# 2013

# ANNUAL REPORT

ORION
EQUITIES LIMITED

A.B.N. 77 000 742 843

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# CORPORATE DIRECTORY

**BOARD**

| | |
|---|---|
| Farooq Khan | Executive Chairman |
| Victor Ho | Executive Director |
| Yaqoob Khan | Non-Executive Director |

**COMPANY SECRETARY**
Victor Ho

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Australian Securities Exchange
Perth, Western Australia

**ASX CODE**
OEQ

**SHARE REGISTRY**
Advanced Share Registry Services
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# CORPORATE UPDATE

Orion provides the following Corporate Update on developments since the end of the 30 June 2013 financial year (and also subsequent to the release of the Company's 2013 Full Year Report on 31 August 2013), including a number of matters being put to shareholders for approval at the upcoming 2013 Annual General Meeting.

**Investment Performance Subsequent to Year End**

Orion has had a positive first quarter of the 2013/14 financial year, with an increase in pre- and post-tax net tangible asset (**NTA**) backing per share of 7.2% from $0.517 as at 30 June 2013 to $0.554 on 30 September 2013.

Orion earned a net profit of $0.549 million in the first 3 months of the financial year (ending 30 September 2013) primarily from:

- $0.382 million attributable to a 27.97% share of the net profits of ASX-listed Bentley Capital Limited (**BEL**) (being an Associate entity) over the same period; and
- $0.334 million unrealised gain on the Company's (16,690,802 shares) investment in ASX-listed Strike Resources Limited (**SRK**), which increased in value from $0.043 to $0.063 per share during the period.

Orion is the largest shareholder in Bentley and the second largest shareholder in Strike.

Orion is pleased to see the appreciation in the Strike share price since the start of the financial year and looks forward to Strike's continued improved prospects and shareholder value under the leadership of Managing Director, William Johnson (a former Orion Director).

Orion has also been the recipient of regular distributions (recently one cent per share, twice a year via returns of capital) from Bentley – a $0.410 million return of capital was received in 2012/2013 and a $1.231 million return of capital and $0.697 million fully franked dividend were received in 2011/2012.

Bentley also has significant franking credits ($1.85 million as at 30 June 2013) and has paid a distribution to shareholders every year (save for 4 years) since its admission to ASX in 1986.

On 30 August 2013, Bentley announced its intention to seek shareholder approval (at its upcoming 2013 AGM) to undertake a further one cent per share return of capital. Subject to receipt of Bentley shareholders' approval, Orion's entitlement under the return of capital will be $205,138.

Orion also notes that Bentley is advancing towards the launch of its innovative Internet and social media applications products, with its first development, 'Rdrct.it' earning revenues during beta testing.

**Reduction in Corporate Overheads**

Orion has conducted a review of various overheads associated with its ongoing operations as an ASX-listed company with particular reference to its office and administration expenses. The objective of the review is to identify savings and efficiencies in the operations of the Company to maximise value for all shareholders.

As part of the review, Orion has implemented a series of changes to reduce its ongoing corporate overhead expenses including:

- securing alternate office accommodation at a significantly reduced rental upon the expiry of its previous lease on 30 June 2013;
- a consolidation of office administration personnel; and
- instituting a general pay freeze for office personnel for the 2013 calendar year.

Orion continues to review a number of overheads associated with its ongoing operations as an ASX listed company including share registry and audit costs, the use of external advisers and office and administration expenses.

**Capital Management – On-Market Share Buy-Back**

As announced on 5 August 2013[1], Orion is in the process of conducting an on-market buy-back of up to 1,600,000 shares, representing 8.98% of the 17,814,389 shares on issue at that date (**Current Buy-Back**).

[1] Refer the Company's market announcement Appendix 3C – Announcement of Additional Buy-Back.

# CORPORATE UPDATE

The Current Buy-Back has successfully commenced and, as at 25 October 2013, the Company:

- has bought back 414,239 shares at an average price of $0.2520 per share, for a total cost of $104,397.25; and
- may, at the determination of the Company as to quantum, timing and price, buy back up to a further 1,185,761 shares, on or before 31 July 2014 (subject to the earlier completion of the buy-back and the Company exercising its right to suspend or terminate the buy-back or amend its terms, at any time).

The Company notes that it only intends to buy back shares each month between the trading day after the Company announces its monthly NTA backing (usually on or about the 14th of the month) and the last trading day of that calendar month (and subject otherwise to the Company's Share Trading Policy).

**Capital Management – Proposed Additional On-Market Share Buy-Back**

At the 2013 AGM, the Company will seek shareholder approval to conduct a further on-market buy-back of up to 1,600,000 shares in addition to shares to be bought back under the Current Buy-Back (**Additional Buy-Back**).

It is proposed that the Additional Buy-Back commence immediately after the Current Buy-Back concludes. That is, after the Company has completed buying back the balance of 1,185,761 shares (as at 25 October 2013) remaining under the Current Buy-Back (initially set at 1,600,000 shares).

The purposes of the Additional Buy-Back (and the Current Buy-Back (together, the **Buy-Backs**)) are twofold:

- To give shareholders who wish to do so an improved opportunity to realise their shares in light of relatively low market liquidity. Approximately 0.90 million shares have traded in the six months prior to 22 October 2013 (excluding the 0.4 million shares bought-back under the Current Buy-Back in September and October 2013). The total number of shares that would be acquired under both Buy-Backs, if fully implemented, represents over three times that volume.
- To increase the NTA backing per share of the remaining shares, for the benefit of shareholders who choose not to sell into the Buy-Backs. This will be achieved by the Company only buying back shares if it can do so at a discount to NTA per share. While the Company's NTA will be reduced as a result of expenditure on buying back shares, the number of issued shares will reduce by a proportionately larger amount, as the Company intends to only buy back shares at a price below its prevailing NTA backing per share. This will result in an increase in the NTA backing per share post completion of the Buy-Backs.

The Additional Buy-Back would bring the total number of shares to be acquired under both Buy-Backs (that is, including shares to be bought under the Current Buy-Back) to 3,200,000 shares, representing 17.96% of total shares on issue before the start of the Current Buy-Back.

It is not possible to accurately estimate the price per share that the Company will pay under the Additional Buy-Back. The Additional Buy-Back is likely to extend over the course of the next 12 months and the Additional Buy-Back price will be closely related to the market price of the shares at the time they are bought back.

Furthermore, the ASX Listing Rules states that a company may only buy back shares under an on-market buy-back at a price which is not more than 5% above the average market price[2] over the last five days on which share sales occurred before the day on which shares are bought back.

Further, the Company will only form a view on whether to continue with the Current Buy-Back or conduct the Additional Buy-Back at the relevant time and it is not given that such buy-backs will continue/occur. The buy-back of shares will be a function of a range of matters at the relevant time including but not limited to the financial position of the Company, its capital requirements and other considerations in relation to the commercial operations and prospects of the Company. In addition, it is not likely to buy back shares under the Current Buy-Back or the Additional Buy-Back unless it is able to do so at a discount to their NTA backing per share.

2 The market price is the closing price on ASX, excluding special crossings and overnight sales (as defined in Chapter 19 of the ASX Listing Rules)

# CORPORATE UPDATE

Shareholders are referred to the Company's 2013 Notice of Annual General Meeting and Explanatory Statement for further details of the proposed Additional Buy-Back and the advantages and disadvantages of voting for, and participating in, that initiative.

**Proposal to Insert a Performance-Based, Wind-Up Vote Trigger in the Company's Constitution**

At the 2013 AGM, shareholders will be asked to vote on a proposal to introduce a new "performance-based wind-up vote trigger" clause into the Company's constitution. The proposed new clause is intended to provide a mechanism to give shareholders the opportunity to realise the value in the Company in the event that performance is more than 15% below a benchmark index for two consecutive financial years.

In summary if, in each of two consecutive financial years, the percentage change in the Orion consolidated group's adjusted net assets for a financial year is more than 15% lower (in absolute terms) than the percentage change in the ASX All Ordinaries Accumulation Index (**Index**) over that financial year, the Directors would be required put a special resolution to the next AGM for shareholders to vote on whether the Company should be wound up. That is, if the Orion group's performance is more than 15% below the performance of the Index for two consecutive financial years, shareholders will be able to vote on whether to wind up the Company.

Under the Constitution, if the Company were wound up its assets would be sold and its liabilities discharged, with surplus funds being distributed to shareholders in proportion to their holdings. To pass, any wind-up resolution would require a "For" vote by 75% of the Company's shareholders present in person or by proxy who vote on the resolution.

In summary, "Adjusted Net Assets" means the Orion consolidated group's assets net of liabilities (reflecting the parent entity interest excluding minority or non-controlling interests), adjusted by adding back any dividends or capital paid, returned or distributed to shareholders during the financial year (including the cost of share buy-backs, whether on-market or off-market) and deducting the proceeds of any capital raisings (where applicable).

If money is paid to shareholders as a dividend, a return on capital or under a share buy-back then, as investors have had the benefit of that money, it would be disregarded in determining whether net assets have declined. Conversely, additions to net assets through capital raisings do not represent performance and would not be taken into account when determining whether net assets have risen. Other unusual items such as gains or losses on the consolidation of the Company's accounts with those of another entity are also disregarded (if Directors consider it appropriate to do so).

A number of companies that hold significant investments in other entities have clauses of this kind in their constitutions, although the specific content of the performance triggers varies.

The percentage change in the Orion group's adjusted net assets during 2012/2013 was more than 15% below (in absolute terms) the percentage change in the performance of the Index over the same period.

Given the foregoing, the Board has determined that the 2013/2014 financial year will be the second financial year for the purposes of determining whether the "wind up vote trigger" condition has been met.

Therefore, if the percentage change in the Orion group's adjusted net assets during 2013/2014 is more than 15% lower (in absolute terms) than the percentage change in the performance of the Index over the same period, the Directors will propose a voluntary winding up (special) resolution at the 2014 AGM.

Approval of this new clause in the Company's Constitution does not necessarily mean that the Company will ever be wound up. The new clause merely gives shareholders the opportunity, if the "performance-based trigger" test is failed in two consecutive financial years, to decide whether winding up the Company is in their best interests.

25 October 2013

# OVERVIEW OF PERFORMANCE

As at 30 June 2013, Orion Equities Limited (ASX: OEQ) had net assets of $9.864 million (at $0.517 after-tax NTA backing per share), 17,814,389 fully paid ordinary shares on issue, and 655 shareholders on its share register.

| CONSOLIDATED ENTITY | 2013 $ | 2012 $ |
|---|---|---|
| Total revenues | 385,032 | 849,382 |
| Total expenses | (3,440,167) | (5,802,549) |
| **Loss before tax** | **(3,055,135)** | **(4,953,167)** |
| Income tax expense | (57,300) | (24,864) |
| **Loss attributable to members of the Company** | **(3,112,435)** | **(4,978,031)** |
| Basic and diluted loss per share (cents) | (17.47) | (27.94) |
| Pre-tax NTA backing per share | 0.517 | 0.695 |
| Post-tax NTA backing per share | 0.517 | 0.695 |

Orion has had a positive first quarter of the 2013/14 financial year:

- Increasing its NTA backing per share by 7.2% to $0.554 on 30 September 2013; and
- Earning a net profit of $0.549 million in the first 3 months of the financial year (ending 30 September 2013) primarily from:
  - $0.382 million attributable to a 27.97% share of the net profits of ASX-listed Bentley Capital Limited (**BEL**) (being an Associate entity) over the same period; and
  - $0.334 million unrealised gain on the Company's (16,690,802 shares) investment in ASX-listed Strike Resources Limited (**SRK**), which increased in value from $0.043 to $0.063 per share during the period.

**Overview of Results for the 2012/2013 Year**

Revenues include:

(1) $270,967 revenue from olive grove operations (June 2012: $767,427); and

(2) $44,438 rental revenue (June 2012: $52,531).

Expenses include:

(1) $1,477,167 net loss on financial assets held at fair value through profit or loss (June 2012: $2,648,619 loss);

(2) $630,290 personnel costs (including Directors' fees) (June 2012: $610,270);

(3) $521,107 olive grove and oils operations (which does not include revaluation, depreciation and impairment expenses) (June 2012: $1,274,715);

(4) $361,685 olive grove revaluation, depreciation and impairment expenses (June 2012: $78,361); and

(5) $94,167 share of ASX-listed Bentley Capital Limited's (**BEL**) (Associate entity) net loss (June 2012: $576,195 share of BEL's loss, net of dividends received from BEL of $697,469).

The principal components of the $1,477,167 net loss on financial assets held at fair value through profit or loss are:

(a) $1,118,284 unrealised loss on the Company's share investment in ASX-listed Strike Resources Limited (**SRK**) which decreased in value from $0.110 to $0.043 per share during the year;

(b) $98,717 realised gain on the sale of the Company's 6,332,744 shares in ASX-listed Alara Resources Limited (**AUQ**) (from cost) at an average price of $0.25 per share (excluding brokerage); the Company notes that historically, it has realised a total of $2.64 million gross proceeds from the sale of 9,332,744 AUQ shares with a cash cost base of $0.67 million; and

(c) $447,018 reversal of previous years' unrealised gain on the Company's investment in AUQ on disposal of the same during the current year.

Please refer to the Directors' Report and Financial Report for further information on a review of the Orion consolidated operations and the financial position and performance of the Orion group for the year ended 30 June 2013.

# DIRECTORS' REPORT

The Directors present their report on Orion Equities Limited (**Company** or **OEQ**) and its controlled entities (the **Consolidated Entity** or **Orion**) for the year ended 30 June 2013 (**Balance Date**).

Orion Equities Limited is a public company limited by shares that was incorporated in New South Wales and has been listed on the Australian Securities Exchange (**ASX**) since November 1970 (ASX Code: OEQ).

## PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were the management of its investments, including investments in listed and unlisted securities, real estate held for development and resale, an olive grove and ultra-premium 'Dandaragan Estate' Olive Oil operation.

## NET TANGIBLE ASSET BACKING (NTA)

| Consolidated Entity | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Net tangible assets (before tax) | 9,213,682 | 12,382,503 |
| **Pre-Tax NTA Backing per share** | **0.517** | **0.695** |
| Less deferred tax assets and tax liabilities | - | - |
| Net tangible assets (after tax) | 9,213,682 | 12,382,503 |
| **Pre-Tax NTA Backing per share** | **0.517** | **0.695** |
| Based on total issued share capital | 17,814,389 | 17,814,389 |

## FINANCIAL POSITION

| Consolidated Entity | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Cash | 1,695,628 | 365,031 |
| Financial assets at fair value through profit and loss | 720,085 | 3,821,383 |
| Investments in listed Associate entity | 4,079,810 | 4,584,254 |
| Inventory | 1,630,622 | 1,917,595 |
| Receivables | 73,414 | 292,915 |
| Intangibles | 650,433 | 727,746 |
| Other assets | 1,211,055 | 1,686,035 |
| Deferred tax asset | 94,688 | 352,085 |
| **Total Assets** | **10,155,735** | **13,747,044** |
| Other payables and liabilities | (196,932) | (284,710) |
| Deferred tax liability | (94,688) | (352,085) |
| **Net Assets** | **9,864,115** | **13,110,249** |
| Issued capital | 19,374,007 | 19,374,007 |
| Reserves | 227,806 | 361,505 |
| Accumulated Losses | (9,737,698) | (6,625,263) |
| **Total Equity** | **9,864,115** | **13,110,249** |

# DIRECTORS' REPORT

## OPERATING RESULTS

| Consolidated Entity | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Total revenues | 385,032 | 849,382 |
| Total expenses | (3,440,167) | (5,802,549) |
| **Loss before tax** | **(3,055,135)** | **(4,953,167)** |
| Income tax expense | (57,300) | (24,864) |
| **Loss attributable to members of the Company** | **(3,112,435)** | **(4,978,031)** |

Revenues include:

(1) $270,967 revenue from olive grove operations (June 2012: $767,427); and

(2) $44,438 rental revenue (June 2012: $52,531).

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(2) $630,290 personnel costs (including Directors' fees) (June 2012: $610,270);

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The principal components of the $1,477,167 net loss on financial assets held at fair value through profit or loss are:

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(c) $447,018 reversal of previous years' unrealised gain on the Company's investment in AUQ on disposal of the same during the current year.

## LOSS PER SHARE

| Consolidated Entity | 2013 | 2012 |
|---|---|---|
| Basic and diluted loss per share (cents) | (17.47) | (27.94) |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted loss per share | 17,814,389 | 17,814,389 |

## DIVIDENDS

The Directors have not declared a dividend in respect of the financial year ended 30 June 2013.

# DIRECTORS' REPORT

## CAPITAL MANAGEMENT

**Securities on Issue**

At the Balance Date and the date of this report, the Company had 17,814,389 shares on issue (30 June 2012: 17,814,389). The Company does not have any other securities on issue at the date of this report.

**Intention to Conduct On-Market Share Buy-Back**

On 5 August 2013, the Company announced its intention to conduct an on-market share buy-back of up to 1,600,000 shares (**Buy-Back**).[1] This represents ~9% of the pre Buy-Back and ~10% of the post Buy-Back total voting shares of the Company.

In accordance with ASX Listing Rule 7.33, the Company will not pay any more than 5% above the average of the market price for the Company's shares over the last 5 days on which sales in the shares were recorded prior to the Buy-Back occurring.

The Buy-Back will continue until the earlier of the acquisition of the Buy-Back shares and 31 July 2014, subject to the Company exercising its right to suspend or terminate the Buy-Back, or amend its terms, at any time.

Further, the Company only intends to buy back shares each month between the trading day after the Company announces its monthly updated NTA backing (usually on or about the 14th of the month) and the last trading day of that calendar month (subject otherwise to the Company's Share Trading Policy).

The Company intends the Buy-Back to commence on the second trading day following the release of its NTA backing result for the month ending 31 August 2013, expected to be released on or about Friday, 13 September and hence the Buy-Back is intended to commence from on or about Tuesday, 17 September 2013.

## REVIEW OF OPERATIONS

### (a) Portfolio Details as at 30 June 2013

### Asset Weighting

| | % of Net Assets 2013 | 2012 |
|---|---|---|
| Australian equities | 49% | 64% |
| Agribusiness[2] | 19% | 20% |
| Property held for development and resale | 15% | 13% |
| Net tax liabilities (current year and deferred tax assets/liabilities) | - | - |
| Net cash/other assets and provisions | 17% | 3% |
| **TOTAL** | **100%** | **100%** |

1 Refer to ASX Appendix 3C - Announcement of Buy-Back dated 5 August 2013

2 Agribusiness net assets include olive grove land, olive trees, water licence, buildings, plant and equipment and inventory (bulk and packaged oils)

# DIRECTORS' REPORT

### Major Holdings in Securities Portfolio

| Equities | Fair Value $'m | % Net Assets | ASX Code | Industry Sector Exposures |
|---|---|---|---|---|
| Bentley Capital Limited | 2.97 | 30.15% | **BEL** | Diversified Financials |
| Strike Resources Limited | 0.72 | 7.28% | **SRK** | Materials |
| **TOTAL** | **3.69** | **37.43%** | | |

## (b) Bentley Capital Limited (ASX Code: BEL)

Bentley Capital Limited (**Bentley**) is a listed investment company with a current exposure to Australian equities. Orion Executive Chairman, Farooq Khan, is the Chairman of the Board of Bentley. Former Orion Director, William Johnson is a Director of Bentley.

Orion holds 27.97% (20,513,783 shares) of Bentley's issued ordinary share capital with Queste Communications Ltd (the controlling company of Orion) holding 2.37% (1,740,625 shares) of Bentley's issued ordinary share capital (30 June 2012: Orion held 20,513,783 shares (27.97%) and Queste held 1,740,625 shares (2.40%)).

Bentley's asset weighting as at 30 June 2013 was 71.50% Australian equities (30 June 2012: 75.59%), 1.72% intangible assets and resource projects (30 June 2012: 0.30%) and 26.78% net cash/other assets (30 June 2012: 24.12%).

Bentley had net assets of $18.27 million as at 30 June 2013 (30 June 2012: $20.07 million) and incurred an after-tax net loss of $0.34 million for the financial year (30 June 2012: $2.03 million net loss).

Bentley has also returned $1.467 million (via two capital returns of one cent per share each) during the financial year (2012: $2.468 million via fully franked dividends totalling 3.4 cents per share and $4.406 million via capital returns totalling 6 cents per share).

Orion received a total of $0.410 million from these capital distributions during the financial year (June 2012: $0.697 million fully franked dividend and $1.231 million capital returns).

On 30 August 2013, Bentley announced its intention to seek shareholder approval (at the upcoming 2013 AGM) to undertake a one cent per share return of capital. Subject to receipt of Bentley shareholder approval, Orion's entitlement under the return of capital is expected to be $205,138.

The Company notes that capital distributions from Bentley are not regarded as revenues/income; the carrying value of the Company's investment in Bentley is reduced by the value of the capital returned by Bentley.

## (c) Strike Resources Limited (ASX Code: SRK)

Strike Resources Limited (**Strike**) is a resources company with iron ore exploration and development projects in Peru.

Former Executive Director, William Johnson was appointed Managing Director of Strike on 25 March 2013.

The Company holds 16,690,802 shares in Strike, being 11.48% of Strike's issued ordinary share capital (30 June 2012: 16,690,802 shares and 11.71%).

The value of Orion's holdings in Strike declined by $1.12 million during the course of the financial year, from $1.84 million (at $0.110 per share as at 30 June 2012) to $0.72 million (at $0.043 per share as at 30 June 2013).

# DIRECTORS' REPORT

The Strike share price has appreciated to $0.070 (based on closing bid price as at 29 August 2013), generating an unrealised gain of $0.451 million subsequent to the 30 June 2013 Balance Date.

Historically, the shareholding in Strike has predominantly been earned through the sale of various mining assets to Strike. These assets were acquired and funded to the point of sale to Strike at a cost of approximately $1.25 million. They were subsequently on-sold to Strike in tranches for a total consideration of $19 million comprising 11,166,667 Strike shares and 3.5 million unlisted Strike options (with exercise prices of $0.178 and $0.278 per option, which were converted into shares in February 2011 at a cost of $0.79 million). Orion has also acquired 2,024,135 additional Strike shares on-market and via the conversion of listed options at $0.20 each.

### (d) Alara Resources Limited (ASX Code: AUQ)

Alara Resources Limited (**Alara**) is a minerals exploration and development company with precious and base metals projects currently in Saudi Arabia and Oman. Orion Chairman, Farooq Khan, resigned as an Alara Director on 31 August 2012. Former Orion Director, William Johnson is a Director of Alara (who has announced his intention to retire at the end of September 2013).

In September 2012, the Company sold its 6,332,744 shareholding in Alara at an average price of $0.25 per share (excluding brokerage), realising gross proceeds of $1.58 million.

Historically, the shareholding in Alara was acquired through the sale of Orion's 25% interest in various uranium tenements to Alara in conjunction with Strike (which held the balance of 75% in the same). These assets were acquired and funded to the point of sale to Strike previously at a cost of approximately $0.05 million. Orion's residual 25% interest was free-carried by Strike thereafter. Orion's interests in these mining tenements were subsequently on-sold to Alara for vendor shares in the initial public offering (**IPO**) of Alara for a non-cash consideration of $1,562,500 comprising 6,250,000 Alara shares. Orion also acquired 3,082,744 additional Alara shares via the Alara IPO, on-market purchases and an in-specie distribution from Strike at a total cash cost of $0.67 million.

### (e) Agribusiness

The Company owns the ultra-premium 'Dandaragan Estate' extra virgin olive oil business and a 143 hectare commercial olive grove located in Gingin, Western Australian (approximately 100 kilometres North of Perth) producing olive oil from approximately 64,500, 14 year old olive tree plantings.

A summary of results for the olive grove operations during the 2013 financial year is as follows:

(i) Gross revenues were $270,967 (2012: $767,427);

(ii) Olive grove operation expenses were $521,107 (which does not include revaluation, depreciation and impairment expenses) (2012: $1,274,715);

(iii) Net revaluation, depreciation and impairment expenses were $361,685 (2012: $78,361); and

(iv) Inventory - bulk oils of $57,717 reflects the cost of harvesting and processing during the 2012 season (June 2012: $206,320).

The carrying values of the olive grove property ($759,918) (2012: $999,901) and water licence ($575,437) (2012: $627,750) are based on an independent valuation of the assets undertaken for the 30 June 2013 accounts. The carrying value of the olive trees ($65,500 representing approximately one dollar per tree) (2012: $65,500) is based on the Directors' assessment of their value for the 30 June 2013 accounts.

# DIRECTORS' REPORT

**(f) Other Property Assets**

The Company owns a property located in Mandurah, Western Australia, which was originally acquired as a multi-unit development site. In 2009/2010 the Company sought development approval for the subdivision of the property into 4 survey-strata title lots. This application was rejected by the Western Australian Planning Commission. Subsequently the Company undertook a sale process of the property by way of public auction, with such auction failing to attract any bids. The Company has since renovated and rented out the 3 bedroom, 2.5 bathroom, single-level house.

The carrying value of $1,490,000 (2012: $1,640,000) is based on an independent valuation of the property undertaken for the 30 June 2013 accounts.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year not otherwise disclosed in this Directors' Report or the financial statements.

## FUTURE DEVELOPMENTS

The Consolidated Entity intends to continue its investment activities in future years. The results of these investment activities depend upon the performance of the underlying companies and securities in which the Consolidated Entity invests. The investments' performances depend on many economic factors and also industry and company specific issues. In the opinion of the Directors, it is not possible or appropriate to make a prediction on the future course of markets, the performance of the Consolidated Entity's investments or the forecast of the likely results of the Consolidated Entity's activities.

## ENVIRONMENTAL REGULATION

The Consolidated Entity notes the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* (**EEOA**) and the *National Greenhouse and Energy Reporting Act 2007* (**NGERA**). The *Energy Efficiency Opportunities Act 2006* requires affected companies to assess their energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the company intends to take as a result. The *National Greenhouse and Energy Reporting Act 2007* requires affected companies to report their annual greenhouse gas emissions and energy use.

The Consolidated Entity has determined that it does not operate a recognised facility requiring registration and reporting under the NGERA and, in any event, it would fall under the threshold of greenhouse gas emissions required for registration and reporting. Similarly, the Consolidated Entity's energy consumption would fall under the threshold required for registration and reporting under the EEOA.

The Consolidated Entity notes that it is not directly subject to the *Clean Energy Act 2011 (Cth)*.

The Consolidated Entity is not otherwise subject to any particular or significant environmental regulation under either Commonwealth or State legislation. To the extent that any environmental regulations may have an incidental impact on the Consolidated Entity's operations, the Directors are not aware of any breach by the Consolidated Entity of those regulations.

# DIRECTORS' REPORT

## BOARD OF DIRECTORS

Information concerning Directors in office during or since the financial year:

| **Farooq Khan** | **Executive Chairman** |
|---|---|
| *Appointed* | 23 October 2006 |
| *Qualifications* | **BJuris, LLB (*Western Australia*)** |
| *Experience* | Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX-listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sectors. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments. |
| *Relevant interest in shares* | 2,000 shares |
| *Special Responsibilities* | Chairman of the Board and the Investment Committee |
| *Other current directorships in listed entities* | (1) Executive Chairman and Managing Director of Queste Communications Ltd (QUE) (since 10 March 1998)<br>(2) Executive Chairman of Bentley Capital Limited (BEL) (director since 2 December 2003) |
| *Former directorships in other listed entities in past 3 years* | (1) Alara Resources Limited (AUQ) (18 May 2007 to 31 August 2012)<br>(2) Yellow Brick Road Holdings Limited (YBR) (27 April 2006 to 18 March 2011)<br>(3) Strike Resources Limited (SRK) (3 September 1999 to 3 February 2011) |

| **Victor P. H. Ho** | **Executive Director and Company Secretary** |
|---|---|
| *Appointed* | Executive Director since 4 July 2003; Company Secretary since 2 August 2000 |
| *Qualifications* | **BCom, LLB (*Western Australia*)** |
| *Experience* | Mr Ho has been in company secretarial/executive roles with a number of public listed companies since 2000. Previously, Mr Ho had 9 years' experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has extensive experience in the structuring and execution of commercial and corporate transactions, capital raisings, capital management matters, public company administration, corporations' law and stock exchange compliance and shareholder relations. |
| *Relevant interest in shares* | None |
| *Special Responsibilities* | ***Member of Investment Committee*** |
| *Other positions held in listed entities* | Executive Director and Company Secretary of:<br>(1) Queste Communications Ltd (QUE) (Director since 3 April 2013; Company Secretary since 30 August 2000)<br>Company Secretary of:<br>(2) Bentley Capital Limited (BEL) (since 5 February 2004)<br>(3) Alara Resources Limited (AUQ) (since 4 April 2007) |
| *Former directorships in other listed entities in past 3 years* | None |

# DIRECTORS' REPORT

| **Yaqoob Khan** | **Non-Executive Director** |
|---|---|
| *Appointed* | 5 November 1999 |
| *Qualifications* | **BCom (*Western Australia*)**, Master of Science in Industrial Administration (*Carnegie Mellon*) |
| *Experience* | Mr Khan holds a Masters degree in Business and has worked as a senior executive responsible for product marketing, costing systems and production management. Mr Khan has been involved in the structuring and ASX listing of a number of public companies and in subsequent executive management. Mr Khan brings considerable international experience in corporate finance and the strategic analysis of listed investments. |
| *Relevant interest in shares* | None |
| *Special Responsibilities* | ***None*** |
| *Other current directorships in listed entities* | Non-Executive Director of Queste Communications Ltd (QUE) (since 10 March 1998) |
| *Former directorships in other listed entities in past 3 years* | None |

### Former Director

Mr William Johnson resigned as a Director on 3 May 2013. Mr Johnson was appointed Executive Director on 28 February 2003 (also a member of the Investment Committee) and transitioned to Non-Executive Director on 25 March 2013 upon his appointment as Managing Director of ASX listed Strike Resources Limited (SRK). He has since relocated to Lima, Peru to oversee the development of Strike's flagship Peruvian Apurimac and Cuzco Iron Ore Projects.

The Company is a major shareholder in Strike with 16,690,802 shares (11.48%).

The Board would like to record its appreciation of Mr Johnson's valuable contribution to the Company over the last 10 years across a diverse range of business and investment opportunities and corporate transactions and wishes him well in his endeavours with Strike. As a major shareholder in Strike, the Company looks forward to the creation of significant value for all Strike shareholders under his stewardship.

## DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the financial year (including Directors' circulatory resolutions), and the numbers of meetings attended by each Director of the Company:

| Name of Director | Meetings Attended | Maximum Possible Meetings |
|---|---|---|
| Farooq Khan | 9 | 9 |
| Victor Ho | 9 | 9 |
| Yaqoob Khan | 9 | 9 |
| William Johnson | 8 | 9 |

### Board Committees

During the financial year and as at the date of this Directors' Report, the Company did not have separate designated Audit or Remuneration Committees. In the opinion of the Directors, in view of the size of the Board and nature and scale of the Consolidated Entity's activities, matters typically dealt with by an Audit or Remuneration Committee are dealt with by the full Board.

# REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each Director and Company Executive (being a company secretary or senior manager) (**Key Management Personnel**) of ***the Consolidated Entity***.

The information provided under headings (1) to (4) below has been audited as required under section 308(3)(c) of the *Corporations Act 2001*.

## (1) Remuneration Policy

The Board determines the remuneration structure of all Key Management Personnel having regard to the Consolidated Entity's nature, scale and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications, market practice (including available data concerning remuneration paid by other listed companies in particular companies of comparable size and nature), the duties and accountability of Key Management Personnel and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company.

**Fixed Cash Short-Term Employment Benefits:** The Key Management Personnel of the Company are paid a fixed amount per annum plus applicable employer superannuation contributions. The Non-Executive Directors of the Company are paid a maximum aggregate base remuneration fixed by the Company at a shareholders meeting, to be divided as the Board determines appropriate.

The Board has determined current Key Management Personnel remuneration during the year as follows:

(a) Mr Farooq Khan (Executive Chairman) - a base salary of $272,500 per annum inclusive of employer superannuation contributions (9% of base salary during the financial year);

(b) Mr Victor Ho (Executive Director and Company Secretary) - a base salary of $81,750 per annum inclusive of employer superannuation contributions;

(c) Mr Yaqoob Khan (Non-Executive Director) - a base fee of $25,000 per annum; and

(d) Mr William Johnson (who retired as Director on 3 May 2013) – as Executive Director, a base salary of $49,050 per annum inclusive of employer superannuation contributions and as Non-Executive Director (from 25 March 2013) a base fee of $25,000 per annum plus employer superannuation contributions.

Messrs Farooq Khan's and Victor Ho's annual base salaries described above have increased from 1 July 2013 to reflect the increase in the employer superannuation contribution rate from 9% to 9.25% for the 2013/2014 financial year.

Key Management Personnel can also opt to "salary sacrifice" their cash fees/salary and have them paid wholly or partly as further employer superannuation contributions or benefits exempt from fringe benefits tax.

**Special Exertions and Reimbursements:** Pursuant to the Company's Constitution, each Director is entitled to receive:

(a) Payment for the performance of extra services or the making of special exertions at the request of the Board and for the purposes of the Company.

(b) Reimbursement of all reasonable expenses (including travelling and accommodation expenses) incurred by a Director for the purpose of attending meetings of the Company or the Board, on the business of the Company, or in carrying out duties as a Director.

**Long Term Benefits:** Key Management Personnel have no right to termination payments save for payment of accrued annual leave and long service leave (other than Non-Executive Directors).

**Equity Based Benefits:** The Company does not presently have any equity (shares or options) based remuneration arrangements for any personnel pursuant to any executive or employee share or option plan or otherwise.

# REMUNERATION REPORT (Audited)

**Post-Employment Benefits:** The Company does not presently provide retirement benefits to Key Management Personnel.

**Performance Related Benefits/Variable Remuneration:** The Company does not presently provide short- or long-term incentive/performance based benefits related to the Company's performance to Key Management Personnel, including payment of cash bonuses. The current remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company's performance.

**Service Agreements:** The Company does not presently have formal service agreements or employment contracts with any Key Management Personnel.

**Financial Performance of Company:** There is no relationship between the Company's current remuneration policy and the Company's performance.

The Board does not believe that it is appropriate at this time to implement an equity-based benefit scheme or a performance related/variable component to Key Management Personnel remuneration or remuneration generally linked to the Company's performance but reserves the right to implement these remuneration measures if appropriate in the future (subject to prior shareholder approval where applicable).

In considering the Company's performance and its effects on shareholder wealth, Directors have had regard to the data set out below for the latest financial year and the previous four financial years.

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Profit/(Loss) Before Income Tax ($) | (3,055,135) | (4,953,167) | (2,676,008) | 418,966 | (16,186,791) |
| Basic Earnings/(Loss) per Share (cents) | (17.47) | (27.94) | (15.50) | 6.30 | (68.0) |
| Dividends Paid ($) | - | - | - | - | 89,072 |
| Closing Bid Share Price at 30 June ($) | 0.190 | 0.210 | 0.300 | 0.380 | 0.435 |

## (2) Details of Remuneration of Key Management Personnel

Details of the nature and amount of each element of remuneration of each Key Management Personnel paid or payable by the Company during the financial year are as follows:

| 2013 | | Short-term Benefits | | Post-Employment Benefits | Other Long-term Benefits | Equity Based | |
|---|---|---|---|---|---|---|---|
| Key Management Personnel | Performance related | Cash, salary and commissions | Non-cash benefit | Superannuation | Long service leave | Shares and Options | Total |
| | % | $ | $ | $ | $ | $ | $ |
| **Executive Directors:** | | | | | | | |
| Farooq Khan | - | 229,106 | - | 16,470 | 26,924 | - | 272,500 |
| Victor Ho | - | 75,000 | - | 6,750 | - | - | 81,750 |
| William Johnson* | - | 39,580 | - | 3,535 | 41,998 | - | 85,113 |
| **Non-Executive Director:** | | | | | | | |
| Yaqoob Khan | - | 25,000 | - | - | - | - | 25,000 |

* William Johnson transitioned from Executive Director to Non-Executive Director on 25 March 2013 and resigned as a Director on 3 May 2013.

# REMUNERATION REPORT (Audited)

| 2012 | | Short-term Benefits | | Post-Employment Benefits | Other Long-term Benefits | Equity Based | |
|---|---|---|---|---|---|---|---|
| Key Management Personnel | Performance related | Cash, salary and commissions | Non-cash benefit | Superannuation | Long service leave | Shares and Options | Total |
| | % | $ | $ | $ | $ | $ | $ |
| **Executive Directors:** | | | | | | | |
| Farooq Khan | - | 225,000 | - | 22,500 | 25,000 | - | 272,500 |
| Victor Ho | - | 75,000 | - | 6,750 | - | - | 81,750 |
| William Johnson | - | 45,120 | - | 4,061 | - | - | 49,181 |
| **Non-Executive Director:** | | | | | | | |
| Yaqoob Khan | - | 25,000 | - | - | - | - | 25,000 |

Victor Ho is also Company Secretary of the Company.

## (3) Other Benefits Provided to Key Management Personnel

No Key Management Personnel has during or since the end of the 30 June 2013 financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

## (4) Voting and Comments on Remuneration Report at 2012 AGM

At the Company's most recent (2012) AGM, a resolution to adopt the prior year (2012) Remuneration Report was put to the vote and 77.9% of "yes" votes were cast by shareholders for adoption of the Remuneration Report. No comments were made on the Remuneration Report that was considered at the AGM.

This concludes the audited remuneration report.

# DIRECTORS' REPORT

## DIRECTORS' AND OFFICERS' INSURANCE

The Company insures Directors and Officers against liability they may incur in respect of any wrongful acts or omissions made by them in such capacity (to the extent permitted by the *Corporations Act 2001*) (**D&O Policy**). Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

## DIRECTORS' DEEDS

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the Corporations Act), the Company has also entered into a deed with each of the Directors to regulate certain matters between the Company and each Director, both during the time the Director holds office and after the Director ceases to be an officer of the Company, including the following matters:

(a) The Company's obligation to indemnify a Director for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the Corporations Act); and

(b) Subject to the terms of the deed and the Corporations Act, the Company may advance monies to the Director to meet any costs or expenses of the Director incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Director.

## LEGAL PROCEEDINGS ON BEHALF OF CONSOLIDATED ENTITY

No person has applied for leave of a court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of such proceedings. The Consolidated Entity was not a party to any such proceedings during and since the financial year.

## AUDITOR

Details of the amounts paid or payable by the Company to the auditor (BDO Audit (WA) Pty Ltd), for audit and non-audit services provided during the financial year are set out below:

| Audit & Review Fees $ | Non-Audit Services $ | Total $ |
|---:|---:|---:|
| 38,378 | 7,086 | 45,464 |

The Board is satisfied that the provision of non-audit services by the auditor during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Board is satisfied that the nature of the non-audit services disclosed above did not compromise the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327B of the *Corporations Act 2001*.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* forms part of this Directors Report and is set out on page 18. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

# DIRECTORS' REPORT

## EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in the Review of Operations) or the financial statements or notes thereto (in particular Note 26), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

Signed for and on behalf of the Directors in accordance with a resolution of the Board,

**Farooq Khan**

**Chairman**

**Victor Ho**

**Executive Director and Company Secretary**

**30 August 2013**

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 August 2013

The Board of Directors
Orion Equities Limited
Suite 1, 346 Barker Road,
Subiaco, WA,
AUSTRALIA, 6008

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF ORION EQUITIES LIMITED

As lead auditor of Orion Equities Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

Brad McVeigh
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## for the year ended 30 June 2013

| | Note | 2013 $ | 2012 $ |
|---|---|---|---|
| Revenue | 3 | 383,502 | 849,382 |
| **Other** | | | |
| Other Revenue | | 1,530 | - |
| **TOTAL REVENUE** | | **385,032** | **849,382** |
| **EXPENSES** | 3 | | |
| Net Loss on Financial Assets at Fair Value through Profit or Loss | | (1,477,167) | (2,648,619) |
| Share of Net Loss of Associate | | (94,167) | (576,195) |
| Loss on Property held for Development or Resale | | (150,000) | (160,000) |
| Land Operation Expenses | | (15,583) | (154,608) |
| Cost of Goods Sold in relation to Olive Oil Operations | | (326,263) | (1,182,799) |
| Olive Oil Operation Expenses | | (556,529) | (170,277) |
| Personnel Expenses | | (630,290) | (636,104) |
| Occupancy Expenses | | (58,706) | (93,634) |
| Corporate Expenses | | (24,482) | (30,392) |
| Communication Expenses | | (7,979) | (9,973) |
| Finance Expenses | | (1,030) | (23,071) |
| Administration Expenses | | (97,971) | (116,877) |
| **LOSS BEFORE INCOME TAX** | | **(3,055,135)** | **(4,953,167)** |
| Income Tax Expense | 4 | (57,300) | (24,864) |
| **LOSS FOR THE YEAR** | | **(3,112,435)** | **(4,978,031)** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Revaluation of Assets, Net of Tax | | (133,699) | (58,018) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(3,246,134)** | **(5,036,049)** |
| **LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:** | | | |
| Basic and Diluted Loss per Share (cents) | 7 | (17.47) | (27.94) |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## as at 30 June 2013

| | Note | 2013<br>$ | 2012<br>$ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and Cash Equivalents | **8** | 1,695,628 | 365,031 |
| Financial Assets at Fair Value through Profit or Loss | **9** | 720,085 | 3,821,383 |
| Trade and Other Receivables | **10** | 40,591 | 260,092 |
| Inventories | **11** | 140,622 | 277,595 |
| Other Current Assets | **12** | 3,428 | 3,434 |
| **TOTAL CURRENT ASSETS** | | **2,600,354** | **4,727,535** |
| **NON CURRENT ASSETS** | | | |
| Trade and Other Receivables | **10** | 32,823 | 32,823 |
| Property held for Development or Resale | **11** | 1,490,000 | 1,640,000 |
| Investment in Associate Entity | **13** | 4,079,810 | 4,584,254 |
| Property, Plant and Equipment | **14** | 1,142,127 | 1,617,101 |
| Olive Trees | **15** | 65,500 | 65,500 |
| Intangible Assets | **16** | 650,433 | 727,746 |
| Deferred Tax Asset | **19** | 94,688 | 352,085 |
| **TOTAL NON CURRENT ASSETS** | | **7,555,381** | **9,019,509** |
| **TOTAL ASSETS** | | **10,155,735** | **13,747,044** |
| **CURRENT LIABILITIES** | | | |
| Trade and Other Payables | **17** | 127,389 | 183,630 |
| Provisions | **18** | 69,543 | 101,080 |
| **TOTAL CURRENT LIABILITIES** | | **196,932** | **284,710** |
| **NON CURRENT LIABILITIES** | | | |
| Deferred Tax Liability | **19** | 94,688 | 352,085 |
| **TOTAL NON CURRENT LIABILITIES** | | **94,688** | **352,085** |
| **TOTAL LIABILITIES** | | **291,620** | **636,795** |
| **NET ASSETS** | | **9,864,115** | **13,110,249** |
| **EQUITY** | | | |
| Issued Capital | **20** | 19,374,007 | 19,374,007 |
| Reserves | **21** | 227,806 | 361,505 |
| Accumulated Losses | | (9,737,698) | (6,625,263) |
| **TOTAL EQUITY** | | **9,864,115** | **13,110,249** |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## for the year ended 30 June 2013

| | Issued Capital | Reserves | Accumulated Losses | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **BALANCE AT 1 JULY 2011** | **19,374,007** | **419,523** | **(1,647,232)** | **18,146,298** |
| Loss for the Year | - | - | (4,978,031) | (4,978,031) |
| Other Comprehensive Income | - | (58,018) | - | (58,018) |
| **Total Comprehensive Loss for the Year** | **-** | **(58,018)** | **(4,978,031)** | **(5,036,049)** |
| **BALANCE AT 30 JUNE 2012** | **19,374,007** | **361,505** | **(6,625,263)** | **13,110,249** |
| **BALANCE AT 1 JULY 2012** | **19,374,007** | **361,505** | **(6,625,263)** | **13,110,249** |
| Loss for the Year | - | - | (3,112,435) | (3,112,435) |
| Other Comprehensive Income | - | (133,699) | - | (133,699) |
| **Total Comprehensive Loss for the Year** | **-** | **(133,699)** | **(3,112,435)** | **(3,246,134)** |
| **BALANCE AT 30 JUNE 2013** | **19,374,007** | **227,806** | **(9,737,698)** | **9,864,115** |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

## for the year ended 30 June 2013

| | Note | 2013<br>$ | 2012<br>$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from Customers | | 549,450 | 633,432 |
| Dividends Received | | 13 | 697,469 |
| Interest Received | | 52,895 | 29,423 |
| Payments to Suppliers and Employees | | (1,302,120) | (1,975,088) |
| Interest Paid | | (208) | (20,260) |
| Sale/Redemption of Financial Assets at Fair Value | | 1,624,132 | - |
| **NET CASH USED IN OPERATING ACTIVITIES** | **8** | **924,162** | **(635,024)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Return of Capital Received | **13** | 410,277 | 1,230,827 |
| Purchase of Plant and Equipment | **14** | (3,842) | (3,200) |
| Loan from Controlling Entity | | - | 150,000 |
| Repayment of Loan to Controlling Entity | | - | (666,712) |
| **NET CASH PROVIDED BY INVESTING ACTIVITIES** | | **406,435** | **710,915** |
| **NET INCREASE/(DECREASE) IN CASH HELD** | | **1,330,597** | **75,891** |
| Cash and Cash Equivalents at Beginning of Financial Year | | 365,031 | 289,140 |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR** | **8** | **1,695,628** | **365,031** |

The accompanying notes form part of these financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

### 1. SUMMARY OF ACCOUNTING POLICIES

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial report includes the financial statements for the Consolidated Entity consisting of Orion Equities Limited and its subsidiaries. Orion Equities Limited is a company limited by shares, incorporated in New South Wales, Australia and whose shares are publicly traded on the Australian Securities Exchange (**ASX**).

#### 1.1. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*, as appropriate for for-profit entities.

***Compliance with IFRS***
The consolidated financial statements of the Consolidated Entity, Orion Equities Limited, also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

***Reporting Basis and Conventions***
The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### 1.2. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Orion Equities Limited as at 30 June 2013 and the results of its subsidiaries for the year then ended. Orion Equities Limited and its subsidiaries are referred to in this financial report as the Consolidated Entity.

Subsidiaries are all entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity. Information on the controlled entities is contained in Note 2(b) to the financial statements.

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

All controlled entities have a June financial year-end. All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

#### 1.3. Investments in Associates

Associates are all entities over which the Consolidated Entity has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates in the consolidated financial statements are accounted for using the equity method of accounting, after initially being recognised at cost. Under this method, the Consolidated Entity's share of the post-acquisition profits or losses of associates are recognised in the consolidated Statement of Profit or Loss and Other Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. (Refer to Note 13).

Dividends receivable from associates are recognised in the Company's Statement of Profit or Loss and Other Comprehensive Income, while in the Statement of Financial Position they reduce the carrying amount of the investment. When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Consolidated Entity and its associates are eliminated to the extent of the Consolidated Entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity. All associated entities have a June financial year-end.

#### 1.4. Segment Reporting

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

#### 1.5. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax (**GST**) except where the amount of GST incurred is not recoverable from the Australian Tax Office. The following specific recognition criteria must also be met before revenue is recognised:

***Sale of Goods and Disposal of Assets***
Revenue from the sale of goods and disposal of other assets is recognised when the Consolidated Entity has passed control of the goods or other assets to the buyer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

***Contributions of Assets***
Revenue arising from the contribution of assets is recognised when the Consolidated Entity gains control of the asset or the right to receive the contribution.

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

***Dividend Revenue***
Dividend revenue is recognised when the right to receive a dividend has been established. The Consolidated Entity brings dividend revenue to account on the applicable ex-dividend entitlement date.

***Other Revenues***
Other revenues are recognised on a receipts basis.

**1.6. Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each taxing jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses (if applicable).

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each taxing jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deferred tax assets benefits brought to account or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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

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

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

**Tax consolidation legislation**
The Consolidated Entity implemented the tax consolidation legislation as of 29 June 2004. The head entity, Orion Equities Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets (as appropriate) arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements within the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

**1.7. 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 Statement of Financial Position are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**1.8. Employee Benefits**

***Short-term obligations***
Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to the 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 from the Balance Date have been measured at the present value of the estimated future cash outflows to be made for those benefits. Employer superannuation contributions are made by the Consolidated Entity in accordance with statutory obligations and are charged as an expense when incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**Other long-term employee benefit obligations**
The liability for long-service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

### 1.9. Cash and Cash Equivalents

Cash and cash equivalents includes 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 (if any) are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

### 1.10. Receivables

Trade and other receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when considered non-recoverable.

### 1.11. Investments and Other Financial Assets and Liabilities

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. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

***Available for sale financial assets***
Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any other category. Realised and unrealised gains and losses arising from changes in the fair value of these assets are recognised in equity 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.

***Financial liabilities***
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

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.

At each reporting date, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The Consolidated Entity's investment portfolio (comprising listed and unlisted securities) is accounted for as "financial assets at fair value through profit and loss".

### 1.12. Fair value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the Balance Date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques, including but not limited to recent arm's length transactions, reference to similar instruments and option pricing models. The Consolidated Entity may use a variety of methods and makes assumptions that are based on market conditions existing at each Balance Date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

The Consolidated Entity's investment portfolio (comprising listed and unlisted securities) is accounted for as "financial assets at fair value through profit and loss" and is carried at fair value based on the quoted last bid prices at the reporting date (refer to Note 9).

### 1.13. Property held for Resale

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**1.14. Property, Plant and Equipment**

All plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
Freehold Land is not depreciated. Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. It is shown at fair value, based on periodic valuations by external, independent valuers.

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

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 Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

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

| Class of Fixed Asset | Rate | Method |
|---|---|---|
| Buildings | 7.5% | Diminishing Value |
| Plant and Equipment | 5-75% | Diminishing Value |
| Leasehold Improvements | 7.5-15% | Diminishing Value |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

**1.15. Impairment of Assets**

At each reporting date, the Consolidated Entity 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 profit or loss. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**1.16. Payables**

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

**1.17. Provisions**

Provisions for legal claims, service warranties and make good obligations are made where the Consolidated Entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

**1.18. Issued Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

**1.19. Earnings Per Share**

***Basic Earnings per share***
Is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period.

***Diluted Earnings per share***
Adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial period.

**1.20. Inventories**

**Raw materials and stores, work in progress and finished goods**
Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. They include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw materials. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

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

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

**1.21. Leases**

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

**1.22. Biological Assets**

Biological assets are initially, and subsequent to initial recognition, measured at their fair value less any estimated point-of-sale costs. Gains or losses arising on initial or subsequent recognition are accounted for via the profit or loss for the period in which the gain or loss arises. Agricultural produce harvested from the biological assets is measured at its fair value less estimated point-of-sale costs at the point of harvest.

**1.23. Intangible Assets**

Intangible assets acquired in a business combination are initially measured at its purchase price as its fair value at the acquisition date. The revaluation method states that after the initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. For the purpose of revaluations under AASB 138: *Intangible Assets*, fair value is determined by reference to an active market. Revaluations shall be made with such regularity that at the end of the reporting period the carrying amount of the asset does not differ materially from its fair value.

**1.24. Comparative Figures**

Certain comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**1.25. Critical accounting judgements and estimates**

The preparation of the consolidated financial statements requires Directors to make judgements and estimates and form assumptions that affect how certain assets, liabilities, revenue, expenses and equity are reported. At each reporting period, the Directors evaluate their judgements and estimates based on historical experience and on other various factors they believe to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities (that are not readily apparent from other sources, such as independent valuations). Actual results may differ from these estimates under different assumptions and conditions.

***Non-current assets estimated at fair value***
The Consolidated Entity carries its freehold land and intangible assets (water licence) at fair value, with changes in the fair values recognised in equity. It also carries inventory (land held for development and resale) and olive trees at fair value, with changes in the fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income. Independent valuations are obtained for these non-current assets at least annually.

***Estimation of useful lives of assets***
The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations, market, economic, legal environment or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

***Indefinite life of intangible assets***
The Consolidated Entity tests annually or more frequently, if events or changes in circumstances indicate impairment and whether the indefinite life of intangible assets has suffered any impairment, in accordance with note 1.15.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

### 1.26. Summary of Accounting Standards Issued but not yet Effective

The following new Accounting Standards and Interpretations (which have been released but not yet adopted) have no material impact on the Consolidated Entity's financial statements or the associated notes therein.

| AASB reference | Title and Affected Standard(s) | Nature of Change | Application date |
|---|---|---|---|
| AASB 9 (issued December 2009 and amended December 2010) | Financial Instruments | Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets:<br>• Amortised cost<br>• Fair value through profit or loss<br>• Fair value through other comprehensive income.<br>The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9:<br>• Classification and measurement of financial liabilities; and<br>• Derecognition requirements for financial assets and liabilities.<br>However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. | Annual reporting periods beginning on or after 1 July 2015 |
| IFRS (issued October 2012) | Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 | The amendment defines an 'investment entity' and requires a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.<br>The amendment prescribes three criteria that must be met in order for an entity to be defined as an investment entity, as well as four 'typical characteristics' to consider in assessing the criteria.<br>The amendment also introduces disclosure requirements for investment entities into IFRS 12 Disclosure of Interests in Other Entities and amends IAS 27 Separate Financial Statements. | Annual reporting periods beginning on or after 1 July 2014 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**1.26. Summary of Accounting Standards Issued but not yet Effective (continued)**

| AASB reference | Title and Affected Standard(s) | Nature of Change | Application date |
|---|---|---|---|
| AASB 10 (issued August 2011) | Consolidated Financial Statements | Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:<br>• Power over investee (whether or not power used in practice)<br>• Exposure, or rights, to variable returns from investee<br>• Ability to use power over investee to affect the entity's returns from investee.<br>Introduces the concept of 'de facto' control for entities with less than a 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.<br>Potential voting rights are only considered when determining if there is control when they are substantive (holder has practical ability to exercise) and the rights are currently exercisable. This may result in possibly fewer instances of control.<br>Additional guidance included to determine when decision making authority over an entity has been delegated by a principal to an agent. Factors to consider include:<br>• Scope of decision making authority<br>• Rights held by other parties, e.g. kick-out rights<br>• Remuneration and whether commensurate with services provided<br>• Decision maker's exposure to variability of returns from other interests held in the investee. | Annual reporting periods beginning on or after 1 July 2013 |
| AASB 13 (issued September 2011) | Fair Value Measurement | Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the Statement of Financial Position or disclosed in the notes in the financial statements.<br>Additional disclosures required for items measured at fair value in the Statement of Financial Position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc. | Annual reporting periods beginning on or after 1 July 2013 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**1.26. Summary of Accounting Standards Issued but not yet Effective (continued)**

| AASB reference | Title and Affected Standard(s) | Nature of Change | Application date |
|---|---|---|---|
| AASB 119 (reissued September 2011) | Employee Benefits | Main changes include:<br>• Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans<br>• Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods<br>• Subtle amendments to timing for recognition of liabilities for termination benefits<br>• Employee benefits expected to be settled (as opposed to due to settle under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability. | Annual reporting periods beginning on or after 1 July 2013 |
| AASB 2012-5 (issued June 2012) | Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle | Non-urgent but necessary changes to standards | Annual reporting periods beginning on or after 1 July 2013 |
| AASB 2012-9 (issued December 2012) | Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039 | Deletes Australian Interpretation 1039 Substantive Enactment of Major Tax Bills In Australia from the list of mandatory Australian Interpretations to be applied by entities preparing financial statements under the Corporations Act 2001 or other general purpose financial statements. | Annual reporting periods beginning on or after 1 July 2013 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**2. PARENT ENTITY INFORMATION**

The following information provided relates to the Company, Orion Equities Limited, as at 30 June 2013. The information presented below has been prepared using accounting policies outlined in Note 1.

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Current Assets | 2,397,743 | 4,160,869 |
| Non Current Assets | 7,034,571 | 8,268,590 |
| **TOTAL ASSETS** | **9,432,314** | **12,429,459** |
| | | |
| Current Liabilities | 119,336 | 142,956 |
| Non Current Liabilities | 662,805 | 694,439 |
| **TOTAL LIABILITIES** | **782,141** | **837,395** |
| | | |
| **NET ASSETS** | **8,650,173** | **11,592,064** |
| | | |
| Issued Capital | 19,374,007 | 19,374,007 |
| Accumulated Losses | (10,723,834) | (7,781,943) |
| **EQUITY** | **8,650,173** | **11,592,064** |
| | | |
| Loss for the Year | (2,941,769) | (3,967,324) |
| Other Comprehensive Income | - | - |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **(2,941,769)** | **(3,967,324)** |

**(a) Current Assets**

| | 2013 | 2012 |
|---|---|---|
| **Cash and Cash Equivalents** | | |
| Cash at Bank | 1,659,372 | 337,807 |
| | **1,659,372** | **337,807** |
| **Financial Assets at Fair Value Through Profit and Loss** | | |
| Listed Investments at Fair Value | 720,085 | 3,775,813 |
| Unlisted Investments at Fair Value | - | 45,570 |
| | **720,085** | **3,821,383** |

**(b) Non Current Assets**

**(i) Loans to Subsidiaries**

The balances below represent outstanding amounts owed by subsidiary companies Silver Sands Developments Pty Ltd, Dandaragan Estate Pty Ltd and CXM Pty Ltd at the reporting date.

A provision for impairment has been recognised where the balance of the loan exceeds the net assets of the relevant subsidiary company. No interest is charged on outstanding balances.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**2. PARENT ENTITY INFORMATION (continued)**

**(b) Non Current Assets (continued)**

**(i) Loans to Subsidiaries (continued)**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Opening Balance | 9,509,746 | 9,071,263 |
| Loans Advanced | 55,639 | 693,483 |
| Loans Repaid | (175,000) | (255,000) |
| Closing Balance | **9,390,385** | **9,509,746** |
| **Provision for Impairment** | | |
| Opening Balance | (4,365,442) | (3,431,260) |
| Additional Impairment | (1,012,554) | (934,182) |
| Closing Balance | **(5,377,996)** | **(4,365,442)** |

**(ii) Investments in Wholly Owned Subsidiaries**

| | 2013 | 2012 |
|---|---|---|
| Shares in Controlled Entities - at cost | **100** | **100** |

**Details of percentage of Ordinary Shares held in Controlled Entities:**

| | | Ownership Interest | |
|---|---|---|---|
| | | **2013** | **2012** |
| **Investment in Controlled Entities** | **Incorporated** | **%** | **%** |
| Silver Sands Developments Pty Ltd | Australia | 100 | 100 |
| Dandaragan Estate Pty Ltd | Australia | 100 | 100 |
| CXM Pty Ltd | Australia | 100 | 100 |
| Margaret River Wine Corporation Pty Ltd | Australia | 100 | 100 |
| Margaret River Olive Oil Company Pty Ltd | Australia | 100 | 100 |

**(c) Ultimate Parent Company**

ASX listed entity Queste Communications Ltd (QUE) is deemed to have control of the Consolidated Entity as it holds 52.58% (2012: 50.88%) of the Company's total issued share capital.

**(d) Transactions with Related Parties**

During the financial year there were transactions between the Company, QUE and Associate Entity, Bentley Capital Limited (ASX Code: BEL), pursuant to shared office and administration arrangements. There were no outstanding amounts at the reporting date. The following related party transactions also occurred during the financial year:

| | 2013 | 2012 |
|---|---|---|
| **Bentley Capital Limited** | **$** | **$** |
| Dividends Received | - | 697,469 |
| Returns of Capital Received | 410,277 | 1,230,827 |

**(e) Lease Commitments**

| | Note | | |
|---|---|---|---|
| Not longer than one year | **24** | 48,582 | 78,630 |
| Longer than one year but not longer than five year: | **24** | - | - |
| | | **48,582** | **78,630** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

### 3. LOSS FOR THE YEAR

The Consolidated Entity's Operating Loss before Income Tax includes the following items of revenue and expense:

| | 2013 | 2012 |
|---|---|---|
| **(a) Revenue** | **$** | **$** |
| Revenue from Sale of Olive Oil | 270,967 | 767,427 |
| Rental Revenue | 44,438 | 52,531 |
| Dividend Revenue | 13 | - |
| Interest Revenue | 68,084 | 29,424 |
| | 383,502 | 849,382 |
| **Other** | | |
| Other Revenue | 1,530 | - |
| | **385,032** | **849,382** |
| **(b) Expenses** | | |
| Net Loss on Financial Assets at Fair Value through Profit or Loss | 1,477,167 | 2,648,619 |
| Share of Net Loss of Associate | 94,167 | 576,195 |
| Olive Oil Operations | | |
| Cost of Goods Sold | 326,263 | 1,182,799 |
| Impairment and Depreciation of Olive Oil Assets | 361,685 | 78,361 |
| Other Expenses | 194,844 | 91,916 |
| Land Operations | | |
| Loss on Revaluation of Land | 150,000 | 160,000 |
| Other Expenses | 15,583 | 154,608 |
| Salaries, Fees and Employee Benefits | 630,290 | 610,270 |
| Occupancy Expenses | 58,706 | 94,636 |
| Finance Expenses | 1,030 | 21,441 |
| Communications | 7,979 | 9,448 |
| Corporate Expenses | | |
| ASX Fees | 15,252 | 19,441 |
| Share Registry | 7,135 | 5,929 |
| Other Corporate Expenses | 2,094 | 4,569 |
| Administration Expenses | | |
| Professional Fees | 16,856 | 6,559 |
| Realisation Cost of Investment Portfolio Written Back | (15,355) | (14,974) |
| Depreciation | 3,444 | 3,566 |
| Other Administration Expenses | 93,027 | 149,166 |
| | **3,440,167** | **5,802,549** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

| **4. INCOME TAX EXPENSE** | **Note** | **2013 $** | **2012 $** |
|---|---|---|---|
| **(a) The components of Tax Expense comprise:** | | | |
| Current Tax | | - | - |
| Deferred Tax | **19** | 57,300 | 24,864 |
| | | **57,300** | **24,864** |
| **(b) The prima facie tax on Operating Profit before Income Tax is reconciled to the income tax as follows:** | | | |
| Prima facie tax payable on Operating Profit before Income Tax at 30% (2012: 30%) | | (916,541) | (1,485,950) |
| Adjust tax effect of: | | | |
| Other Assessable Income | | (8,118) | 294,296 |
| Non-Deductible Expenses | | 531,574 | 864,180 |
| Current Year Tax Losses not brought to account | | 422,135 | 179,479 |
| Share of Net Loss of Associate | | 28,250 | 172,859 |
| **Income tax attributable to entity** | | **57,300** | **24,864** |
| **(c) Deferred Tax recognised directly in Other Comprehensive Income** | | | |
| Revaluations of Land and Intangible Assets | | **57,300** | **24,864** |
| **(d) Unrecognised Deferred Tax balances** | | | |
| Unrecognised Deferred Tax Asset - Revenue Losses | | 2,127,008 | 1,762,174 |
| Unrecognised Deferred Tax Asset - Capital Losses | | - | 246,719 |
| | | **2,127,008** | **2,008,893** |

The above deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits. Revenue and capital tax losses are subject to relevant statutory tests.

**(e) Tax Consolidation**

The Consolidated Entity has elected to consolidate for tax purposes and has entered into a tax sharing and funding agreement with its subsidiaries in respect of such arrangements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**5. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's KMP for the year ended 30 June 2013.

The total remuneration paid to KMP of the Consolidated Entity during the year is as follows:

| | 2013 | 2012 |
|---|---|---|
| **Directors** | **$** | **$** |
| Short-Term Employment Benefits | 395,441 | 403,431 |
| Other Long-Term Employment Benefits | 68,922 | 25,000 |
| | **464,363** | **428,431** |

There were no options, rights or equity instruments provided as remuneration to KMP and no shares issued on the exercise of any such instruments during the financial year.

| **KMP Shareholdings** | **Balance at Start of Year** | **Balance at Appointment /Cessation** | **Net Change** | **Balance at End of Year** |
|---|---|---|---|---|
| **30 June 2013** | | | | |
| **Directors** | | | | |
| Farooq Khan | 2,000 | | - | 2,000 |
| William Johnson (resigned 3 May 2013) | - | - | | |
| Victor Ho | - | | - | - |
| Yaqoob Khan | - | | - | - |
| **30 June 2012** | | | | |
| **Directors** | | | | |
| Farooq Khan | 2,000 | | - | 2,000 |
| William Johnson | - | | - | - |
| Victor Ho | - | | - | - |
| Yaqoob Khan | - | | - | - |

The disclosures of equity holdings above are in accordance with the accounting standards which require a disclosure of shares held directly, indirectly or beneficially by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard AASB 124 Related Party Disclosures).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**5. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) (continued)**

**Other KMP Transactions**

There were no transactions with KMP (or their personally related entities) during the financial year other than disclosed below:

On 1 June 2013, Director, Farooq Khan, entered into a standard form fixed term residential tenancy agreement with Silver Sands Developments Pty Ltd (**SSD**) to rent the Property Held for Developmemnt or Resale (refer Note 11). The lease is for a term of 12 months with the monthly rental being $3,683. As at 30 June 2013, the total rent paid by Mr Khan totalled $7,367.

**6. AUDITORS' REMUNERATION**

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

| | 2013 | 2012 |
|---|---|---|
| **BDO Audit (WA) Pty Ltd** | **$** | **$** |
| Audit and Review of Financial Statements | 38,378 | 43,506 |
| Taxation Services | 7,086 | 2,255 |
| | **45,464** | **45,761** |

The Consolidated Entity may engage BDO on assignments additional to their statutory audit duties where their expertise and experience with the Consolidated Entity are important. These assignments principally relate to taxation advice in relation to the tax notes to the financial statements.

**7. LOSS PER SHARE**

| | 2013 | 2012 |
|---|---|---|
| | **cents** | **cents** |
| Basic and Diluted Loss per Share | (17.47) | (27.94) |

The following represents the loss and weighted average number of shares used in the loss per share calculations:

| | 2013 | 2012 |
|---|---|---|
| | **$** | **$** |
| Loss after Income Tax | (3,112,435) | (4,978,031) |
| | **Number of Shares** | **Number of Shares** |
| Weighted Average Number of Ordinary Shares | 17,814,389 | 17,814,389 |

The Consolidated Entity has no securities outstanding which have the potential to convert to ordinary shares and dilute the basic loss per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**8. CASH AND CASH EQUIVALENTS**

**(a) Reconciliation of Cash**

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Cash at Bank and in Hand | 295,628 | 365,031 |
| Short-Term Deposits | 1,400,000 | - |
| | **1,695,628** | **365,031** |

**(b) Reconciliation of Operating Loss after Income Tax to Net Cash used in Operating Activities**

| | 2013 | 2012 |
|---|---|---|
| **Loss after Income Tax** | **(3,112,435)** | **(4,978,031)** |
| Add Non-Cash Items: | | |
| Depreciation | 221,880 | 81,926 |
| Write Off of Fixed Assets | 16,954 | - |
| Net Loss on Financial Assets at Fair Value through Profit or Loss | 3,101,298 | 2,648,619 |
| Loss on Land held for Development or Resale | 150,000 | 160,000 |
| Loss on Revaluation of Land | 101,296 | - |
| Impairment of Brand Name | 25,000 | - |
| Share of Net Loss of Associate | 94,167 | 576,195 |
| Changes in Assets and Liabilities: | | |
| Financial Assets at Fair Value through Profit or Loss | - | - |
| Trade and Other Receivables | 219,501 | (186,361) |
| Inventories | 136,973 | 721,835 |
| Other Current Assets | 6 | 1,623 |
| Investments accounted for using the Equity Method | - | 697,469 |
| Trade and Other Payables | (56,241) | (400,006) |
| Provisions | (31,537) | 16,843 |
| Deferred Tax | 57,300 | 24,864 |
| | **924,162** | **(635,024)** |

**(c) Risk Exposure**

The Consolidated Entity's exposure to interest rate risk is discussed in Note 23. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

### 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Listed Investments at Fair Value | 720,085 | 3,775,813 |
| Unlisted Investments at Fair Value | - | 45,570 |
| | **720,085** | **3,821,383** |

**(a) Risk Exposure**

The Consolidated Entity's exposure to price risk is discussed in Note 23.

### 10. TRADE AND OTHER RECEIVABLES

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Trade Receivables | 18,995 | 243,656 |
| GST Receivable | 5,830 | 15,529 |
| Other Receivables | 15,766 | 907 |
| | **40,591** | **260,092** |
| **Non Current** | | |
| Bonds and Guarantees | **32,823** | **32,823** |

**(a) Risk Exposure**

The Consolidated Entity's exposure to credit and interest rate risks is discussed in Note 23.

**(b) Impaired Trade Receivables**

None of the Consolidated Entity's receivables are impaired or past due.

### 11. INVENTORIES

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Bulk Oil - at cost | 57,717 | 206,320 |
| Packaged Oil - at cost | 82,905 | 71,275 |
| | **140,622** | **277,595** |
| **Non Current** | | |
| Property held for Development or Resale | 3,797,339 | 3,797,339 |
| Revaluation of Property | (2,307,339) | (2,157,339) |
| | **1,490,000** | **1,640,000** |

Property held for development or resale was valued by an independent qualified valuer (an Associate Member of the Australian Property Institute) on 30 June 2013. The revaluation has been recognised in the Statement of Profit or Loss and Other Comprehensive Income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

### 12. OTHER CURRENT ASSETS

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Prepayments | **3,428** | **3,434** |

### 13. INVESTMENT IN ASSOCIATE ENTITY

| | Ownership Interest | | Carrying amount | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | % | % | $ | $ |
| Bentley Capital Limited | 27.97 | 27.97 | 4,079,810 | 4,584,254 |

| | 2013 | 2012 |
|---|---|---|
| **Movement in Investment** | | |
| Opening Balance | 4,584,254 | 7,088,745 |
| Share of Net Loss after tax | (94,167) | (576,195) |
| Dividend Received | - | (697,469) |
| Returns of Capital Received | (410,277) | (1,230,827) |
| Closing Balance | **4,079,810** | **4,584,254** |
| | | |
| Fair Value of Listed Investment in Associate | **2,974,498** | **3,077,067** |
| | | |
| Net Asset Value of Investment | **5,109,003** | **5,613,462** |

| | Assets | Liabilities | Revenues | Net Profit/(Loss) |
|---|---|---|---|---|
| **Summarised Position of Associate** | $ | $ | $ | $ |
| **2013** | | | | |
| Bentley Capital Limited | 5,198,029 | 89,026 | 263,507 | (94,167) |
| | | | | |
| **2012** | | | | |
| Bentley Capital Limited | 5,713,126 | 99,664 | 160,353 | (576,195) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**14. PROPERTY, PLANT AND EQUIPMENT**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Land** | | |
| At Cost | 861,214 | 861,214 |
| Revaluation | (101,296) | 138,687 |
| | **759,918** | **999,901** |
| **Buildings** | | |
| At Cost | 117,875 | 117,875 |
| Accumulated Depreciation | (44,723) | (38,792) |
| | **73,152** | **79,083** |
| **Plant and Equipment** | | |
| At Cost | 1,383,773 | 1,396,885 |
| Accumulated Depreciation | (1,077,364) | (861,958) |
| | **306,409** | **534,927** |
| **Leasehold Improvements** | | |
| At Cost | 22,129 | 22,129 |
| Accumulated Depreciation | (19,481) | (18,939) |
| | **2,648** | **3,190** |
| | **1,142,127** | **1,617,101** |

**Movements in Carrying Amounts**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

| | Freehold Land | Buildings | Plant and Equipment | Leasehold Improve-ments | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **AT 1 JULY 2011** | **1,028,470** | **85,495** | **606,701** | **3,731** | **1,724,397** |
| Revaluation | (28,569) | - | - | - | (28,569) |
| Additions | - | - | 3,200 | - | 3,200 |
| Depreciation expense | - | (6,412) | (74,974) | (541) | (81,927) |
| **AT 30 JUNE 2012** | **999,901** | **79,083** | **534,927** | **3,190** | **1,617,101** |
| | | | | | |
| **AT 1 JULY 2012** | **999,901** | **79,083** | **534,927** | **3,190** | **1,617,101** |
| Revaluation | (239,983) | - | - | - | (239,983) |
| Additions | - | - | 3,842 | - | 3,842 |
| Write-Offs | - | - | (16,954) | - | (16,954) |
| Depreciation expense | - | (5,931) | (215,406) | (542) | (221,879) |
| **AT 30 JUNE 2013** | **759,918** | **73,152** | **306,409** | **2,648** | **1,142,127** |

Land was valued by an independent qualified valuer (an Associate Member of the Australian Property Institute) on 30 June 2013. The revaluation of $239,983 has been recognised in the Asset Revaluation Reserve ($138,687; refer Note 21) and the Statement of Profit or Loss and OtherComprehensive Income ($101,296).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**15. OLIVE TREES**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Olive Trees - at cost | 300,000 | 300,000 |
| Revaluation | (234,500) | (234,500) |
| | **65,500** | **65,500** |

There are approximately 64,500 14 year old olive trees on the 143 hectare Olive Grove located in Gingin, Western Australia. The fair value of the trees is at the Directors' valuation having regard to, amongst other matters, replacement cost and the trees commercial production qualities.

**16. INTANGIBLE ASSETS**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Water Licence** | | |
| At Cost | 250,000 | 250,000 |
| Revaluation | 325,437 | 377,750 |
| | **575,437** | **627,750** |
| **Brand Name** | | |
| At Cost | 99,996 | 99,996 |
| Impairment | (25,000) | - |
| | **74,996** | **99,996** |
| | **650,433** | **727,746** |

| | Water Licence | Brand Name | Total |
|---|---|---|---|
| | $ | $ | $ |
| **AT 1 JULY 2011** | **682,062** | **99,996** | **782,058** |
| Revaluation | (54,312) | - | (54,312) |
| **AT 30 JUNE 2012** | **627,750** | **99,996** | **727,746** |
| | | | |
| **AT 1 JULY 2012** | **627,750** | **99,996** | **727,746** |
| Revaluation | (52,313) | - | (52,313) |
| Impairment | - | (25,000) | (25,000) |
| **AT 30 JUNE 2013** | **575,437** | **74,996** | **650,433** |

The Water Licence pertains to the Olive Grove property in Gingin, Western Australia. As at 30 June 2013, an independent qualified valuer (a Certified Practising Valuer and Associate Member of the Australian Property Institute) revalued the water licence downwards by $52,313 from the previous reporting date.

The Brand Name pertains to the ultra premium Dandaragan Estate Olive Oil brand. As at 30 June 2013, the Directors assessed the value of the Brand Name and recognised an impairment expense of $25,000 in the Statement of Profit or Loss and Other Comprehensive Income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

| 17. TRADE AND OTHER PAYABLES | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Trade Payables | 24,760 | 19,999 |
| Other Payables and Accrued Expenses | 74,327 | 108,379 |
| Prepaid Rental Revenue | - | 26,950 |
| Dividend Payable | 28,302 | 28,302 |
| | **127,389** | **183,630** |

**(a) Risk Exposure**

The Consolidated Entity's exposure to risks arising from current payables is set out in Note 23.

| 18. PROVISIONS | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Employee Benefits - Annual Leave | 17,139 | 17,042 |
| Employee Benefits - Long Service Leave | 52,404 | 84,038 |
| | **69,543** | **101,080** |

**(a) Amounts not expected to be settled within 12 months**

The provision for annual leave and long service leave is presented as current since the Consolidated Entity does not have an unconditional right to defer settlement for any of these employee benefits. Long service leave covers all unconditional entitlements where employees have completed the required period of service and also where employees are entitled to pro-rata payments in certain circumstances.

Based on past experience, the employees have never taken the full amount of long service leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months:

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Leave obligations expected to be settled after 12 months | 52,404 | 84,038 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**19. DEFERRED TAX**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Deferred Tax Assets - Non Current** | | |
| Employee Benefits and Accruals | 35,439 | 48,606 |
| Fair Value Losses | 59,249 | 303,479 |
| | **94,688** | **352,085** |
| **Deferred Tax Liabilities - Non Current** | | |
| Fair Value Gains | 90,131 | 352,085 |
| Other | 4,557 | - |
| | **94,688** | **352,085** |

| **(a) Movements - Deferred Tax Assets** | **Employee Benefits** | **Fair Value Losses** | **Tax Losses** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **AT 1 JULY 2011** | **99,568** | **745,027** | **321,292** | **1,165,887** |
| Credited/(charged) to Profit and Loss | (50,962) | (441,548) | (321,292) | (813,802) |
| **AT 30 JUNE 2012** | **48,606** | **303,479** | **-** | **352,085** |
| **AT 1 JULY 2012** | **48,606** | **303,479** | **-** | **352,085** |
| Credited/(charged) to Profit and Loss | (13,167) | (244,230) | - | (257,397) |
| **AT 30 JUNE 2013** | **35,439** | **59,249** | **-** | **94,688** |

| **(b) Movements - Deferred Tax Liabilities** | **Fair Value Gains** | **Other** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| **AT 1 JULY 2011** | **1,165,887** | **-** | **1,165,887** |
| Credited/(charged) to Profit and Loss | (788,938) | - | (788,938) |
| Charged to Equity | (24,864) | - | (24,864) |
| **AT 30 JUNE 2012** | **352,085** | **-** | **352,085** |
| **AT 1 JULY 2012** | **352,085** | **-** | **352,085** |
| Credited/(charged) to Profit and Loss | (204,654) | 4,557 | (200,097) |
| Charged to Equity | (57,300) | - | (57,300) |
| **AT 30 JUNE 2013** | **90,131** | **4,557** | **94,688** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

| 20. ISSUED CAPITAL | 2013 Number | 2012 Number | 2013 $ | 2012 $ |
|---|---|---|---|---|
| Fully paid ordinary shares | 17,814,389 | 17,814,389 | 19,374,007 | 19,374,007 |

**(a) Ordinary Shares**

Fully paid ordinary shares carry one vote per share and the right to dividends. There was no movement in fully paid ordinary shares during the financial year.

**(b) Capital Risk Management**

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure balancing the interests of all shareholders.

The Board will consider capital management initiatives as is appropriate and in the best interests of the Company and shareholders from time to time, including undertaking capital raisings, share buy-backs, capital reductions and the payment of dividends.

| 21. RESERVES | 2013 $ | 2012 $ |
|---|---|---|
| **Asset Revaluation Reserve** | | |
| Revaluations of Freehold Land | - | 138,687 |
| Revaluations of Intangible Assets | 325,437 | 377,750 |
| Less: Deferred Tax on Revaluations | (97,631) | (154,932) |
| | **227,806** | **361,505** |

The movement in the Asset Revaluation Reserve relates to the revaluation of the Olive Grove land from $999,901 to $759,918 (Note 14) and the Water Licence from $627,750 to $575,437 (Note 16), as assessed by an independent qualified valuer (a Certified Practising Valuer and Associate Member of the Australian Property Institute).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

### 22. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the internal reporting provided to the "Chief Operating Decision Maker". The "Chief Operating Decision Maker", who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The Board has considered the business and geographical perspectives of the operating results and determined that the Consolidated Entity operates only within Australia, with the main segments being Investments and Olive Oil. Unallocated items are mainly comprised of corporate assets, office expenses and income tax assets and liabilities.

| | Investments | Olive Oil | Unallocated | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2013** | | | | |
| Segment Revenues | 103,880 | 279,622 | 1,530 | 385,032 |
| Segment Loss before tax | (1,618,253) | (603,170) | (833,712) | (3,055,135) |
| | | | | |
| Segment Assets | 7,784,583 | 2,008,255 | 362,897 | 10,155,735 |
| Segment Liabilities | 21,643 | 121,504 | 148,473 | 291,620 |
| | | | | |
| **2012** | | | | |
| Segment Revenues | 52,531 | 767,427 | 29,424 | 849,382 |
| Segment Loss before tax | (3,476,135) | (585,648) | (891,384) | (4,953,167) |
| | | | | |
| Segment Assets | 10,644,839 | 2,934,315 | 167,890 | 13,747,044 |
| Segment Liabilities | 86,366 | 185,698 | 364,731 | 636,795 |

### 23. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist of deposits with banks, accounts receivable and payable, investments in listed securities, and other unlisted securities. The principal activity of the Consolidated Entity is the management of its investments (Financial Assets at Fair Value through Profit and Loss) (refer to Note 9). The Consolidated Entity's investments are subject to market (which includes interest rate and price risk), credit and liquidity risks.

The Board of Directors is responsible for the overall internal control framework (which includes risk management) but no cost-effective internal control system will preclude all errors and irregularities. The system is based, in part, on the appointment of suitably qualified management personnel. The effectiveness of the system is continually reviewed by management and at least annually by the Board.

The financial receivables and payables of the Consolidated Entity 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**23. FINANCIAL RISK MANAGEMENT (continued)**

The Consolidated Entity holds the following financial instruments:

| | | 2013 | 2012 |
|---|---|---|---|
| **Financial Assets** | **Note** | **$** | **$** |
| Cash and Cash Equivalents | **8** | 1,695,628 | 365,031 |
| Financial Assets at Fair Value through Profit or Loss | **9** | 720,085 | 3,821,383 |
| Trade and Other Receivables | **10** | 40,591 | 260,092 |
| | | **2,456,304** | **4,446,506** |
| **Financial Liabilities** | | | |
| Trade and Other Payables | **17** | (127,389) | (183,630) |
| | | **(127,389)** | **(183,630)** |
| **NET FINANCIAL ASSETS** | | **2,328,915** | **4,262,876** |

**(a) Market Risk**

(i) *Price Risk*

The Consolidated Entity is exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified in the Statement of Financial Position at fair value through profit or loss. The Consolidated Entity is not exposed to commodity price risk, save where this has an indirect impact via market risk and equity securities price risk.

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. By its nature as an investment company, the Consolidated Entity will always be subject to market risk as it invests its capital in securities that are not risk free - the market price of these securities can and will fluctuate. The Consolidated Entity does not manage this risk through entering into derivative contracts, futures, options or swaps.

Equity price risk is minimised through ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.

The Consolidated Entity has performed a sensitivity analysis on its exposure to market price risk at balance date. The analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. The ASX All Ordinaries Accumulation Index was utilised as the benchmark for the unlisted and listed share investments which are financial assets available-for-sale or at fair value through profit or loss.

| | Impact on Post-Tax Profit | | Components of Equity | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **$** | **$** | **$** | **$** |
| **ASX All Ordinaries Accumulation Index** | | | | |
| Increase 15% | 583,986 | 1,483,900 | 583,986 | 1,483,900 |
| Decrease 15% | (583,986) | (1,483,900) | (583,986) | (1,483,900) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**23. FINANCIAL RISK MANAGEMENT (continued)**

**(a) Market Risk (continued)**

(ii) *Interest Rate Risk*

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's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The weighted average interest rate for the year for the table below is 4.50% (2012: 4.66%). The revenue exposure is immaterial in terms of the possible impact on profit or loss or total equity.

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Cash at Bank and in hand | 295,628 | 365,031 |
| Short-Term Deposits | 1,400,000 | - |
| | **1,695,628** | **365,031** |

**(b) Credit Risk**

Credit risk refers to the risk that a counterparty under a financial instrument will default (in whole or in part) on its contractual obligations resulting in financial loss to the Consolidated Entity. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, including outstanding receivables and committed transactions. Concentrations of credit risk are minimised primarily by undertaking appropriate due diligence on potential investments, carrying out all market transactions through approved brokers, settling non-market transactions with the involvement of suitably qualified legal and accounting personnel (both internal and external), and obtaining sufficient collateral or other security (where appropriate) as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity's business activities do not necessitate the requirement for collateral as a means of mitigating the risk of financial loss from defaults.

The credit quality of the financial assets are neither past due nor impaired and can be assessed by reference to external credit ratings (if available with Standard & Poor's) or to historical information about counterparty default rates. The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised below:

| | 2013 | 2012 |
|---|---|---|
| **Cash and Cash Equivalents** | $ | $ |
| AA- | 1,693,029 | 349,953 |
| A- | 1,665 | 1,728 |
| | **1,694,694** | **351,681** |
| | | |
| **Trade Receivables (due within 30 days)** | | |
| No external credit rating available | **40,591** | **260,092** |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**23. FINANCIAL RISK MANAGEMENT (continued)**

**(c) Liquidity Risk**

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 trade and other payables arising in the normal course of business. The financial liabilities disclosed in the above table have a maturity obligation of not more than 30 days.

**(d) Fair Value Measurements**

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

The following tables present the Consolidated Entity's financial assets and liabilities measured and recognised at fair value at 30 June 2013 categorised by the following levels:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

(iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **2013** | **$** | **$** | **$** | **$** |
| Financial Assets at Fair Value through Profit or Loss: | | | | |
| Listed Investments at Fair Value | 720,085 | - | - | 720,085 |
| Unlisted Investments at Fair Value | - | - | - | - |
| | | | | |
| **2012** | | | | |
| Financial Assets at Fair Value through Profit or Loss: | | | | |
| Listed Investments at Fair Value | 3,775,813 | - | - | 3,775,813 |
| Unlisted Investments at Fair Value | - | - | 45,570 | 45,570 |

The fair value of investments in unlisted shares are considered level 3 investments as their fair value is unable to be derived from market data. The Directors assess fair value based on information obtained from the companies directly.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**24. COMMITMENTS**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Not longer than one year | 48,582 | 78,630 |
| Longer than one year but not longer than five years | - | - |
| | **48,582** | **78,630** |

The non-cancellable operating lease commitment is the Consolidated Entity's share of the office premises at Suite 1, 346 Barker Road, Subiaco, Western Australia, and includes all outgoings (exclusive of GST). The lease is for a one year term expiring 30 June 2014.

**25. CONTINGENCIES**

**(a) Directors' Deeds**

The Company has entered into Deeds of Indemnity with each of its Directors indemnifying them against liability incurred in discharging their duties as Directors/Officers of the Consolidated Entity. At the end of the financial period, no claims have been made under any such indemnities and accordingly, it is not possible to quantify the potential financial obligation of the Consolidated Entity under these indemnities.

**(b) Tenement Royalties**

The Consolidated Entity is entitled to receive a royalty of 2% of gross revenues (exclusive of GST) from any commercial exploitation of any minerals from various Australian tenements - EL47/1328 and PL47/1170 (the Paulsens East Project tenements currently held by Strike Resources Limited (Strike)).

**26. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

(a) On 5 August 2013, the Company announced its intention to conduct an on-market share buy-back of up to 1,600,000 shares (Buy-Back). This represents ~9% of the pre Buy-Back and ~10% of the post Buy-Back total voting shares of the Company. In accordance with ASX Listing Rule 7.33, the Company will not pay any more than 5% above the average of the market price for the Comapny's shares over the last 5 days on which sales in the shares were recorded prior to the Buy-Back occurring. The Buy-Back will continue until the earlier of the acquisition of the Buy-Back shares and 31 July 2014, subject to the Company exercising its right to suspend or terminate the Buy-Back, or amend its terms, at any time.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2013

**26. EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)**

(b) On 30 August 2013, Bentley Capital Limited, announced its intention to seek shareholder approval to undertake a one cent per share return of capital (Return of Capital). The Return of Capital is to be effected by Bentley seeking shareholder approval for a reduction in the share capital of the company by returning one cent per share to shareholders - this equates to an aggregate reduction of share capital by approximately $0.733 million based upon the company's 73,350,541 shares currently on issue. No shares will be cancelled as a result of the Return of Capital. Accordingly, the number of shares held by each shareholder will not change as a consequence of the Return of Capital. The Return of Capital is subject to Bentley shareholder approval, which will be sought at the upcoming 2013 Annual General Meeting in late November 2013. If Bentley shareholders approve this Return of Capital, the Company's entitlement under the Return of Capital is expected to be $205,138.

No other matter or circumstance has arisen since the end of the financial year that significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

# DIRECTORS' DECLARATION

The Directors of the Company declare that:

(1) The financial statements, comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, and accompanying notes as set out on pages 19 to 50 are in accordance with the *Corporations Act 2001* and:

(a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting; and

(b) give a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2013 and of their performance for the year ended on that date;

(2) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(3) The Remuneration Report disclosures set out (within the Directors' Report) on pages 13 to 15 (as the audited Remuneration Report) comply with section 300A of the *Corporations Act 2001*;

(4) The Directors have been given the declarations required by section 295A of the *Corporations Act 2001 by* the Executive Chairman (the person who, in the opinion of the Directors, performs the Chief Executive Officer function) and Company Secretary (the person who, in the opinion of the Directors, performs the Chief Financial Officer function); and

(5) The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

**Farooq Khan**

**Chairman**

**Victor Ho**

**Executive Director and Company Secretary**

**30 August 2013**

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Australia

# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF ORION EQUITIES LIMITED

## Report on the Financial Report

We have audited the accompanying financial report of Orion Equities Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

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

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

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

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Orion Equities Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:
(a) the financial report of Orion Equities Limited is in accordance with the *Corporations Act 2001*, including:
    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Orion Equities Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 30th day of August 2013

# CORPORATE GOVERNANCE

## Compliance with Corporate Governance Council's Principles & Recommendations

The extent to which the Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (with 2010 Amendments) is as follows:

| Principle | Compliance | CGS References / Comments |
|---|---|---|
| **Principle 1: Lay solid foundations for management and oversight**<br>Companies should establish and disclose the respective roles and responsibilities of board and management | | |
| 1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions. | Yes | 2, 3.3, 3.5, 4.1, 4.2, 4.3 |
| 1.2 Companies should disclose the process for evaluating the performance of senior executives. | Yes | 3.12 |
| 1.3 Companies should provide the information indicated in the Guide to Reporting on Principle 1.<br><br>The following material should be included in the corporate governance section of the annual report:<br>• an explanation of any departure from Recommendations 1.1, 1.2 or 1.3; and<br>• whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.<br><br>A statement of matters reserved for the board or the board charter or the statement of areas of delegated authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section. | Yes | Annual Report<br>Website<br>CGS |
| **Principle 2: Structure the board to add value**<br>Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties | | |
| 2.1 A majority of the board should be independent directors. | No | 3.6 |
| 2.2 The chair should be an independent director. | No | 3.2, 3.6 |
| 2.3 The roles of chair and chief executive officer should not be exercised by the same individual. | Not applicable | 3.2<br>The Company has an Executive Chairman but does not have a Chief Executive Officer or Managing Director |
| 2.4 The board should establish a nomination committee. | No | 4.2 |
| 2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors. | Yes | 3.12 |
| 2.6 Companies should provide the information indicated in the Guide to Reporting on Principle 2.<br><br>The following material should be included in the corporate governance statement in the annual report:<br>• the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report;<br>• the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds;<br>• the existence of any of the relationships listed in Box 2.1 and an explanation of why the board considers a director to be independent, notwithstanding the existence of these relationships;<br>• a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company;<br>• a statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the board;<br>• the period of office held by each director in office at the date of the annual report; | Yes<br>(as applicable) | Annual Report<br>Website<br>CGS |

# CORPORATE GOVERNANCE

| Principle | Compliance | CGS References / Comments |
|---|---|---|
| • the names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out;<br>• whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed; and<br>• an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.<br><br>The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section:<br>• a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors;<br>• the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee; and<br>• the board's policy for the nomination and appointment of directors. | | |
| **Principle 3: Promote ethical and responsible decision making**<br>Companies should actively promote ethical and responsible decision-making | | |
| 3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: | Yes | 6<br>Code of Conduct<br>Website |
| 3.1.1 the practices necessary to maintain confidence in the company's integrity; | | |
| 3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and | | |
| 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | | |
| 3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress towards achieving them. | Yes (in part) | 3.17 |
| 3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them. | No | 3.17 |
| 3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. | Yes | 3.17<br>Annual Report |
| 3.5 Companies should provide the information indicated in the Guide to Reporting on Principle 3.<br><br>An explanation of any departures from Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5 should be included in the corporate governance statement in the annual report.<br><br>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:<br>• any applicable code of conduct or a summary; and<br>• the diversity policy or a summary of its main provisions. | Yes | Annual Report<br>Website<br>CGS |
| **Principle 4: Safeguard integrity in financial reporting**<br>Companies should have a structure to independently verify and safeguard the integrity of their financial reporting | | |
| 4.1 The board should establish an audit committee. | No | 4.2 |
| 4.2 Structure the audit committee so that it:<br>• consists only of non-executive directors;<br>• consists of a majority of independent directors;<br>• is chaired by an independent chair, who is not chair of the board; and<br>• has at least three members. | Not applicable | 4.2 |
| 4.3 The audit committee should have a formal charter. | Not applicable | 4.2 |
| 4.4 Companies should provide the information indicated in the Guide to Reporting on Principle 4. | Yes<br>(as applicable) | Annual Report<br>Website |

# CORPORATE GOVERNANCE

| Principle | Compliance | CGS References / Comments |
|---|---|---|
| The following material should be included in the corporate governance statement in the annual report:<br>• the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee or, where a company does not have an audit committee, how the functions of an audit committee are carried out;<br>• the number of meetings of the audit committee; and<br>• explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4.<br>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:<br>• the audit committee charter; and<br>• information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. | | CGS |
| **Principle 5: Make timely and balanced disclosure**<br>Companies should promote timely and balanced disclosure of all material matters concerning the company | | |
| 5.1 Companies should establish written policies 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. | Yes | 8.2 |
| 5.2 Companies should provide the information indicated in the Guide to Reporting on Principle 5.<br>An explanation of any departures from Recommendations 5.1 or 5.2 should be included in the corporate governance statement in the annual report.<br>The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's website in a clearly marked corporate governance section. | Yes | Annual Report<br>Website<br>CGS |
| **Principle 6: Respect the rights of shareholders**<br>Companies should respect the rights of shareholders and facilitate the effective exercise of those rights | | |
| 6.1 Companies should design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | Yes | 8.1 |
| 6.2 Companies should provide the information indicated in Guide to Reporting on Principle 6.<br>An explanation of any departures from Recommendations 6.1 or 6.2 should be included in the corporate governance statement in the annual report.<br>The company should describe how it will communicate with its shareholders publicly, ideally by posting the information on the company's website in a clearly marked corporate governance section. | Yes | Annual Report<br>Website<br>CGS |
| **Principle 7: Recognise and manage risk**<br>Companies should establish a sound system of risk oversight and management and internal control | | |
| 7.1 Companies should establish policies for oversight and management of material business risks and disclose a summary of those policies. | Yes | 7.1 |
| 7.2 The board should require management to design and implement the risk management and internal control system 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. | Yes | 7.1 |
| 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. | Yes | 7.1 |
| 7.4 Companies should provide the information indicated in the Guide to Reporting on Principle 7.<br>The following material should be included in the corporate governance section of the annual report: | Yes | Annual Report<br>Website<br>CGS |

# CORPORATE GOVERNANCE

| Principle | Compliance | CGS References / Comments |
|---|---|---|
| • an explanation of any departures from best practice recommendations 7.1, 7.2, 7.3 or 7.4;<br>• whether the board has received the report from management under Recommendation 7.2; and<br>• whether the board has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3.<br><br>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:<br>• a summary of the company's policies on risk oversight and management of material business risks. | | |
| **Principle 8: Remunerate fairly and responsibly**<br>Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear | | |
| 8.1 The board should establish a remuneration committee. | No | 4.2 |
| 8.2 The remuneration committee should be structured so that it:<br>• consists of a majority of independent directors<br>• is chaired by an independent chair<br>has at least three members | Not applicable | 4.2 |
| 8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | Yes | Remuneration Report in the Directors' Report (within Annual Report) |
| 8.4 Companies should provide the information indicated in the Guide to Reporting on Principle 8.<br><br>The following material or a clear cross-reference to the location of the material should be included in the corporate governance statement in the annual report:<br>• the names of the members of the remuneration committee and their attendance at meetings of the committee or, where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out;<br>• the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors; and<br>• an explanation of any departure from Recommendations 8.1, 8.2 or 8.3.<br><br>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:<br>• the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee; and<br>• a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. | Yes<br>(as applicable) | Annual Report<br>Website<br>CGS |

# CORPORATE GOVERNANCE

## 1. Framework and Approach to Corporate Governance and Responsibility

The Board is committed to maintaining high standards of corporate governance. Good corporate governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Corporate Governance Principles and Recommendations ("**Recommendations**") developed by the ASX Corporate Governance Council.

The Company's practices are largely consistent with the Recommendations - the Board considers that the implementation of a small number of the Recommendations is not appropriate, for the reasons set out below in relation to the items concerned. The Board uses its best endeavours to ensure that exceptions to the Recommendations do not have a negative impact on the Company and the best interests of shareholders as a whole.

Details of the Recommendations can be found on the ASX website at:
http://www.asxgroup.com.au/corporate-governance-council.htm

## 2. Board of Directors - Role and Responsibilities

In general the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company.

The Board is also responsible for the overall corporate governance of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole. The Board also ensures that the Company complies with all of its contractual, statutory and any other legal and regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is not available from within its members, appropriate external advice may be taken and reviewed prior to a final decision being made.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the matters set out below, subject to delegation as specified elsewhere in this Statement or as otherwise appropriate:

(1) formulation and approval of the strategic direction, objectives and goals of the Company;

(2) the prudential control of the Company's finances and operations and monitoring the financial performance of the Company;

(3) the resourcing, review and monitoring of executive management and the Investment Committee;

(4) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;

(5) the identification of significant business risks and ensuring that such risks are adequately managed;

(6) the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;

(7) the establishment and maintenance of appropriate ethical standards;

(8) responsibilities typically assumed by an audit committee, including:

  (a) reviewing and approving the audited annual and reviewed half-yearly financial reports; and

  (b) reviewing the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal;

(9) responsibilities typically assumed by a remuneration committee, including:

  (a) reviewing the remuneration and performance of Directors;

  (b) setting policies for Executives' remuneration, setting the terms and conditions of employment for Executives, undertaking reviews of Executives' performance, including setting goals and reviewing progress in achieving those goals; and

  (c) reviewing the Company's Executive and employee incentive schemes and making recommendations on any proposed changes; and

(10) responsibilities typically assumed by a nomination committee including:

  (a) devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors; and

  (b) oversight of Board and Executive succession plans.

## 3. Board of Directors – Composition, Structure and Process

The Board has been formed so that it has an effective composition, size and commitment to adequately discharge its responsibilities and duties, given the current size and the scale and nature of the Company's activities. The names of the Directors currently in office and their qualifications and experience are stated in the Directors' Report for the Company's latest financial year.

# CORPORATE GOVERNANCE

### 3.1. Skills, Knowledge and Experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board recognises the need for Directors to have a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management, public company administration and Director-level business or corporate experience, having regard to the scale and nature of the Company's activities.

The diverse skills and corporate backgrounds of the directors, disclosed in the Directors' Report for the Company's latest financial year, reflect the mix that the Board considers appropriate.

A Director is initially appointed by the Board and retires (and may stand for re-election) at the next Annual General Meeting after their appointment.

### 3.2. Executive Chairman

The Executive Chairman leads the Board and has responsibility for ensuring that the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board. The Executive Chairman of the Company is Mr Farooq Khan, whose qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2013. The Company does not have a Managing Director or Chief Executive Officer.

### 3.3. Executive Director

Mr Victor Ho is the only other Executive Director of the Company. His qualifications and experience are stated in the Directors' Report for the Company's latest financial year.

Mr William Johnson served as an Executive Director until 26 March 2013, when he transitioned to Non-Executive Director. Mr Johnson retired as a Director of the Company on 3 May 2013.

### 3.4. Non-Executive Directors

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. One of the current Board's three Directors is a Non-Executive Director – Mr Yaqoob Khan. His qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2013. Mr William Johnson was a Non-Executive Director from 26 March 2013 (the date of his transition from Executive Director) until his retirement as a Director on 3 May 2013.

### 3.5. Company Secretary

The Company Secretary is appointed by the Board and is responsible for developing and maintaining the information systems and processes that are appropriate for the Board to fulfil its role and is responsible to the Board for ensuring compliance with Board procedures and governance matters. The Company Secretary is also responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary is Mr Victor Ho (also an Executive Director), whose qualifications and experience are stated in the Directors' Report for the Company's latest financial year.

### 3.6. Independence

An independent Director, in the view of the Company, is a Non-Executive Director who:

(1) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

(2) within the last 3 years has not been employed in an Executive capacity by the Company or another group member;

(3) within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the provision of material professional or consulting services;

(4) is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

(5) has no material contractual relationship with the Company other than as a Director of the Company; and

(6) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr Farooq Khan (Executive Chairman) and Mr Victor Ho (Executive Director and Company Secretary) are not regarded as independent Directors, being Executive Directors of the Company.

Mr Yaqoob Khan is not regarded as an independent Director, being a Director of the controlling shareholder of the Company, Queste Communications Ltd (QUE). (Mr Farooq Khan is also Executive Chairman and Managing Director of QUE and Mr Ho is also an Executive Director (since 3 April 2013) and Company Secretary of QUE.

Mr William Johnson (who served as an Executive Director until 26 March and as a Non-Executive Director until 3 May 2013) was not regarded as an independent Director under the above criteria, due to his status as an Executive Director and a recent former Executive Director, respectively, during those periods.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the expense of the appointment of a majority of independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

# CORPORATE GOVERNANCE

### 3.7. Conflicts of Interest

To ensure that Directors are at all times acting in the interests of the Company, Directors must:

(1) disclose to the Board actual or potential conflicts that may or might reasonably be thought to exist between the interests of the Director or his duties to any other parties and the interests of the Company in carrying out the activities of the Company; and

(2) if requested by the Board, within 7 days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters to which the conflict relates (save with the approval of the remaining Directors and subject to the Corporations Act).

### 3.8. Related-Party Transactions

Related-party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related-party transaction, the Board cannot approve the transaction. The Company also discloses related- party transactions in its financial reports, as required under relevant Accounting Standards.

### 3.9. Share Dealings and Disclosures

The Company has adopted a Share Trading Policy (dated 31 December 2010) a copy of which is available for viewing and downloading from the Company's website.

### 3.10. Board Nominations

The Board will consider nominations for appointment or election of Directors that may arise from time to time, having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution and the Corporations Act.

### 3.11. Terms of Appointment as a Director

The current Directors of the Company have not been appointed for fixed terms. The constitution of the Company provides that a Director (other than a Managing Director) may not retain office for more than three calendar years or beyond the third Annual General Meeting following their election, whichever is longer, without submitting himself or herself for re-election. One third of the Directors (save for any Managing Director) must retire each year and are eligible for re-election. The Directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

The initial appointment and last re-election dates of each Director are listed below.

| Director | Appointed | AGM Last Re-elected |
|---|---|---|
| Farooq Khan | 23 October 2006 | 10 November 2010 (standing for re-election at 2013 AGM) |
| William Johnson | 28 February 2003 | 23 November 2012 (retired as a Director on 3 May 2013) |
| Yaqoob Khan | 5 November 1999 | 4 November 2011 - due to retire, and eligible for re-election, at the 2014 AGM |
| Victor Ho | 4 July 2003 | 18 November 2009 (standing for re-election at 2013 AGM) |

### 3.12. Performance Review and Evaluation

It is the policy of the Board to ensure that the Directors and Executives of the Company be equipped with the knowledge and information they need to discharge their responsibilities effectively and that individual and collective performance is regularly and fairly reviewed. Directors are encouraged to attend director training and professional development courses, as required, at the Company's expense. New Directors have access to all employees to gain full background on the Company's operations.

The Board as a whole has responsibility to review its own performance and the performance of individual Directors through a formal self-evaluation process. The Board conducted a review of this kind during the financial year ended 30 June 2013.

The Chairman also speaks to Directors individually regarding their role and performance as a Director.

The Board is responsible for reviewing the performance and remuneration of the Executive Chairman.

The Company has no senior executives other than Executive Directors.

### 3.13. Meetings of the Board

The Board holds meetings whenever necessary to deal with specific matters requiring attention. Directors' Circulatory Resolutions are also utilised where appropriate - either in place of or in addition to formal Board meetings.

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

It is recognised and accepted that Board members may also concurrently serve on other boards, either in an executive or non-executive capacity.

# CORPORATE GOVERNANCE

### 3.14. Independent Professional Advice

Subject to approval by the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as a Director.

### 3.15. Company Information and Confidentiality

All Directors have the right of access to all relevant Company books and to Company Executives. In accordance with legal requirements and agreed ethical standards, Directors and employees of the Company have agreed to keep confidential all information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

### 3.16. Directors' and Officers' Deeds

The Company has also entered into a deed with each of the current Directors and the Company Secretary to regulate certain matters between the Company and each officer, both during the time the officer holds office and after the officer ceases to be an officer of the Company (or of any of its wholly owned subsidiaries). A summary of the terms of such deeds is contained within the Remuneration Report in the Directors' Report for the Company's latest financial year and in the 2005 Notice of AGM dated 18 October 2005.

### 3.17 Diversity

The Board, senior management and workforce of the Company currently comprises individuals that are culturally diverse, together with possessing an appropriate blend of qualifications and skills.

The Company recognises the positive advantages of a diverse workplace and is committed to:

(1) creating a working environment conducive to the appointment of well-qualified employees, senior management and Board candidates; and

(2) identifying ways to promote a corporate culture which embraces diversity.

The Board has delegated the responsibility of monitoring and ensuring workplace diversity to the Executive Chairman.

The small size of, and low turnover within, the Company's workforce are such that it cannot realistically be expected to reflect the degree of diversity of the general population. Given those circumstances, and the current nature and scale of the Company's activities, the Board has determined that it is not practicable to set measurable objectives for achieving gender diversity.

The Board will monitor the extent to which the level of diversity within the Company is appropriate on an ongoing basis and, where required, consider measures to improve it. The Board will further consider the establishment of objectives for achieving gender diversity as the Company develops and its circumstances change.

The Company does not currently have any women on the Board (and has no senior executives other than Executive Directors). 50% of the Company's current employees are female.

## 4. Management

### 4.1. Executives

The Company does not presently have a Managing Director, Chief Executive Officer or Chief Financial Officer. The Company's executive team comprises the Executive Chairman and one Executive Director, who is also the Company Secretary. (Until 26 March 2013 the Company had an additional Executive Director).

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the expense of the appointment of an independent Non-Executive Chairman.
The Board is of the opinion that all Directors exercise and bring to bear an unfettered and independent judgement towards their duties.

The Board has determined that the Executive Chairman is the appropriate person to make the Chief Executive Officer equivalent declaration and the Company Secretary is the appropriate person to make the Chief Financial Officer equivalent declaration in respect of the Company's latest financial year, as required under section 295A of the Corporations Act and the Recommendations.

### 4.2. Board and Management Committees

In view of the current composition of the Board (which comprises an Executive Chairman, an additional Executive Director and one Non-Executive Director) and the nature and scale of the Company's activities, the Board has considered that establishing formally-constituted committees for audit, board nominations and remuneration would not add value for shareholders, and is therefore not required.

Accordingly audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and Executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). That is, matters typically dealt with by audit, nominations and remuneration committees are dealt with by the full Board.

### 4.3. Investment Committee

The Company's implementation of its investment strategies in accordance with its investment objectives will be carried out by the Board and the Investment Committee (in conjunction with external consultants and advisers where appropriate). The Investment Committee comprises Executive Chairman, Farooq Khan and Executive Director, Victor Ho and included William Johnson until his transition to Non-Executive Director on 26 March 2013. Where necessary, the Investment Committee will engage additional

# CORPORATE GOVERNANCE

specialist resource(s) to assist with the identification, evaluation and management of particular investment opportunities. This includes specialist consultants and advisers, analysts and brokers.

**5. Remuneration Policy**

Please refer to the Remuneration Report in the Directors' Report for the Company's latest financial year. Directors do not currently have any equity-based remuneration.

**6. Code of Conduct and Ethical Standards**

The Company has developed a formal Code of Conduct, which may be viewed and downloaded from the Company's website. The Code sets and creates awareness of the standard of conduct expected of Directors, officers, employees and contractors in carrying out their roles.

The Company seeks to encourage and develop a culture which will maintain and enhance its reputation as a valued corporate citizen and an employer which personnel enjoy working for. The Code sets out policies in relation to various corporate and personal behaviour including safety, discrimination, respecting the law, anti-corruption, interpersonal conduct, conflict of interest and alcohol and drugs.

**7. Internal Control, Risk Management and Audit**

**7.1. Internal Control and Risk Management**

The Board of Directors is responsible for the overall internal control framework (which includes risk management) and oversight of the Company's policies on and management of risks that have the potential to impact significantly on operations, financial performance or reputation.

The Board recognises that no cost-effective internal control system will preclude all errors and irregularities. The system is based, in part, on the appointment of suitably qualified and experienced service providers and suitably qualified and experienced management personnel. The effectiveness of the system is monitored and continually reviewed by management on an on-going basis and, at least annually, by the Board.

On a day-to-day basis, managing the various risks inherent in the Company's operations is the responsibility of the Executive Directors.

Risks facing the Company can be divided into the broad categories of operations, compliance and market risks.

Operations risk refers to risks arising from day to day operational activities, which may result in direct or indirect loss from inadequate or failed internal processes, decision-making, exercise of judgment, people or systems or external events. The Executive Directors have delegated responsibility from the Board for identification of operations risks generally, for putting processes in place to mitigate them and monitoring compliance with those processes. The Company has clear accounting and internal control systems to manage risks to the accuracy of financial information and other financial risks.

Compliance risk is the risk of failure to comply with all applicable legal and regulatory requirements and industry standards and the corresponding impact on the Company's business, reputation and financial condition. The Company's compliance risk management strategy ensures compliance with key legislation affecting the Company's activities.

A key principle of the Company's compliance risk management strategy is to foster an integrated approach where line managers are responsible and accountable for compliance, within their job descriptions and within overall guidance developed by the Company Secretary, assisted by the General Counsel.

The Company's compliance strategy is kept current with advice from senior external professionals and the ongoing training of Executives and other senior personnel involved in compliance management.

The Company has policies on responsible business practices and ethical behaviour, including conflict of interest and share trading policies, to maintain confidence in the Company's integrity and ensure legal compliance.

Market risk encompasses risks to the Company's performance from changes in equity prices, interest rates, currency exchange rates, capital markets and economic conditions generally. The Board, with assistance from the Investment Committee, retains final responsibility to assess the Company's exposure to these risks and set the strategic direction for managing them.

The Company's approach to risk management is not stationary; it evolves constantly in response to developments in operations and changing market conditions.

Further details are in the Note 21 (Financial Risk Management) to the financial statements for the Company's latest financial year.

The Board has determined that the Executive Chairman is the appropriate person to make the Chief Executive Officer equivalent declaration and the Executive Director/Company Secretary is the appropriate person to make the Chief Financial Officer equivalent declaration in respect of the Company's latest financial year, on the risk management and internal compliance and control systems in the Recommendations.

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks.

**7.2. Audit**

The Company's external auditor (**Auditor**) is selected for its professional competence, reputation and the provision of value for professional fees. Within the audit firm, the partner responsible for the conduct of the Company's audits is rotated every five years.

# CORPORATE GOVERNANCE

The Auditor is invited to attend the Company's annual general meetings (in person or by teleconference) to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's report.

**8. Communications**

**8.1. Market and Shareholder Communications**

The Company is owned by shareholders. Increasing shareholder value is the Company's key mission. Shareholders require an understanding of the Company's operations and performance to enable them to be aware of how that mission is being fulfilled. The Directors are the shareholders' representatives. In order to properly perform their role, the Directors must be able to ascertain the shareholders' views on matters affecting the Company.

The Board therefore considers it paramount to ensure that shareholders are informed of all major developments affecting the Company and have the opportunity to communicate their views on the Company to the Board. Information is communicated to shareholders and the market through various means including:

(1) monthly NTA Backing announcements released to ASX, which are posted on the Company's website;

(2) the Annual Report, which is distributed to shareholders if they have elected to receive a printed version and is otherwise available for viewing and downloading from the Company's website;

(3) the Annual General Meeting (**AGM**) and other general meetings called in accordance with the Corporations Act and to obtain shareholder approvals as appropriate. The Executive Chairman gives an address at the AGM updating shareholders on the Company's investment activities;

(4) Half-Yearly Directors' and Financial Reports which are posted on the Company's website; and

(5) other announcements released to ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders, which is also posted on the Company's website.

Shareholders communicate with Directors through various means including:

(1) having the opportunity to ask questions of Directors at all general meetings;

(2) the presence of the Auditor at Annual General Meetings to take shareholder questions on any issue relevant to their capacity as auditor;

(3) the Company's policy of expecting Directors to be available to meet shareholders at Annual General Meetings; and

(4) the Company making Directors and selected senior employees available to answer shareholder questions submitted by telephone, email and other means.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements may be viewed and downloaded from its website: www.orionequities.com.au or the ASX website: www.asx.com.au under ASX code "OEQ". The Company also maintains an email list for the distribution of the Company's announcements via email in a timely manner.

**8.2. Continuous Disclosure to ASX**

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to ASX, as well as communicating with ASX.
In accordance with the Corporations Act and ASX Listing Rule 3.1, the Company immediately notifies ASX of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities, subject to exceptions permitted by that rule. A reasonable person is taken to expect information to have a material effect on the price or value of the Company's securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

All staff are required to inform their reporting manager of any potentially price-sensitive information concerning the Company as soon as they become aware of it. Reporting managers are in turn required to inform the Executive Director to whom they report or, in their absence, the other Executive Director of any potentially price-sensitive information.

In general, the Company will not respond to market speculation or rumours unless required to do so by law or by the ASX Listing Rules.

Only the Executive Chairman has general responsibility to speak to the media, investors and analysts on the Company's behalf. Other Directors may be given a brief to do so on particular occasions.

The Company may request a trading halt from ASX to prevent trading in its securities if the market appears to be uninformed. The Executive Directors are authorised to determine whether to seek a trading halt.

*25 October 2013*

# ADDITIONAL ASX INFORMATION

## LIST OF SHARE INVESTMENTS

### As at 30 June 2013

| Equities | Fair Value $'million | % of Net Assets | ASX Code | Industry Sector Exposures |
|---|---|---|---|---|
| Bentley Capital Limited | 2.97 | 30.15% | BEL | Diversified Financials |
| Strike Resources Limited | 0.72 | 7.28% | SRK | Materials |
| **TOTAL** | **3.69** | **37.43%** | | |

### As at 30 September 2013

| Equities | Fair Value $'million | % of Net Assets | ASX Code | Industry Sector Exposures |
|---|---|---|---|---|
| Bentley Capital Limited | 3.18 | 30.81% | BEL | Diversified Financials |
| Strike Resources Limited | 1.05 | 10.19% | SRK | Materials |
| **TOTAL** | **4.23** | **41.00%** | | |

## TRANSACTIONS AND BROKERAGE

The Company entered into a total of 2 (2012: Nil) contract notes with stock brokers during the year, incurring total brokerage fees of $3,483 (2012: Nil).

## ON-MARKET SHARE BUY-BACK

On 5 August 2013[3], the Company announced its intention to conduct an on-market share buy-back of up to 1,600,000 shares (**Buy-Back**). As at 25 October 2013, a total of 414,239 shares have been bought back at a total cost of $104,397.50 (at an average buy-back price of $0.252). The Company may, at the determination of the Company as to quantum, timing and price, buy back up to a further 1,185,761 shares, on or before 31 July 2014 (subject to the earlier completion of the buy-back and the Company exercising its right to suspend or terminate the buy-back or amend its terms, at any time).

## VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at meetings of shareholders of the Company:

- Each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- On a show of hands, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder has one vote;
- On a poll, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder shall, in respect of each fully paid share held by such person, or in respect of which such person is appointed a proxy, attorney or corporate representative, have one vote for that share; and

[3] Refer the Company's market announcement Appendix 3C – Announcement of Additional Buy-Back.

# ADDITIONAL ASX INFORMATION
## as at 25 October 2013

### DISTRIBUTION OF FULLY PAID ORDINARY SHARES

| Spread of Holdings | Number of Holders | Number of Shares | % of Total Issued Capital |
|---|---|---|---|
| 1 - 1,000 | 263 | 134,240 | 0.77% |
| 1,001 - 5,000 | 206 | 481,644 | 2.77% |
| 5,001 - 10,000 | 55 | 423,116 | 2.43% |
| 10,001 - 100,000 | 85 | 2,833,755 | 16.29% |
| > 100,000 | 20 | 13,527,395 | 77.74% |
| **Total** | **629** | **17,400,150** | **100%** |

### UNMARKETABLE PARCELS

| Spread of Holdings | Number of Holders | Number of Shares | % of Total Issue Capital |
|---|---|---|---|
| 1 – 2,040 | 387 | 327,823 | 1.88% |
| > 2,040 | 242 | 17,072,327 | 98.12% |
| **Total** | **629** | **17,400,150** | **100%** |

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 2,040 shares or less (being a value of $500 or less in total, based upon the Company's closing share price of $0.245 on 25 October 2013).

### TOP TWENTY ORDINARY, FULLY PAID SHAREHOLDERS

| RANK | SHAREHOLDER | | TOTAL SHARES | % ISSUED CAPITAL |
|---|---|---|---|---|
| 1* | QUESTE COMMUNICATIONS LTD | | 9,367,653 | 53.837% |
| 2* | CELLANTE SECURITIES PTY LIMITED | 417,038 | | |
| | CLEOD PTY LTD - CELLANTE SUPER FUND A/C | 506,000 | | |
| | | Sub-total | 923,038 | 5.305% |
| 3 | JP MORGAN NOMINEES LIMITED | 700,000 | | |
| | JP MORGAN NOMINEES LIMITED <CASH INCOME A/C> | 24,225 | | |
| | | Sub-total | 724,225 | 4.162% |
| 4 | REDSUMMER PTY LTD | | 225,000 | 1.293% |
| 5 | MR PETER JOHN JACKSON | | 200,000 | 1.149% |
| 6 | MR RODNEY MALCOLM JONES & MRS CAROL ROBIN JONES | | 200,000 | 1.149% |
| 7 | MS HOON CHOO TAN | | 197,538 | 1.135% |
| 8 | DR STEVEN G RODWELL | | 196,551 | 1.130% |
| 9 | MRS PENELOPE MARGARET SIEMON | | 181,355 | 1.042% |
| 10 | MR SEAN DENNEHY | | 177,500 | 1.020% |
| 11 | MR BRUCE SIEMON | | 173,351 | 0.996% |
| 12 | MR JOHN STEPHEN CALVERT | | 165,097 | 0.949% |
| 13 | KATANA ASSET MANAGEMENT LTD | | 150,000 | 0.862% |
| 14 | MR RODNEY MALCOLM JONES & MRS CAROL ROBIN JONES | | 150,000 | 0.862% |
| 15 | VIKAND CONSULTING PTY LTD | | 144,798 | 0.832% |
| 16 | MR STEPHEN JAMES LAMBERT & MRS RUTH LYNETTE LAMBERT & MR SIMON LEE LAMBERT | | 125,000 | 0.718% |
| 17 | MR ANTHONY NEALE KILLER & MS SANDRA MARIE KILLER | | 120,000 | 0.690% |
| 18 | MCGUIRE FAMILY HOLDINGS PTY LTD | | 106,300 | 0.611% |
| 19 | ZELWER SUPERANNUATION PTY LTD | | 105,488 | 0.606% |
| 20 | MR JOHN CHENG-HSIANG YANG & MS PEGA PING PING MOK | | 103,726 | 0.596% |
| | **TOTAL** | | **13,736,620** | **78.94%** |

* Substantial shareholder of the Company

**ASX Code: OEQ**

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