



A.B.N. 77 000 742 843

2018

**ANNUAL REPORT**

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**Orion's 2018****Corporate Governance Statement**

can be found at the following URL on the Company's website:  
[www://orionequities.com.au/corporate-governance](http://www.orionequities.com.au/corporate-governance)

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**CORPORATE DIRECTORY****BOARD**

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

**COMPANY SECRETARY**

Victor Ho

**PRINCIPAL AND REGISTERED OFFICE**

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Website: [www.orionequities.com.au](http://www.orionequities.com.au)

**AUDITORS**

Rothsay Auditing  
Chartered Accountants  
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West Perth, Western Australia 6005  
Telephone: (08) 9486 7094  
Website: [www.rothsayresources.com.au](http://www.rothsayresources.com.au)

**STOCK EXCHANGE**

Australian Securities Exchange  
Perth, Western Australia

**ASX CODE**

OEQ

**SHARE REGISTRY**

Advanced Share Registry Limited (ASX:ASW)  
Main Office  
110 Stirling Highway  
Nedlands, Western Australia 6009  
Local Telephone: 1300 113 258  
Telephone: (08) 9389 8033  
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Email: [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)

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# DIRECTORS' REPORT

The Directors present their report on Orion Equities Limited ABN 77 000 742 843 (**OEQ** or the **Company**) and its controlled entities (**Orion** or the **Consolidated Entity**) for the financial year ended 30 June 2018 (**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 Orion during the financial year were the management of its investments, including investments in listed and unlisted securities, real estate held for development and resale and an olive grove operation.

## NET TANGIBLE ASSET BACKING (NTA)

Consolidated Entity	2018	2017
	\$	\$
Net tangible assets (before tax)	3,945,511	5,202,333
<b>Pre-Tax NTA Backing per share</b>	<b>0.252</b>	<b>0.332</b>
Less deferred tax assets and tax liabilities	-	-
Net tangible assets (after tax)	3,945,511	5,202,333
<b>Post-Tax NTA Backing per share</b>	<b>0.252</b>	<b>0.332</b>
<b>Value of dividends paid to shareholders in previous 12 months</b>	140,843	-
<b>Adjusted Pre and post-tax NTA backing per share</b> (with the dividend paid during the 2017/2018 year added back)	<b>0.261</b>	N/A
Based on total issued share capital	15,649,228	15,649,228

## FINANCIAL POSITION

Consolidated Entity	2018	2017
	\$	\$
Cash	35,775	207,703
Financial assets at fair value through profit and loss	551,901	494,357
Investment in Associate entity (BEL)	1,242,743	2,002,205
Property held for development or resale	1,220,000	1,220,000
Receivables	68,435	19,132
Other assets	1,407,852	1,582,400
Deferred tax asset	38,973	61,206
<b>Total Assets</b>	<b>4,565,679</b>	<b>5,587,003</b>
Other payables and liabilities	(581,197)	(323,466)
Deferred tax liability	(38,973)	(61,206)
<b>Net Assets</b>	<b>3,945,509</b>	<b>5,202,331</b>
Issued capital	18,808,028	18,808,028
Asset Revaluation Reserve	102,746	161,360
Profits Reserve	2,783,750	145,293
Accumulated losses	(17,749,015)	(13,912,350)
<b>Total Equity</b>	<b>3,945,509</b>	<b>5,202,331</b>

# DIRECTORS' REPORT

## OPERATING RESULTS

<b>Consolidated Entity</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Total revenues	169,379	78,019
Share of Associate entity's loss	(554,324)	(1,245,250)
Other expenses	(650,187)	(731,690)
<b>Loss before tax</b>	<b>(1,035,132)</b>	<b>(1,898,921)</b>
Income tax expense	(22,233)	(125,927)
<b>Loss attributable to members of the Company</b>	<b>(1,057,365)</b>	<b>(2,024,848)</b>

The share of Associate entity's loss of \$0.554 million relates to Orion's investment in Bentley Capital Limited (ASX:BEL) – Orion notes that the 30 June 2018 carrying value of its 20,513,783 shareholding in Bentley was 6.1 cents per share (worth \$1.243 million), which compares with Bentley's closing bid price of 9.5 cents (worth \$1.95 million) and Bentley's net tangible asset (NTA) backing of 12.15 cents (worth \$2.576 million) (both as at 30 June 2018).

Orion accounts for Bentley as an Associate entity, which means that Orion is required to recognise a share of Bentley's net gain or loss in respect of the financial year based on Orion's (26.95% as at 30 June 2018) shareholding interest in Bentley (this is known as the equity method of accounting for an associate entity). Accordingly, as Bentley incurred a net loss of \$1.844 million for the year, Orion is required to recognise a 26.95% share of this loss (calculated as at each month end through the course of the year from 1 July 2017), being \$0.554 million, in Orion's own accounts for the year. This share of Bentley's net loss is the primary contributor to Orion's net loss for the year, rather than as a consequence of Orion's own direct activities or operations.

In a similar manner, Bentley has accounted for its 20.05% shareholding interest in Associate entity, Keybridge Capital Limited (ASX:KBC), under the equity method. This has resulted in Bentley recognising \$1.365 million as a share of Keybridge's overall net loss of \$6.806 million incurred for the year. This share of Keybridge's net loss is a primary contributor to Bentley's net loss for the year.

Thus, Keybridge's net loss position has a flow on effect up to Bentley and in turn, up to Orion, in circumstances which has caused a significant net loss being incurred at the Bentley and Orion levels, which is unrelated to Bentley's and Orion's direct activities or operations.

Orion notes that Keybridge has incurred a net loss for the year due largely to a significant \$5.912 million provision for impairment expense recognised in respect of its investment in Molopo Energy Limited (ASX:MPO) – which the Keybridge Directors have re-valued from 14.5 (as at 30 June 2017) to 2.6 (as at 30 June 2018) cents per share.

Keybridge has advised that this revaluation occurred as a consequence of the conduct of the previous Molopo Board<sup>1</sup> having entered into a series of transactions which have caused a reduction of US\$35 million (or nearly A\$50 million) in Molopo's cash reserves in circumstances where such conduct have been the subject of:

- A declaration of 'unacceptable circumstances' by the Takeovers Panel<sup>2</sup>; and
- The ASX issuing a 'Breaches Letter' (on 11 May 2018) where ASX advised that it considers that Molopo has committed serious breaches of the ASX Listing Rules and may also have breached the Corporations Act for making misleading disclosures to ASX and as such, ASX has referred their findings to ASIC for further investigation<sup>3</sup>.

1 Refer MPO ASX announcement dated 1 June 2018: Board Changes

2 Refer Takeovers Panel Reasons for Decision in Molopo Energy Limited 10 & 11 [2018] ATP 12, Takeovers Panel Media Release No. TP18/042 dated 8 June 2018; Molopo Energy Limited 10 & 11 – Declaration of Unacceptable Circumstances and Takeovers Panel Media Release No. TP18/53 dated 18 July 2018; Molopo Energy Limited 10 & 11 – Orders

3 Refer ASX Letter to MPO dated and released on ASX on 11 May 2018: MPO Breaches of ASX Listing Rules

# DIRECTORS' REPORT

KBC has advised that it will re-assess the carrying value of the company's investment in Molopo based on further information about Molopo's financial position, as released on ASX by Molopo.

Further information are outlined in Bentley's and Keybridge's recently lodged 30 June 2018 Full Year Reports.

## EARNINGS PER SHARE

Consolidated Entity	2018	2017
Basic and diluted loss per share (cents)	(6.76)	(12.94)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted loss per share	15,649,228	15,649,228

## DIVIDENDS

The Directors have not declared a dividend in respect of the financial year ended 30 June 2018.

The Directors paid a fully-franked special dividend during the financial year, as follows:

Dividend Rate	Record Date	Payment Date	Franking
0.90 cent per share	22 September 2017	29 September 2017	100% franked

This special dividend was funded from the Company's current Profits Reserve account balance of \$145,293 (at that time).

The Profits Reserve account (\$2.784 million as at 30 June 2018) contains the appropriation of net profits from prior relevant periods and represents profits available for distribution as dividends in future periods.

The Company does not have a Dividend Reinvestment Plan.

## CAPITAL MANAGEMENT

### (a) Securities on Issue

At the Balance Date (and currently), the Company had 15,649,228 shares on issue (2017: 15,649,228).

All such shares are listed on ASX. The Company does not have other securities on issue.

### (b) Voluntary Winding Up Trigger

At the Company's 2013 AGM on 28 November 2013, shareholders approved a modification to the Company's Constitution to introduce a new "performance-based wind-up vote trigger" clause. The new clause provides 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 to put a special resolution to the next AGM for shareholders to vote on whether the Company should be wound up.

# DIRECTORS' REPORT

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.

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 from share issues (where applicable).

The percentage change in the Orion group's adjusted net assets during each of 2016/2017 and 2017/18 were more than 15% below (in absolute terms) the percentage change in the performance of the Index over the same periods.

Therefore, the Directors will propose a voluntary winding up (special) resolution at the 2018 AGM.

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.

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.

The Company refers to the Notice of AGM and Explanatory Statement dated 23 October 2013 for further details in relation to the 'Voluntary Winding Up Trigger'.

Further details in relation to the voluntary winding up (special) resolution will be included in the Notice of AGM expected to be despatched to shareholders in October for the 2018 AGM to be held in mid-late November.

## REVIEW OF OPERATIONS

### (a) Portfolio Details as at 30 June 2018

#### Asset Weighting

Consolidated Entity	% of Net Assets	
	2018	2017
Australian equities	45%	48%
Agribusiness <sup>4</sup>	35%	30%
Property held for development and resale	31%	24%
Net tax liabilities (current year and deferred tax assets/liabilities)	-	-
Net cash/other assets and provisions	(11)%	(2)%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

#### Major Holdings in Securities Portfolio

Equities	Fair Value	%	ASX Code	Industry Sector Exposures
	\$'m	Net Assets		
Bentley Capital Limited	1.95	49%	BEL	Diversified
Strike Resources Limited	0.53	13%	SRK	Materials
<b>TOTAL</b>	<b>2.48</b>	<b>62%</b>		

4 Agribusiness net assets include olive grove land, olive trees, water licence, buildings, plant and equipment

# DIRECTORS' REPORT

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

Bentley Capital Limited (**Bentley**) is a listed investment company with a current exposure to Australian equities.

Orion holds 26.95% (20,513,783 shares) of Bentley's issued ordinary share capital as at 30 June 2018 (2017: 20,513,783 shares (26.95%)).

Bentley's asset weighting as at 30 June 2018 was 95.1% Australian equities (2017: 93.5%), 1% intangible assets (2017: 1.7%) and 3.9% net cash/other assets (2017: 4.8%).

Bentley had net assets of \$9.347 million as at 30 June 2018 (2017: \$11.95 million) and generated an after-tax net loss of \$1.844 million for the financial year (2017: after-tax net loss of \$3.679 million).

During the financial year, Bentley paid two 0.50 cent fully franked dividend that was distributed in August 2017 and January 2018 at a total cost of \$0.761 million (2017 distributions: two 0.50 cent fully franked dividend totalling \$0.756 million).

Orion received a \$0.205 million dividends from Bentley during the financial year (2017: \$0.205 million).

Subsequent to 30 June 2018, Bentley paid a fully-franked dividend of 0.50 cent per share. Orion's entitlement to this dividend was \$0.103 million.

Bentley has a long distribution track record, as illustrated below:

Rate per share	Nature	Orion's Entitlement	Payment Date
0.50 cent	Dividend	\$102,569	20 July 2018
0.50 cent	Dividend	\$102,569	25 January 2018
0.50 cent	Dividend	\$102,569	31 August 2017
0.50 cent	Dividend	\$102,569	24 March 2017
0.50 cent	Dividend	\$102,569	29 September 2016
0.50 cent	Dividend	\$102,569	18 March 2016
0.50 cent	Dividend	\$102,569	25 September 2015
0.55 cent	Dividend	\$112,826	20 March 2015
0.95 cent	Dividend	\$194,881	26 September 2014
One cent	Dividend	\$205,138	21 March 2014
One cent	Return of capital	\$205,138	12 December 2013
One cent	Return of capital	\$205,138	18 April 2013
One cent	Return of capital	\$205,138	30 November 2012
One cent	Return of capital	\$205,138	19 April 2012
5.0 cents	Return of capital	\$1,025,689	14 October 2011
2.4 cents	Dividend (Special)	\$492,331	26 September 2011
One cent	Dividend	\$205,138	26 September 2011

Note: Bentley has paid a distribution to shareholders every year (save on 4 occasions in its 31 year history) since its admission to ASX in 1986. Refer to Bentley's website for full distribution history

Shareholders are advised to refer to the 30 June 2018 Full Year Report and monthly NTA disclosures lodged by Bentley for further information about the status and affairs of the company.

Information concerning Bentley may be viewed from its website: [www.bel.com.au](http://www.bel.com.au)

Bentley's market announcements may also be viewed from the ASX website ([www.asx.com.au](http://www.asx.com.au)) under ASX code "BEL".

# DIRECTORS' REPORT

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

Strike owns the high grade Apurimac Magnetite Iron Ore Project and Cusco Magnetite Iron Ore Project in Peru and is currently developing its Burke Graphite Project in Queensland and lithium exploration tenements in Western Australia; Strike also retains relatively strong cash reserves and liquid investments totalling ~\$4.82 million (as at 30 June 2018)<sup>5</sup>.

Orion holds 10,000,000 Strike shares (6.88%) (2017: 10,000,000 shares (6.88%)) while Bentley holds 52,553,493 Strike shares (36.16%) currently and as at 30 June 2018. Therefore, Orion has a deemed relevant interest in 62,553,493 Strike shares (43.041%)<sup>6</sup>.

During the year, SRK shares traded on ASX within a range of 6 to 8.7 cents with a closing price of 5.3 cents as at 30 June 2018 and a current closing price of 5.3 cents (as at 29 August 2018).

Orion generated a \$0.117 million unrealised gain on investment in Strike during the financial year.

Information concerning Strike may be viewed from its website: [www.strikeresources.com.au](http://www.strikeresources.com.au).

Strike's market announcements may also be viewed from the ASX website ([www.asx.com.au](http://www.asx.com.au)) under ASX: "SRK".

## (d) Other Assets

Orion also owns:

- a 143 hectare commercial olive grove operation (currently on care and maintenance) with approximately 64,500, 19 year old olive tree plantings located in Gingin, Western Australian; and
- a property held for redevelopment or sale but currently rented out located in Mandurah, Western Australia.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

## FUTURE DEVELOPMENTS

Orion 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 Orion 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 Orion's investments or the forecast of the likely results of Orion's activities.

## ENVIRONMENTAL REGULATION

Orion is not subject to any particular or significant environmental regulation under Australian Commonwealth or State legislation.

5 Refer SRK's ASX Announcement dated 27 July 2018: June 2018 Quarterly Report

6 Refer Orion's ASX Announcement dated 4 September 2016: Change in Substantial Holding Notice



# DIRECTORS' REPORT

## BOARD OF DIRECTORS

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

<b>Farooq Khan</b>	<b>Executive Chairman</b>
<i>Appointed</i>	23 October 2006
<i>Qualifications</i>	BJuris, LLB (Western Australia)
<i>Experience</i>	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.
<i>Relevant interest in shares</i>	2,000 shares – directly <sup>7</sup>
<i>Special Responsibilities</i>	Chairman of the Board and the Investment Committee
<i>Other current directorships in listed entities</i>	<ol style="list-style-type: none"> <li>(1) Executive Chairman and Managing Director of Queste Communications Ltd (ASX:QUE) (since 10 March 1998)</li> <li>(2) Executive Chairman of Bentley Capital Limited (ASX:BEL) (director since 2 December 2003)</li> <li>(3) Chairman (appointed 18 December 2015) of Strike Resources Limited (ASX:SRK) (Director since 1 October 2015)</li> </ol>
<i>Former directorships in other listed entities in past 3 years</i>	None

<b>Victor P. H. Ho</b>	<b>Executive Director and Company Secretary</b>
<i>Appointed</i>	Executive Director since 4 July 2003; Company Secretary since 2 August 2000
<i>Qualifications</i>	BCom, LLB (Western Australia), CTA
<i>Experience</i>	Mr Ho has been in Executive roles with a number of ASX listed companies across the investments, resources and technology sectors over the past 18+ years. Mr Ho is a Chartered Tax Adviser (CTA) and previously had 9 years' experience in the taxation profession with the Australian Tax Office (ATO) and in a specialist tax law firm. Mr Ho has been actively involved in the investment management of listed investment companies (as an Executive Director and or a member of the Investment Committee), the structuring and execution of a number of corporate, M&A and international joint venture (in South America, Indonesia and the Middle East) transactions, capital raisings and capital management initiatives and has extensive experience in public company administration, corporations' law and stock exchange compliance and investor/shareholder relations.
<i>Relevant interest in shares</i>	None
<i>Special Responsibilities</i>	Member of the Investment Committee
<i>Other positions held in listed entities</i>	<ol style="list-style-type: none"> <li>(1) Executive Director and Company Secretary of Queste Communications Ltd (ASX:QUE) (Director since 3 April 2013; Company Secretary since 30 August 2000)</li> <li>(2) Company Secretary of Bentley Capital Limited (ASX:BEL) (since 5 February 2004)</li> <li>(3) Executive Director and Company Secretary of Strike Resources Limited (ASX:SRK) (Director since 24 January 2014 and Company Secretary since 1 October 2015)</li> <li>(4) Company Secretary of Keybridge Capital Limited (ASX:KBC) (since 13 October 2016)</li> </ol>
<i>Former positions in other listed entities in past 3 years</i>	Company Secretary of Alara Resources Limited (ASX:AUQ) (4 April 2007 to 31 August 2015)

<sup>7</sup> Refer to Orion's ASX announcement dated 20 November 2014: Change in Directors Interest Notice

# DIRECTORS' REPORT

Yaqoob Khan	Non-Executive Director
<i>Appointed</i>	5 November 1999
<i>Qualifications</i>	BCom (Western Australia), Master of Science in Industrial Administration (Carnegie Mellon)
<i>Experience</i>	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.
<i>Relevant interest in shares</i>	None
<i>Special Responsibilities</i>	None
<i>Other current directorships in listed entities</i>	Non-Executive Director of Queste Communications Ltd (ASX:QUE) (since 10 March 1998)
<i>Former directorships in other listed entities in past 3 years</i>	None

At the Company's 2017 AGM<sup>8</sup>:

- Yaqoob Khan retired as a Director (by rotation) pursuant to the Company's Constitution and was re-elected a Director at that AGM.

## 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	6	6
Victor Ho	6	6
Yaqoob Khan	6	6

## 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 Orion's activities, matters typically dealt with by an Audit or Remuneration Committee are dealt with by the full Board.

<sup>8</sup> Refer Orion's ASX announcement dated 17 November 2017: Results of 2017 Annual General Meeting

# REMUNERATION REPORT

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 Orion.

The information provided under headings (1) to (5) below has been audited for compliance with section 300A of the *Corporations Act 2001 (Cth)* as required under section 308(3C).

## (1) Remuneration Policy

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

**Corporate Governance Principles:** The Company's Corporate Governance Statement (**CGS**) also addresses matters pertaining to the Board, Senior Management and Remuneration. The latest version of the CGS may be downloaded from the Company's website: <http://www.orionequities.com.au/corporate-governance>

**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 per annum inclusive of employer superannuation contributions where applicable, to be divided as the Board determines appropriate.

The Board has determined the following fixed cash remuneration for current Key Management Personnel during the year as follows:

### Executive Directors

- (1) Mr Farooq Khan (Executive Chairman) - a base salary of \$220,369 per annum inclusive of employer superannuation contributions (9.50% of base salary during the financial year);
- (2) Mr Victor Ho (Executive Director and Company Secretary) - a base salary of \$106,762 per annum inclusive of employer superannuation contributions.

### Non – Executive Director

- (3) Mr Yaqoob Khan (Non-Executive Director) - a base fee of \$25,000 per annum.

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 reimbursement of all travelling, hotel and other expenses reasonably incurred by a Director for the purpose of attending meetings of the Board or otherwise in and about the business of the Company; and
- (b) In respect of Non-Executive Directors, payment for the performance of extra services or the making of special exertions for the benefit of the Company (at the request of and with the concurrence of the Board).

**Short-Term Benefits:** The Company does not have any short-term incentive (**STI**) cash bonus schemes (or equivalent) in place for Key Management Personnel.

# REMUNERATION REPORT

**Long Term Benefits:** The Company does not have any long-term incentive (LTI) cash bonus schemes (or equivalent) in place for Key Management Personnel.

**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.

**Post-Employment Benefits:** The Company does not presently provide retirement benefits to Key Management Personnel. Other than early termination benefits disclosed in 'Employment Agreement' below, Key Management Personnel also have no right to termination payments save for payment of accrued unused annual and long service leave (where applicable) (these accrued employee entitlements are not applicable in respect of Non-Executive Directors). The Company notes that shareholder approval is required where a Company proposes to make a "termination payment" (for example, a payment in lieu of notice, a payment for a post-employment restraint and payments made as a result of the automatic or accelerated vesting of share based payments) in excess of one year's "base salary" (defined as the average base salary over the previous 3 years) to a director or any person who holds a managerial or executive office.

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

**Performance-Related Benefits and Financial Performance of Company:** 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.

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.

	2018	2017	2016	2015	2014
Loss before income tax (\$)	(1,035,132)	(1,898,921) <sup>†</sup>	(543,953)	(670,390)	(790,168)
Basic loss per share (cents)	(6.76)	(12.94)	(3.47)	(4.22)	(4.67)
Dividends paid (\$)	0.9	-	-	-	-
VWAP share price on ASX for financial year (\$)	0.19	0.17	0.198	0.165	0.255
Closing bid share price as at 30 June (\$)	0.165	0.15	0.16	0.213	0.26

## (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:

2018	Key Management Personnel	Performance related %	Short-term Benefits		Post-Employment Benefits	Other Long-term Benefits	Equity Based	Total \$
			Cash, salary and commissions \$	Non-cash benefit \$	Superannuation \$	Long service leave \$	Shares and Options \$	
<b>Executive Directors:</b>								
	Farooq Khan	-	201,249	-	19,119	-	-	220,368
	Victor Ho	-	97,499	-	9,262	-	-	106,761
<b>Non-Executive Director:</b>								
	Yaqoob Khan	-	25,000	-	-	-	-	25,000

# REMUNERATION REPORT

2017 Key Management Personnel	Performance related %	Short-term Benefits		Post-Employment Benefits	Other Long-term Benefits	Equity Based	Total \$
		Cash, salary and commissions	Non-cash benefit	Superannuation	Long service leave	Shares and Options	
		\$	\$	\$	\$	\$	
<b>Executive Directors:</b>							
Farooq Khan	-	186,834	-	17,749	-	-	204,583
Victor Ho	-	97,499	-	9,262	-	-	106,761
<b>Non-Executive Director:</b>							
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 2018 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) Engagement of Remuneration Consultants

The Company has not engaged any remuneration consultants to provide remuneration recommendations in relation to Key Management Personnel during the year. The Board has established a policy for engaging external Key Management Personnel remuneration consultants which includes, inter alia, that the Non-Executive Directors on the Remuneration Committee be responsible for approving all engagements of and executing contracts to engage remuneration consultants and for receiving remuneration recommendations from remuneration consultants regarding Key Management Personnel. Furthermore, the Company has a policy that remuneration advice provided by remuneration consultants be quarantined from Management where applicable.

### (5) Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2017 reporting period held by Key Management Personnel, including their related parties are set below:

Key Management Personnel	Balance at 30 June 2017	Additions	Received as part of remuneration	Disposals	Balance at 30 June 2018
<b>Executive Directors:</b>					
Farooq Khan	2,000	-	-	-	2,000
Victor Ho	-	-	-	-	-
<b>Non-Executive Director:</b>					
Yaqoob Khan	-	-	-	-	-

Note: The disclosures of shareholdings above are in accordance with the accounting standards which require 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).

### (6) Voting and Comments on Remuneration Report at 2017 AGM

At the Company's most recent (2017) AGM, a resolution to adopt the prior year (2017) Remuneration Report was put to the vote and passed unanimously on a show of hands with the proxies received also indicating majority (91.7%) support in favour of adopting the Remuneration Report.<sup>9</sup> No comments were made on the Remuneration Report that was considered at the AGM.

This concludes the audited Remuneration Report.

<sup>9</sup> Refer Orion's ASX announcement dated 17 November 2017: Results of 2017 Annual General Meeting

# 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 (Cth)*) (**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 Orion or intervene in any proceedings to which Orion is a party for the purpose of taking responsibility on behalf of Orion for all or any part of such proceedings. Orion was not a party to any such proceedings during and since the financial year.

## AUDITORS

Details of the amounts paid or payable by the Company to the Auditors for audit and non-audit (tax services) services provided during the financial year are set out below:

Auditor	Audit & Review Fees \$	Non-Audit Services \$	Total \$
Rothsay Auditing	22,000	-	22,000

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 (Cth)*. 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.

Rothsay Auditing continues in office in accordance with section 327 of the *Corporations Act 2001 (Cth)*.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* forms part of this Directors Report and is set out on page 15. 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 27), 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  
Company Secretary

31 August 2018

# *R*OTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
P.O. Box 8716, Perth Business Centre WA 6849  
Phone (08) 9486 7094 [www.rothsayresources.com.au](http://www.rothsayresources.com.au)

The Directors  
Orion Equities Limited  
Level 2 23 Ventnor Ave  
West Perth WA 6005

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2018 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.



Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 31<sup>st</sup> August 2018



Chartered Accountants



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue	2	39,124	47,884
<b>Other</b>			
Net gain on financial assets at fair value through profit or loss		130,123	29,852
Other income		132	283
<b>TOTAL REVENUE AND INCOME</b>		<b>169,379</b>	<b>78,019</b>
<b>EXPENSES</b>	3		
Share of Associate entity's loss		(554,324)	(1,245,250)
Olive grove operation expenses		(105,374)	(37,913)
Land operation expenses		(10,053)	(33,993)
Impairment loss on property held for development or resale		-	(130,000)
Personnel expenses		(432,362)	(437,489)
Occupancy expenses		(28,268)	(23,547)
Corporate expenses		(24,926)	(28,680)
Communication expenses		(3,863)	(4,887)
Finance expenses		(1,720)	(2,588)
Administration expenses		(43,621)	(32,593)
<b>LOSS BEFORE INCOME TAX</b>		<b>(1,035,132)</b>	<b>(1,898,921)</b>
Income tax expense	5	(22,233)	(125,927)
<b>LOSS FOR THE YEAR</b>		<b>(1,057,365)</b>	<b>(2,024,848)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Revaluation of assets, net of tax		(58,614)	(275,283)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(1,115,979)</b>	<b>(2,300,131)</b>
<b>LOSS PER SHARE FOR THE LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted loss per share (cents)	6	(6.76)	(12.94)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## as at 30 June 2018

	Note	2018 \$	2017 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	35,775	207,703
Financial assets at fair value through profit or loss	8	551,901	494,357
Receivables	11	68,435	19,132
Other current assets		2,469	4,166
<b>TOTAL CURRENT ASSETS</b>		<b>658,580</b>	<b>725,358</b>
<b>NON CURRENT ASSETS</b>			
Investment in Associate entity	23	1,242,743	2,002,205
Property held for development or resale	12	1,220,000	1,220,000
Property, plant and equipment	13	1,405,383	1,512,734
Olive trees	14	-	65,500
Deferred tax asset	5	38,973	61,206
<b>TOTAL NON CURRENT ASSETS</b>		<b>3,907,099</b>	<b>4,861,645</b>
<b>TOTAL ASSETS</b>		<b>4,565,679</b>	<b>5,587,003</b>
<b>CURRENT LIABILITIES</b>			
Payables	15	515,033	257,302
Provisions	16	66,164	66,164
<b>TOTAL CURRENT LIABILITIES</b>		<b>581,197</b>	<b>323,466</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liability	5	38,973	61,206
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>38,973</b>	<b>61,206</b>
<b>TOTAL LIABILITIES</b>		<b>620,170</b>	<b>384,672</b>
<b>NET ASSETS</b>		<b>3,945,509</b>	<b>5,202,331</b>
<b>EQUITY</b>			
Issued capital	17	18,808,028	18,808,028
Reserves			
Asset revaluation reserve	18	102,746	161,360
Profit reserve	18	2,783,750	145,293
Accumulated losses		(17,749,015)	(13,912,350)
<b>TOTAL EQUITY</b>		<b>3,945,509</b>	<b>5,202,331</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Note	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
<b>BALANCE AT 1 JULY 2016</b>		18,808,028	450,344	(11,755,910)	7,502,462
Loss for the year		-	-	(2,024,848)	(2,024,848)
Profits reserve transfer		-	131,592	(131,592)	-
Other comprehensive income		-	(275,283)	-	(275,283)
<b>Total comprehensive loss for the year</b>		-	<b>(143,691)</b>	<b>(2,156,440)</b>	<b>(2,300,131)</b>
<b>BALANCE AT 30 JUNE 2017</b>		<b>18,808,028</b>	<b>306,653</b>	<b>(13,912,350)</b>	<b>5,202,331</b>
<b>BALANCE AT 1 JULY 2017</b>		18,808,028	306,653	(13,912,350)	5,202,331
Loss for the year		-	-	(1,057,365)	(1,057,365)
Profit reserve transfer	18	-	2,779,300	(2,779,300)	-
Other comprehensive income		-	(58,614)	-	(58,614)
<b>Total comprehensive loss for the year</b>		-	<b>2,720,686</b>	<b>(3,836,665)</b>	<b>(1,115,979)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends paid	19	-	(140,843)	-	(140,843)
<b>BALANCE AT 30 JUNE 2018</b>		<b>18,808,028</b>	<b>2,886,496</b>	<b>(17,749,015)</b>	<b>3,945,509</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

## for the year ended 30 June 2018

	Note	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		40,842	44,200
Dividends received		205,804	207,440
Interest received		758	1,382
Other income received		132	283
Payments to suppliers and employees		(303,847)	(382,143)
Interest paid		(27)	(64)
Sale of financial assets at fair value through profit or loss		33,735	263,693
Purchase of financial assets at fair value through profit or loss		(14,000)	(5,753)
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>7</b>	<b>(36,603)</b>	<b>129,038</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(1,446)	(123)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1,446)</b>	<b>(123)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	19	(133,879)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(133,879)</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>(171,928)</b>	<b>128,915</b>
Cash and cash equivalents at beginning of financial year		207,703	78,788
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>7</b>	<b>35,775</b>	<b>207,703</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 1. ABOUT THIS REPORT

#### 1.1 Background

This financial report covers the consolidated financial statement of the consolidated entity consisting of Orion Equities Limited (the **Company**), its subsidiaries and investments in associates (the **Consolidated Entity** or **Orion**). The financial report is presented in the Australian currency.

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**).

These financial statements have been prepared on a streamlined basis where key information is grouped together for ease of understanding and readability. The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Consolidated Entity.

Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Consolidated Entity;
- it helps to explain the impact of significant changes in the Consolidated Entity's business – for example, acquisitions; or
- it relates to an aspect of the Consolidated Entity's operations that is important to its future performance.

The notes are organised into the following sections:

- Key Performance:** Provides a breakdown of the key individual line items in the statement of comprehensive income that the Directors consider most relevant to understanding performance and shareholder returns for the year:

Notes	
2	Revenue
3	Expenses
4	Segment information
5	Tax
6	Loss per share

- Financial Risk Management:** Provides information about the Consolidated Entity's exposure and management of various financial risks and explains how these affect the Consolidated Entity's financial position and performance:

Notes	
7	Cash and cash equivalents
8	Financial assets at fair value through profit or loss
9	Financial risk management
10	Fair value measurement of financial instruments

- Other Assets and Liabilities:** Provides information on other balance sheet assets and liabilities that do not materially affect performance or give rise to material financial risk:

Notes	
11	Receivables
12	Property held for resale
13	Property, plant and equipment
14	Olive trees
15	Payables
16	Provisions

- Capital Structure:** This section outlines how the Consolidated Entity manages its capital structure and related financing costs, as well as capital adequacy and reserves. It also provides details on the dividends paid by the Company:

Notes	
17	Issued capital
18	Reserves
19	Dividend
20	Capital risk management

- Consolidated Entity Structure:** Provides details and disclosures relating to the parent entity of the Consolidated Entity, controlled entities, investments in associates and any acquisitions and/or disposals of businesses in the year. Disclosure on related parties is also provided in the section:

Notes	
21	Parent entity information
22	Investment in controlled entities
23	Investment in associate entity
24	Related party transactions

- Other:** Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered significant in understanding the financial performance or position of the Consolidated Entity:

Notes	
25	Auditors' remuneration
26	Contingencies
27	Events occurring after the reporting period

Significant and other accounting policies that summarise the measurement basis used and presentation policies and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 1.2. 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, Australia Accounting Interpretations and the *Corporations Act 2001 (Cth)*, as appropriate for for-profit entities.

#### **Compliance with IFRS**

The consolidated financial statements of the Consolidated Entity 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.

### 1.3. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Orion Equities Limited as at 30 June 2018 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.

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

### 1.4. Comparative Figures

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

### 1.5. 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.

### 1.6. 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.

### 1.7. Dividends Policy

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

### 1.8. New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not mandatory have not been early adopted.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 1.9. 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 been considered and is expected to have limited 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, and relevant amending standards	Financial Instruments	<p>AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.</p> <p>Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>	Annual reporting periods beginning on or after 1 January 2018
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 <i>Business Combinations</i>.</p> <p>Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.</p> <p>AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.</p>	Annual reporting periods beginning on or after 1 January 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 1.9 Summary of Accounting Standards Issued but not yet Effective (continued)

AASB reference	Title and Affected Standard(s)	Nature of Change	Application date
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	<p>This Standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> <li>• The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>• Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>• A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.</li> </ul>	Annual reporting periods beginning on or after 1 January 2018
AASB 15, and relevant amending standards	Revenue from Contracts with Customers	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>• Step 1: Identify the contract(s) with a customer</li> <li>• Step 2: Identify the performance obligations in the contract</li> <li>• Step 3: Determine the transaction price</li> <li>• Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>• Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</li> </ul>	Annual reporting periods beginning on or after 1 January 2018
AASB 2017-1	Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments	<p>The amendments clarify certain requirements in:</p> <ul style="list-style-type: none"> <li>• AASB 1 First-time Adoption of Australian Accounting Standards –deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration</li> <li>• AASB 12 Disclosure of Interests in Other Entities – clarification of scope</li> <li>• AASB 128 Investments in Associates and Joint Ventures – measuring an associate or joint venture at fair value</li> <li>• AASB 140 Investment Property – change in use.</li> </ul>	Annual reporting periods beginning on or after 1 January 2018



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 1.9 Summary of Accounting Standards Issued but not yet Effective (continued)

AASB reference	Title and Affected Standard(s)	Nature of Change	Application date
AASB Interpretation 22	Foreign Currency Transactions and Advance Consideration	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	Annual reporting periods beginning on or after 1 January 2018
AASB 16	Leases	<p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i>. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to re-measure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p>	Annual reporting periods beginning on or after 1 January 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 2. REVENUE

	2018	2017
	\$	\$
The consolidated loss before income tax includes the following items of revenue:		
<b>Revenue</b>		
Rental revenue	37,700	44,200
Dividend revenue	666	2,302
Interest revenue	758	1,382
	<u>39,124</u>	<u>47,884</u>
<b>Other</b>		
Net gain on financial assets at fair value through profit or loss	130,123	29,852
Other income	132	283
	<u><b>169,379</b></u>	<u><b>78,019</b></u>

#### Accounting policy

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:

#### (a) Sale of financial assets, goods and other assets

Revenue from the sale of financial assets, goods or other assets is recognised when the Consolidated Entity has passed control of the financial assets, goods or other assets to the buyer.

#### (b) Interest revenue

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

#### (c) 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

#### (d) Other revenues

Other revenues are recognised on a receipts basis.

### 3. EXPENSES

	2018	2017
	\$	\$
The consolidated loss before income tax includes the following items of expenses:		
Share of net loss of Associate entity	554,324	1,245,250
Olive grove operations		
Depreciation of olive grove assets	26,441	32,863
Impairment of olive trees	65,500	-
Other expenses	13,433	5,050
Land operations		
Impairment loss on property held for development or resale	-	130,000
Other expenses	10,053	33,993
Salaries, fees and employee benefits	432,362	437,489
Occupancy expenses	28,268	23,547
Finance expenses	1,720	2,588
Communication expenses	3,863	4,887

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

3. EXPENSES (continued)	2018	2017
	\$	\$
Corporate expenses		
ASX fees	16,954	16,993
Share registry	5,899	8,959
Other corporate expenses	2,073	2,728
Administration expenses		
Professional and legal fees	2,710	12,280
Depreciation	1,509	1,812
Other administration expenses	39,402	18,501
	<b>1,204,511</b>	<b>1,976,940</b>

### 4. SEGMENT INFORMATION

	Investments	Olive grove	Corporate	Total
2018	\$	\$	\$	\$
<b>Segment revenues</b>				
Revenue	38,497	-	-	38,497
Other	130,123	-	759	130,882
<b>Total segment revenues</b>	<b>168,620</b>	<b>-</b>	<b>759</b>	<b>169,379</b>
Personnel expenses	-	-	432,362	432,362
Finance expenses	95	101	1,720	1,916
Administration expenses	105	2,732	34,022	36,859
Depreciation expense	3	26,441	1,509	27,953
Other expenses	564,174	76,100	65,147	705,421
<b>Total segment loss</b>	<b>(395,757)</b>	<b>(105,374)</b>	<b>(534,001)</b>	<b>(1,035,132)</b>
<b>Segment assets</b>				
Cash and cash equivalents	-	-	35,775	35,775
Financial assets	539,901	-	12,000	551,901
Property held for development or resale	1,220,000	-	-	1,220,000
Investment in Associate entity	1,242,744	-	-	1,242,744
Property, plant and equipment	-	1,400,000	5,383	1,405,383
Other assets	-	1,534	108,342	109,876
<b>Total segment assets</b>	<b>3,002,645</b>	<b>1,401,534</b>	<b>161,500</b>	<b>4,565,679</b>
<b>2017</b>				
<b>Segment revenues</b>				
Revenue	46,785	-	-	46,785
Other	29,852	-	1,382	31,234
<b>Total segment revenues</b>	<b>76,637</b>	<b>-</b>	<b>1,382</b>	<b>78,019</b>
Personnel expenses	-	(10,915)	437,489	426,574
Finance expenses	704	190	2,090	2,984
Administration expenses	968	5,139	43,612	49,719
Revaluation/Depreciation expense	130,000	32,863	1,812	164,675
Other expenses	1,254,546	10,637	67,805	1,332,988
<b>Total segment loss</b>	<b>(1,309,581)</b>	<b>(37,914)</b>	<b>(551,426)</b>	<b>(1,898,921)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 4. SEGMENT INFORMATION (continued)

30 Jun 17	Investments	Olive grove	Corporate	Total
Segment assets	\$	\$	\$	\$
Cash and cash equivalents	-	-	207,703	207,703
Financial assets	494,357	-	-	494,357
Property held for development or resale	1,220,000	-	-	1,220,000
Investment in Associate entity	2,002,205	-	-	2,002,205
Property, plant and equipment	-	1,507,287	5,447	1,512,734
Other assets	-	66,778	83,226	150,004
<b>Total segment assets</b>	<b>3,716,562</b>	<b>1,574,065</b>	<b>296,376</b>	<b>5,587,003</b>

#### Accounting policy

The operating segments are reported in a manner consistent with the internal reporting provided to the "Chief Operating Decision Maker" (CODM). The Consolidated Entity's CODM is the Board of Directors who are responsible for allocating resources and assessing performance of the operating segments.

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 Grove. Corporate items are mainly comprised of corporate assets, office expenses and income tax assets and liabilities.

#### Description of segments

- Investments comprise of equity investments of companies listed on the Australian Securities Exchange (ASX) and liquid financial assets;
- Olive grove is in relation to the olive grove farm in Gingin;
- Corporate items are mainly comprised of corporate assets, office expenses and income tax assets and liabilities.

#### Liabilities

Liabilities are not reported to the CODM by segment. All liabilities are assessed at a consolidated entity level.

### 5. TAX

	2018	2017
	\$	\$
<b>The components of tax expense/(benefit) comprise:</b>		
Current tax	22,233	125,927
Deferred tax	-	-
	<b>22,233</b>	<b>125,927</b>
<b>(a) The prima facie tax on operating loss before income tax is reconciled to the income tax as follows:</b>		
Prima facie tax payable on operating loss before income tax at 27.5% (2017: 27.5%)	(290,775)	(556,834)
Adjust tax effect of:		
Other assessable income	67,112	80,861
Non-deductible expenses	20	1,517
Share of net loss of Associate	152,439	342,444
Current year tax losses not brought to account	71,204	132,012
Prior year's deferred tax assets recognition reversal	22,233	125,927
<b>Income tax attributable to entity</b>	<b>22,233</b>	<b>125,927</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

5. TAX (continued)	2018	2017
	\$	\$
<b>(b) Deferred tax assets</b>		
Fair value losses	38,973	61,206
	<u>38,973</u>	<u>61,206</u>
<b>Deferred tax liabilities</b>		
Fair value gains	38,973	61,206
	<u>38,973</u>	<u>61,206</u>
<b>(i) Movements - deferred tax assets</b>	<b>Fair value</b>	<b>Total</b>
	\$	\$
<b>At 1 July 2016</b>	<b>94,562</b>	<b>94,562</b>
(Credited)/charged to income statement	(33,356)	(33,356)
<b>At 30 June 2017</b>	<u><b>61,206</b></u>	<u><b>61,206</b></u>
<b>At 1 July 2017</b>	<b>61,206</b>	<b>61,206</b>
(Credited)/charged to income statement	(22,233)	(22,233)
<b>At 30 June 2018</b>	<u><b>38,973</b></u>	<u><b>38,973</b></u>
<b>(ii) Movements - Deferred tax liabilities</b>		
<b>At 1 July 2016</b>	<b>116,782</b>	<b>116,782</b>
Credited/(charged) to income statement	(55,576)	(55,576)
<b>At 30 June 2017</b>	<u><b>61,206</b></u>	<u><b>61,206</b></u>
<b>At 1 July 2017</b>	<b>61,206</b>	<b>61,206</b>
Credited/(charged) to income statement	(22,233)	(22,233)
<b>At 30 June 2018</b>	<u><b>38,973</b></u>	<u><b>38,973</b></u>
<b>(iii) Deferred tax recognised directly in other comprehensive income</b>	<b>2018</b>	<b>2017</b>
	\$	\$
Revaluations of land and intangible assets	22,233	125,927
	<u>22,233</u>	<u>125,927</u>
<b>Unrecognised deferred tax balances</b>		
Unrecognised deferred tax asset - revenue losses	2,809,486	2,708,242
Unrecognised deferred tax asset - capital losses	254,768	254,768
	<u>3,064,254</u>	<u>2,963,010</u>

### Critical accounting judgement and estimate

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 5. TAX (continued)

#### Tax Consolidation

The head entity, Orion Equities Limited and its controlled entities have formed a tax consolidated group with effect from 29 June 2004. The members of the tax consolidation 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.

#### Accounting policy

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

6. LOSS PER SHARE	2018	2017
Basic and diluted loss per share (cents)	<u>(6.76)</u>	<u>(12.94)</u>

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

Net loss after income tax (\$)	(1,057,365)	(2,024,848)
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#### Number of Shares

Weighted average number of ordinary shares	15,649,228	15,649,228
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The Consolidated Entity has no securities outstanding which have the potential to convert to ordinary shares and dilute the basic loss per share.

#### Accounting policy

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

7. CASH AND CASH EQUIVALENTS	2018	2017
	\$	\$
Cash at bank	<u>35,775</u>	<u>207,703</u>

#### Accounting policy

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.

Reconciliation of operating loss after income tax to net cash used in operating activities	2018	2017
	\$	\$
Loss after income tax	(1,057,365)	(2,024,848)
<b>Add non-cash items:</b>		
Depreciation	27,950	34,675
Impairment of olive trees	65,500	-
Unrealised loss on financial assets at fair value through profit or loss	(116,902)	(23,303)
Impairment loss on property held for development or resale	-	130,000
Share of net loss of Associate entity	554,324	1,245,250
<b>Changes in Assets and Liabilities:</b>		
Financial assets at fair value through profit or loss	59,358	251,391
Receivables	(49,303)	1,258
Other current assets	1,698	619
Investment in Associate entity	205,138	205,138
Payables	250,766	164,277
Provisions	-	18,654
Deferred tax	22,233	125,927
	<u>(36,603)</u>	<u>129,038</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2018	2017
	\$	\$
Listed securities at fair value	551,901	420,001
Unlisted managed fund at fair value	-	74,356
	<u>551,901</u>	<u>494,357</u>

### Accounting policy

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, financial assets at fair value through profit and loss 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 will recognise its 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.

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 sheet date which is the current bid price. The fair value of the unlisted managed fund is determined from unit price information provided by investment manager. The Consolidated Entity's investment portfolio is accounted for as a "financial assets at fair value through profit and loss" and is carried at fair value.

## 9. 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 Note 8). 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.

The Consolidated Entity holds the following financial assets and liabilities:

	2018	2017	
Note	\$	\$	
Cash and cash equivalents	7	35,775	207,703
Financial assets at fair value through profit or loss	8	551,901	494,357
Receivables	11	68,435	19,132
		<u>656,111</u>	<u>721,192</u>
Payables	15	(515,033)	(257,302)
<b>Net financial assets</b>		<u>141,078</u>	<u>463,890</u>

### (a) Market risk

Market risk is the risk that the fair value and/or future cash flows from a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises of price risk from fluctuations in the fair value of equities and interest rate risk from fluctuations in market interest rates.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 9. FINANCIAL RISK MANAGEMENT (continued)

#### (a) Market Risk (continued)

##### (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.

ASX All Ordinaries Accumulation Index	Impact on post-tax profit		Impact on other components of equity	
	2018	2017	2018	2017
	\$	\$	\$	\$
Increase 15%	(4,814)	(4,312)	(4,814)	(4,312)
Decrease 15%	4,814	4,312	4,814	4,312

##### (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 1.35% (2017: 1.35%). The revenue exposure is immaterial in terms of the possible impact on profit or loss or total equity.

	2018	2017
	\$	\$
Cash at bank	35,775	207,703

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 9. FINANCIAL RISK MANAGEMENT (continued)

#### (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:

	2018	2017
<b>Cash and Cash Equivalents</b>	\$	\$
AA-	<u>35,621</u>	<u>206,808</u>
<b>Receivables (due within 30 days)</b>		
No external credit rating available	<u>68,435</u>	<u>19,132</u>

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.

#### (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.

### 10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### Fair Value Hierarchy

AASB 13 (Fair Value Measurement) requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>2018</b>				
Financial assets at fair value through profit or loss:				
Listed securities at fair value	551,901	-	-	551,901
Land at independent valuation	-	-	1,259,608	1,259,608
<b>Total</b>	<b>551,901</b>	<b>-</b>	<b>1,259,608</b>	<b>1,811,509</b>
<b>2017</b>				
Financial assets at fair value through profit or loss:				
Listed securities at fair value	420,001	-	-	420,001
Unlisted managed fund at fair value	-	74,356	-	74,356
Land at independent valuation	-	-	1,340,455	1,340,455
Olive trees	-	-	65,500	65,500
<b>Total</b>	<b>420,001</b>	<b>74,356</b>	<b>1,405,955</b>	<b>1,900,312</b>

There have been no transfers between the levels of the fair value hierarchy during the financial year.

#### (a) Valuation techniques

The fair value of the listed securities traded in active markets is based on closing bid prices at the end of the reporting period. These investments are included in Level 1.

The fair value of any assets that are not traded in an active market are determined using certain valuation techniques. The valuation techniques maximise the use of observable market data where it is available, or independent valuation and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The fair value of the unlisted managed fund invested is valued at the audited unit price published by the investment manager and as such this financial instrument is included in Level 2.

At Level 3, the land was valued by an independent qualified valuer (a Certified Practising Valuer and Associate Member of the Australian Property Institute) as at 15 June 2017. These assets have been valued based on similar assets, location and market conditions or Direct Comparison or Comparative Sales Approach. The land value per hectare based on rural land sold in the general location provided a rate which included ground water licence. A 4% change would increase or decrease the land's fair value by approximately \$50,500.

(b) Level 3 assets	Land	Olive trees	Total
	\$	\$	\$
At 1 Jul 2016	1,741,664	65,500	1,807,164
Revaluation	(401,209)	-	(401,209)
At 30 Jun 2017	1,340,455	65,500	1,405,955
Revaluation	(80,847)	(65,500)	(146,347)
At 30 Jun 2018	1,259,608	-	1,259,608

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(c) Fair values of other financial assets and liabilities	2018	2017
	\$	\$
Cash and cash equivalents	35,775	207,703
Receivables	68,435	19,132
	<b>104,210</b>	<b>226,835</b>
Payables	(515,033)	(257,302)
	<b>(410,823)</b>	<b>(30,467)</b>

Due to their short-term nature, the carrying amounts of cash, current receivables and current payables is assumed to approximate their fair value.

11. RECEIVABLES	2018	2017
	\$	\$
GST receivable	1,841	2,069
Other receivables	52,844	3,313
Deposits	13,750	13,750
	<b>68,435</b>	<b>19,132</b>

#### Accounting policy

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.

#### Risk Exposure

The Consolidated Entity's exposure to credit and interest rate risks is discussed in Note 9.

#### Impaired Trade Receivables

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

12. PROPERTY HELD FOR RESALE	2018	2017
	\$	\$
Property held for resale	3,797,339	3,797,339
Impairment of property	(2,577,339)	(2,577,339)
	<b>1,220,000</b>	<b>1,220,000</b>

#### Critical accounting judgement and estimate

Property held for development or resale was last valued by an independent qualified valuer (a Certified Practising Valuer and Associate Member of the Australian Property Institute) as at 9 June 2017. The Directors have maintained this carrying value as at 30 June 2018 and are of the view that the property is not impaired.

#### Accounting policy

Property held for resale 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 2018

### 13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Plant and equipment	Total
	\$	\$	\$	\$
<b>2018</b>				
Cost	1,117,889	124,867	1,316,199	2,558,955
Revaluation/Additions	141,719	-	-	141,719
Accumulated depreciation	-	(70,211)	(1,225,080)	(1,295,291)
<b>Total</b>	<b>1,259,608</b>	<b>54,656</b>	<b>91,119</b>	<b>1,405,383</b>
<b>2017</b>				
Cost	1,117,889	124,867	1,314,753	2,557,509
Revaluation/Additions	222,566	-	-	222,566
Accumulated depreciation	-	(65,779)	(1,201,562)	(1,267,341)
<b>Total</b>	<b>1,340,455</b>	<b>59,088</b>	<b>113,191</b>	<b>1,512,734</b>
<b>Movements in Carrying Amounts</b>				
<b>As at 1 July 2016</b>	<b>1,741,664</b>	<b>63,879</b>	<b>142,952</b>	<b>1,948,495</b>
Revaluation/Additions	(401,209)	-	123	(401,086)
Depreciation expense	-	(4,791)	(29,884)	(34,675)
<b>As at 30 June 2017</b>	<b>1,340,455</b>	<b>59,088</b>	<b>113,191</b>	<b>1,512,734</b>
<b>As at 1 July 2017</b>	<b>1,340,455</b>	<b>59,088</b>	<b>113,191</b>	<b>1,512,734</b>
Revaluation/Additions	(80,847)	-	1,446	(79,401)
Depreciation expense	-	(4,432)	(23,518)	(27,950)
<b>As at 30 June 2018</b>	<b>1,259,608</b>	<b>54,656</b>	<b>91,119</b>	<b>1,405,383</b>

#### Critical accounting judgement and estimate

Land was valued by an independent qualified valuer (a Certified Practising Valuer and Associate Member of the Australian Property Institute) as at 15 June 2017. The Directors have impaired the carrying value by \$80,847.

In assessing the recoverable amount of the groups farm property, plant and equipment, management monitors the worldwide olive oil prices annually in determining if the Gingin olives should be harvested. As such the property, plant and equipment is carried at its written down value and continues to be depreciated as it is in a condition to be used to generate economic benefits to the group at such time as required and the assets are maintained in fair condition and therefore their recoverable amount has been assessed to be in excess of their carrying values at reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Accounting policy

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 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 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.

Class of Fixed Asset	Rate	Method
Buildings	7.50%	Diminishing Value
Plant and Equipment	5-75%	Diminishing Value

### 14. OLIVE TREES

	2018	2017
	\$	\$
Olive Trees - at cost	300,000	300,000
Revaluation	(300,000)	(234,500)
	-	65,500

#### Critical accounting judgement and estimate

There are approximately 64,500 19 year old olive trees on the 143 hectare Olive Grove located in Gingin, Western Australia. The Directors have impaired the carrying value to nil.

#### Accounting policy

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

15. PAYABLES	2018	2017
	\$	\$
Trade payables	-	6
Other payables and accrued expenses	184,950	53,809
Accrued Directors' fees and entitlements	330,083	203,487
	<u>515,033</u>	<u>257,302</u>

### Accounting policy

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.

### Risk exposure

The Consolidated Entity's exposure to risks arising from current payables is set out in Note 9.

16. PROVISIONS	2018	2017
	\$	\$
Employee benefits - annual leave	3,035	3,035
Employee benefits - long service leave	63,129	63,129
	<u>66,164</u>	<u>66,164</u>

### Accounting policy

#### 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.

#### 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.

#### (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:

	2018	2017
	\$	\$
Leave obligations expected to be settled after 12 months	<u>63,129</u>	<u>63,129</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

17. ISSUED CAPITAL	2018	2017
	\$	\$
15,649,228 Fully paid ordinary shares (2017: 15,649,228)	<b>18,808,028</b>	<b>18,808,028</b>

No movement in issued capital in the current financial year.

### Accounting policy

Ordinary shares are classified as equity. Fully paid ordinary shares carry one vote per share and the right to dividends.

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.

18. RESERVES	2018	2017
	\$	\$
<b>Asset revaluation reserve</b>		
Revaluations of freehold land	141,719	222,566
Deferred tax on revaluations	(38,973)	(61,206)
	<b>102,746</b>	<b>161,360</b>
<b>Profit reserve</b>	2,783,750	145,293
	<b>2,886,496</b>	<b>306,653</b>
<b>Movements in Asset revaluation reserve</b>		
<b>Opening balance</b>	<b>161,360</b>	<b>436,643</b>
Revaluations of freehold land	(80,847)	(401,209)
Deferred tax on revaluations	22,233	125,926
	<b>102,746</b>	<b>161,360</b>
<b>Movements in Profit reserve</b>		
<b>Opening balance</b>	<b>145,293</b>	<b>13,701</b>
Profits reserve transfer	2,779,300	131,592
Dividends paid (Note 19)	(140,843)	-
<b>Closing balance</b>	<b>2,783,750</b>	<b>145,293</b>

### Asset revaluation reserve

The movement in the Asset Revaluation Reserve relates to the revaluation of the olive grove land, as assessed by an independent qualified valuer (a Certified Practising Valuer and Associate Member of the Australian Property Institute) as at 15 June 2017. The Directors have impaired the carrying value of the land by \$80,847.

### Profits reserve

An increase in the Profits Reserve will arise when the Company or its subsidiaries generates a net profit (after tax) for a relevant financial period (i.e. half year or full year) which the Board determines to credit to the company's Profits Reserve. Dividends may be paid out of (and debited from) the company's Profits Reserve, from time to time.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 19. DIVIDENDS

	Paid On	2018 \$	2017 \$
Dividends paid in cash during the financial year:			
0.90 cent per share fully franked dividend	29-Sep-17	<u>140,843</u>	-
Franking credits available for subsequent periods based on a tax rate of 27.5%		<u>3,014,892</u>	-

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- (a) Franking credits that will arise from the receipt of dividends recognised as receivables at balance date
- (b) Franking credits that will arise from the payment of the amount of the provision for income tax; and
- (c) Franking debits that will arise from the payment of dividends recognised as a liability at balance date.

The franking credits attributable to the Consolidated Entity include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

### 20. 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.

The Consolidated Entity has no external borrowings. The Consolidated Entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business.

### 21. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Orion Equities Limited, as at 30 June 2018.

	2018 \$	2017 \$
<b>Statement of profit or loss and other comprehensive income</b>		
Loss for the year	1,626,093	(4,039,230)
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<u>1,626,093</u>	<u>(4,039,230)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 21. PARENT ENTITY INFORMATION (continued)

Statement of financial position	2018	2017
<b>Assets</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	15,652	185,919
Financial assets at fair value through profit or loss	551,901	494,357
Investment in controlled entities (at cost)	100	100
Investment in associate entity (market value)	1,948,809	2,153,947
Loans to controlled entities	6,631,129	
Provision for impairment	(3,906,613)	
Net loans to controlled entities	2,724,516	657,600
Other asset	77,895	23,719
<b>Total assets</b>	<b>5,318,873</b>	<b>3,515,642</b>
<b>Liabilities</b>		
Current liabilities	514,819	257,095
Non current liabilities	66,377	676,778
<b>Total liabilities</b>	<b>581,196</b>	<b>933,873</b>
<b>Net assets</b>	<b>4,737,677</b>	<b>2,581,769</b>
Issued capital	18,808,028	18,808,028
Accumulated losses	(16,854,101)	(16,311,296)
Profit Reserve	2,783,750	85,037
<b>Equity</b>	<b>4,737,677</b>	<b>2,581,769</b>

Loans to controlled entities are in relation to amounts owed by subsidiary companies, Silver Sands Developments Pty Ltd, Koorian Olives 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.

### 22. INVESTMENT IN CONTROLLED ENTITIES

Subsidiaries	Incorporated	Ownership Interest	
		2018	2017
		%	%
Silver Sands Developments Pty Ltd	Australia	100	100
Koorian Olives 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 22. INVESTMENT IN CONTROLLED ENTITIES (continued)

#### Accounting policy

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. 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.

#### Changes in Ownership Interests

When the Consolidated Entity ceases to have control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Consolidated Entity has directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### 23. INVESTMENT IN ASSOCIATE ENTITY

	Ownership Interest		2018	2017
	2018	2017	\$	\$
Bentley Capital Limited (ASX:BEL)	26.95%	27.07%	<u>1,242,743</u>	<u>2,002,205</u>

#### Movements in carrying amounts

Opening balance		2,002,205	3,452,593
Share of net loss after tax		(554,324)	(1,245,250)
Dividend received		(205,138)	(205,138)
Closing balance		<u>1,242,743</u>	<u>2,002,205</u>

Fair value (at market price on ASX) of investment in Associate entity

	<u>1,948,809</u>	<u>2,256,516</u>
Net asset value of investment	<u>2,518,676</u>	<u>3,235,743</u>

#### Summarised statement of profit or loss and other comprehensive income

Revenue	1,291,720	190,401
Expenses	(3,135,545)	(3,868,917)
Loss before income tax	<u>(1,843,825)</u>	<u>(3,678,516)</u>
Income tax expense	-	-
Loss after income tax	<u>(1,843,825)</u>	<u>(3,678,516)</u>
Other comprehensive income	-	-
Total comprehensive income	<u>(1,843,825)</u>	<u>(3,678,516)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 23. INVESTMENT IN ASSOCIATE ENTITY (continued)

	2018	2017
	\$	\$
<b>Summarised statement of financial position</b>		
Current assets	7,092,182	8,107,288
Non-current assets	2,593,165	4,063,419
<b>Total assets</b>	<b>9,685,347</b>	<b>12,170,707</b>
Current liabilities	323,579	209,628
Non-current liabilities	14,805	9,015
<b>Total liabilities</b>	<b>338,384</b>	<b>218,643</b>
<b>Net assets</b>	<b>9,346,963</b>	<b>11,952,064</b>

#### Accounting policy

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. On initial recognition investment in associates are recognised at cost, for investments which were classified as fair value through profit or loss, any gains or losses previously recognised are reversed through profit or loss. 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.

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.

### 24. RELATED PARTY TRANSACTIONS

#### (a) Ultimate Parent Company

ASX listed entity Queste Communications Ltd (ASX : QUE) is deemed to have control of the Consolidated Entity as it holds 59.86% (9,367,653 shares) (2017: 59.86% and 9,367,653 shares) of the Company's total issued share capital.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 24. RELATED PARTY TRANSACTIONS (continued)

#### (b) Transactions with Related Parties

During the financial year there were transactions between the Company, QUE and Associate Entity, Bentley Capital Limited (ASX: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:

	2018	2017
<b>Bentley Capital Limited</b>	<b>\$</b>	<b>\$</b>
Dividend received	205,138	205,138

#### (c) Transactions with key management personnel

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 2018. The total remuneration paid to KMP of the Consolidated Entity during the year is as follows:

	2018	2017
<b>Directors</b>	<b>\$</b>	<b>\$</b>
Short-term employment benefits	323,748	309,333
Post employment benefits	28,381	27,011
	<b>352,129</b>	<b>336,344</b>

During the year, the Consolidated Entity generated \$37,700 rental income from a KMP/close family member of a KMP (the KMP being Director, Farooq Khan), pursuant to a standard form residential tenancy agreement in respect of the Property Held for Resale (2017: \$44,200).

### 25. 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:

	2018	2017
<b>Rothsay Auditing</b>	<b>\$</b>	<b>\$</b>
Audit and Review of Financial Statements	22,000	22,000

### 26. 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 the Paulsens East (Iron Ore) Project tenement (currently a Retention Licence RL 47/7) in Western Australia currently held by Strike Resources Limited (ASX:SRK).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2018

### 27. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (a) Associate entity, Bentley Capital Limited (ASX:BEL), paid a fully-franked dividend of 0.5 cent per share on 20 July 2018. The Company received a cash dividend payment of \$102,569.

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, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes as set out on pages 16 to 45 are in accordance with the *Corporations Act 2001 (Cth)* and:
  - (a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting; and
  - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 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 Directors have been given the declarations required by section 295A of the *Corporations Act 2001 (Cth)* 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
- (4) 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 (Cth)*.



Farooq Khan  
Chairman



Victor Ho  
Company Secretary

31 August 2018



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## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ORION EQUITIES LIMITED**

### **Report on the Audit of the Financial Report**

#### *Opinion*

We have audited the financial report of Orion Equities Limited (“the Company”) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2018, 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 on that date and notes to the financial statements, including a summary of significant accounting policies and the directors’ declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group’s financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the “Code”) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s report.

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

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Key Audit Matter*

##### **Investment in Associate entity**

The Group’s investment in associate entities is a key audit matter. We do not consider the carrying value of the investment in associate entities to be at a high risk of significant misstatement or to be subject to a significant level of judgement. However due to the materiality and complexity of the investment in



Chartered Accountants





associated entities in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures over the existence, completeness and valuation of the Group's investment in associated entities included but were not limited to:

- Documenting and assessing the processes and controls in place to record transactions and to value the assets;
- Agreeing the holding in the investment in the associate to independent third party documentation;
- Agreeing the calculation of the investment in associates share of the net loss after tax to the audited accounts of the associate; and
- Ensuring compliance with AASB 128.

We have also assessed the appropriateness of the disclosures included in Notes 2, 3 and 23 to the financial report.

#### ***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### ***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 the 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.





***Auditor's Responsibility for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/Home.aspx](http://www.auasb.gov.au/Home.aspx)

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

**Report on the Remuneration Report**

***Opinion on the Remuneration Report***

We have audited the remuneration report included in the directors' report for the year ended 30 June 2018.

In our opinion the remuneration report of Orion Equities Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

***Responsibilities***

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.

**Rothsay Auditing  
Dated 31<sup>st</sup> August 2018**

**Graham Swan FCA  
Partner**



Chartered Accountants

# ADDITIONAL ASX INFORMATION

## INVESTMENT PORTFOLIO

As at 30 June 2018

Equities	Fair Value \$'m	% Net Assets	ASX Code	Industry Sector Exposures
Bentley Capital Limited <sup>1</sup>	1.95	49.39%	BEL	Diversified Financials
Strike Resources Limited	0.53	13.43%	SRK	Materials
Miscellaneous listed securities	0.02	0.56%	Various	Various
<b>TOTAL</b>	<b>2.50</b>	<b>63.38%</b>		

As at 30 September 2018

Equities	Fair Value \$'m	% Net Assets	ASX Code	Industry Sector Exposures
Bentley Capital Limited <sup>1</sup>	2.05	54.05%	BEL	Financials
Strike Resources Limited	0.5	13.18%	SRK	
<b>TOTAL</b>	<b>2.55</b>	<b>67.68%</b>		

Note:

- (1) The Company's investment in BEL, an Associated Entity (i.e. in which the Company has a greater than 20% interest), is accounted for under the equity method in the consolidated financial statements. Under the equity method, the carrying amount of such investment is cost plus a share of the Associate Entity's net profit or loss (after tax) for the financial year to balance date as provided to the Company by such Associated Entity (refer Note 23 (Investment in Associate Entity) at pages 42 and 43 of the 2018 Annual Report).

## TRANSACTIONS AND BROKERAGE

During the financial year ended 30 June 2018, the Company:

- entered into one (2017: ~20) transaction with a stock broker for the sale of listed securities, incurring nil brokerage fees (2017: ~\$738);
- invested into two IPOs (2017: nil IPOs or placements); and
- reinvested an annual income distribution from an unlisted managed fund (2017: 1) and redeemed twice (2017: 2) from the same managed fund. There were no entry or exit fees applicable to the transactions involving the managed fund.

## CORPORATE GOVERNANCE STATEMENT

The Company has adopted the Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition, March 2014) issued by the ASX Corporate Governance Council in respect of the financial year ended 30 June 2018.

Pursuant to ASX Listing Rule 4.10.3, the Company's 2018 Corporate Governance Statement (dated on or about 24 October 2018) and ASX Appendix 4G (Key to Disclosures of Corporate Governance Principles and Recommendations) can be found at the following URL on the Company's Internet website: <http://orionequities.com.au/corporate-governance>

# ADDITIONAL ASX INFORMATION

## as at 23 October 2018

### DISTRIBUTION OF FULLY PAID ORDINARY SHARES

Spread	of	Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1	-	1,000	23	9,733	0.06 %
1,001	-	5,000	63	221,230	1.41 %
5,001	-	10,000	44	336,121	2.15 %
10,001	-	100,000	57	1,761,288	11.26 %
100,001	-	and over	15	13,320,856	85.12 %
<b>Total</b>			<b>202</b>	<b>15,649,228</b>	<b>100%</b>

### UNMARKETABLE PARCELS

Spread	of	Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1	-	2,941	39	34,792	0.22%
2,942	-	over	163	15,614,436	99.78%
<b>TOTAL</b>			<b>202</b>	<b>15,649,228</b>	<b>100%</b>

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 2,941 shares or less, being a value of \$500 or less in total, based upon the Company's last sale price on ASX of \$0.17 per share, as at 23 October 2018.

### 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 or by power of attorney or, in the case of a shareholder which is a corporation, by representative;
- Every person who is present in the capacity of shareholder or the representative of a corporate shareholder shall, on a show of hands, have one vote; and
- Every shareholder who is present in person, by proxy, by power of attorney or by corporate representative shall, on a poll, have one vote in respect of every fully paid share held by him.

# ADDITIONAL ASX INFORMATION

## as at 23 October 2018

### TOP TWENTY ORDINARY, FULLY PAID SHAREHOLDERS

RANK	SHAREHOLDER	TOTAL SHARES	% ISSUED CAPITAL
1	QUESTE COMMUNICATIONS LTD	9,367,653	59.86%
2	DYNASTY PEAK PTY LIMITED	923,038	5.90%
3	THUNDERDOME PTY LTD	555,600	3.55%
4	DR STEVEN RODWELL	525,129	3.36%
5	MR SEAN DENNEHY	278,936	1.78%
6	REDSUMMER PTY LTD	225,000	1.44%
7	MS HOON CHOO TAN	197,538	1.26%
8	MR JOHN STEPHEN CALVERT	196,732	1.26%
9	MRS JANET BACKHOUSE	188,000	1.20%
10	MRS PENELOPE MARGARET SIEMON	181,355	1.16%
11	MR BRUCE ERNEST SIEMON	172,351	1.10%
12	JIT INVESTMENTS PTY LTD	150,000	0.96%
13	VIKAND CONSULTING PTY LTD	144,798	0.93%
14	MR ANTHONY NEALE KILLER & MRS SANDRA MARIE KILLER	120,000	0.77%
15	MR JOHN CHENG-HSIANG YANG & MS PEGA PING PING MOK	103,726	0.66%
16	MRS CAROLINE ANN PICKERING	100,000	0.64%
17	MS MORAG HELEN BARRETT	94,013	0.6%
18	MR DAMIAN GERARD BOWDLER & MRS MARGARET CLARE BOWDLER	85,900	0.55%
19	GIBSON KILLER PTY LTD	80,000	0.51%
20	MR LUKE FREDERICK ATKINS	74,696	0.48%
	<b>TOTAL</b>	<b>13,764,465</b>	<b>87.97%</b>

### SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Registered Shareholder	Total Number of Shares Held	% Voting Power <sup>(5)</sup>
Queste Communications Ltd (ASX:QUE)	QUE	9,367,653	59.86%(1)
Mr Azhar Chaudhri, Renmuir Holdings Limited and Chi Tung Investments Ltd	QUE Chi Tung Investments Ltd Renmuir Holdings Limited	9,367,653 50,475 4,754	60.21%(2)
Geoff Wilson, Dynasty Peak Pty Limited and GW Holdings Pty Limited	Dynasty Peak Pty Limited	923,038	5.90%(3)

Notes:

- (1) Based on the change of substantial shareholding notice filed by QUE dated 28 September 2015 (updated to reflect current percentage voting power)
- (2) Based on the change of substantial shareholding notice filed by Azhar Chaudhri, Renmuir Holdings Limited and Chi Tung Investments Ltd dated 28 September 2015 (updated to reflect current percentage voting power)
- (3) Based on the initial substantial shareholding notice filed by Geoff Wilson dated 28 February 2018
- (4) Movements of less than 1% in voting power are not required to be disclosed to ASX via an updated substantial shareholding notice and accordingly, there may be variances between the shareholdings recorded in the table above and the most recent substantial shareholding notices lodged on ASX. Current registered shareholdings have been disclosed (where applicable).



**ASX Code: OEQ**

**Orion Equities Limited**  
**A.B.N. 77 000 742 843**

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