

**ORCHID CAPITAL LIMITED  
(ABN 30 073 099 171)**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2009**

**TABLE OF CONTENTS**

CORPORATE DIRECTORY .....	1
DIRECTORS' REPORT .....	2
DIRECTORS' DECLARATION .....	7
CORPORATE GOVERNANCE .....	8
INCOME STATEMENT .....	13
BALANCE SHEET .....	14
STATEMENT OF CHANGES IN EQUITY .....	15
CASH FLOW STATEMENT .....	16
NOTES TO THE FINANCIAL STATEMENTS .....	17
INDEPENDENT AUDIT REPORT .....	38
AUDITOR'S INDEPENDENCE DECLARATION .....	40
ADDITIONAL STOCK EXCHANGE INFORMATION .....	41

## **CORPORATE DIRECTORY**

### **DIRECTORS**

C McKee  
J Sandt  
A Tan  
R Lambe

### **COMPANY SECRETARY**

R Lambe

### **REGISTERED OFFICE**

Level 1, 1 Havelock Street  
West Perth, Western Australia, 6005  
Telephone: +618 9209 2902  
Facsimile: +618 9209 3973  
Email: info@orchidcapital.net  
Website: www.orchidcapital.net

### **AUDITORS**

Stantons International  
Level 1, 1 Havelock Street  
West Perth, Western Australia, 6005

### **SHARE REGISTRY**

Advanced Share Registry Services Pty Ltd  
110 Stirling Highway  
Nedlands, Western Australia, 6909  
Telephone: +618 9389 8033  
Facsimile: +618 9389 7871

### **STOCK EXCHANGE LISTING**

The Company is listed on the Australian Securities Exchange Limited and Deutsche Borse AG.  
Home Exchange – Perth, Australia

ASX Code - ORC  
WKN Code - 924249

### **AUSTRALIAN COMPANY NUMBER AND AUSTRALIAN BUSINESS NUMBER**

A C N 073 099 171  
A B N 30 073 099 171

## DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2009.

### DIRECTORS

The names and details of the Directors of the company during or since the end of the financial year are:

#### Clive McKee (Chairman)

Appointed 27 July 1999. Mr McKee has extensive experience in global asset management and corporate finance through his previous positions with securities and fund management companies such as Yamaichi Securities, Societe General, Australia and New Zealand Banking Group Limited, Westminster Fund Management GMBH, Pacific Fund Management Asia, Pacific Rim Investment Corporation Limited and formerly Chairman of Magna Pacific (Australia) Holdings Limited. Directorships in listed companies over the past three years are BKM Management Limited and Magna Pacific (Australia) Holdings Limited.

#### Julian Sandt (Chief Executive Officer)

Appointed 24 June 2003. Mr Sandt holds an MBA from the Koblenz Business School (WHU Koblenz). From 1993 to 2000, he held various positions with Commerzbank AG in Frankfurt, Paris and Singapore, and his final position was Manager Capital Markets and Syndications. From 2000 to 2004, Mr Sandt was Managing Partner of TFG Venture Capital (Asia) Pte Ltd, Singapore. Prior to being appointed Chief Executive Officer of Orchid, Mr Sandt held the position of Senior Partner at Aegis Private Capital Pte Ltd, Singapore. No other Directorships were held in listed companies over the past three years.

#### Alvin Tan (Non-Executive Director)

Appointed 27 July 1999. Mr Tan is a Bachelor of Commerce graduate with Honours from the University of Western Australia and worked for KPMG Peat Marwick in Kuala Lumpur from 1993 to 1995. He has also worked with stockbroking house, DJ Carmichael Pty Ltd, as an investment adviser where he specialized in the Asia Pacific Equity Markets. He previously served on the Board of Pacific Rim Investment Corporation and is currently a Director of BKM Management Limited.

#### Richard Lambe (Finance Director and Company Secretary)

Appointed 27 November 2006. Mr Lambe has a Bachelor of Business degree in Economics and Finance from Curtin University, a Graduate Diploma of Accounting from Murdoch University and is a Certified Practising Accountant. He has worked in various positions with companies including Price Waterhouse Coopers (formerly Coopers & Lybrand during his employment), Wescorp International Ltd (former subsidiary of Wesfarmers Ltd) and is a current director of the CPA firm of Accountants and Business Advisers, Mercia Taxation and Accounting.

### DIRECTORS' SHAREHOLDINGS

As at the date of this report, the interests of the directors in the shares and options of Orchid Capital Limited were:

Name	Fully Paid	Share Options
	Ordinary Shares	expiring 28 Feb 2012
C. McKee	3,081,510	1,250,000
J. Sandt*	13,882,757	1,000,000
A. Tan	692,762	1,750,000
R. Lambe	-	-

\* Includes 2,000,000 fully paid ordinary shares due for release from escrow on 27 April 2009 but still under escrow at 30 June 2009. An additional 4,000,000 fully paid ordinary shares are under escrow until 9 November 2009 in accordance with the terms of the employment agreement of the CEO and approved at the AGM's held on 28 November 2005 and 9 November 2007 respectively.

### DIVIDENDS

No dividend has been paid during the financial year and no dividend is recommended for the current year.

**PRINCIPAL ACTIVITIES**

The principal activities of the economic entity during the year were investment activities.

**REVIEW OF OPERATIONS**

The operating loss after income tax of the consolidated entity for the year ended 30 June 2009 was \$920,145 (2008: \$4,465,850).

Equity markets and the global economy are slowly recovering from one of the most severe recessions in history. The recovery is led by Asia, notably China. Orchid Capital, an investor in entrepreneurial young companies, was naturally heavily affected by the recession, and recorded a loss for the full year, but managed to climb back to profitability in the second half of the reporting period. For the period January 2009 to June 2009 we recorded a profit of \$1,187,688.

Major contributor to the results is the share price of our largest investee, Gongyou Machines Ltd ("Gongyou").

Our operating costs in the last year have been significantly below the previous period, and will be even lower in the current period.

Orchid Capital's strategy, to invest in Pre-IPO stage companies, has in FY 2007 led to the first ever profit in the history of the company. Thereafter, the financial crisis has led to a collapse of the IPO markets and very low equity prices for listed small caps.

We have abstained from new investment, in order to conserve cash, for nearly two years. The losses in the first half of the reporting period are due to investments made before 2008.

Orchid Capital is in a net cash position and, in combination with the further reduced operating costs, should be able to overcome the crisis.

The nascent economic recovery should offer good opportunities. We are proactively searching and examining investment targets. A precondition for new investments would be a very low valuation, good growth prospects, a solid track record and balance sheet and a reasonable risk level.

**Our Asian Portfolio**

Orchid's largest investment is a stake of nearly 10% in a leading producer of woodworking machines, Gongyou, based in Weihai (China). Orchid was the lead investor in the pre-IPO-investment round in 2006. Gongyou was the first Chinese company with a primary listing in Germany. Gongyou is a leader in its market, with more than 1000 staff, low production costs, more than 200 machine types developed by a 150-staff-R&D team. During the reporting period, Gongyou's domestic market, mainly Chinese furniture manufacturers, suffered from both, falling furniture exports and low demand furniture and construction materials in China. Gongyou's sales to Chinese clients recovered significantly in the last few months. Gongyou's direct exports, mainly to ASEAN, Russia and Latin America also fell sharply and have not recovered yet. Gongyou recorded a loss in its last reporting period. Previously, it has been profitable for many years and recorded a net profit of about AU\$ 7 million in the three financial years which ended on 30.06.2006 - 2008. We expect Gongyou to overcome the crisis, based on its strong balance sheet and on cost reduction measures, and to roughly break even in the 2009/10 reporting period and fully recover to old profitability levels afterwards.

Xing Ling International Pte Ltd and some of the listed investments have been sold. We have recovered part of the convertible loan to RGM Entertainment Pte Ltd and expect to recover the outstanding amount in the following months. In total, we expect a profit and a further increase in our cash balance from these divestments in the 2009/10 reporting period.

Orchid is constantly evaluating and negotiating opportunities in Asia and Australia, seeking to offer its shareholders the best possible return. Because of our cautious approach, we have not made any new investments during the year ended 30 June 2009.

## CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the economic entity during the financial year not otherwise dealt with in this report and the financial statements.

## SUBSEQUENT EVENTS

The Directors are not aware of any matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Consolidated Entity in subsequent financial years.

## FUTURE DEVELOPMENTS

The Directors continue to examine other high growth investment opportunities, with the view to taking advantage of strong growth potential in China and the impact of such growth on various industries. The Company is also seeking to expedite the rationalisation of non-performing assets to increase the capital base for other investment opportunities.

## INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has entered into an Officer's Protection Deed with the Directors to indemnify each of them against any liability that may be incurred in relation to his duties as an officer of the Company to the extent permitted by the law.

## DIRECTORS' MEETINGS

During the year ended 30 June 2009 the Company held 7 meetings of Directors. The attendances of Directors at meetings of the Board were:

<b>Name</b>	<b>Number held and entitled to attend</b>	<b>Number attended</b>
C McKee	7	7
J Sandt	7	7
A Tan	7	7
R Lambe	7	7

## REMUNERATION REPORT (AUDITED)

### Remuneration Philosophy

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Key management personnel comprise the Directors of the Company and Executives of the Company. The performance of the Group depends upon the quality of its key management personnel. To prosper the Group must attract, motivate and retain appropriately skilled directors and executives.

The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Group does not have an employee share option scheme. Other than an entitlement to shares at nil cost granted to Mr Sandt, no remuneration options or shares have been issued to directors.

### Remuneration Structure

#### *Executive Directors*

The Company has entered into an Executive Service Agreement with Mr J.Sandt pursuant to which Mr Sandt is engaged by the Company as Chief Executive Officer with effect from 18 September 2005, for a period of 5 years (or until terminated in accordance with the terms of the agreement).

Under the agreement, the Company is to pay Mr Sandt director's fees of \$130,000 per annum. Mr Sandt is also entitled to, for a period of 5 years, at the beginning of each 12 month period starting on 18 September 2005, an allotment of 2 million fully paid ordinary shares in Orchid at zero consideration. These shares cannot be sold by Mr Sandt within 2 years of allotment but Orchid will apply for admission for trading so that

the shares become tradable 2 years after allotment. In case of termination, the shares to be allotted will be pro-rated for the time since the last allotment until the last day of employment. This clause is subject to shareholder approval. A resolution seeking shareholder approval of the issue of the fourth tranche of 2 million shares, due and payable on 18 September 2008, was withdrawn. Issue of the 4th and 5th tranches of 2 million shares each have been deferred until further notice. The agreement may be terminated at 3 months notice.

In response to the extent of the devaluation of the Group's assets as a result of the global financial crisis, Mr J. Sandt agreed to reduce his director's fees to \$66,000pa with effect 1 October 2008 until further notice. Mr Sandt further agreed to defer issue of his entitlements to the 4<sup>th</sup> and 5<sup>th</sup> tranches, each of 2 million fully paid ordinary shares in Orchid at zero consideration. Mr C. McKee has agreed to reduce his director's fees by 50% with effect 1 October 2008 until further notice.

No other agreements with key management personnel or their controlled entities have been entered into.

Remuneration of non-executive directors is based on fees approved by the Board of directors and is set at levels to reflect market conditions and encourage the continued services of the directors.

Details of the nature and amount of each element of remuneration of each key management personnel of the Consolidated Entity paid or payable by the Consolidated Entity during the financial year are disclosed on this page below.

**Director and executive details**

The following persons acted as directors of the company during or since the end of the financial year:

- Mr. C. McKee (Chairman)
- Mr. J.L. Sandt (Chief Executive Officer)
- Mr. A. Tan
- Mr. R.P. Lambe

There were no company executives who were not also directors for the 2009 financial year.

**Director, executive and key management personnel remuneration**

The directors, executives and key management personnel received the following amounts as compensation for their services during the year:

2009	Short-term employee benefits				Post-employment benefits	Other long-term	Share-based payment		Total	% consisting of options or shares
	Salary & fees	Bonus	Non-cash	Other	Super-annuation	employee benefits	Options & rights	Ordinary shares		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>										
C. McKee	60,000	-	-	-	-	-	-	-	60,000	-
J.L. Sandt	82,000	-	-	-	-	-	-	-	82,000	-
A. Tan	36,000	-	-	-	-	-	-	-	36,000	-
R.P. Lambe	72,000	-	-	-	-	-	-	-	72,000	-
<b>Sub-total - Directors</b>	<b>250,000</b>	-	-	-	-	-	-	-	<b>250,000</b>	
<b>Other key management personnel</b>										
U. Caprani (Director, Orchid Emarb Ltd)	5,194	-	-	-	-	-	-	-	5,194	-
E. Ng (Director, Xing Ling)	26,974	-	-	-	3,914	-	-	-	30,888	-
WK. Ng (Director, Xing Ling)	-	-	-	-	-	-	-	-	-	-
P. Khoo (Sales Manager, Xing Ling)	21,579	-	-	8,632	2,363	-	-	-	32,574	-
<b>Sub-total - Key Management Personnel</b>	<b>53,747</b>	-	-	<b>8,632</b>	<b>6,277</b>	-	-	-	<b>68,656</b>	
<b>Totals</b>	<b>303,747</b>	-	-	<b>8,632</b>	<b>6,277</b>	-	-	-	<b>318,656</b>	

2008	Short-term employee benefits				Post-employment benefits	Other long-term	Share-based payment		Total	% consisting of options or shares
	Salary & fees	Bonus	Non-cash	Other	Super-annuation	employee benefits	Options & rights	Ordinary shares		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>										
C. McKee	96,000	-	-	-	-	-	-	-	96,000	-
J.L. Sandt	130,000	-	-	-	-	-	-	52,000	182,000	28.57%
A. Tan	36,000	-	-	-	-	-	-	-	36,000	-
R.P. Lambe	62,833	-	-	-	-	-	-	-	62,833	-
<b>Sub-total - Directors</b>	<b>324,833</b>	-	-	-	-	-	-	<b>52,000</b>	<b>376,833</b>	
<b>Other key management personnel</b>										
U. Caprani (Director, Orchid Emarb Ltd)	2,913	-	-	-	-	-	-	-	2,913	-
E. Ng (Director, Xing Ling)	23,017	-	-	-	3,340	-	-	-	26,357	-
WK. Ng (Director, Xing Ling)	-	-	-	-	-	-	-	-	-	-
P. Khoo (Sales Manager, Xing Ling)	18,413	-	-	7,365	2,016	-	-	-	27,794	-
<b>Sub-total - Key Management Personnel</b>	<b>44,343</b>	-	-	<b>7,365</b>	<b>5,356</b>	-	-	-	<b>57,064</b>	
<b>Totals</b>	<b>369,176</b>	-	-	<b>7,365</b>	<b>5,356</b>	-	-	<b>52,000</b>	<b>433,897</b>	

**Compensation options granted, exercised or lapsed during the financial year**

There were no options issued to directors and executives as part of their remuneration in the past 12 months. There were no compensation options that were exercised or lapsed during the year.

**OPTIONS**

At the date of this report, the unissued ordinary shares of Orchid Capital Limited under option are as follows:

Date of Expiry	Exercise Price \$	Number under Option
28 February 2012	0.05	99,255,521

No person entitled to exercise these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings 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. The Company was not a party to any such proceedings during the year.

**NON-AUDIT SERVICES**

The Board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor, and
- The nature of the services does not compromise the general principles relating to auditors independence as set out in APES 110 Code of Ethics for Professional Accountants.

Tax Services	\$nil
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**NUMBER OF EMPLOYEES**

The consolidated entity has no employees at 30 June 2009 (2008: 3)

**ENVIRONMENTAL ISSUES**

The Group's operations are not subject to any significant environmental regulations under the laws of the Commonwealth and States.

**AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and is set out on page 40.

Signed in accordance with a resolution of the Directors



Richard Philip Lambe, Director  
Perth, 30 September 2009

## DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 13 to 37 and the disclosures in the Remuneration Report which are included in the Director's Report:

1. (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and  
(b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date.
2. The Chief Executive Officer and Finance Director have each declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.

In the Directors' opinion:

3. (a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and  
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated this 30<sup>th</sup> day of September, 2009.



**Executive Chairman**

## CORPORATE GOVERNANCE

The Board of Directors of Orchid Capital Limited (“Orchid”) is responsible for the corporate governance of the economic entity. The Board guides and monitors the business and affairs of Orchid on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board.

### COMPOSITION OF THE BOARD

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

- the Board should comprise at least four directors and it intends to establish a majority of non-executive directors;
- the Chairman should be a non-executive director, although this has not yet been achieved;
- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board shall meet at regular intervals and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate, who must stand for election at the next general meeting of shareholders. The Company does not have a formal Nomination Committee.

### REMUNERATION COMMITTEE

Remuneration levels are set by the Board in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives.

### AUDIT COMMITTEE

The company is not of a size that justifies having a separate Audit Committee. However, matters typically dealt with by such committees are dealt with by the full Board.

### BOARD RESPONSIBILITIES

As the Board acts on behalf of and is accountable to the shareholders, it seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the economic entity is delegated by the Board to the Chief Executive Officer. The Board ensures that the Chief Executive Officer is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the Company’s officers, contractors and consultants.

The Board is responsible for ensuring that management’s objectives and activities are aligned with the expectations and risks identified by the Board. It has a number of mechanisms in place to ensure this is achieved, including the following:

- Board approval of a strategic plan, designed to meet shareholder needs and manage business risk;
- implementation of operating plans and budgets by management and Board monitoring progress against budget;
- procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company’s expense.

**MONITORING OF THE BOARD'S PERFORMANCE AND COMMUNICATION TO SHAREHOLDERS**

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is to be reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

**BEST PRACTICE RECOMMENDATION**

Outlined below are the 8 Principles of Good Corporate Governance and Best Practice Recommendations as outlined by the ASX and the Corporate Governance Council.

Best Practice Recommendation	Action taken
<p><b><i>Principle 1: Lay solid foundation for management and oversight</i></b></p> <p>1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.</p> <p>1.2 Companies should disclose the process for evaluating the performance of senior executives.</p> <p>1.3 Companies should provide the information indicated in the 'Guide to reporting Principle 1'</p>	<p>The Company's corporate governance policies includes a board charter which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the chief executive officer.</p> <p>The performance of all senior executives is reviewed annually by the chairperson. Senior executives whose performance is unsatisfactory are asked to retire.</p>
<p><b><i>Principle 2: Structure the Board to add value</i></b></p> <p>2.1 A majority of the Board should be independent directors.</p> <p>2.2 The chairperson should be an independent director.</p> <p>2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.</p> <p>2.4 The Board should establish a nomination committee.</p> <p>2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.</p> <p>2.6 Companies should provide the information indicated in the 'Guide to reporting on Principle 2'</p>	<p>One of the four Board members is considered independent. This matter will be addressed over the next few years, depending upon the growth of the Company.</p> <p>The chairperson is Mr Clive McKee. He is not considered to be an independent director. At this stage of the Company's development, the Board considers it neither appropriate nor cost effective for there to be a majority of independent directors, of whom one is the chairperson.</p> <p>The chief executive officer is Mr Julian Sandt.</p> <p>The Company is not of a size that justifies having a separate nomination committee. However, matters typically dealt with by such a committee are dealt with by the full Board.</p> <p>In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.</p>

<p><b>Principle 3: Promote ethical and responsible decision-making</b></p> <p>3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:</p> <ul style="list-style-type: none"> <li>(a) the practices necessary to maintain confidence in the Company's integrity</li> <li>(b) the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders; and</li> <li>(c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices</li> </ul> <p>3.2 Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.</p> <p>3.3 Companies should provide the information indicated in the 'Guide to reporting on Principle 3'</p>	<p>The Company recognises the need for directors and employees to observe the highest standards of behaviour and business ethics in conducting its business activities and intends to maintain a reputation of integrity. All directors, managers and employees are required to act honestly, in good faith and in the best interests of the Company while exercising due care and diligence, recognising and respecting their responsibility to shareholders and other stakeholders of the Company. All directors, managers and employees of the Company are required to act in an ethical manner at all times, avoiding conflicts of interest and observing the principals of independence in decision-making.</p> <p>The Company's securities trading policy states that senior management or their associates should not trade in the Company's securities while in the possession of inside information, to notify the chairman of their trading in the Company's securities and to only engage in the trade of the Company's securities outside the Company's clearly stated periods of restriction unless granted exemption by the Board. Such exemption is only to be granted under exceptional circumstances such as severe financial hardship and only where no information exists that is not freely available that may have a material effect on the price of the Company's securities if it were freely available.</p>
<p><b>Principle 4: Safeguard integrity in financial reporting</b></p> <p>4.1 The Board should establish an audit committee.</p> <p>4.2 Structure the audit committee so that it:</p> <ul style="list-style-type: none"> <li>▪ Consists of only non-executive directors</li> <li>▪ Consists of a majority of independent directors</li> <li>▪ Is chaired by an independent director who is not the chair of the Company</li> <li>▪ Has at least three members</li> </ul> <p>4.3 The audit committee should have a formal charter.</p> <p>4.4 Companies should provide the information indicated in the 'Guide to reporting on Principle 4'</p>	<p>The company is not of a size that justifies having a separate Audit Committee. However, matters typically dealt with by such committees are dealt with by the full Board.</p> <p>The CEO and CFO (or equivalents) are required to state in writing to the Board that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and that they are complete and present a true and fair view of the Company's financial performance and position for the period under review.</p> <p>The Company has appointed external auditors who have clearly demonstrated quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.</p>

<p><b>Principle 5: Make timely and balanced disclosure</b></p> <p>5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.</p> <p>5.2 Companies should provide the information indicated in the 'Guide to reporting on Principle 5'</p>	<p>The Company recognises its obligations of continuous disclosure to the ASX in order to keep the market fully informed of information which may have a material effect on the price or value of its securities.</p> <p>The Company has formulated policies and procedures to discharge its disclosure requirements to ensure information is released promptly to the market and is fairly available to all those with an interest in the Company.</p> <p>The Company has appointed the CEO (or equivalent), with assistance from the Company Secretary and Chairman as required, to be responsible for communication with the ASX in relation to disclosure obligations and listing rule matters.</p>
<p><b>Principle 6: Respect the rights of shareholders</b></p> <p>6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy.</p> <p>6.2 Companies should provide the information indicated in the 'Guide to reporting on Principle 6'</p>	<p>The Board encourages shareholder communication and ensures that shareholders are kept up to date with the Company's activities.</p> <p>The Company has a policy that focuses on the continuous disclosure of any information that a reasonable person would expect to have a material effect on the price of the Company's securities. All information, including financial information, disclosed to the ASX is posted to the Company's website as soon as practicable after release to the market.</p> <p>A copy of the Company's annual report is issued to shareholders who have requested one and is posted on the Company's website as soon as practicable after disclosure to the ASX has been made and confirmation of receipt has been received.</p>
<p><b>Principle 7: Recognise and manage risk</b></p> <p>7.1 Companies should establish policies for oversight and management of material risks and disclose a summary of these policies.</p> <p>7.2 The Board should require management to design and implement the risk management and internal control systems to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.</p> <p>7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p>	<p>The Company's risk management policy is designed to provide the framework to identify, assess, monitor and manage the risks associated with the Company's business.</p> <p>The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile.</p> <p>Main areas of risk include fluctuating share prices of listed investments, exchange rate fluctuation and continuous disclosure obligations. Regular consideration is given to these matters by the Board.</p> <p>The Company has in place an internal control framework to assist in identifying, assessing, monitoring and managing risk. This framework includes monthly financial reporting, maintenance of and</p>

<p>7.4 Companies should provide the information indicated in the 'Guide to reporting on Principle 7'</p>	<p>adherence to the Company's continuous disclosure policy and regular informal operations reports provided by the CEO for review by the Board.</p> <p>The Company's internal control system is monitored by the Board and assessed regularly to ensure effectiveness and relevance to the Company's current and future operations.</p> <p>Procedures have been put in place to ensure the CEO and the CFO (or equivalent) state in writing to the Board that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and that the Company's risk management and internal compliance and control system is operating efficiently and effectively.</p> <p>The Company is not currently of a size to enable to formation of committees. The full Board currently has the responsibility for the risk management of the Company. The Board will continue to assess the need to form a risk management committee.</p>
<p>Principle 8: Remunerate fairly and responsibly</p> <p>8.1 The Board should establish a remuneration committee.</p> <p>8.2 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.</p> <p>8.3 Companies should provide the information indicated in the 'Guide to reporting on Principle 8'</p>	<p>The company is not of a size that justifies having a separate remuneration committee. All decisions regarding remuneration of directors, executives and key employees are made by the full Board.</p> <p>Non-executive directors receive fees which are determined by the Board within the aggregate limit set by the shareholders at a general meeting. Executive directors' remuneration is determined by the Board with reference to current market rates and remuneration paid to executives in comparable listed companies determined by size and nature of operations.</p> <p>Remuneration for all directors and key management personnel has been disclosed in the Directors' Report.</p>

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>Revenue from continuing operations</b>					
Investment revenue/(loss)	3	64,758	68,538	10,771	22,452
Net realised gains on disposal of held-for-trading investments		-	27,435	-	-
Recovery of written down investments and loans		154,350	476,718	154,350	476,718
Gain on disposal of controlled entities	4	342,562	-	917,592	-
Net foreign exchange gains		-	-	-	141,045
Other income	5	144,654	1,050	144,654	1,050
<b>Total Revenue</b>		<b>706,324</b>	<b>573,741</b>	<b>1,227,367</b>	<b>641,265</b>
Share based payments		-	(52,000)	-	(52,000)
Depreciation expense		(5,221)	(9,007)	(5,221)	(9,007)
Consultancy and other professional fees		(303,463)	(380,101)	(280,419)	(364,505)
Computer and office expenses		(109,138)	(95,214)	(109,138)	(95,215)
Travelling and entertainment expenses		-	(1,543)	-	(1,543)
Net foreign exchange losses		(79,164)	(229,438)	(107,863)	-
Impairment losses		(491,344)	(464,782)	(491,344)	(663,006)
Net unrealised losses from held for trading investments		(481,813)	(3,634,977)	(329,008)	(3,387,376)
Net realised losses on disposal of held for trading investments		(7,562)	-	(7,562)	(1,975)
Other expenses from ordinary activities		(27,338)	(63,658)	(22,511)	(57,284)
Profit (loss) from ordinary activities before income tax expense		(798,719)	(4,356,979)	(125,699)	(3,990,646)
Income tax expense relating to ordinary activities	6	-	-	-	-
Loss from continuing operations		(798,719)	(4,356,979)	(125,699)	(3,990,646)
Loss from discontinued operation	7	(121,426)	(108,871)	-	-
Loss for the year		(920,145)	(4,465,850)	(125,699)	(3,990,646)
Attributable to:					
Minority interest		-	-	-	-
Net profit (loss) attributable to members of the parent entity		(920,145)	(4,465,850)	(125,699)	(3,990,646)
Basic earnings/(loss) per share (cents per share)	17	(0.51)	(2.49)		
Continuing operations	17	(0.44)	(2.43)		
Discontinued operations	17	(0.07)	(0.06)		

\* Diluted earnings per share have not been disclosed because it results in a more favourable earnings per share figure than basic earnings per share.

The accompanying notes form part of these financial statements.

**BALANCE SHEET  
AS AT 30 JUNE 2009**

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	8	1,216,529	813,099	1,140,788	429,445
Trade and other receivables	9	3,314	42,909	3,311	11,722
Inventories		-	30,794	-	-
Other financial assets	10	1,202,512	2,189,641	1,202,512	990,070
<b>TOTAL CURRENT ASSETS</b>		<b>2,422,355</b>	<b>3,076,443</b>	<b>2,346,611</b>	<b>1,431,237</b>
<b>NON CURRENT ASSETS</b>					
Other financial assets	10	-	290,040	50,000	4,601,500
Property, plant and equipment	12	-	5,773	-	5,221
<b>TOTAL NON-CURRENT ASSETS</b>		<b>-</b>	<b>295,813</b>	<b>50,000</b>	<b>4,606,721</b>
<b>TOTAL ASSETS</b>		<b>2,422,355</b>	<b>3,372,256</b>	<b>2,396,611</b>	<b>6,037,958</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	13	47,328	326,856	27,570	186,343
<b>TOTAL CURRENT LIABILITIES</b>		<b>47,328</b>	<b>326,856</b>	<b>27,570</b>	<b>186,343</b>
<b>NON CURRENT LIABILITIES</b>					
Borrowings from subsidiary		-	-	-	3,356,875
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>3,356,875</b>
<b>TOTAL LIABILITIES</b>		<b>47,328</b>	<b>326,856</b>	<b>27,570</b>	<b>3,543,218</b>
<b>NET ASSETS</b>		<b>2,375,027</b>	<b>3,045,400</b>	<b>2,369,041</b>	<b>2,494,740</b>
<b>EQUITY</b>					
Issued capital	14	31,848,559	31,848,559	31,848,559	31,848,559
Reserves	15	622,073	372,301	643,331	643,331
Accumulated losses	16	(30,095,605)	(29,175,460)	(30,122,849)	(29,997,150)
<b>TOTAL EQUITY</b>		<b>2,375,027</b>	<b>3,045,400</b>	<b>2,369,041</b>	<b>2,494,740</b>

The accompanying notes form part of these financial statements.

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

	Ordinary Shares	Translation reserve	Option Reserve	Accumulated Losses	Total Attributable to Members	Minority interest	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>							
Balance at 1 July 2007	31,708,559	(451,022)	643,331	(24,709,610)	7,191,258	-	7,191,258
Movement in translation reserve	-	179,992	-	-	179,992	-	179,992
Shares issued in respect of share-based payments	140,000	-	-	-	140,000	-	140,000
Loss for the year	-	-	-	(4,465,850)	(4,465,850)	-	(4,465,850)
Minority interest	-	-	-	-	-	-	-
Balance at 30 June 2008	<u>31,848,559</u>	<u>(271,030)</u>	<u>643,331</u>	<u>(29,175,460)</u>	<u>3,045,400</u>	<u>-</u>	<u>3,045,400</u>
Balance at 1 July 2008	31,848,559	(271,030)	643,331	(29,175,460)	3,045,400	-	3,045,400
Movement in translation reserve	-	249,772	-	-	249,772	-	249,772
Shares issued in respect of share-based payments	-	-	-	-	-	-	-
Loss for the year	-	-	-	(920,145)	(920,145)	-	(920,145)
Minority interest	-	-	-	-	-	-	-
Balance at 30 June 2009	<u>31,848,559</u>	<u>(21,258)</u>	<u>643,331</u>	<u>(30,095,605)</u>	<u>2,375,027</u>	<u>-</u>	<u>2,375,027</u>

	Ordinary Shares	Translation reserve	Option Reserve	Accumulated Losses	Total Attributable to Members	Minority interest	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Parent Entity</b>							
Balance at 1 July 2007	31,708,559	-	643,331	(26,006,504)	6,345,386	-	6,345,386
Movement in translation reserve	-	-	-	-	-	-	-
Shares issued in respect of share-based payments	140,000	-	-	-	140,000	-	140,000
Loss for the year	-	-	-	(3,990,646)	(3,990,646)	-	(3,990,646)
Minority interest	-	-	-	-	-	-	-
Balance at 30 June 2008	<u>31,848,559</u>	<u>-</u>	<u>643,331</u>	<u>(29,997,150)</u>	<u>2,494,740</u>	<u>-</u>	<u>2,494,740</u>
Balance at 1 July 2008	31,848,559	-	643,331	(29,997,150)	2,494,740	-	2,494,740
Movement in translation reserve	-	-	-	-	-	-	-
Shares issued in respect of share-based payments	-	-	-	-	-	-	-
Loss for the year	-	-	-	(125,699)	(125,699)	-	(125,699)
Minority interest	-	-	-	-	-	-	-
Balance at 30 June 2009	<u>31,848,559</u>	<u>-</u>	<u>643,331</u>	<u>(30,122,849)</u>	<u>2,369,041</u>	<u>-</u>	<u>2,369,041</u>

The accompanying notes form part of these financial statements.

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Cash receipts from customers		140,838	198,508	-	-
Cash paid to suppliers and employees		(583,814)	(816,201)	(424,742)	(544,242)
Interest received		41,739	57,386	10,771	22,452
Interest paid		-	(93)	-	(93)
Sundry income		-	2,827	-	1,050
<b>Net cash (used in) operating activities</b>	18	<b>(401,237)</b>	<b>(557,573)</b>	<b>(413,971)</b>	<b>(520,833)</b>
<b>Cash flows from investing activities</b>					
Payments for investments		-	(801,744)	-	(464,782)
Repayment of convertible loan		96,667	-	96,667	-
Proceeds from the recovery of written down investments		57,683	476,718	57,683	476,718
Proceeds from the sale of investments		10,960	788,477	4,019	342,120
Proceeds from closing term deposits		593,225	-	-	-
Dividends received		23,019	11,152	-	-
Payments for PPE		(2,561)	-	-	-
Distribution from liquidated subsidiary		-	-	966,945	-
Proceeds from the sale of subsidiaries, less cash disposed of		(7,152)	-	-	-
<b>Net cash provided by investing activities</b>		<b>771,841</b>	<b>474,603</b>	<b>1,125,314</b>	<b>354,056</b>
<b>Cash flows from financing activities</b>					
Proceeds from share and option issues		-	-	-	-
Proceeds from loan from subsidiary		-	-	-	-
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>370,604</b>	<b>(82,970)</b>	<b>711,343</b>	<b>(166,777)</b>
Cash and cash equivalents at 1 July		813,099	899,275	429,445	596,222
Effect of exchange rate fluctuations on cash held in foreign currencies		32,826	(3,206)	-	-
Cash and cash equivalents 30 June	8	<b>1,216,529</b>	<b>813,099</b>	<b>1,140,788</b>	<b>429,445</b>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009****Note 1: Statement of Significant Accounting Policies**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

The financial report covers the economic entity of Orchid Capital Limited and controlled entities and Orchid Capital Limited as an individual parent entity. Orchid Capital Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and in accordance with the historical cost convention except for financial instruments at fair value through the profit and loss and held for trading that are measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**Basis of Preparation**

Orchid Capital Limited and controlled entities, and Orchid Capital Limited as an individual parent entity have prepared financial statements in accordance with the Australian Equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

Compliance with AIFRSs ensures that this financial report complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Company's accounting policies.

At the date of authorization of the financial report, the following Standards and Interpretations were in issue but not yet effective:

**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 and the parent entity's assessment of the impact of new standards and interpretations that may affect the Group is set out below.

(i) *AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

**Note 1: Statement of Significant Accounting Policies (continued)**

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It 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 does not have any borrowings.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It 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 intends to apply the revised standard from 1 July 2009.

(iv) Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

(v) Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

**Significant Accounting Policies**

Accounting policies are selected and applied in a manner that ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported. Comparative information is reclassified where appropriate to enhance comparability.

In addition to the accounting policies prescribed by applicable Accounting Standards, the following significant accounting policies have been adopted in the preparation and presentation of the financial report:

**(a) Principles of Consolidation**

A controlled entity is any entity Orchid Capital Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 11 to the financial statements. All controlled entities have a 30 June financial year-end.

**Note 1: Statement of Significant Accounting Policies (continued)**

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

**(b) Income Tax**

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

**(c) Land for Sale**

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, foreign currency movements, borrowing costs and holding costs until completion of development. Borrowing costs, foreign currency movements and holding charges incurred after development are expensed. Profits are brought to account on the signing of an unconditional contract of sale.

**(d) Plant and Equipment**

Plant and equipment are measured at cost less, where applicable, any accumulated depreciation and impairment losses.

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

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

**Note 1: Statement of Significant Accounting Policies (continued)**

maintenance are charged to the income statement during the financial period in which they are incurred.

**Depreciation**

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

The depreciation rate used for depreciable assets is:

Plant and equipment	33.3%
Office Furniture	20.0%

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.

**(e) Financial Instruments****Recognition**

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

**Financial assets at fair value through profit and loss**

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

**Loans and receivables**

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

**Held-to-maturity investments**

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

**Available-for-sale financial assets****Fair value**

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

**Note 1: Statement of Significant Accounting Policies (continued)****Impairment**

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

**(f) Impairment of Assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

**(g) Investments in Associates**

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised group's share of post-acquisition reserves of its associates.

**(h) Foreign Currency Transactions and Balances****Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

**Group companies**

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- retained profits are translated at the exchange rates prevailing at the date of the transaction;
- income and expenses are translated at average exchange rates for the period; and

**Note 1: Statement of Significant Accounting Policies (continued)**

- exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

**(i) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**Defined superannuation schemes**

There are no defined benefit plans or contribution plans.

**Equity-settled compensation**

The group operates a share and option-based compensation plan. This includes both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed was determined by reference to the fair value of the shares or the options granted.

**(j) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**(k) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**(l) Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

**(m) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(n) Comparative Figures**

Certain comparative amounts have been reclassified to conform with the current year's presentation.

**Note 1: Statement of Significant Accounting Policies (continued)****(o) Inventories**

Inventories of finished goods are valued at the lower of purchased cost and net realisable value.

**(p) Critical accounting estimates and judgements**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

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

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

- Note 6 : Income Tax
- Note 10 : Other financial assets
- Note 19: Share Based Payments

**(q) Discontinued operation**

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

**Note 2: Segment Reporting**

The group's primary reporting format is business segments. The group divested its entire 51% holding in Xing Ling International Pte Ltd and, as a result, investment was the only segment operating at the end of the financial year. Secondary segment information is reported geographically.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

*Orchid Thailand Ltd* is a wholly owned subsidiary company, the main purpose of which, is to assist in realising Thailand held assets. It is the intention of the Directors to liquidate the assets of this entity as soon as possible.

*Orchid Emarb Ltd*, formerly a wholly owned subsidiary company, the main purpose of which, was to trade securities and secure investment opportunities has been liquidated and deconsolidated from the Group on 30 June 2009. *Orchid Emarb Ltd* was dissolved on 25 August 2009.

*Xing Ling International Pte Ltd*, formerly a 51% owned subsidiary company, the main purpose of which, was the distribution of health and pharmaceutical products has been sold and deconsolidated from the Group on 30 June 2009.

**Note 2: Segment Reporting (continued)**

**Business Segments:** The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2009 and 30 June 2008.

<b>Primary Reporting - Business Segments</b>	<b>2009</b>	<b>2008</b>		
<b>Revenue</b>	<b>\$</b>	<b>\$</b>		
Revenue from investment segment (continuing operations)				
Realised gain on investments	-	27,435		
Recovery of written down investment	154,350	476,718		
Interest	41,739	57,386		
Dividends	23,019	11,152		
Other	144,654	1,050		
Total revenue from investment segment	<u>363,762</u>	<u>573,741</u>		
Revenue from pharmaceutical segment (discontinued operations)				
Pharmaceutical sales	146,616	151,988		
Other income - pharmaceutical	1,456	1,777		
Total revenue from pharmaceutical segment	<u>148,072</u>	<u>153,765</u>		
Unallocated:				
Gains on disposal of controlled entities	342,562	-		
Total consolidated revenue	<u>854,396</u>	<u>727,506</u>		
	<b>2009</b>	<b>2008</b>		
<b>Segment Result</b>	<b>\$</b>	<b>\$</b>		
Continuing operations				
Investments	(798,719)	(4,356,979)		
Total result from continuing operations	<u>(798,719)</u>	<u>(4,356,979)</u>		
Discontinued operations				
Pharmaceutical products	(121,853)	(108,871)		
Less: minority interest (pharmaceutical products)	-	-		
Total result from discontinued operations	<u>(121,853)</u>	<u>(108,871)</u>		
Unallocated:				
Profit on sale of discontinued operations	427	-		
Profit/(loss) before income tax	<u>(920,145)</u>	<u>(4,465,850)</u>		
Income tax expense	-	-		
Net profit/(loss)	<u>(920,145)</u>	<u>(4,465,850)</u>		
<b>Segment Assets and Liabilities</b>	<b>Assets</b>		<b>Liabilities</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Investment segment (continuing)	2,422,355	3,307,245	47,328	71,500
Pharmaceutical segment (discontinued)	-	65,011	-	255,356
Consolidated	<u>2,422,355</u>	<u>3,372,256</u>	<u>47,328</u>	<u>326,856</u>
<b>Other Segment Information</b>	<b>Investment Activities (continuing)</b>		<b>Pharmaceutical Sales (discontinued)</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Significant other non-cash expenses				
Impairment losses	(491,344)	(464,782)	-	-
Depreciation and amortisation of segment assets	(5,221)	(9,007)	(405)	(1,839)
Issue of shares to CEO per terms of employment	-	(52,000)	-	-
Unrealised loss on investments	(481,813)	(3,634,977)	-	-
Foreign exchange loss	(79,164)	(229,386)	(771)	(26)
<b>Secondary Reporting - Geographical Segments</b>	<b>Segment Revenue</b>		<b>Segment Result</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Continuing operations				
Australia	1,227,367	641,265	(125,699)	(3,990,646)
Thailand	354	384	(3,287)	(2,203)
Discontinued operations				
Singapore	148,072	153,765	(121,853)	(108,871)
Switzerland*	53,633	75,112	(96,116)	(409,768)
Eliminations	(575,030)	(143,020)	(573,190)	45,638
Minority interest	-	-	-	-
Consolidated	<u>854,396</u>	<u>727,506</u>	<u>(920,145)</u>	<u>(4,465,850)</u>

\* [Switzerland combined with Australia through transfer of assets from Orchid Emarb Ltd to Orchid Capital Ltd.]

**Note 3: Investment Revenue**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Interest received	41,739	57,386	10,771	22,452
Dividends	23,019	11,152	-	-
Total Investment Revenue	<u>64,758</u>	<u>68,538</u>	<u>10,771</u>	<u>22,452</u>

**Note 4: Gains on disposal of controlled entities**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Distribution from controlled entity on liquidation	-	-	917,165	-
Gains on sale of controlled entity	-	-	427	-
Gains on deconsolidation of controlled entities	342,562	-	-	-
Total gains on disposal of controlled entities	<u>342,562</u>	<u>-</u>	<u>917,592</u>	<u>-</u>
Disposal price of Xing Ling International Pte Ltd and its controlled entity			427	-
Carrying value of the investment in Xing Ling International Pte Ltd and its controlled entity			-	-
Gain on sale of Xing Ling International Pte Ltd and its controlled entity			<u>427</u>	<u>-</u>

**Note 5: Other Income**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Prior year expense written back *	144,654	-	144,654	-
Sundry income	-	1,050	-	1,050
Total Other Revenue	<u>144,654</u>	<u>1,050</u>	<u>144,654</u>	<u>1,050</u>

\* Prior year expense written back relates to costs incurred when the Company investigated listed on AIM in 2005 which are not expected to be paid.

**Note 6: Income Tax Expense**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Loss from ordinary activities before income tax expense	(920,145)	(4,465,850)	(125,699)	(3,990,646)
Prima facie tax payable on profit/(loss) from ordinary activities	(276,044)	(1,339,755)	(37,710)	(1,197,194)
Add/(less) tax effect of:				
Differences	46,709	1,075,555	(174,437)	1,005,358
Unused tax losses not recognised as deferred tax assets	229,335	264,200	212,147	191,836
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Directors have considered it prudent not to bring to account the future income tax benefit of income tax losses until there is virtual certainty of deriving assessable income of a nature and amount to enable such a benefit to be realised.

The Company has estimated income losses and capital losses of \$13,190,333 and \$4,072,613 respectively (2008: \$12,648,880 and \$4,072,613 respectively). The benefit of these losses and timing differences will only be obtained if:

- (a) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- (b) the Company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in tax legislation adversely affect the Company in realising the benefit from the deduction for the loss.

**Unrecognised temporary differences**

**Deferred tax assets (at 30%)**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenue losses	3,957,100	3,794,664	3,957,100	3,744,953
Capital losses	1,221,784	1,221,784	1,221,784	1,221,784
Capital raising costs	21,597	50,771	21,597	50,771
Unrealised (gains)/losses on investments	428,487	381,781	440,201	384,012
Provisions and accruals	176,226	148,367	590,578	344,921
Net deferred tax assets	<u>5,805,194</u>	<u>5,597,367</u>	<u>6,231,260</u>	<u>5,746,441</u>

**Note 7: Discontinued operation**

In June 2009 the Group sold its entire Pharmaceutical segment represented by Xing Ling International Pte Ltd and its controlled entity; the segment was not a discontinued operation or classified as held for sale as at 30 June 2008 and the comparative income statement has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this division late in 2008 due to the strategic decision to place greater focus on the Group's key competencies, being in investment activities.

The financial performance of the discontinued operation to the date of sale which is included in profit/(loss) from discontinued operations per the income statement is as follows:

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Revenue	148,072	153,765
Expenses	(269,925)	(262,636)
Profit/(Loss) before income tax	<u>(121,853)</u>	<u>(108,871)</u>
Income tax expense	-	-
Profit attributable to members of the parent entity	<u>(121,853)</u>	<u>(108,871)</u>
Profit on sale before income tax	427	-
Income tax expense	-	-
Total profit after tax attributable to the discontinued operation	<u>(121,426)</u>	<u>(108,871)</u>

Net cash flows of the discontinued operation which have been incorporated into the cash flow statement are as follows:

Net cash inflow/(outflow) from operating activities	4,184	(12,161)
Net cash outflow from investing activities	(2,561)	-
Net cash inflow/(outflow) from discontinued operations	<u>1,623</u>	<u>(12,161)</u>

Effect of disposal on the financial position of the Group

Cash and cash equivalents	7,152
Trade and other receivables	38,529
Inventories	42,687
Property, plant and equipment	2,622
Trade and other payables	(416,117)
Net assets and liabilities	<u>(325,127)</u>

**Note 8: Cash and cash equivalents**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	1,216,529	749,655	1,140,788	369,445
Short-term bank deposits	-	63,444	-	60,000
Total Cash and cash equivalents	<u>1,216,529</u>	<u>813,099</u>	<u>1,140,788</u>	<u>429,445</u>

**Note 9: Trade and other receivables**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade debtors	-	25,932	-	-
Sundry debtors	3,311	7,310	3,311	3,722
Prepayments	3	9,666	-	8,000
Total trade and other receivables	<u>3,314</u>	<u>42,909</u>	<u>3,311</u>	<u>11,722</u>

As of 30 June 2009, trade and other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

**Note 10: Other financial assets**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<u>Current</u>				
Bank deposits	-	531,665	-	-
Listed shares - at fair value	1,202,512	1,657,976	1,202,512	990,070
Convertible Loan - RGM Entertainment	418,690	464,782	418,690	464,782
less accumulated impairment	(418,690)	(464,782)	(418,690)	(464,782)
Total current other financial assets	<u>1,202,512</u>	<u>2,189,641</u>	<u>1,202,512</u>	<u>990,070</u>

A loan of SGD\$600,000 was made to RGM Entertainment Pte Ltd on 16 July 2007. The loan, which was convertible to ordinary shares upon ETL (Eligibility to List), is interest free and secured against Collateral Agreements in place between RGM Entertainment Pte Ltd and various entities within the global entertainment industry. Due to current levels of uncertainty in global markets generally and the entertainment industry specifically, the Directors have taken the decision to make a provision for impairment of the full amount of the loan. As at 30 June 2009 SGD\$100,000 had been recovered.

The fair value of listed investments has been determined directly by reference to published price quotations in an active market. Included in listed shares are shares in Gongyou Machines Ltd which had a fair value of \$625,392 at 30 June 2009. As of 29 September 2009 the fair value has increased to \$676,564 based on the market price and exchange rates at that date. The fair value of other listed investments was \$577,121 at 30 June 2009. As of 29 September 2009 the fair value, having sold shares with a 30 June 2009 fair value of \$269,749, has decreased to \$335,889 based on market price and exchange rates at that date. This decrease is a post balance sheet event and has not been accounted for at 30 June 2009.

Non-current

<u>Investments in subsidiaries</u>				
Orchid Emarb Ltd	-	-	-	4,261,460
Orchid Thailand Ltd	-	-	89,047	89,047
less accumulated impairment	-	-	(39,047)	(39,047)
Xing Ling International Pte Ltd	-	-	-	198,224
less accumulated impairment	-	-	-	(198,224)
Total investments in subsidiaries	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>4,311,460</u>
<u>Investment held for sale *</u>				
Lot 12 Samsara, Thailand	290,040	290,040	290,040	290,040
less accumulated impairment	(290,040)	-	(290,040)	-
Total investment held for sale	<u>-</u>	<u>290,040</u>	<u>-</u>	<u>290,040</u>
<u>Investment in unlisted associated companies</u>				
Jiva Kata Resort Company Ltd	-	229,962	-	229,962
less accumulated impairment	-	(229,962)	-	(229,962)
Total investment in unlisted associated companies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Loans receivable **</u>				
Loan receivable from Xing Ling International Pte Ltd	150,729	-	150,729	-
less allowance for non-recoverability	(150,729)	-	(150,729)	-
Total Loans receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current other financial assets	<u>-</u>	<u>290,040</u>	<u>50,000</u>	<u>4,601,500</u>

\* Pangala Group Limited ("PGL"), a company incorporated in the British Virgin Islands, and a wholly owned subsidiary of Orchid Capital Limited, was set up to hold the land at Lot 12 Samsara, Thailand. It is the intention to sell PGL to a third party. Considering the nature of the holding, the investment has been treated as an investment held for sale and thus no consolidation is performed to incorporate the company's financial position and state of affairs into the Consolidated Financial Statements.

\*\* The loan receivable of \$150,729 (SGD\$180,000) due from Xing Ling International Pte Ltd, previously payable to Orchid Emarb Ltd, was transferred to Orchid Capital Ltd on 30 June 2009 as part of the liquidation of Orchid Emarb Ltd. Orchid Capital Ltd has entered into an agreement with Xing Ling International Pte Ltd in which repayment of the loan is linked to a percentage of future profits in Xing Ling International Pte Ltd. In addition, Xing Ling International Pte Ltd has agreed to certain restrictive covenants designed to protect Orchid Capital Ltd's capacity to recoup the loan. The loan has been provided for in full at 30 June 2009.

**Note 11: Controlled Entities**

	Country of Incorporation	Percentage Owned (%) <sup>*</sup>	
		2009	2008
<u>Parent Entity:</u>			
Orchid Capital Ltd	Australia	-	-
<u>Subsidiaries:</u>			
Orchid Emarb Ltd	BVI	-	100
Orchid Capital Ltd (Thailand)	Thailand	100	100
Xing Ling International Pte Ltd	Singapore	-	51
Teleios Pte Ltd (wholly-owned subsidiary of Xing Ling)	Singapore	-	100

\* Percentage of voting power is in proportion to ownership

As at 30 June 2009 all assets and liabilities of Orchid Emarb Ltd were transferred to Orchid Capital Ltd. Orchid Emarb Ltd was dissolved on 25 August 2009. The investment in Xing Ling International Pte Ltd and its wholly owned subsidiary was sold effective 30 June 2009.

**Note 12: Property, Plant and Equipment**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
Plant and Equipment	\$	\$	\$	\$
At cost	-	64,048	-	58,630
Accumulated depreciation	-	(58,275)	-	(53,409)
Total Property, Plant and Equipment	-	5,773	-	5,221

(a) **Movements in Carrying Amount**

Movement in the carrying amount for plant and equipment between the beginning and the end of the current financial year

	Consolidated		Parent Entity	
	2009	2008	2009	2008
Consolidated Entity:	\$	\$	\$	\$
Plant and equipment				
Balance at the beginning of the year	5,773	16,612	5,221	14,228
Depreciation expense	(5,221)	(9,007)	(5,221)	(9,007)
Discontinued operations:				
Additions	2,561	-	-	-
Depreciation expense	(405)	(1,839)	-	-
Written down value of disposals	(2,622)	-	-	-
Foreign exchange effect on opening balance	(86)	7	-	-
Carrying amount at the end of the year	-	5,773	-	5,221

**Note 13: Trade and other payables**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
CURRENT	\$	\$	\$	\$
Trade payables	30,101	313,566	27,570	186,343
Sundry payables and accrued expenses	17,227	13,290	-	-
	47,328	326,856	27,570	186,343

**Note 14: Issued Capital**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
180,643,756 (2008: 180,643,756)	\$	\$	\$	\$
fully paid ordinary shares	31,848,559	31,848,559	31,848,559	31,848,559

**Movement in ordinary shares on issue**

	2009		2008	
	No.	\$	No.	\$
At the beginning of the financial year	180,643,756	31,848,559	176,643,756	31,708,559
Employee share issue	-	-	4,000,000	140,000
At the end of the financial year	180,643,756	31,848,559	180,643,756	31,848,559

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**Note 15: Reserves**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
Option Premium Reserve				
Balance at 1 July	\$ 643,331	\$ 643,331	\$ 643,331	\$ 643,331
Balance at 30 June	643,331	643,331	643,331	643,331
Foreign Currency Translation Reserve				
Balance at 1 July	(271,030)	(451,022)	-	-
Transfer of translation reserve to Profit and Loss on deconsolidation of subsidiaries	247,591	-	-	-
Movement due to foreign currency exchange	2,181	179,992	-	-
Balance at 30 June	(21,258)	(271,030)	-	-
Total Reserves	622,073	372,301	643,331	643,331

**Option Premium Reserve**

The option premium reserve records items recognised as expenses on valuation of employee share options and the issue of share options for cash consideration.

**Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

**Note 16: Accumulated Losses**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
Accumulated Losses				
Balance at 1 July	\$ (29,175,460)	\$ (24,709,610)	\$ (29,997,150)	\$ (26,006,504)
Net (loss)/profit	(920,145)	(4,465,850)	(125,699)	(3,990,646)
Balance at 30 June	(30,095,605)	(29,175,460)	(30,122,849)	(29,997,150)

**Note 17: Earnings per Share**

	Consolidated	
	2009	2008
Basic earnings/(loss) per share	¢ (0.51)	¢ (2.49)
Continuing operations	(0.44)	(2.43)
Discontinued operations	(0.07)	(0.06)
Weighted average number of ordinary shares during the year used in the calculation of basic earnings per share	180,643,756	179,212,062

Diluted earnings per share have not been disclosed because it results in a more favourable earnings per share figure than basic earnings per share.

**Note 18: Notes to the Cash Flow Statement**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
(a) Reconciliation of net cash used in operating activities to operating loss after income tax				
Operating loss after income tax	(920,145)	(4,465,850)	(125,699)	(3,990,646)
Add:				
Depreciation	5,221	10,846	5,221	9,007
Share-based payments	-	52,000	-	52,000
Gain on disposal of controlled entities	(342,562)	-	(917,592)	-
Gain on reversal of prior year accruals	(144,654)	-	(144,654)	-
Gain on sale of investments and recovery of written down investments/convertible loan	(146,788)	(504,153)	(146,788)	(474,743)
Loss on revaluation of financial assets at fair value through profit or loss	481,813	3,634,977	329,008	3,387,376
Impairment losses	491,344	464,782	491,344	663,006
Dividends received from investing activities	(23,019)	(11,152)	-	-
Foreign exchange (gains)/losses	79,164	189,860	107,863	(139,861)
Changes in net assets/liabilities net of disposal of subsidiary:				
Decrease in trade and other receivables	4,182	39,109	8,838	609
Increase in inventories	(9,299)	(3,076)	-	-
Increase in trade and other payables	123,506	35,084	(21,512)	(27,581)
Net cash (used in) operations	<u>(401,237)</u>	<u>(557,573)</u>	<u>(413,971)</u>	<u>(520,833)</u>
(b) Disposal of entities				
Sale of Xing Ling International Pte Ltd and its controlled entity				
Consideration receivable	427	-	427	-
Cash disposed of	(7,152)	-	-	-
Net cash outflow	<u>(7,152)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liquidation of Orchid Emarb Ltd				
Return of capital	-	-	4,261,460	-
Distribution	-	-	917,165	-
	<u>-</u>	<u>-</u>	<u>5,178,625</u>	<u>-</u>
Represented by:				
Cash and cash equivalents	-	-	966,945	-
Shares in listed entities at fair value	-	-	553,033	-
Loans receivable from related entities	-	-	3,663,447	-
Trade and other payables	-	-	(4,800)	-
	<u>-</u>	<u>-</u>	<u>5,178,625</u>	<u>-</u>
Net cash inflow	<u>-</u>	<u>-</u>	<u>966,945</u>	<u>-</u>

**Note 19: Share-based Payments**

The following share-based payment arrangement existed at 30 June 2009:

The CEO, Julian Sandt, is entitled to an issue of 2 million shares for each of the five years of his letter of employment agreement dated 18 September 2005. The first tranche of 2 million shares was issued on 27 April 2007. The first tranche was valued at 4.6 cents per share being the closing price on ASX on the grant date 28 November 2005. The second and third tranches were issued on 9 November 2007. The second and third tranche were valued at 3.5 cents per share being the closing price on ASX on the grant date of 9 November 2007. Total valuation of the second and third tranches was \$140,000.

A resolution seeking shareholder approval of the issue of the fourth tranche of 2 million shares, due and payable on 18 September 2008, was withdrawn. Issue of the 4th and 5th tranches of 2 million shares each have been deferred until further notice.

**Note 20: Related Party Disclosures**

**(a) Equity interests in subsidiaries**

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 11 to the financial statements.

**(b) Key management personnel remuneration and equity holdings**

Details of key management remuneration is disclosed in the Director's Report and equity holdings are disclosed in Note 23 to the financial statements.

**(c) Transactions with related parties**

Transactions with key management personnel are disclosed in Note 23 to the financial statements.

**Note 21: Commitments and Contingencies**

The company's former subsidiary, Xing Ling International Pte Ltd, had entered into a rental agreement for its offices.

**Operating lease commitments**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Due within 1 year	-	7,664	-	-
Due 1 to 5 years	-	-	-	-
Due after 5 years	-	-	-	-
Total	-	7,664	-	-

**Service Agreements**

In terms of service agreements, the Company and Group have a commitment to the following expenditure:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Julian Sandt				
Due within 1 year	66,000	130,000	66,000	130,000
Due 1 to 5 years	-	27,083	-	27,083
Due after 5 years	-	-	-	-
Total	66,000	157,083	66,000	157,083

There were no contingent liabilities or assets at the end of the year.

**Note 22: Events after balance sheet date**

The fair value of listed investments has been determined directly by reference to published price quotations in an active market. Included in listed shares are shares in Gongyou Machines Ltd which had a fair value of \$625,392 at 30 June 2009. As of 29 September 2009 the fair value has increased to \$676,564 based on the market price and exchange rates at that date. The fair value of other listed investments was \$577,121 at 30 June 2009. As of 29 September 2009 the fair value, having sold shares with a 30 June 2009 fair value of \$269,749, has decreased to \$335,889 based on market price and exchange rates at that date. This decrease is a post balance sheet event and has not been accounted for at 30 June 2009.

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

**Note 23: Key Management Personnel Disclosures**

(a) Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2009.

The total of remuneration paid or payable to key management personnel of the Group during the year are as follows:

	2009	2008
	\$	\$
Short term employee benefits	312,379	376,541
Post-employment benefits	6,277	5,356
Other long-term benefits	-	-
Share based payments	-	52,000
	318,656	433,897

**Note 23: Key Management Personnel Disclosures (continued)**
**(b) Options over equity instruments**

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

	Held at 1 July 2008	Granted as compensation	Exercised	Expired	Other changes*	Held at 30 June 2009	Exercisable at 30 June 2009
<b>Directors</b>							
C. McKee	1,250,000	-	-	-	-	1,250,000	1,250,000
J.L. Sandt	1,000,000	-	-	-	-	1,000,000	1,000,000
A. Tan	1,750,000	-	-	-	-	1,750,000	1,750,000
R.P. Lambe	-	-	-	-	-	-	-
<b>Other key management personnel</b>							
U. Caprani (Director, Orchid Emarb Ltd)	-	-	-	-	-	-	-
E. Ng (Director, Xing Ling)	-	-	-	-	-	-	-
WK. Ng (Director, Xing Ling)	-	-	-	-	-	-	-
P. Khoo (Sales Manager, Xing Ling)	-	-	-	-	-	-	-
	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>	<b>4,000,000</b>

	Held at 1 July 2007	Granted as compensation	Exercised	Expired	Other changes*	Held at 30 June 2008	Exercisable at 30 June 2008
<b>Directors</b>							
C. McKee	1,250,000	-	-	-	-	1,250,000	1,250,000
J.L. Sandt	1,000,000	-	-	-	-	1,000,000	1,000,000
A. Tan	1,750,000	-	-	-	-	1,750,000	1,750,000
R.P. Lambe	-	-	-	-	-	-	-
<b>Other key management personnel</b>							
U. Caprani (Director, Orchid Emarb Ltd)	-	-	-	-	-	-	-
E. Ng (Director, Xing Ling)	-	-	-	-	-	-	-
WK. Ng (Director, Xing Ling)	-	-	-	-	-	-	-
P. Khoo (Sales Manager, Xing Ling)	-	-	-	-	-	-	-
	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>	<b>4,000,000</b>

**(c) Movement in shares**

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

	Held at 1 July 2008	Purchases	Granted as Remuneration	Received on exercise of options	Sales	Held at 30 June 2009
<b>Directors</b>						
C. McKee	3,081,510	-	-	-	-	3,081,510
J.L. Sandt	13,882,757	-	-	-	-	13,882,757
A. Tan	460,000	212,762	-	-	-	672,762
R.P. Lambe	-	-	-	-	-	-
<b>Other key management personnel</b>						
U. Caprani (Director, Orchid Emarb Ltd)	-	-	-	-	-	-
E. Ng (Director, Xing Ling)	-	-	-	-	-	-
WK. Ng (Director, Xing Ling)	-	-	-	-	-	-
P. Khoo (Sales Manager, Xing Ling)	-	-	-	-	-	-
	<b>17,424,267</b>	<b>212,762</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,637,029</b>

	Held at 1 July 2007	Purchases	Granted as Remuneration	Received on exercise of options	Sales	Held at 30 June 2008
<b>Directors</b>						
C. McKee	3,081,510	-	-	-	-	3,081,510
J.L. Sandt	8,802,302	1,080,455	4,000,000	-	-	13,882,757
A. Tan	460,000	-	-	-	-	460,000
R.P. Lambe	-	-	-	-	-	-
<b>Other key management personnel</b>						
U. Caprani (Director, Orchid Emarb Ltd)	-	-	-	-	-	-
E. Ng (Director, Xing Ling)	-	-	-	-	-	-
WK. Ng (Director, Xing Ling)	-	-	-	-	-	-
P. Khoo (Sales Manager, Xing Ling)	-	-	-	-	-	-
	<b>12,343,812</b>	<b>1,080,455</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>17,424,267</b>

**Note 23: Key Management Personnel Disclosures (continued)**

**(d) Other transactions with key management personnel including their related parties**

The following table discloses significant related party transactions between the Company's 51% owned subsidiary, Xing Ling International Pte Ltd and its Directors:

	2009 \$	2008 \$
With a Company in which a Director has financial interest and control:		
Purchases	6,466	5,517
Sales	8,966	7,651
With holding Company:		
Service income	1,680	1,434
Other Directors' interest:		
- with a company of which the wife of one Director has financial interest and control		
Purchases	22,046	18,812

No other transactions with key management personnel occurred during the reporting period.

**Note 24: Remuneration of Auditors**

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Remuneration of the auditor of the parent entity for:				
- auditing or reviewing the financial report	30,018	32,618	30,018	32,618
- taxation services provided by related practice of auditor	-	-	-	-
Remuneration of other auditors of subsidiaries for:				
auditing or reviewing the financial report of subsidiaries	13,681	8,882	2,813	2,289

**Note 25: Financial Risk Management**

The consolidated entity's financial instruments consist of listed securities, deposits with banks, accounts receivable and payable and loans to non-related parties. The main risks arising from the consolidated entity's financial instruments are interest rate risk, credit risk, foreign currency risk, equity price risk and liquidity risk.

Risk management is carried out by the Board of Directors who monitor, evaluate, and manage the consolidated entity's financial risk across its operating units.

The financial receivables and payables of the consolidated entity and company in the table below are due or payable within 30 days. The financial investments are held for trading and are realised at the discretion of the Board of Directors.

Consolidated	Variable Interest Rate	Fixed maturity dates - 1 year or less	Non-interest Bearing	Total
	\$	\$	\$	\$
<b>2009</b>				
<b>Financial assets</b>				
Cash and cash equivalents	721,591	-	494,938	1,216,529
Receivables	-	-	3,314	3,314
Other financial assets - current	-	-	1,202,512	1,202,512
	<u>721,591</u>	<u>-</u>	<u>1,700,764</u>	<u>2,422,355</u>
Weighted average effective interest rate	0.49%	0.00%		
<b>Financial liabilities</b>				
Payables	-	-	47,328	47,328
	<u>-</u>	<u>-</u>	<u>47,328</u>	<u>47,328</u>
<b>Net Financial Assets</b>	<u>721,591</u>	<u>-</u>	<u>1,653,436</u>	<u>2,375,027</u>

**Note 25: Financial Risk Management (continued)**

	Variable Interest Rate	Fixed maturity dates - 1 year or less	Non-interest Bearing	Total
	\$	\$	\$	\$
<b>2008</b>				
<b>Financial assets</b>				
Cash and cash equivalents	748,026	60,000	5,073	813,099
Receivables	-	-	42,909	42,909
Other financial assets - current	-	531,665	1,657,976	2,189,641
Other financial assets - non-current	-	-	290,040	290,040
	<u>748,026</u>	<u>591,665</u>	<u>1,995,998</u>	<u>3,335,689</u>
Weighted average effective interest rate	0.23%	0.28%		
<b>Financial liabilities</b>				
Payables	-	-	326,856	326,856
	<u>-</u>	<u>-</u>	<u>326,856</u>	<u>326,856</u>
<b>Net Financial Assets</b>	<u>748,026</u>	<u>591,665</u>	<u>1,669,142</u>	<u>3,008,833</u>

**Reconciliation of Net Financial Assets/(Liabilities) to Net Assets**

	2009 \$	2008 \$
Net financial assets	2,375,027	3,008,833
Trading stock	-	30,794
Property, plant and equipment	-	5,773
Net assets	<u>2,375,027</u>	<u>3,045,400</u>

**Parent Entity**

	Variable Interest Rate	Fixed maturity dates - 1 year or less	Non-interest Bearing	Total
	\$	\$	\$	\$
<b>2009</b>				
<b>Financial assets</b>				
Cash and cash equivalents	645,849	-	494,939	1,140,788
Receivables	-	-	3,311	3,311
Other financial assets - current	-	-	1,202,512	1,202,512
	<u>645,849</u>	<u>-</u>	<u>1,700,762</u>	<u>2,346,611</u>
Weighted average effective interest rate	0.50%	0.00%		
<b>Financial liabilities</b>				
Payables	-	-	27,570	27,570
Borrowings from subsidiary	-	-	-	-
	<u>-</u>	<u>-</u>	<u>27,570</u>	<u>27,570</u>
<b>Net Financial Assets</b>	<u>645,849</u>	<u>-</u>	<u>1,673,192</u>	<u>2,319,041</u>

**2008**

	Variable Interest Rate	Fixed maturity dates - 1 year or less	Non-interest Bearing	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	369,445	60,000	-	429,445
Receivables	-	-	11,722	11,722
Other financial assets - current	-	-	990,070	990,070
	<u>369,445</u>	<u>60,000</u>	<u>1,001,792</u>	<u>1,431,237</u>
Weighted average effective interest rate	0.36%	2.78%		
<b>Financial liabilities</b>				
Payables	-	-	186,343	186,343
Borrowings from subsidiary	-	-	3,356,875	3,356,875
	<u>-</u>	<u>-</u>	<u>3,543,218</u>	<u>3,543,218</u>
<b>Net Financial Assets/(Liabilities)</b>	<u>369,445</u>	<u>60,000</u>	<u>(2,541,426)</u>	<u>(2,111,981)</u>

**Reconciliation of Net Financial Assets/(Liabilities) to Net Assets**

	2009 \$	2008 \$
Net financial assets/(liabilities)	2,319,041	(2,111,981)
Investments in subsidiaries	50,000	4,601,500
Property, plant and equipment	-	5,221
Net assets	<u>2,369,041</u>	<u>2,494,740</u>

**Note 25: Financial Risk Management (continued)****(a) Interest rate risk exposure**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The consolidated entity is exposed to interest rate risk as it invests funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate deposits. The consolidated entity has no borrowings. The weighted average interest rates are 0.49% for the consolidated entity (2008: 0.25%) and 0.50% for the parent entity (2008: 0.70%)

	Consolidated		Parent Entity	
	2009	2008	2009	2008
Interest bearing financial instruments:				
Cash at bank and bank deposits	\$ 721,591	\$ 808,026	\$ 645,849	\$ 429,445
	<u>721,591</u>	<u>808,026</u>	<u>645,849</u>	<u>429,445</u>
Weighted average effective interest rate	0.49%	0.25%	0.50%	0.70%

**(b) Credit risk exposure**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. The Consolidated Entity measures credit risk on a fair value basis.

The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics.

The Company entered into an agreement with RGM Entertainment Pte Ltd ("RGM") on 5 July 2007. Under the terms of the agreement, the Company made a convertible loan to RGM of SGD\$600,000. The loan, which is convertible to ordinary shares upon ETL (Eligibility to List), is interest free and secured against Collateral Agreements in place between RGM Entertainment Pte Ltd and various entities within the global entertainment industry. Shares will be converted at 2:1 so that SGD\$1,200,000 worth of shares at the IPO price will be issued to Orchid Capital Ltd. Maturity was to have occurred in December 2008. If, by maturity, listing did not occur by reason of RGM's failure to comply with the listing requirements of a recognised stock exchange, redemption of the loan was to have taken place within 7 days of a written request from the Company. Interest will accrue at 18% pa calculated on the principal for the number of days elapsed from completion date to payment date. If listing did not occur for reason other than RGM's failure to comply with the listing requirements of a recognised stock exchange, interest will accrue at 8% pa calculated daily as above. If redemption of the loan is made for any other reason interest will accrue at 18% pa calculated daily on the principal.

The loan receivable of \$150,729 (SGD\$180,000) due from Xing Ling International Pte Ltd ("Xing Ling"), previously payable to Orchid Emarb Ltd, was transferred to Orchid Capital Ltd on 30 June 2009 as part of the liquidation of Orchid Emarb Ltd. Orchid Capital Ltd has entered into an agreement with Xing Ling in which repayment of the loan is linked to a percentage of future profits in Xing Ling. In addition, Xing Ling has agreed to certain restrictive covenants designed to protect Orchid Capital Ltd's capacity to recoup the loan.

The credit quality of the financial assets is as follows: (i) there are no past due financial assets; (ii) due to uncertainty in financial markets generally, and the entertainment industry specifically, provision was made, at 30 June 2008, for the impairment of the full value of the convertible loan to RGM; and (iii) provision was made, at 30 June 2009, for the impairment of the full value of the loan to Xing Ling International Pte Ltd. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
Cash and cash equivalents	\$ 1,216,529	\$ 813,099	\$ 1,140,788	\$ 429,445
Receivables	3,314	42,909	3,311	11,722
	<u>1,219,843</u>	<u>856,008</u>	<u>1,144,099</u>	<u>441,167</u>

The consolidated entity measures credit risk on a fair value basis. The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the consolidated entity's maximum exposure to credit risk.

All receivables noted above are due within 30 days. None of the above receivables are past due.

The Directors have taken the decision to fully provide for the impairment of the RGM loan of \$418,690. As at 30 June 2009 SGD\$100,000 had been recovered calculated as AUD\$86,136.

**Note 25: Financial Risk Management (continued)**

**(c) Foreign Currency Risk**

The consolidated entity is exposed to foreign currency risk on the following:  
 - cash and other financial assets and liabilities held by its subsidiary Orchid Capital Ltd (Thailand);  
 - cash held by the company in a Singapore bank account denominated in currencies other than AUD; and  
 - financial assets listed on overseas stock exchanges (Germany, Singapore & Hong Kong)

The consolidated entity has not entered into any forward exchange contracts as at balance date and is currently fully exposed to foreign exchange risk. The consolidated entity's exposure to foreign currency risk at reporting date was as follows:

<b>Consolidated 2009</b>	<b>EUR</b>	<b>(AUD)</b>	<b>USD</b>	<b>(AUD)</b>	<b>SDG</b>	<b>(AUD)</b>	<b>HKD</b>	<b>(AUD)</b>	<b>CHF</b>	<b>(AUD)</b>	<b>THB</b>	<b>(AUD)</b>
Current:												
Cash and cash equivalents	180,654	309,233	223,221	261,965	593,209	496,742	-	-	-	-	2,255,574	75,741
Other financial assets	475,578	814,067	-	-	123,474	103,394	1,740,000	274,154	-	-	-	-
Receivables	-	-	-	-	680,000	569,419	-	-	-	-	94	3
Payables	-	-	-	-	-	-	-	-	-	-	588,404	19,758
<b>2008</b>	<b>EUR</b>	<b>(AUD)</b>	<b>USD</b>	<b>(AUD)</b>	<b>SDG</b>	<b>(AUD)</b>	<b>HKD</b>	<b>(AUD)</b>	<b>CHF</b>	<b>(AUD)</b>	<b>THB</b>	<b>(AUD)</b>
Current:												
Cash and cash equivalents	157,405	255,652	221,986	260,516	479,637	361,227	18	2	-	-	2,246,558	68,222
Other financial assets	771,704	1,253,377	-	-	226,375	170,489	1,530,000	202,368	-	-	-	-
Receivables	-	-	-	-	39,352	29,637	-	-	1,500	1,519	112	3
Payables	-	-	-	-	(159,062)	(119,794)	-	-	(4,193)	(4,245)	(513,024)	(15,579)
<b>Parent Entity 2009</b>	<b>EUR</b>	<b>(AUD)</b>	<b>USD</b>	<b>(AUD)</b>	<b>SDG</b>	<b>(AUD)</b>	<b>HKD</b>	<b>(AUD)</b>	<b>CHF</b>	<b>(AUD)</b>	<b>THB</b>	<b>(AUD)</b>
Current:												
Cash and cash equivalents	180,654	309,233	223,221	261,965	593,209	496,742	-	-	-	-	-	-
Other financial assets	475,578	814,067	-	-	123,474	103,394	1,740,000	274,154	-	-	-	-
Receivables	-	-	-	-	680,000	569,419	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-	-	-	-	-	-
<b>2008</b>	<b>EUR</b>	<b>(AUD)</b>	<b>USD</b>	<b>(AUD)</b>	<b>SDG</b>	<b>(AUD)</b>	<b>HKD</b>	<b>(AUD)</b>	<b>CHF</b>	<b>(AUD)</b>	<b>THB</b>	<b>(AUD)</b>
Current:												
Cash and cash equivalents	138	224	-	-	-	-	-	-	-	-	-	-
Other financial assets	590,704	959,402	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	-	(2,200,000)	(1,656,876)	-	-	-	-	-	-

**(d) Equity Price Risk Exposure**

Equity price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market. Equity price risk is minimised through ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.

Equity securities price risk arises on the financial assets at fair value through profit or loss or held for trading.

At the investment portfolio level, the consolidated entity is exposed (by the majority of its net assets) to Gongyou Machines Ltd. The market value of the Gongyou Machines Ltd investment at 30 June 2009 was \$625,392 representing 52% of the total market value of the consolidated entity's diversified listed investments and 25.8% of the fair value of its total assets. The market value of the Gongyou Machines Ltd investment at 30 June 2008 was \$960,962 representing 58% of the total market value of the consolidated entity's diversified listed investments and 28.5% of the fair value of its total assets.

The market price risk on all equities is disclosed in note 25(g)(ii).

**(e) Liquidity Risk Management**

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities. The consolidated entity has no borrowings. The consolidated entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business.

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The financial liabilities disclosed in the above table have a maturity obligation of within 30 days.

**Note 25: Financial Risk Management (continued)**

**(f) Net Fair Value of Financial Assets and Liabilities**

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

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Transaction costs are included in the determination of net fair value.

**(g) Sensitivity Analysis**

The consolidated entity has no borrowings, therefore no liability exposure to interest rate risk. The revenue exposure is immaterial in terms of the possible impact on profit or loss or total equity. It has therefore not been included in the sensitivity analysis.

The consolidated entity has performed sensitivity analyses on its exposure to foreign currency risk and market price risk of listed shares at balance date. The analyses demonstrate the effect on the current year results and equity which could result from a 15% change in exchange rates and equity prices.

**(i) Foreign currency risk**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
Change in profit	\$	\$	\$	\$
Increase in exchange rates by 15%	(381,453)	(317,193)	(368,997)	(90,946)
Decrease in exchange rates by 15%	516,084	429,143	499,231	123,044
Change in equity				
Increase in exchange rates by 15%	(381,453)	(317,193)	(368,997)	(90,946)
Decrease in exchange rates by 15%	516,084	429,143	499,231	123,044

**(ii) Equity price risk**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
Change in profit	\$	\$	\$	\$
Increase in equity prices by 15%	180,377	248,696	180,377	148,511
Decrease in equity prices by 15%	(180,377)	(248,696)	(180,377)	(148,511)
Change in equity				
Increase in equity prices by 15%	180,377	248,696	180,377	148,511
Decrease in equity prices by 15%	(180,377)	(248,696)	(180,377)	(148,511)

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHID CAPITAL LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Orchid Capital Limited, 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 and other explanatory notes and the directors' declaration of the consolidated entity comprising 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 designing, implementing and maintaining internal control 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, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, 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 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 opinion.

#### *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 Orchid Capital 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.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

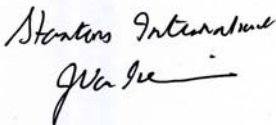
#### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 4 to 6 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 Orchid Capital Limited for the year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

#### **STANTONS INTERNATIONAL (An Authorised Audit Company)**



**J P Van Dieren**  
Director

West Perth, Western Australia  
30 September 2009

30 September 2009

Board of Directors  
Orchid Capital Limited  
Unit 6, 32 Hines Rd  
O'CONNOR WA 6163

Dear Directors

**RE: ORCHID CAPITAL LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Orchid Capital Limited.

As the Audit Director for the audit of the financial statements of Orchid Capital Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL**  
**(Authorised Audit Company)**



**J P Van Dieren**  
**Director**

**ADDITIONAL SECURITIES EXCHANGE INFORMATION**

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is made up to 29 September 2009.

**DISTRIBUTION OF SHARE AND OPTION HOLDERS**

	<b>Fully Paid Shares</b>	<b>Options Expiring 28 February 2012</b>
1- 1,000	58	0
1,001 - 5,000	81	4
5,001 - 10,000	80	1
10,001 - 100,000	165	23
100,001 and over	53	24
	<u><b>437</b></u>	<u><b>52</b></u>

**HOLDERS OF NON-MARKETABLE PARCELS**

There are 339 shareholders who hold less than a marketable parcel of shares.

There are 2,000,000 shares subject to voluntary escrow with escrow expiry date of 27 April 2009.

There are 4,000,000 shares subject to voluntary escrow with escrow expiry date of 9 November 2009.

**Voting Rights**

On a show of hands, every member present in person or by proxy shall have one vote and, upon a poll, each share shall have one vote.

**TWENTY LARGEST SHARE AND OPTION HOLDERS**

**Fully Paid Shares**

<b>Shareholders</b>	<b>Number</b>	<b>Percentage</b>
ANZ Nominees Ltd	122,421,008	67.769
Julian Sandt	13,882,757	7.685
Merrill Lynch (Australia) Nominees Pty Ltd	12,456,705	6.896
Carmant Pty Ltd	6,017,298	3.331
Straight Investments SA	4,419,993	2.447
Kongming Investments Ltd	3,000,000	1.661
Innovation Marketing & Finance Pty Ltd	2,817,371	1.560
Pat Volpe	2,200,000	1.218
IFTC Broking Services Ltd	1,250,000	0.692
Trayburn Pty Ltd	1,200,000	0.664
McNeil Nominees Pty Ltd	990,296	0.548
HSBC Custody Nominees	952,500	0.527
Walpett Engineering Pty Ltd	840,000	0.465
Maxwell James Deason & Gillian Deason	750,000	0.415
Alvin Tan	692,762	0.383
Shee Peng Lai	552,854	0.306
Lynda Lee Po Yu	500,000	0.277
Ningi Aboriginal Corporation	500,000	0.277
National Nominees Ltd	487,474	0.270
AT Growth Equities Sdn Bhd	460,000	0.255

**Listed Options Expiring 28 February 2012**

<b>Option holders</b>	<b>Number</b>	<b>Percentage</b>
Merrill Lynch (Australia) Nominees Pty Ltd (Berndale Acc)	42,160,209	42.476
Innovation Marketing & Finance Pty Ltd	13,039,452	13.137
ANZ Nominees Ltd	8,461,314	8.525
Caro Finance Inc	7,500,000	7.556
Bee Hun Thean	6,000,000	6.045
Cudgen Superannuation Services Pty Ltd	4,000,000	4.030
Goffacan Pty Ltd	3,500,000	3.526
Trayburn Pty Ltd	2,600,464	2.620
Northbridge Business Services Pty Ltd	2,000,000	2.015
IFTC Broking Services Ltd	1,850,000	1.864
Julian Sandt	1,000,000	1.008
Leo & Faye Radom	1,000,000	1.008
Ostle Investments Pty Ltd	1,000,000	1.008
Temtor Pty Ltd	1,000,000	1.008
Carmant Pty Ltd	938,870	0.946
AT Growth Equities Sdn Bhd	750,000	0.756
Lynda Lee Po Yu	500,000	0.504
Anne-Marie Leaver	124,667	0.126
Graham Alan Leaver	124,027	0.125
Straight Investments SA	113,083	0.114

**SUBSTANTIAL SHAREHOLDERS**

As at report date, there are no shareholders recorded in the Register of Substantial Holders.