,218**	3,624,848
Loan payables				
Other related parties	**-**	-	**-**	77,000,000

(f) Guarantees

Information related to guarantee issued for related parties is disclosed in Notes 19 and 29.

(g) Terms and conditions

The terms and conditions of the tax funding agreement are set out in Note 1. The terms and conditions of the loans to related parties are set out in Note 12. The other transactions are made on normal commercial terms and conditions. Outstanding balances are unsecured and are repayable in cash.

NOTE 32: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 2009	Equity holding 2008
Orchard Capital Investments Limited	Australia	Ordinary	100%	100%
Orchard DPF Pty Ltd	Australia	Ordinary	100%	100%
Orchard CCPF Pty Ltd	Australia	Ordinary	100%	100%
Greenmarsh Pty Ltd	Australia	Ordinary	100%	100%
The Property Development Trust No 1	Australia	Units of trust	100%	100%
SAITeysMcMahon Stapylton Industrial Property Trust	Australia	Units of trust	100%	100%
Orchard Property Limited	Australia	Ordinary	100%	100%
Orchard Industrial Pty Ltd*	Australia	Ordinary	100%	100%
Orchard Securities Pty Ltd	Australia	Ordinary	100%	100%
Integrated Fund Services Pty Ltd	Australia	Ordinary	100%	-
SAITeysMcMahon Finance Pty Ltd	Australia	Ordinary	100%	100%
Orchard Group Capital Limited	Australia	Ordinary	100%	100%
Orchard Asset Management Limited	Australia	Ordinary	-	100%
Orchard Management Limited*	Australia	Ordinary	100%	100%
Orchard NZ Limited	New Zealand	Ordinary	100%	50%
Orchard NZ Trustees Limited	New Zealand	Ordinary	100%	50%
Orchard Securities NZ Limited	New Zealand	Ordinary	100%	100%
Orchard Capital Limited	United Kingdom	Ordinary	100%	100%
Pensus Funds Management LLP	United Kingdom	Ordinary	100.0%	92.5%
Orchard US Holdings Pty Limited	Australia	Ordinary	100%	100%
Orchard Advisory LLC	United States	Ordinary	100%	100%
SAITeysMcMahon Real Estate Pty Ltd	Australia	Ordinary	-	100%

* Subsequent to year end, Orchard Industrial Pty Ltd and Growthpoint Properties Australia Limited (previously Orchard Management Limited) has been sold on 5 August 2009 as part of restructure as disclosed in Note 36.

NOTE 33: RECONCILIATION OF PROFIT / (LOSS) FOR THE YEAR TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Profit / (loss) for the year	**287**	(65,384)	**2,668**	(56,301)
Impairment expense	**861**	68,675	**6,298**	69,745
Reversal of impairment expense	**(6,613)**	-	**(3,013)**	-
Reversal of impairment for inventory	**(2,202)**	-	**-**	-
Finance costs	**5,636**	8,394	**5,123**	5,494
Depreciation and amortisation	**2,551**	1,113	**1,363**	880
Write off of intercompany advances	**-**	-	**(1,369)**	-
Interest revenue	**(2,339)**	(4,236)	**(1,639)**	(3,089)
Interest revenue - deferred management fees	**541**	-	**-**	-
Interest revenue from discontinued operations	**(12)**	-	**(6)**	-
Gain / (loss) on revaluation of financial assets held at fair value through profit or loss	**252**	3,664	**230**	(762)
Dividend and distribution income	**(27)**	(641)	**(10,173)**	(34,670)
Loss on disposal of equipment	**451**	-	**451**	-
Unrealised foreign exchange differences	**(496)**	(150)	**(469)**	-
Gain / (loss) on discontinued operations	**(10)**	2,050	**72**	1,565
Receivable on discontinued operations	**10**	-	**10**	-
Negative goodwill on acquisition of investment	**(6)**	-	**-**	-
Rental gurantee offset	**877**	-	**877**	-
Decrease / (increase) in:				
Trade receivables	**4,059**	9,442	**1,090**	1,876
Prepayments	**262**	228	**33**	75
Inventories	**12,944**	2,826	**-**	-
Deferred management fees	**1,062**	(539)	**-**	-
Other receivables	**-**	38	**-**	31
Financial assets held at fair value through profit or loss	**-**	1,418	**-**	414
Deferred tax assets	**(114)**	(965)	**426**	(1,958)
Increase / (decrease) in:				
Trade payables	**373**	(5,760)	**728**	322
Accruals	**(337)**	966	**766**	2,286
Unearned income	**(5)**	(445)	**-**	-
Deferred tax liabilities	**-**	(810)	**-**	(53)
Provisions	**(652)**	1,554	**(652)**	1,554
Net cash inflow (outflow) from operating activities	**17,353**	21,438	**2,814**	(12,591)

NOTE 34: NON-CASH INVESTING AND FINANCING TRANSACTIONS

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Conversion of SAI Notes into the Company's shares	**77,000**	-	**77,000**	**-**
Share buy-back with settlement through intercompany accounts	**-**	45,000	**-**	45,000
SAI Group Pty Ltd's loan assumed by the Company	**-**	-	**-**	32,000
	77,000	45,000	**77,000**	77,000

NOTE 35: EARNINGS PER SHARE

(a) Basic earnings per share

	Consolidated	
	2009	2008
	Cents	Cents
Profit / (loss) from continuing operations attributable to the ordinary equity holders of the Company	**0.36**	(377.06)
Loss from discontinued operations	**(0.34)**	(12.39)
Profit / (loss) attributable to the ordinary equity holders of the Company	**0.02**	(389.45)

(b) Diluted earnings per share

	Consolidated	
	2009	2008
	Cents	Cents
Profit / (loss) from continuing operations attributable to the ordinary equity holders of the company	**0.31**	(377.06)
Loss from discontinued operations	**(0.20)**	(12.39)
Profit / (loss) attributable to the ordinary equity holders of the Company	**0.11**	(389.45)

NOTE 35: EARNINGS PER SHARE (continued)

(c) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2009	2008
	$'000	**$'000**
Basic earnings per share		
Profit / (loss) from continuing operations	**1,265**	(63,334)
Profit / (loss) from continuing operations attributable to minority interest	**227**	(970)
Profit / (loss) from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**1,038**	(62,364)
Loss from discontinued operations	**(978)**	(2,050)
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**60**	(64,414)
Diluted earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**60**	(64,414)
Adjustment for calculation of diluted earnings per share		
Financing charges related to convertible notes	**477**	414
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**537**	(64,000)

(d) Weighted average number of shares used as denominator

	Consolidated	
	2009	2008
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**287,882,353**	16,539,572
Adjustment for calculation of diluted earnings per share:		
Convertible notes	**203,591,302**	36,256,257
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**491,473,655**	52,795,829

NOTE 35: EARNINGS PER SHARE (continued)

(e) Information concerning the classification of securities and dilution of earnings per share

The following is information concerning the classification of securities:

(i) Convertible notes

The convertible notes are subordinated unsecured notes issued by Orchard Group Capital Limited (OGCL), a wholly-owned subsidiary, in 2007. Certain terms of the notes may be adjusted on the reset date which is the second anniversary of the allotment date. These notes are redeemable under certain circumstances and the issuer must redeem the notes after 10 years from the allotment date. The notes are convertible into securities only on the occurrence of initial public offering (IPO) by any member of the Group. Except in the event of an IPO, these notes are not potential ordinary shares. Accordingly, the notes were not included in the determination of earnings per share in the 2008 financial year. However, as discussed in Note 24, the Company's shareholders and the holders of SAI Notes approved the conversion of SAI Notes into the Company's shares in December 2008. Consequently, the notes have been included in the determination of diluted earnings per share with effect from 31 May 2008, the date when OGCL became a wholly-owned subsidiary of the Company.

(ii) 8% redeemable non-cumulative preference shares

The 8% redeemable non-cumulative preference shares were not ordinary or potential ordinary shares. However, as discussed in Note 24 these preference shares were converted into ordinary shares in 2008.

NOTE 36: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Debt repayment and restructure

Orchard Property Limited ("OPL"), a wholly owned subsidiary of the Company, was the Responsible Entity of Orchard Industrial Property Fund ("the Fund") until 5 August 2009. Growthpoint Properties Australia Limited ("GPAL") (previously Orchard Management Limited) was a wholly owned subsidiary within the Orchard Funds Limited Group ("OFL Group") until 5 August 2009.

On 18 May 2009 OPL announced that it had entered into an Implementation Agreement with a large South African public company, Growthpoint Properties Limited ("GPL"), regarding a proposal to recapitalise and restructure the Fund.

Subsequent to year end, on 30 July 2009, the Fund's unit holders voted in favour of the recapitalisation and restructure of the Fund.

NOTE 36: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE (continued)

Debt repayment and restructure (continued)

Key features of the recapitalisation and restructure are as follows:

- A $55.6 million placement to GPL which occurred on 5 August 2009. The Fund raised $55.6 million via a placement of 347,563,813 new units to GPL at a price of 16 cents per unit, resulting in GPL owning 50.1% of the Fund.
- The shares in GPAL were sold by the OFL Group to the unitholders of the Fund for a consideration of $6.2 million. The Fund offset the amount due from the unitholders by undertaking a capital return from the Fund to the unitholders of $6.2 million. This transaction resulted in each unitholder owning an equal number of shares and units in the Fund.
- The internalisation of management and the change in Responsible Entity from Orchard Property Limited to Growthpoint Properties Australia Limited on 5 August 2009.
- The Fund and Orchard Management Limited were renamed Growthpoint Properties Australia Trust and Growthpoint Properties Australia Limited respectively.
- Change of the Fund structure with unitholders acquiring shares in GPAL, and the units of the Fund being “stapled” to shares in GPAL. The new stapled entity is known as Growthpoint Properties Australia.
- The Board composition of the stapled group has changed.

The fee received for the sale of GPAL has been used by the Company for partial settlement of the Corporate debt facility (refer Note 19). As at the date of this report, the Corporate debt facility has been reduced to $22.7 million, comprising $22.3 million cash advances and $0.4 million bank guarantees.

Corporate Debt Facility

The $25 million of the corporate debt facility has been classified as a non-current liability as at 30 June 2009 in line with the corporate facility's maturity date of 31 July 2010. $4.4 million of the corporate debt facility has been classified as a current liability as at 30 June 2009 in line with the required amortisation profile required by the facility agreement in place at that date. On 30 October 2009, Bank of Scotland International (BOSI) informed the Company during the course of negotiations for the renewal of the corporate debt facility (refer Note 19) that it was seeking to change the maturity date from 31 July 2010 to 31 March 2010 to be coterminous with the National Australia Bank (NAB) commercial bill facility to DPF. NAB and BOSI as principal financers to DPF have at the same time indicated that they intend to negotiate together to achieve the long term funding of DPF but with the view of concluding a new agreement by 31 March 2010. Both NAB and BOSI have indicated that they will review on 31 January 2010 whether they are each satisfied with the progress of such negotiations, failure of which could at each Bank’s discretion lead to a default. In the event that the renegotiation in respect of DPF financing is successful BOSI has indicated that it is prepared to consider extending the term of the Company corporate debt facility.

Apart from the above, the directors are not aware of any event or circumstance since the end of the financial year not otherwise dealt with in this report that has or may significantly affect the operation of the Company, the result of those operations, or the state of affairs of the Company in the subsequent financial year.

DIRECTORS' DECLARATION
30 JUNE 2009

In the directors' opinion:

(a) The financial statements and notes set out on pages 16 to 88 are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and their performance for the financial year ended on that date; and

(b) Whilst there is significant uncertainty as to whether the Group can continue as a going concern as outlined in Note 1, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

David Hinde
Director

Melbourne
13 November 2009

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of Orchard Funds Limited

Report on the financial report

We have audited the accompanying financial report of Orchard Funds Limited ("the company"), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Orchard Funds Limited and the Orchard Funds Limited Group ("the consolidated entity"). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

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

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Orchard Funds Limited (continued)

Independence

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

Auditor's opinion

In our opinion:

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

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

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

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

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 1 in the financial report which comments on the company and consolidated entity's ability to continue as a going concern being dependent on the ongoing financial viability of the funds under management, and the company's ability to refinance its bank facilities. As a result, there is a significant uncertainty whether the company and consolidated entity will be able to continue as a going concern and therefore to realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 13 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Orchard Funds Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001.*

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
13 November 2009

COMPANY DIRECTORY

RESPONSIBLE ENTITY

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AUDITOR

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KEY SHAREHOLDER DATES FOR 2010

Outlook Spring Quarterly Report	October 2009
Orchard Annual General Meeting	27 November 2009
Outlook 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	20 June 2010
Annual Report	October 2010

Orchard

Funds Limited

www.orchardfunds.com

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