

Winter 2009 Outlook



In this edition:

- Australia's commercial debt markets
- Property market overview
- Orchard Fund distribution guidance
- Orchard Fund summaries

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Contents

| | |
|--|----|
| Commercial debt markets | 1 |
| Property market overview | 4 |
| Orchard fund distribution guidance | 5 |
| Childcare Property Fund | 5 |
| Commercial Office Fund | 5 |
| Diversified Property Fund | 6 |
| Essential HealthCare Trust | 6 |
| Hybrid Property Fund | 6 |
| Primary Infrastructure Fund | 7 |
| Social Infrastructure Trust | 7 |
| Sydney HealthCare Trust | 8 |
| Industrial Property Fund | 8 |
| Banksia Street Heidelberg Joint Venture | 8 |
| Barossa Valley Resort | 9 |
| Chevron Renaissance Property Trust | 9 |
| Primary Health Care Darlinghurst Syndicate | 10 |
| Sydney Land Syndicate | 10 |
| Orchard fund summaries | |
| Childcare Property Fund | 11 |
| Commercial Office Fund | 14 |
| Diversified Property Fund | 17 |
| Essential HealthCare Trust | 20 |
| Hybrid Property Fund | 22 |
| Primary Infrastructure Fund | 24 |
| Social Infrastructure Trust | 27 |
| Sydney HealthCare Trust | 29 |
| Industrial Property Fund | 31 |
| Banksia Street Heidelberg Joint Venture | 34 |
| Barossa Valley Resort | 36 |
| Chevron Renaissance Property Trust | 38 |
| Primary Health Care Darlinghurst Syndicate | 40 |
| Sydney Land Syndicate | 42 |
| Key terms | 44 |

Commercial debt markets

“The magnitude of the current global crisis, which has moved rapidly beyond the financial sector into the real economy, requires a pragmatic approach, including some of the unprecedented measures governments are undertaking around the world. In Australia we are indeed fortunate to have a relatively healthy banking system and a sounder regulatory environment than in many other economies.”

Charles Macek, Chairman, Orchard Funds Limited

Economists' views suggest that despite 2009 remaining difficult, the Australian economy will rebound from the downturn in a far better position than many of our counterparts in the developed world. While an economic improvement is predicted as a result of fiscal stimulus action, the depth and timing of the re-adjustment is difficult to predict under the current unprecedented market conditions.

While the latest interest rate cuts make finance cheaper for homeowners, the commercial finance markets present a landscape of vast contrast¹. In the current market, listed Australian Real Estate Investment Trusts (A-REITs) and other property fund managers are negotiating with their financiers for debt facility extensions and leniency in finance covenants at a time when property valuations are declining.

The retreat of some foreign banks from the Australian market has created a huge liquidity shortage with serious ramifications for all property fund managers and investors. One of the major impacts of this credit shortage has manifested itself in much higher costs to commercial property borrowers.

Australia led the world in developing the Real Estate Investment Trust (REIT) structure, which has enabled small investors to gain access to large and well diversified property portfolios, thus deriving reliable income based on property rental streams and participating in long term capital appreciation.

At its peak in May 2007, the A-REIT sector was capitalised at some \$139 billion and now, two years later the sector hit its lowest point on 9 March 2009 when the entire sector was capitalised at less than \$37 billion. However, industry analysts UBS suggest the deterioration of asset values is driven by the lack of credit in the market, not by property supply and demand fundamentals².

The listed property trust industry is scheduled to refinance \$15 billion in the next 18 months and all listed and unlisted property fund managers regardless of size, market stature and credit rating are finding the bank negotiations challenging³. With refinancing deadlines looming, the ever increasing fee structures and bank lending margins are shaving millions from investors' distributions.

Bank lending margins (which are charged over and above the cash rate set by the Reserve Bank of

Australia) have increased substantially over the last 12 months. These additional costs impact negatively on fund cash flows, in particular those with higher fixed rates, and their ability to pay distributions to investors.

Additionally, for many investors the reality is about to surface as fund managers revalue assets and head precariously close to breaching bank covenants. When bank covenants are breached banks may step in and sell assets to recover their own debt exposure.

The irony is that a substantial proportion of Australian property managed funds have solid assets generating ample cash flows and incomes to service the debt. Additionally, the current lack of credit and buyers is further contributing to property devaluations and applying more pressure on a fund potentially breaching bank covenants on loan facilities. This market complexity could potentially result in fund managers having to sell quality assets at a time when prices are significantly undervalued.

The table that follows on page two highlights the impact that movements in capitalisation rates (cap rates) have on the value of commercial property.

When cap rates tighten or fall, property values rise. Conversely, when cap rates soften or rise, property values fall.

According to the research produced by Goldman Sachs JBWere, cap rates for prime office buildings were 4.75% to 6% at the peak around August 2007. Cap rates for prime office today are higher at around 7%. This expansion in cap rates equates to an 18% decline in prime office values in Australia.

The drop in property values shown in the table opposite does not take into account the impact of gearing in a property fund which magnifies the size of the fall in the value of the investment.

For example, if you have \$100,000 to invest and you borrow another \$100,000 from the bank. You then purchase a property for \$200,000. This investment is geared at 50%.

If the property increases in value by 10% to \$220,000 you have earned a positive return of 20% (or \$20,000 profit) on your original \$100,000 capital investment and your gearing ratio has gone down from 50% to 45%.

1. Lonsec Property update, February 2009.

2. The Australian Financial Review, 5 March 2009.

3. The Australian, 23 April 2008.

Commercial debt markets

Estimated capitalisation rate movements from peak levels to current levels

| Asset class | Peak cap rate | Current cap rate | Change | Equivalent property devaluation |
|-------------------------------|---------------|------------------|--------|---------------------------------|
| Prime office | 4.75 - 6.00% | 7.00% | 1.25% | -18% |
| A Grade office | 6.00 - 7.00% | 7.70% | 1.25% | -16% |
| B Grade and suburban office | 7.50 - 8.00% | 9.50% | 1.75% | -18% |
| Prime industrial warehouse | 6.00 - 7.25% | 8.50% | 2.00% | -24% |
| Multi let industrial | 7.00 - 8.00% | 10.00% | 2.50% | -25% |
| Super regional malls | 4.75 - 6.00% | 6.25% | 1.75% | -28% |
| Regional malls | 5.25 - 6.00% | 7.00% | 1.25% | -18% |
| Sub regional shopping centres | 7.00 - 8.00% | 8.75% | 1.25% | -14% |
| Neighbourhood centres | 6.00 - 7.50% | 9.50% | 2.25% | -24% |
| Bulky goods retail | 6.50 - 8.00% | 10.00% | 3.00% | -30% |

Source: Goldman Sachs JBWere REIT Monthly June 2009

On the other hand, if the property value goes down by 10% from \$200,000 to \$180,000 and you still owe the bank \$100,000 then you have lost \$20,000 and your original capital has dropped to \$80,000; this is equivalent to a return of -20% and your investment's gearing ratio has gone up from 50% to 55%.

When banks lend money on commercial property, they usually impose bank covenants or borrowing conditions. Borrowers are expected to meet these covenants otherwise there may be serious consequences such as being forced into a mortgagee sale.

In the above investment example, the bank may impose a loan to value (LVR or gearing) ratio limit of 50%. This means that the level of your debt relative to your capital value must not exceed 50%. If it does, you are in breach of the bank's LVR covenant. The bank will require you to remedy the breach by paying the bank more of your capital to reduce the amount of borrowings and bring the LVR back down to 50% otherwise the bank could force you to sell the property.

In the current environment, a rise in cap rates is only adding to the challenges that all property fund managers are dealing with: falling property values, rising debt levels, tight credit conditions, higher interest costs and staying within debt facilities' bank covenants. These conditions all contribute to a very challenging situation.

Industry researchers such as Lonsec suggest the credit crisis will reverse but it is difficult to predict the timeline of such changes⁵. Meanwhile, banks are cognisant of the potential damage that may result from forced asset sales but the application of pressure without force is likely to remain on fund managers for some time

as banks balance their property exposure with debt recovery.

What this means for your investments

In early 2008 Orchard commenced a fund-by-fund stabilisation program to mitigate against the looming threat of declining asset values, refinancing risks and the cost and availability of capital. The continued threat of covenant breaches and the rising costs of interest rate margins have all funds under significant pressure.

Orchard's recent negotiations with lenders have demonstrated a good relationship with financiers achieving positive outcomes of enhanced facility flexibility, greater certainty around debt funding going forward and successful debt facility extensions. A focus towards reducing loan to value ratios (LVR) is of paramount importance to banks. Whilst a reduction in LVRs will reduce the impacts of interest rate charges, Orchard continues to consider alternative measures that will further diversify funding sources and allow for long term preservation of the underlying assets and investor capital.

5. Lonsec Property update, February 2009.

Commercial debt markets

In some property portfolios this will result in continued selective sales where assets fall outside a fund's core strategy or where appropriate asset values can be realised.

Orchard continues to revalue its portfolio regularly to ensure the true market asset values are being disclosed. This strategy ensures that investors are kept apprised of the latest values of their investments and that our management fees (linked to asset values) are not artificially inflated.

Fund distributions

Last year, we changed the distribution frequency from quarterly to annual across all Orchard unlisted funds. That decision helped build the cash reserves in the funds to meet the banking covenants during a time of declining property values.

As we approached the end of the financial year, we assessed each fund's capacity to pay a distribution in July based on its current financial position. The likely distribution based on the current position for each fund, is summarised in the distribution guidance tables on pages 5 to 10 of this report.

Property market overview

Office

The office sector has reported some significant changes in the first quarter of 2009 with tenant demand softening and flat absorption rates nationally⁷.

The resource heavy markets of Brisbane and Perth are experiencing the weakest demand and falling rents of 4.4% and 7.9% respectively⁷.

Rentals and capital values are predicted to fall sharply in Perth and Brisbane⁹. Sydney and Melbourne continue to be impacted by the economic downturn with rising rental incentive levels reaching 25% in Sydney's market, the highest level since 1995⁷.

Vacancy rates in Melbourne are currently low at just 4.8%⁹ but are predicted to increase over the next 12 months as a result of sublease availability.

The expected limited additional supply to office in Melbourne in 2011 and 2012 along with a rebound in tenant demand, will provide a positive future rental environment for landlords and a robust outlook once the market adjusts⁹.

Retail

The retail sector is predicted to be the least volatile of the property sectors⁸ as centres underpinned by non discretionary retailers such as Woolworths and Coles continue to perform well reporting increased sales activity during the 2009 March quarter compared with previous years.

In contrast discretionary speciality retailers struggle with reduced sales and declining margins.

Rental growth has slowed significantly with growing pressures on landlords to provide incentives to regain or entice new tenants in neighbourhood, sub-regional and bulky goods centres.

Industrial markets

Negative rental growth and softening investment yields of 25-50 basis points⁷ across most industrial markets have been reported. This translates into lower property valuations.

Falling import and trade volumes have resulted in weaker demand for warehouse and distribution facilities⁷.

Rents in Sydney, Melbourne and Brisbane have remained static or declined marginally⁷.

7. Jones Lang LaSalle Preliminary Market Overview First Quarter 2009.

8. Lonsec Property update, February 2009.

9. ANZ Property Outlook, March 2009.

Fund distribution guidance

Based on funds' current financial positions

| Orchard fund | Key considerations | Distribution FY2009 | Forecast FY2010 distribution |
|--------------------------------|--|---|---|
| Childcare Property Fund | <p>Debt maturity</p> <p>National Australia Bank (NAB) has agreed to extend the loan facility to 31 March 2010. Longer term finance remains subject to an outcome on the ABC Learning Centres receivership process.</p> <p>Cashflow pressure – finance costs</p> <p>As a condition of the NAB refinancing, amortisation (debt repayment) of \$1.5 million per quarter is required from 1 July 2009.</p> <p>In addition, in the last 12 months, the Fund's interest rate margins have increased from 0.75% to 3.20% plus bank fees of \$1.14 million were charged. The Fund's cost of finance (base rate plus bank margin) now amounts to 8.73% p.a.</p> | <p>\$4.29 million is available for distribution in July 2009.</p> <p>This equates to a distribution of 3.25 cents per unit.</p> | <p>Given the amortisation requirement (\$1.5 million per quarter) and refinancing risk in March 2010 no quarterly distributions are forecast to be made during 2010.</p> <p>Subject to a successful resolution of the ABC receivership process, the Manager will endeavour to reinstate quarterly distributions once the refinancing risk has been mitigated.</p> |
| Commercial Office Fund | <p>Debt maturity</p> <p>National Australia Bank (NAB) has agreed to extend the loan facility by one year to 1 July 2010. A three year extension to 1 July 2012 has been agreed subject to the repayment of \$30 million from a successful capital raising.</p> <p>Loan covenants</p> <p>In the absence of a capital raising or asset sales, forecast declines in asset values are likely to cause breaches in both the NAB and Suncorp facilities.</p> <p>Short lease durations may also cause a breach in the Suncorp facility.</p> <p>Both NAB and Suncorp have agreed to relax key covenants in the event of a successful capital raising.</p> <p>Cashflow pressure – finance costs</p> <p>Until the planned capital raising is executed NAB requires amortisation (debt repayment) of \$1.5 million per quarter from 1 July 2009.</p> <p>In addition, in the last 12 months, the Fund's bank interest rate margins on NAB's debt facility have increased from 0.75% to 1.9% plus bank fees of \$2.32 million.</p> <p>The Fund's weighted average cost of finance (base rate plus bank margin) now amounts to 7.55% p.a.</p> | <p>Due to the debt amortisation requirement of \$1.5 million per quarter and debt facility fees charged, no distributions will be paid for the 2009 year.</p> | <p>Given the amortisation requirement (\$1.5 million per quarter) and the timetable for the capital raising likely to extend to late 2009, investors should not plan for the resumption of normal distributions in 2010. However, firm guidance relating to distributions in 2010 is likely to be advised late this year.</p> |

Fund distribution guidance

Based on funds' current financial positions

| Orchard fund | Key considerations | Distribution FY2009 | Forecast FY2010 distribution |
|-----------------------------------|--|---|---|
| Diversified Property Fund | <p>Loan covenants</p> <p>In the absence of a capital raising or asset sales, declines in asset values are likely to cause breaches in NAB, BOSI and CBA facilities.</p> <p>In addition, the Fund's decline in distribution receipts from its investment in property funds is forecast to cause a breach of its interest cover ratio (ICR) covenant.</p> <p>Orchard has engaged with all of the Fund's banks with a view of negotiating a longer term solution to covenant issues.</p> <p>Cashflow pressure – finance costs</p> <p>Amortisation (debt repayment) of \$3 million was due and paid on 30 June 2009 and a further \$60 million by 31 December 2009.</p> <p>In addition, in the last 12 months, the Fund's average bank interest rate margins have increased from 1.0% to 2.15% (increasing to 2.31%) plus bank fees of \$700,000 were charged.</p> <p>The Fund's weighted average cost of finance (base rate plus bank margin) now amounts to 8.19% p.a.</p> | <p>Given the BOSI amortisation requirement, no distributions will be paid for the 2009 year.</p> | <p>Given the BOSI amortisation requirement and proximity to LVR breaches in both the NAB and CBA debt facilities, distributions are unlikely to resume until further debt reduction is achieved across the BOSI, NAB and CBA facilities, or the respective facilities are renegotiated.</p> |
| Essential HealthCare Trust | <p>Capital expenditure</p> <p>The Trust's debt facility has recently been renegotiated to include a \$26.9 million capital expenditure facility that is required for income producing works across four hospitals over the next two years.</p> <p>In anticipation of the required capital expenditure, the North Gosford Private Hospital was sold in June 2009. Proceeds from the sale were used to reduce the Trust's debt.</p> <p>Cashflow pressure – finance costs</p> <p>In the last 12 months, the Trust's bank interest rate margin has increased from 1.1% to 2.2% plus bank fees of \$100,000 were charged.</p> <p>The Trust's weighted average cost of finance (base rate plus bank margin) now amounts to 8.4% p.a.</p> | <p>A full year distribution of 8.5 cents per unit is intended to be made in late July 2009.</p> | <p>Earnings per unit are forecast to be approximately 9.0 cents per unit per annum. Payment of a proportion of the earnings is anticipated to be made quarterly.</p> |
| Hybrid Property Fund | <p>Income from unlisted investments</p> <p>49% of the Trust's income has historically been derived from investments in unlisted investments and 69% of the Trust's assets are currently allocated to unlisted investments. Many of these investments have deferred or stopped making distribution payments.</p> | <p>\$175,000 is forecast to be available for a distribution in July 2009.</p> <p>This equates to 2.0 cents per unit. This figure does not include any distributable income that may be derived from the Fund's investment in the ING Wholesale Global Property Securities Fund.</p> | <p>Quarterly distributions are forecast to resume in 2010. The Manager will pay out net income received.</p> |

Fund distribution guidance

Based on funds' current financial positions

| Orchard fund | Key considerations | Distribution FY2009 | Forecast FY2010 distribution |
|------------------------------------|---|---|---|
| Primary Infrastructure Fund | <p>Agricultural Stress</p> <p>The Fund continues to be affected by restricted tenancy performance impacted by agricultural stress caused by continuing drought conditions and poor commodity prices.</p> <p>Debt maturity</p> <p>The Fund's loan facilities from the Commonwealth Bank of Australia (CBA) comprise \$10 million due in November 2008, \$3.3 million in August 2009 and \$61.4 million maturing in December 2017.</p> <p>CBA has recently advised it will extend the \$10 million facility until late 2009 (\$2.6 million of this facility has now been repaid).</p> <p>In response, Orchard has placed Qualco West, Baiada Tamworth and Lake Powell on the market in an effort to repay this current debt.</p> <p>Loan covenants</p> <p>Given the recent failures of the two largest agribusiness scheme operators, we believe that a number of agricultural properties will be placed on the market in the near future, further depressing asset values.</p> <p>In the absence of a capital raising or asset sales, declines in asset values are likely to cause a breach in the CBA core facility.</p> <p>Orchard continues to engage with CBA with a view of negotiating a longer term solution to debt maturity and pending covenant issues.</p> <p>Cashflow pressure – finance costs</p> <p>In the last 12 months, the Fund's bank interest rate margin has increased from 0.9% to 2.3%.</p> <p>The bank is currently reviewing its debt facility, which will likely lead to further margin increases.</p> <p>The Fund's weighted average cost of finance (base rate plus bank margin) now amounts to 8.03% p.a.</p> | <p>Due to the current \$10 million debt maturity (\$2.6 million has now been repaid) and the pending \$3.3 million debt maturity in August 2009, no distributions will be paid for the 2009 year.</p> | <p>Given the current \$7.4 million and pending \$3.3 million debt maturities and the Fund's proximity to LVR breaches, distributions are unlikely to resume until debt repayment and reduction across the three facilities is achieved or the respective facilities are renegotiated.</p> |
| Social Infrastructure Trust | <p>Income from unlisted investments</p> <p>The Trust is currently fully invested in the Essential HealthCare Trust (EHCT).</p> <p>Essential HealthCare Trust</p> <p>Capital expenditure</p> <p>The Trust's debt facility has recently been renegotiated to include a \$26.9 million capital expenditure facility that is required for income producing works across four hospitals over the next two years.</p> | <p>A total of \$710,000 is available for distribution in July 2009.</p> <p>This equates to 6.25 cents per unit.</p> | <p>Subject to no unforeseen deterioration in the financial condition of EHCT, annualised distributions of 7.00 cents per unit are forecast to resume in 2010. Distributions will be paid quarterly from the end of October 2009.</p> |

Fund distribution guidance

Based on funds' current financial positions

| Orchard fund | Key considerations | Distribution FY2009 | Forecast FY2010 distribution |
|--|--|---|---|
| Social Infrastructure Trust continued | <p>In anticipation of the required capital expenditure, the North Gosford Private Hospital was sold in June 2009. Proceeds from the sale were used to reduce the Trust's debt.</p> <p>Cashflow pressure – finance costs</p> <p>In the last 12 months, the Trust's bank interest rate margin has increased from 1.1% to 2.2% plus bank fees of \$100,000 were charged.</p> <p>The Trust's weighted average cost of finance (base rate plus bank margin) now amounts to 8.4% p.a.</p> | | |
| Sydney HealthCare Trust | <p>Loan covenants</p> <p>All Trust assets were independently valued during the quarter. The valuations received showed a weighted average increase in yield of 1.5% in the 12 months since the last independent valuations were undertaken. This equates to a revised portfolio value of \$62.85 million, down from \$69 million in December 2008. As a result, the Fund's LVR is now at 59.5% against a bank covenant of 60%.</p> <p>While there has been no breach of any covenant, the Trust is looking to dispose of an asset to reduce the LVR pressure.</p> <p>Cashflow pressure – finance costs</p> <p>In the last 12 months, the Fund's bank interest rate margin has increased from 0.75% to 2.4%.</p> <p>The Trust's weighted average cost of finance (base rate plus bank margin) now amounts to 8.76% p.a.</p> | <p>Given the current LVR constraints, approximately half of the Trust's taxable income will be distributed in July 2009. This is equivalent to 1.50 cents per unit. The remainder of the taxable income is expected to be distributed at a future date. This is subject to an unconditional contract of sale being signed on one of the Trust's assets.</p> | <p>Subject to no unforeseen deterioration in the financial condition of the Trust, annualised distributions of 6.75 cents per unit are forecast to resume in 2010. Distributions will be paid quarterly from the end of October 2009.</p> |
| Industrial Property Fund | <p>Growthpoint proposal</p> <p>Orchard recently announced that the Fund has entered into an implementation agreement with South African based Growthpoint Properties Limited to recapitalise and restructure the Fund through a \$200 million capital raising.</p> <p>Loan covenants</p> <p>The Fund's LVR is currently 68.8% against a covenant of 70%. The \$200 million capital raising will reduce the LVR to approximately 50% based on revised book values.</p> | <p>Distributions totalling 0.75 cents per unit for the half year ended 30 June 2009 was announced to the ASX on 19 June 2009.</p> | <p>Full distribution guidance for 2010 is included in the Meeting Booklet for the Rights Issue sent to Unitholders in late June 2009.</p> |
| Banksia Street Heidelberg Joint Venture | <p>Loan covenants</p> <p>An independent valuer has recently valued the property at \$15.3 million, representing a reduction of approximately 4% from the previous independent valuation of \$15.9 million in January 2008. This indicates an LVR of 54.5% against an LVR bank covenant of 65%.</p> | <p>Distributions totalling \$2,868 per unit have been paid to date. The June distribution is due to be paid at the end of July 2009.</p> | <p>Subject to no further decline in the value of the property, the Joint Venture will continue to distribute its operating profit on a quarterly basis from October 2009.</p> |

Fund distribution guidance

Based on funds' current financial positions

| Orchard fund | Key considerations | Distribution FY2009 | Forecast distribution FY2010 |
|--|---|---|--|
| Banksia Street Heidelberg Joint Venture continued | <p>Cashflow pressure – finance costs</p> <p>The Joint Venture's bank interest rate margin has increased from 1.0% to 1.6%.</p> <p>The Joint Venture's weighted average cost of finance (base rate plus bank margin) now amounts to 8.39% p.a.</p> | | |
| Barossa Valley Resort | <p>Meetings Incentives Conferences & Events (MICE) business continues to remain at very low levels, an issue facing the hospitality industry generally at the present time. Numerous sales campaigns focusing on MICE and Leisure are underway to stimulate demand. Forecasts for the remainder of the calendar year show a significant reduction in revenue.</p> <p>Forecast distributions for the remainder of the 2009 calendar year are expected to be a minimum of 6.0 cents per unit (annualised), but are contingent upon future trading conditions and the resort's expenditure requirements.</p> | Normal monthly distributions are continuing to be paid. | We expect the Fund will continue to pay its monthly distributions. |
| Chevron Renaissance Property Trust | <p>Debt maturity</p> <p>The Trust's loan facility from NAB matures in February 2010.</p> <p>During the quarter NAB agreed to extend the loan facility to February 2012 on the basis that the Trust's LVR is reduced to 55%. Orchard is currently reviewing various capital raising options.</p> <p>Loan covenants</p> <p>The property was independently valued during the March 2009 quarter. The valuation resulted in a weighted average yield increase of 1% in the 14 months since the last independent valuation was undertaken.</p> <p>This means that the property's value has dropped by \$15 million. As a result, the Trust's LVR is 69% against a revised covenant of 70%.</p> <p>Cashflow pressure – finance costs</p> <p>As a condition of NAB increasing the LVR from 65% to 70%, NAB requires an amortisation of \$250,000 per quarter from 1 July 2009.</p> <p>In the last 12 months, the Trust's bank interest rate margin has increased from 0.75% to 2.5% plus bank fees of \$300,000.</p> <p>The Trust's weighted average cost of finance (base rate plus bank margin) now amounts to 8.35% p.a.</p> | Given the current LVR constraints, no distributions will be paid for the 2009 year. | Given the quarterly amortisation and LVR reduction requirement (by February 2010), firm distribution guidance will be provided after capital raising plans are further progressed. |

Fund distribution guidance

Based on funds' current financial positions

| Orchard fund | Key considerations | Distribution FY2009 | Forecast distribution FY2010 |
|---|--|---|--|
| Primary Health Care Darlinghurst Syndicate | <p>Loan covenants</p> <p>An independent valuer has recently valued the property at \$13 million, representing a reduction of approximately 8% from the previous independent valuation of \$14 million in January 2008. This indicates an LVR of 62.16%, close to the 63% LVR bank covenant.</p> <p>Cashflow pressure – finance costs</p> <p>The Syndicate's bank interest rate margin has remained at 1.0%.</p> <p>The Syndicate's weighted average cost of finance (base rate plus bank margin) amounts to 7.36% p.a.</p> | <p>Given the current LVR constraints, approximately 70% of the Syndicate's available cash will be retained and used to reduce debt. An amount of \$78,250 is expected to be paid in July 2009. This equates to \$107.20 per unit.</p> | <p>Given the current LVR constraints, we will continue to monitor the possibility of making quarterly distributions in 2010.</p> |
| Sydney Land Syndicate | <p>An application to develop the Balmoral Road property has been lodged.</p> <p>Finance terms have been agreed with NAB; funding has been approved subject to the development application being approved and other conditions being fulfilled.</p> | <p>Given the pending property development, no distribution will be paid.</p> | <p>This will depend on the successful development of the Balmoral Road property, however it is unlikely that distributions will be made in 2010.</p> |

Orchard Childcare Property Fund

Fund overview

| | | | |
|-------------------------------------|---------------|---------------------|-------------------------------|
| Inception date | November 2003 | Distribution status | Annually in June [^] |
| Total asset value | \$239.5m* | Withdrawal status | On hold |
| Unit price (as at 28 February 2009) | \$1.0462 | | |

* Estimated and unaudited figure.

[^] Refer below.

Fund summary

Orchard has completed the assignment of leases for 46 child care centre properties previously leased to ABC Learning Centres.

Orchard has entered into long term arrangements with three existing child care operators for 11 child care centres previously operated by ABC and closed by the receivers, McGrath Nicol.

Nurture One is an experienced child care operator that has a specialisation in regional areas. It now leases 10 of the properties owned by the Fund. In total, this tenant operates 23 centres. Kids in Care has been involved in child care services for over 20 years. It now leases 25 of the centres owned by the Fund. A further nine centres have been leased to Preschool Services Australia; two additional individual tenants have also been secured for two other centres.

The Fund will be further strengthened by these new lease arrangements with terms of 15 years (plus 5 x 5 year options) agreed at the same rent levels as those paid by ABC. Orchard remains confident that the two remaining centres will be leased or sold to other child care centre operators. In addition, Orchard has contracted to sell several small development sites and will use the proceeds from these sales to reduce the Fund's debt.

Pleasingly we have recently agreed terms with the Fund's financier to extend the debt to 31 March 2010. Longer term finance remains subject to the ABC receivership process being finalised. In the meantime, the financier is requiring amortisation (debt repayment) of \$1.5 million per quarter, from 1 July 2009.

Distribution outlook

A total of \$4.29 million is available for a distribution (3.25 cents per unit) in July 2009.

Given the amortisation requirement (\$1.5 million per quarter) and refinancing risk in March 2010 quarterly distributions are not forecast to be made during 2010.

Subject to a successful resolution of the ABC receivership process, the Manager will endeavour to reinstate quarterly distributions once the refinancing risk has been mitigated.

Portfolio overview

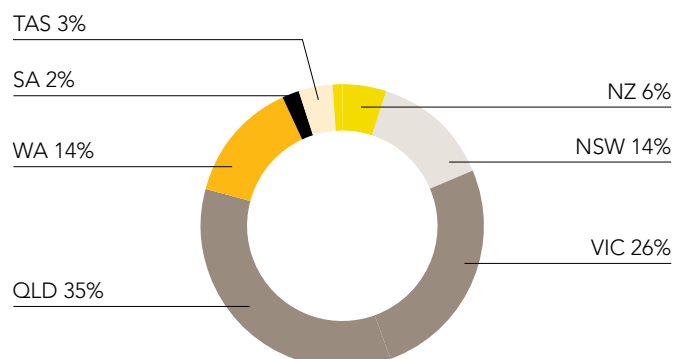
| | | | | | |
|---|-----|---------------------------------------|---|--|------|
| Number of directly held properties | 216 | Number of indirect investments | 1 | Total number of properties Fund has exposure to | >600 |
|---|-----|---------------------------------------|---|--|------|

Asset allocation

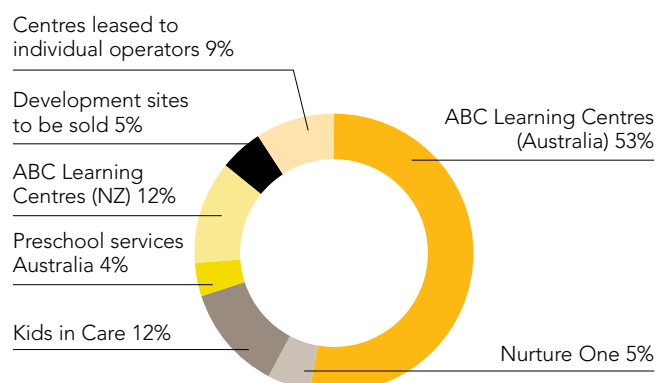
| | | |
|------------------------|------------------------|------------------------------|
| Direct property | Listed property | Cash and other assets |
| 96% | 1% | 3% |

Orchard Childcare Property Fund

Geographic allocation



Tenant allocation



Tenancy details

Occupancy rate 95.5%

Weighted average lease expiry (WALE) 6.9 years

Lease expiry profile

| Expires during | Vacant | 2009 - 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019+ |
|----------------|--------|-------------|------|------|------|------|------|-------|
| (%) | 5 | 0 | 27 | 25 | 25 | 9 | 3 | 11 |

Debt overview

| Description | Covenant | Actual |
|---------------------------------------|--------------------|---------|
| Total direct borrowings | n/a | \$119.3 |
| Total direct borrowing facility limit | n/a | \$119.3 |
| LVR | 55.0% ¹ | 45.9% |
| ICR ² | 1.5 | 2.22 |

| Description | Actual |
|--|--------|
| Average interest rate (p.a.) | 8.73% |
| Hedged component | 80% |
| Gearing ratio ^{3*} | 49.54% |
| Interest cover ratio ^{4*} (times) | 2.13 |

* Unaudited figures.

¹ LVR based off the last independent valuations.

² Calculated as per bank facility covenant.

³ The gearing ratio is calculated in accordance with ASIC's Regulatory Guide 46. It is calculated as total interest bearing liabilities divided by total assets. A higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to Fund assets.

⁴ The interest cover ratio is calculated in accordance with ASIC's Regulatory Guide 46. It gives an indication of the Fund's ability to meet its interest payments from earnings. The higher the ratio the easier the Fund can meeting its interest expense.

Orchard Childcare Property Fund

Performance[^]

| As at 31 March 2009 | Distribution yield ¹ (% p.a.) | Capital growth ² (% p.a.) | Total return ³ (% p.a.) | Tax-deferred proportion ⁴ (%) |
|-------------------------------|---|---|---------------------------------------|---|
| 1 year | 1.51 | -18.51 | -17.00 | 100 |
| 3 years | 5.63 | -3.38 | 2.25 | 100 |
| 5 years | 7.06 | 0.91 | 7.97 | 100 |
| Since inception (August 2003) | 7.04 | 0.80 | 7.84 | 100 |

1 The distribution yield is equal to the total return less capital growth, assuming reinvestment of distributions.

2 The capital growth is the change in unit price, annualised for the relevant period.

3 The total return is equal to the change in unit price including reinvestment of distributions, annualised for the relevant period.

4 The tax-deferred portion relates to the distribution received. It does not apply to the capital growth component of the total return. Figures are for the relevant period ended 30 June 2008.

[^] Past performance is no indication of future performance.

Orchard Commercial Office Fund

Fund overview

| | | | |
|-------------------------------------|--------------|---------------------|----------------------|
| Inception date | October 2005 | Distribution status | On hold [^] |
| Total asset value | \$391.8m* | Withdrawal status | On hold |
| Unit price (as at 28 February 2009) | \$0.9979 | | |

* Estimated and unaudited figure. Due to no distributions and subsequently, accrued cash, the total asset value has increased by \$3 million from the December 2008 quarter.

[^] Refer below.

Fund summary

During the last quarter Orchard successfully negotiated a three year extension of the Fund's term loan facility with National Australia Bank (NAB). The new term remains subject to a repayment of \$30 million, which we expect will be met through a capital raising.

In anticipation of the capital raising, Orchard negotiated further flexibility in a number of key covenants, including loan to value and interest cover ratios and the weighted average lease expiry ratio on both NAB and Suncorp facilities.

In addition to planning for a capital raising as part of a debt reduction strategy, Orchard tested the market for asset sales. Public campaigns for two of the Fund's Melbourne assets were run but were subsequently withdrawn from the market. One of the properties has since progressed into due diligence with an interested party through an off market enquiry.

We also believe that the property at 233 Castlereagh Street warrants a full marketing campaign and we have appointed Jones Lang LaSalle. The property was released to the market in late June.

Leasing update

New lease terms have been negotiated for the following assets:

Eden Business Park, Auckland¹ – Orion Systems International Ltd exercised its five year lease option, committing until March 2014 and has also leased additional space of 355.5 square metres;

233 Castlereagh Street, Sydney¹ – Carlson Wagonlit Australia exercised its five year lease option, committing until May 2014;

235 Pyrmont Street, Sydney – Roadshow Films Pty Ltd has committed to a three year lease over two levels of the property, totalling 1861 square metres; and

600 St Kilda Road, Melbourne – Monsanto Australia Limited committed to a three year lease.

¹ The Fund owns 50% of this property

Distribution outlook

Until the planned capital raising is executed successfully and NAB is paid \$30 million, the Fund has a debt amortisation requirement of \$1.5 million per quarter. Due to this requirement and the increased debt facility fees charged, a distribution will not be paid in July 2009.

Given the amortisation requirement (\$1.5 million per quarter) and the timetable for the capital raising likely to extend to late 2009 investors should not plan for the resumption of normal distributions in 2010. Firm guidance relating to distributions in 2010 is unlikely to be made until late this year.

Portfolio overview

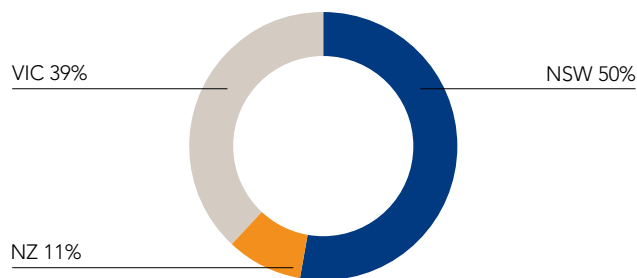
| | | | | | |
|------------------------------------|---|--------------------------------|---|---|----|
| Number of directly held properties | 6 | Number of indirect investments | 5 | Total number of properties Fund has exposure to | 12 |
|------------------------------------|---|--------------------------------|---|---|----|

Orchard Commercial Office Fund

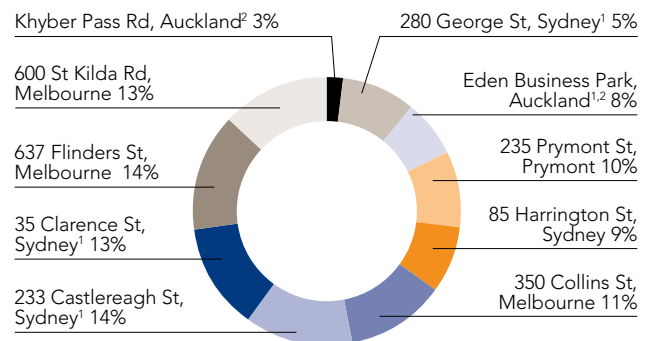
Asset allocation

| Direct property | Indirect property | Fixed interest | Cash and other assets |
|-----------------|-------------------|----------------|-----------------------|
| 72% | 3% | 22% | 3% |

Geographic allocation



Property allocation



1 Commercial Office Fund owns 50% of these properties.
2 Exchange rate of AU\$1.00 = NZ\$1.2094 taken as at 31 March 2009.

Tenancy details

| | | | |
|----------------|-----|--------------------------------------|-----------|
| Occupancy rate | 95% | Weighted average lease expiry (WALE) | 3.5 years |
|----------------|-----|--------------------------------------|-----------|

Lease expiry profile

| Expires during | Vacant | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016+ |
|----------------|--------|------|------|------|------|------|------|------|-------|
| (%) | 5 | 9 | 14 | 18 | 14 | 6 | 4 | 27 | 3 |

Debt overview

| Description | Covenant | Actual | Description | Actual |
|---------------------------------------|----------|----------|--|--------|
| Total direct borrowings | n/a | \$190.0m | Average interest rate ³ p.a. (Direct) | 7.55% |
| Total direct borrowing facility limit | n/a | \$190.0m | Hedged component | 93% |
| LVR ¹ | 65.0% | 62.3% | Gearing ratio ^{4*} | 48.55% |
| ICR ² | 1.50 | 1.64 | Interest cover ratio ^{5*} (times) | 1.97 |

* Unaudited figures.

1 LVR calculation uses last independent valuations.

2 Calculated as per bank facility covenant.

3 This figure includes a margin of 190 basis points.

4 The gearing ratio is calculated in accordance with ASIC's Regulatory Guide 46. It is calculated as total interest bearing liabilities divided by total assets. A higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to Fund assets.

5 The interest cover ratio is calculated in accordance with ASIC's Regulatory Guide 46. It gives an indication of the Fund's ability to meet its interest payments from earnings. The higher the ratio the easier the Fund can meeting its interest expense.

Orchard Commercial Office Fund

Performance[^]

| As at 31 March 2009 | Distribution yield ¹ (% p.a.) | Capital growth ² (% p.a.) | Total return ³ (% p.a.) | Tax-deferred proportion ⁴ (%) |
|--------------------------------|---|---|---------------------------------------|---|
| 1 year | 1.41 | -19.03 | -17.62 | 66 |
| 2 years | 4.05 | -7.32 | -3.27 | 83 |
| 3 years | 5.60 | -0.07 | 5.53 | 89 |
| Since inception (October 2005) | 6.00 | -0.06 | 5.94 | 89 |

1 The distribution yield is equal to the total return less capital growth, assuming reinvestment of distributions.

2 The capital growth is the change in unit price, annualised for the relevant period.

3 The total return is equal to the change in unit price including reinvestment of distributions, annualised for the relevant period.

4 The tax-deferred portion relates to the distribution received. It does not apply to the capital growth component of the total return. Figures are for the relevant period ended 30 June 2008.

[^] Past performance is no indication of future performance.

Orchard Diversified Property Fund

Fund overview

| | | | |
|-------------------------------------|-----------|---------------------|----------------------|
| Inception date | June 1992 | Distribution status | On hold [^] |
| Total asset value | \$933.3m* | Withdrawal status | On hold |
| Unit price (as at 28 February 2009) | \$ 0.7539 | | |

* Estimated and unaudited figure.

[^] Refer below.

Fund summary

With property values across the entire Australian market declining, the management focus for the Orchard Diversified Property Fund (DPF or the Fund) continues to be on debt amortisation through the sale of non-core assets and support for fund stabilisation strategies being employed across the Fund's core indirect investments.

The following developments occurred during the quarter:

1. Contracts for the sale of 10 Felix Street, Brisbane were exchanged in January 2009. The sale was settled in March 2009 for \$23 million. The majority of proceeds were used to reduce debt taking the direct portfolio LVR to 61.9% (measured by bank accepted valuations). This property was originally purchased in June 2001 for \$13.9 million;
2. A \$200 million recapitalisation of the ASX listed Orchard Industrial Property Fund was announced. Whilst this raising will significantly dilute the Fund's current 43% holding, it will stabilise the value of its investment;
3. Refinancing of the Commercial Office Fund, in which the Fund has a 29% holding;
4. Refinancing of the Essential Healthcare Trust, in which the Fund has a 42% holding.
5. The sale of 64 Allara Street, ACT was completed on 25 June 2009 for \$18.5 million representing an 8.00% yield on fully leased income. The property was sold from the Orchard Sustainable Canberra Trust, which is a 100% owned sub trust of DPF.

A repayment of \$8.5 million to the Bank of Scotland International Pty Ltd (BOSI) was made following realisation of the Fund's remaining units in Goodman Australia Industrial Fund. A further \$3 million was due and paid on 30 June 2009 and \$60 million is due by 31 December 2009.

Due to the Fund's decline in distribution receipts from its investment in other property funds, it is forecast that the Fund will breach its BOSI interest cover ratio covenant during financial year 2009/2010. Orchard will work closely with the financier to gain a waiver for the breach or change in covenant measure.

Distribution outlook

Given the pending BOSI amortisation requirement no distributions will be paid for the 2009 year. Distributions are unlikely to resume until further debt reduction across the BOSI, NAB and CBA facilities is achieved or the respective facilities are renegotiated.

Strategic review

Orchard has recently engaged KPMG to assist with a strategic review of the Fund and renegotiation of the BOSI facility. It is envisaged that this review will identify a broad range of potential capital management and restructuring alternatives that will provide a long term solution to all Fund stakeholders.

Orchard Diversified Property Fund

Portfolio overview

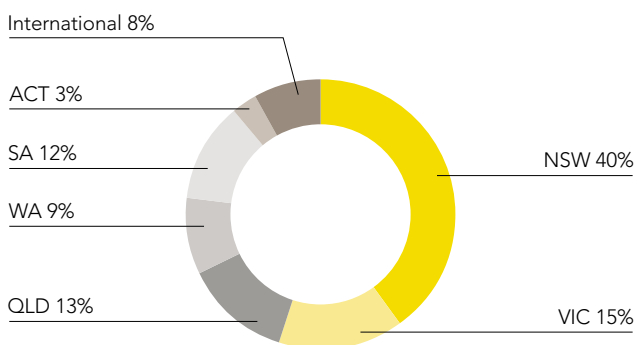
| | | | | | |
|------------------------------------|---|--------------------------------|----|--|------|
| Number of directly held properties | 9 | Number of indirect investments | 25 | Total number of properties Fund has exposure to ¹ | 350+ |
|------------------------------------|---|--------------------------------|----|--|------|

¹ This figure has decreased since the December 2008 quarter due to the realisation of the Fund's remaining units in Goodman Australia Industrial Fund.

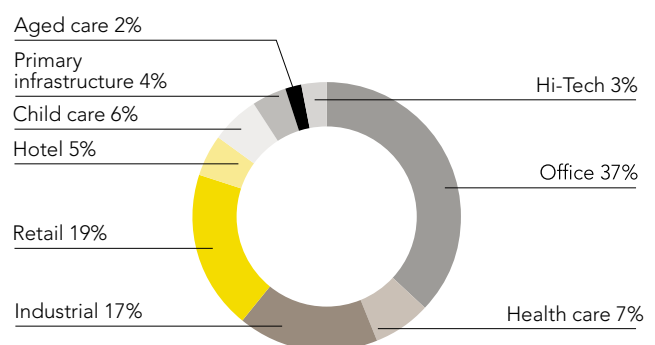
Asset allocation

| Direct property | Unlisted property | Listed property | Fixed interest | Cash and other assets |
|-----------------|-------------------|-----------------|----------------|-----------------------|
| 29% | 61% | 4% | 3% | 3% |

Geographic allocation



Sector allocation



Tenancy details

| | | | |
|-----------------------|-----|--------------------------------------|-----------|
| Occupancy rate (Fund) | 97% | Weighted average lease expiry (WALE) | 7.5 years |
|-----------------------|-----|--------------------------------------|-----------|

Lease expiry profile (direct portfolio)

| Expires during | Vacant | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016+ |
|----------------|--------|------|------|------|------|------|------|------|-------|
| (%) | 5 | 13 | 12 | 5 | 25 | 8 | 3 | 2 | 28 |

Orchard Diversified Property Fund

Debt overview

| Description | Covenant | Actual | Description | Actual |
|---------------------------|----------|--------|--|----------|
| LVR - NAB ¹ | 65.0% | 61.9% | Total direct borrowings | \$365.0m |
| ICR - NAB ² | 1.20 | 1.23 | Total direct borrowing facility limit | \$365.0m |
| NTV - BOSI ³ | 65.0% | 82.2% | Average interest rate ⁷ (p.a.) | 8.40% |
| ICR - BOSI ^{2,4} | 0.90 | 0.50 | Hedged component | 88% |
| LVR - CBA ⁵ | 65.0% | 75.0% | Gearing ratio ^{8*} | 66.28% |
| ICR - CBA ^{2,6} | 1.40 | 1.65 | Interest cover ratio ^{9*} (times) | 0.95 |

* Unaudited figures.

1 LVR calculation based on last independent valuations.

2 Calculated as per bank facility covenant.

3 Waiver being sought from BOSI.

4 Does not constitute a breach.

5 Facility only relates to one property. Property is currently being marketed for sale.

6 Measured annually - YTD to 31 March 2009.

7 This figure includes an average bank margin of 215 basis points and will increase to 8.36% (increase of margin to 231 basis points).

8 The gearing ratio is calculated in accordance with ASIC's Regulatory Guide 46. It is calculated as total interest bearing liabilities divided by total assets. A higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to Fund assets.

9 The interest cover ratio is calculated in accordance with ASIC's Regulatory Guide 46. It gives an indication of the Fund's ability to meet its interest payments from earnings. The higher the ratio the easier the Fund can meeting its interest expense.

Performance[^]

| As at 31 March 2009 | Distribution yield ¹ (% p.a.) | Capital growth ² (% p.a.) | Total return ³ (% p.a.) | Tax-deferred proportion ⁴ (%) |
|-----------------------------|---|---|---------------------------------------|--|
| 1 year | 1.28 | -42.02 | -40.74 | 100 |
| 3 years | 5.26 | -17.90 | -12.64 | 100 |
| 5 years | 6.80 | -8.85 | -2.05 | 99 |
| 10 years | 8.31 | -3.76 | 4.55 | 90 |
| Since inception (June 1992) | 7.72 | -1.66 | 6.06 | 73 |

1 The distribution yield is equal to the total return less capital growth, assuming reinvestment of distributions.

2 The capital growth is the change in unit price, annualised for the relevant period.

3 The total return is equal to the change in unit price including reinvestment of distributions, annualised for the relevant period.

4 The tax-deferred portion relates to the distribution received. It does not apply to the capital growth component of the total return. Figures are for the relevant period ended 30 June 2008.

[^] Past performance is no indication of future performance.

Orchard Essential HealthCare Trust

Trust overview

| | | | |
|-------------------------------------|--------------|---------------------|------------------------|
| Inception date | January 2003 | Distribution status | Quarterly [^] |
| Total asset value | \$190.9m* | Withdrawal status | Not applicable |
| Unit price (as at 28 February 2009) | \$1.1084 | | |

* Estimated and unaudited figure.
[^] Refer below.

Trust summary

In June 2009, Orchard announced the sale of North Gosford Private Hospital to an entity associated with the existing tenant Health Care Australia Pty Limited. North Gosford Private Hospital was a wholly owned asset of the Orchard Essential HealthCare Trust (EHCT or the Trust).

The proceeds received upon settlement were \$29.45 million which is in line with the December 2008 carrying value of the hospital in the accounts of EHCT. An amount of \$26.95 million from the sale has been used to repay debt thereby providing additional flexibility under the debt facility. As a result, the Trust's gearing level has reduced from 64.73% to 59.48% (on current book values) compared with a bank loan to value ratio (LVR) covenant of 65%.

Distribution outlook

A full year distribution of 8.5 cents per unit is intended to be made in late July 2009.

Earnings per unit are forecast to be approximately 9.0 cents per unit per annum. Payment of a proportion of the earnings is anticipated to be made quarterly.

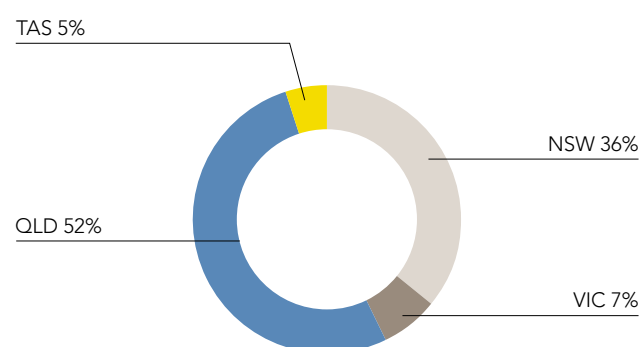
Portfolio overview

| | | | | | |
|------------------------------------|----|--------------------------------|---|---|----|
| Number of directly held properties | 13 | Number of indirect investments | 0 | Total number of properties Fund has exposure to | 13 |
|------------------------------------|----|--------------------------------|---|---|----|

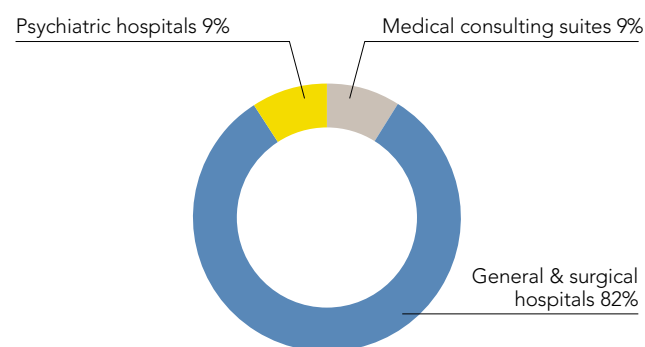
Asset allocation

| Direct property | Fixed interest | Cash and other assets |
|-----------------|----------------|-----------------------|
| 95% | 3% | 2% |

Geographic allocation



Sector allocation



Orchard Essential HealthCare Trust

Tenancy details

| | | | |
|----------------|------|--------------------------------------|------------|
| Occupancy rate | 100% | Weighted average lease expiry (WALE) | 21.1 years |
|----------------|------|--------------------------------------|------------|

Lease expiry profile

| Expires during | Vacant | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016+ |
|----------------|--------|------|------|------|------|------|------|------|-------|
| (%) | 0 | 0 | 6 | 0 | 0 | 2 | 0 | 0 | 92 |

Debt overview

| Description | Covenant | Actual | Description | Actual |
|---------------------------------------|----------|----------|--|--------|
| Total direct borrowings | n/a | \$114.6m | Average interest rate ³ (p.a.) | 7.94% |
| Total direct borrowing facility limit | n/a | \$114.6m | Hedged component | 84% |
| LVR ¹ | 70.0% | 64.2% | Gearing ratio ^{4*} | 59.81% |
| ICR ² | 1.75 | 1.99 | Interest cover ratio ^{5*} (times) | 1.65 |

* Unaudited figures.

1 Post the sale of North Gosford Private Hospital, the LVR covenant has been reduced to 65.0% and the actual is 59.5%.

2 The Fund did not meet the Interest Cover Ratio (ICR) required under the covenants of its facility with Bank of Scotland International (BOSI) as at 31 December 2008. On 18 March 2009, the Fund signed an amendment to the facility with BOSI redefining the ICR covenant. Under the revised definition there would not have been a breach of the ICR covenant as at 31 December 2008. BOSI has indicated their intention to give a waiver in relation to the ICR breach upon receipt of the half-year financial statements, and at last report were in the process of submitting a paper to their credit area. The breach was due to outdated wording of ICR, where ICR was measured against EBITDA. Current accounting standards cause non-cash items such as derivative and property revaluations to be included in EBITDA, which makes it redundant as a measure of interest cover. The revised agreement is now measuring ICR against a net rental figure commencing in the March 2009 quarter. This figure has been calculated as per bank facility covenant.

3 Due to a facility renegotiation to include a development component, the average interest rate will increase to 7.94% on the drawdown of the development facility, likely in June 2009.

4 The gearing ratio is calculated in accordance with ASIC's Regulatory Guide 46. It is calculated as total interest bearing liabilities divided by total assets. A higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to Fund assets.

5 The interest cover ratio is calculated in accordance with ASIC's Regulatory Guide 46. It gives an indication of the Fund's ability to meet its interest payments from earnings. The higher the ratio the easier the Fund can meeting its interest expense.

Performance[^]

| As at 31 March 2009 | Distribution yield ¹ (% p.a.) | Capital growth ² (% p.a.) | Total return ³ (% p.a.) | Tax-deferred proportion ⁴ (%) |
|---------------------------------|---|---|---------------------------------------|--|
| 1 year | 2.01 | -7.46 | -5.46 | 100 |
| 3 years | 6.85 | -1.15 | 5.69 | 100 |
| 5 years | 8.16 | 2.08 | 10.24 | 100 |
| Since inception (November 2002) | 8.68 | 1.68 | 10.36 | 100 |

1 The distribution yield is equal to the total return less capital growth, assuming reinvestment of distributions.

2 The capital growth is the change in unit price, annualised for the relevant period.

3 The total return is equal to the change in unit price including reinvestment of distributions, annualised for the relevant period.

4 The tax-deferred portion relates to the distribution received. It does not apply to the capital growth component of the total return. Figures are for the relevant period ended 30 June 2008.

[^] Past performance is no indication of future performance.

Orchard Hybrid Property Fund

Fund overview

| | | | |
|----------------------------------|-----------|---------------------|------------------------|
| Inception date | May 2003 | Distribution status | Quarterly [^] |
| Total asset value | \$6.5m* | Withdrawal status | On hold |
| Unit price (as at 31 March 2009) | \$ 0.7732 | | |

* Estimated and unaudited figure.

[^] Refer below.

Fund summary

The rebound on global share markets that began early in March has continued into June. In the US the S&P500 index finished the first week of June up 39% on its 12 year low of 9 March 2009, buoyed by stronger than expected earnings data. The Australian sharemarket has also made significant gains, with the S&P200 rebounding 26% from its low of 6 March 2009.

In the property sector, the UBS Global Investors index rose by 3.43% during the month, and the ASX300 Property Accumulation Index increased by 4.24%.

Both listed managers underperformed their benchmark for the three months ending 31 May 2009; BT by 1.07% and ING by 3.58%. Despite this, both managers have outperformed their respective benchmarks on a 12 month and two years basis.

The unlisted managers underperformed their benchmark for the month ended May 2009, primarily due to the deferral of distributions until June 2009.

The Fund remains underweight to both Australian and global listed property and overweight in Australian unlisted property.

The primary objective of the Board and management is to provide liquidity to current investors. To achieve this, the Fund must reweight from the unlisted sector to the listed sector, however its ability to do this will ultimately depend on the position of its unlisted funds.

Distribution outlook

Orchard estimates \$175,000 is available for distribution in July 2009. This equates to 2.0 cents per unit.

This figure is based on distribution guidance received to date from the Fund's underlying investments. This forecast income figure does not include any distributable income that may be derived from the Fund's investment in the ING Wholesale Global Property Securities Fund, as ING has yet to provide distribution guidance. The final distribution payable by the Fund will vary depending on the quantum of the distribution received from ING.

Quarterly distributions are forecast to resume in 2010 and the Fund will pay out all net income received.

Portfolio overview

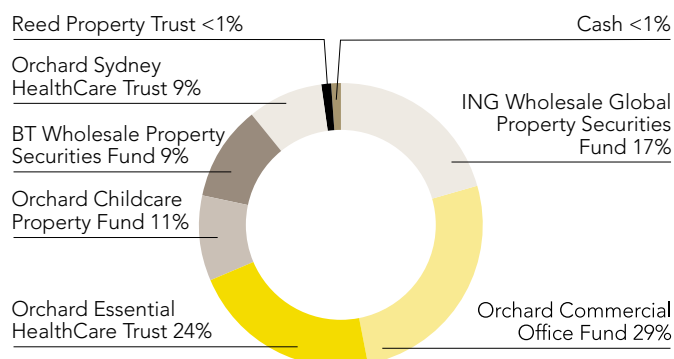
| | | | |
|------------------------------------|---|--------------------------------|---|
| Number of directly held properties | 0 | Number of indirect investments | 7 |
|------------------------------------|---|--------------------------------|---|

Asset allocation

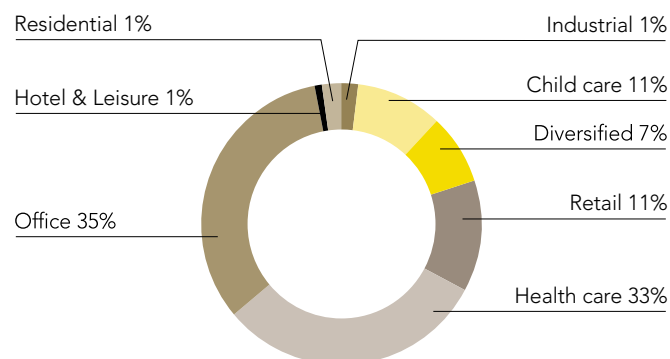
| Unlisted property | Global listed property | Australian listed property | Cash and other assets |
|-------------------|------------------------|----------------------------|-----------------------|
| 73% | 17% | 9% | 1% |

Orchard Hybrid Property Fund

Investment by value



Sector allocation



Performance[^]

| As at 31 March 2009 | Distribution yield ¹ (% p.a.) | Capital growth ² (% p.a.) | Total return ³ (% p.a.) | Benchmark return (% p.a.) ⁴ | Performance differential (% p.a.) | Tax-deferred proportion ⁵ (%) |
|----------------------------|---|---|---------------------------------------|---|--------------------------------------|---|
| 1 year | 1.34 | -30.29 | -28.95 | -26.95 | -2.00 | 57 |
| 3 years | 7.28 | -10.79 | -3.51 | 2.16 | -1.35 | 48 |
| 5 years | 7.78 | -3.86 | 3.92 | 4.83 | -0.91 | 64 |
| Since inception (May 2003) | 7.60 | -4.20 | 3.40 | 5.68 | -2.28 | 70 |

1 The distribution yield is equal to the total return less capital growth, assuming reinvestment of distributions.

2 The capital growth is the change in unit price, annualised for the relevant period.

3 The total return is equal to the change in unit price including reinvestment of distributions, annualised for the relevant period.

4 Benchmark is currently 50% Australian Government 10 year Bond Rate + 3%; 30% UBS Investors Global Real Estate Index (A\$ Hedged); 15% S&P/ASX 200 Property; Accumulation Index; 5% UBS Bank Bill Index. Prior to September 2007, the Benchmark was InTech 50/50 Composite Index.

5 The tax-deferred proportion relates to the distribution received. It does not apply to the capital growth component of the total return. Figures are for the relevant period ended 30 June 2008.

[^] Past performance is no indication of future performance.

Orchard Primary Infrastructure Fund

Fund overview

| | | | |
|-------------------------------------|----------------|---------------------|----------------------|
| Inception date | September 2004 | Distribution status | On hold [^] |
| Total asset value | \$125.9m* | Withdrawal status | On hold |
| Unit price (as at 28 February 2009) | \$0.6746 | | |

* Estimated and unaudited figure.

[^] Refer below.

Fund summary

The first quarter was a difficult start to the year in the agricultural sector. Weather extremes have had a significant impact on horticultural yields and the failures of the two largest agribusiness scheme managers have placed the sector in the spotlight.

Despite all tenants in the sector experiencing some level of distress, the Fund has maintained 100% occupancy and all tenants continue to meet their rental obligations.

During the first quarter of 2009 a total of \$1.35 million of required capital expenditure was applied across four of the Fund's assets. Capital works included a broiler facility (used for chicken that is bred for meat) that was constructed at Racecourse Road, Nagambie for \$1.27 million and \$800,000 across three other properties.

To manage its debt amortisation and refinancing issues the Fund has used free cashflow and its cash reserves to retire debt. In addition Qualco West, Lake Powell and Baiada properties have been marketed for sale. Final offers for the properties marketed are currently being assessed.

Distribution outlook

Given the current \$10.0 million amortisation (which has been reduced to \$7.4 million, as a result of \$2.6 million being repaid) and with an additional requirement of \$3.3 million debt maturity due in August 2009, no distributions will be paid for the 2009 year. Firm guidance relating to distributions in 2010 is unlikely to be made until debt repayment and reduction across the Fund's three facilities is achieved or the facilities are renegotiated.

Portfolio overview

| | | | | | |
|------------------------------------|----|--------------------------------|---|---|----|
| Number of directly held properties | 18 | Number of indirect investments | 1 | Total number of properties Fund has exposure to | 19 |
|------------------------------------|----|--------------------------------|---|---|----|

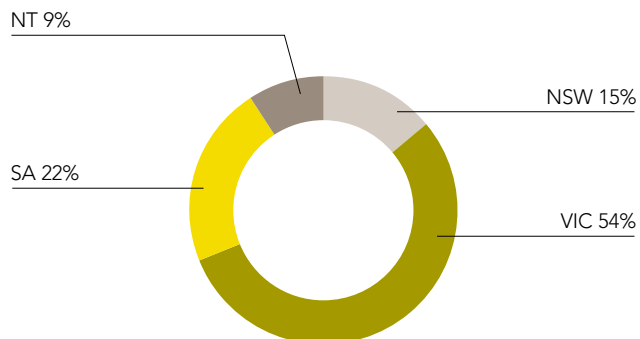
Asset allocation

| | | |
|-----------------|--------------------------------|-----------------------|
| Direct property | Unlisted property ¹ | Cash and other assets |
| 91% | 4% | 5% |

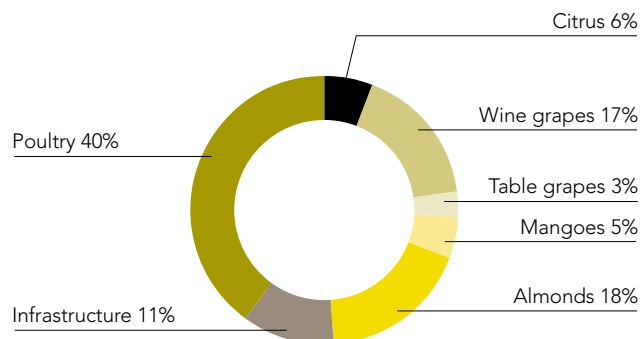
¹ Investment in Sunwest Citrus Property Trust.

Orchard Primary Infrastructure Fund

Geographic allocation



Sector allocation¹



¹ The Fund invests in the land and infrastructure that underpins primary production.

Tenancy details

Occupancy rate

100%

Weighted average lease expiry (WALE)

13 years

Lease expiry profile

| Expires during | Vacant | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016+ |
|----------------|--------|------|------|------|------|------|------|------|-------|
| (%) | - | - | - | - | - | 1 | - | - | 99 |

Debt overview

| Description | Covenant | Actual |
|---------------------------------------|----------|---------|
| Total direct borrowings | n/a | \$71.4m |
| Total direct borrowing facility limit | n/a | \$72.3m |
| LVR ¹ | 58.8% | 55.8% |
| ICR ² | 1.50 | 2.04 |

| Description | Actual |
|--|--------|
| Average interest rate ³ (p.a.) | 8.03% |
| Hedged component | 80% |
| Gearing ratio ^{4*} | 66.31% |
| Interest cover ratio ^{5*} (times) | 1.86 |

* Unaudited figures.

¹ Measured annually on 30 June. Figures are YTD 31 March 2009. LVR is based on the last independent valuations.

² Calculated as per bank facility covenant.

³ This figures includes an average bank margin of 246 basis points.

⁴ The gearing ratio is calculated in accordance with ASIC's Regulatory Guide 46. It is calculated as total interest bearing liabilities divided by total assets. A higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to Fund assets.

⁵ The interest cover ratio is calculated in accordance with ASIC's Regulatory Guide 46. It gives an indication of the Fund's ability to meet its interest payments from earnings. The higher the ratio the easier the Fund can meeting its interest expense.

Orchard Primary Infrastructure Fund

Performance[^]

| As at 31 March 2009 | Distribution yield ¹ (% p.a.) | Capital growth ² (% p.a.) | Total return ³ (% p.a.) | Tax-deferred proportion ⁴ (%) |
|---------------------------------|---|---|---------------------------------------|---|
| 1 year | 2.56 | -15.78 | -13.22 | 100 |
| 3 years | 6.76 | -13.17 | -6.42 | 100 |
| Since inception (February 2004) | 7.82 | -7.34 | 0.48 | 100 |

1 The distribution yield is equal to the total return less capital growth, assuming reinvestment of distributions.

2 The capital growth is the change in unit price, annualised for the relevant period.

3 The total return is equal to the change in unit price including reinvestment of distributions, annualised for the relevant period.

4 The tax-deferred portion relates to the distribution received. It does not apply to the capital growth component of the total return. Figures are for the relevant period ended 30 June 2008.

[^] Past performance is no indication of future performance.

Orchard Social Infrastructure Trust

Trust overview

| | | | |
|-------------------------------------|-----------|---------------------|------------------------|
| Inception date | July 2007 | Distribution status | Quarterly [^] |
| Total asset value | \$9.9m* | Withdrawal status | On hold |
| Unit price (as at 28 February 2009) | \$0.9039 | | |

* Estimated and unaudited figure.

[^] Refer below.

Trust summary

Orchard Social Infrastructure Trust is fully invested in the Essential HealthCare Trust (or EHCT).

In June 2009, Orchard announced the sale of North Gosford Private Hospital to an entity associated with the existing tenant Health Care Australia Pty Limited. North Gosford Private Hospital was a wholly owned asset of EHCT.

The proceeds received upon settlement were \$29.45 million which is in line with the December 2008 carrying value of the hospital in the accounts of EHCT. An amount of \$26.95 million from the sale has been used to repay debt thereby providing additional flexibility under the debt facility. As a result, EHCT's gearing level has been reduced from 64.73% to 59.48% (on current book value) compared with a bank loan to value ratio (LVR) covenant of 65%.

Distribution outlook

A total of \$710,000 is available for distribution in July 2009. This equates to 6.25 cents per unit.

Subject to no unforeseen deterioration in the financial condition of the Trust, annualised distributions of 7.00 cents per unit are forecast to resume in 2010. Distributions will be paid quarterly from the end of October 2009.

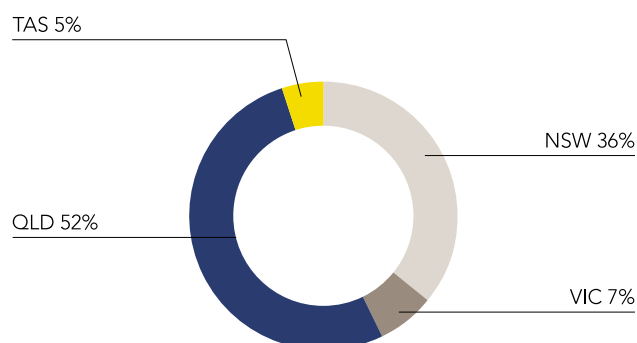
Portfolio overview

| | | | | | |
|------------------------------------|---|--------------------------------|---|---|----|
| Number of directly held properties | 0 | Number of indirect investments | 1 | Total number of properties Fund has exposure to | 13 |
|------------------------------------|---|--------------------------------|---|---|----|

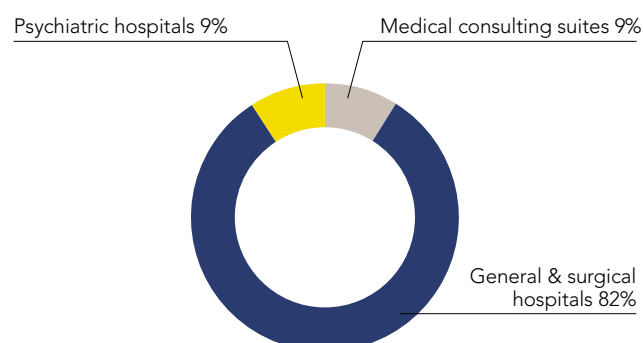
Asset allocation

| | |
|-------------------|-----------------------|
| Unlisted property | Cash and other assets |
| 96% | 4% |

Geographic allocation



Sector allocation



Orchard Social Infrastructure Trust

Tenancy details (indirect portfolio)

| | | | |
|----------------|------|--------------------------------------|------------|
| Occupancy rate | 100% | Weighted average lease expiry (WALE) | 21.1 years |
|----------------|------|--------------------------------------|------------|

Lease expiry profile

| Expires during | Vacant | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016+ |
|----------------|--------|------|------|------|------|------|------|------|-------|
| (%) | 0 | 0 | 6 | 0 | 0 | 2 | 0 | 0 | 92 |

Performance[^]

| As at 31 March 2009 | Distribution yield ¹ (% p.a.) | Capital growth ² (% p.a.) | Total return ³ (% p.a.) | Tax-deferred proportion ⁴ (%) |
|-----------------------------|---|---|---------------------------------------|--|
| 1 year | 1.77 | -9.61 | -7.84 | 100 |
| Since inception (July 2007) | 4.35 | -5.61 | -1.26 | 100 |

1 The distribution yield is equal to the total return less capital growth, assuming reinvestment of distributions.

2 The capital growth is the change in unit price, annualised for the relevant period.

3 The total return is equal to the change in unit price including reinvestment of distributions, annualised for the relevant period.

4 The tax-deferred portion relates to the distribution received. It does not apply to the capital growth component of the total return. Figures are for the relevant period ended 30 June 2008.

[^] Past performance is no indication of future performance.

Orchard Sydney HealthCare Trust

Trust overview

| | | | |
|-------------------------------------|--------------|---------------------|------------------------|
| Inception date | October 2002 | Distribution status | Quarterly [^] |
| Total asset value | \$70.6m* | Withdrawal status | Not applicable |
| Unit price (as at 28 February 2009) | \$1.1969 | | |

* Estimated and unaudited figure. This figure includes property assets and cash.
[^] Refer below.

Fund summary

All Trust assets were independently valued during the quarter. The valuations received showed a weighted average increase in yield of 1.5% in the 12 months since the last independent valuations were undertaken. This equates to a revised property portfolio value of \$62.85 million, down from \$69 million in December 2008.

The current debt level is \$37.39 million which equates to an LVR of 59.5% against a bank covenant of 60%.

While there has been no breach of any covenant, the Trust is looking to dispose of an asset to reduce the LVR pressure.

Distribution outlook

Given the current LVR constraints, approximately half of the Trust's taxable income will be distributed in July 2009. This is equivalent to 1.50 cents per unit. The remainder of the taxable income is expected to be distributed at a future date. This is subject to an unconditional contract of sale being signed on one of the Trust's assets.

Subject to no unforeseen deterioration in the financial condition of the Trust, annualised distributions of 6.75 cents per unit are forecast to resume in 2010. Distributions will be paid quarterly from the end of October 2009.

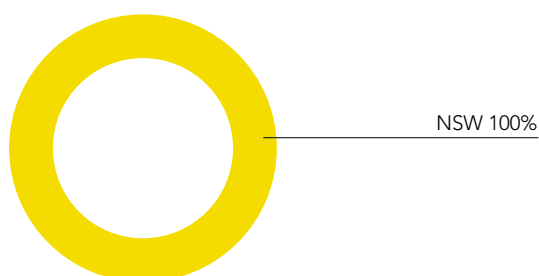
Portfolio overview

| | | | | | |
|------------------------------------|---|--------------------------------|---|---|---|
| Number of directly held properties | 8 | Number of indirect investments | 0 | Total number of properties Fund has exposure to | 8 |
|------------------------------------|---|--------------------------------|---|---|---|

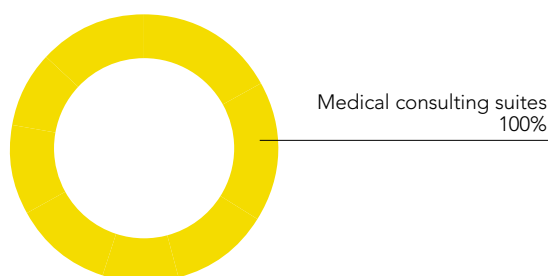
Asset allocation

| | |
|----------|-----------------------|
| Property | Cash and other assets |
| 98% | 2% |

Geographic allocation



Sector allocation



Orchard Sydney HealthCare Trust

Tenancy details (indirect portfolio)

| | | | |
|----------------|------|--------------------------------------|------------|
| Occupancy rate | 100% | Weighted average lease expiry (WALE) | 14.0 years |
|----------------|------|--------------------------------------|------------|

Lease expiry profile

| Expires within | Vacant | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016+ |
|----------------|--------|------|------|------|------|------|------|------|-------|
| (%) | 0 | - | - | - | - | - | - | - | 100 |

Debt overview

| Description | Covenant | Actual | Description | Actual |
|---------------------------------------|----------|---------|--|--------|
| Total direct borrowings | n/a | \$37.4m | Average interest rate ³ (p.a.) | 8.76% |
| Total direct borrowing facility limit | n/a | \$38.6m | Hedged component | 98% |
| LVR ¹ | 60.0% | 59.5% | Gearing ratio ^{4*} | 52.89% |
| ICR ² | 1.60 | 2.09 | Interest cover ratio ^{5*} (times) | 1.53 |

* Unaudited figures.

1 LVR is based on the last independent valuations.

2 Calculated as per bank facility covenant.

3 This figure includes a bank margin of 240 basis points.

4 The gearing ratio is calculated in accordance with ASIC's Regulatory Guide 46. It is calculated as total interest bearing liabilities divided by total assets. A higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to Fund assets.

5 The interest cover ratio is calculated in accordance with ASIC's Regulatory Guide 46. It gives an indication of the Fund's ability to meet its interest payments from earnings. The higher the ratio the easier the Fund can meeting its interest expense.

Performance[^]

| As at 31 March 2009 | Distribution yield ¹ (% p.a.) | Capital growth ² (% p.a.) | Total return ³ (% p.a.) | Tax-deferred proportion ⁴ (%) |
|--------------------------------|--|--------------------------------------|------------------------------------|--|
| 1 year | 1.61 | -12.75 | -11.14 | 100 |
| 3 years | 5.71 | -2.43 | 3.28 | 100 |
| 5 years | 6.92 | 3.66 | 10.58 | 100 |
| Since inception (October 2002) | 7.64 | 2.80 | 10.44 | 100 |

1 The distribution yield is equal to the total return less capital growth, assuming reinvestment of distributions.

2 The capital growth is the change in unit price, annualised for the relevant period.

3 The total return is equal to the change in unit price including reinvestment of distributions, annualised for the relevant period.

4 The tax-deferred portion relates to the distribution received. It does not apply to the capital growth component of the total return. Figures are for the relevant period ended 30 June 2008.

[^] Past performance is no indication of future performance.

Orchard Industrial Property Fund

Fund overview

| | | | |
|---------------------------------|-----------|---------------------|----------------|
| Inception date | July 2007 | Distribution status | Half yearly |
| Total asset value | \$776.8m* | Withdrawal status | Not applicable |
| Unit price (as at 25 June 2009) | \$0.14 | | |

* As at 31 December 2008.

The Directors of Orchard Property Limited (OPL), the Responsible Entity of the Orchard Industrial Property Fund (OIF or the Fund) and wholly owned subsidiary of Orchard Funds Limited, have entered into an implementation agreement with a South African based property firm, Growthpoint Properties Limited to recapitalise and restructure OIF.

Key features of the proposal:

1. A capital raising of \$200 million comprising:
 - A \$56 million private placement of securities to Growthpoint and
 - A \$144 million Rights Issue to be underwritten by Growthpoint
2. The issue price for the Placement and Rights Issue of 16 cents per security represents a 12% premium over the volume weighted average price of the Fund's units traded on the ASX over the last three months prior to the date of the proposal;
3. The Fund's management will be internalised through the stapling of the Fund units to shares in the Fund's Responsible Entity. The Responsible Entity will change from Orchard Property Limited to Orchard Management Limited;
4. Growthpoint will hold a minimum 50.1% of the Fund;
5. Orchard on behalf of the Orchard Diversified Property Fund (DPF) will retain a presence on the Board of the new management company;
6. OIF will be renamed under the Growthpoint brand;
7. The proposal is subject to a number of conditions including Unitholder and Foreign Investment Review Board approval;
8. Current OIF Unitholders will be able to participate in the Rights Issue and the shortfall offer; and
9. The capital raised will be used to recapitalise OIF's balance sheet, further reduce debt and provide the Fund with additional flexibility regarding its debt covenants.

Benefits of the transaction

The recapitalisation significantly strengthens OIF's capital position and balance sheet by:

- Reducing OIF's debt exposure from \$514.5m to \$329.1m;
- Providing materially enhanced terms and pricing on the Fund's debt facility; and

Orchard Industrial Property Fund

Benefits of the transaction continued

- Enabling the Fund to reduce its loan to value ratio (pro forma) from 68.8% to approximately 50% based on revised property book values.

This transaction will significantly increase the Fund's market capitalisation from approximately \$50 million to approximately \$250 million and has the potential to create an opportunity for a positive re-rating of the Fund.

Further benefits of this proposal for OIF investors include:

- The opportunity to participate in the Rights Issue;
- A more favourable platform for the ongoing payment of the Fund distributions;
- An enhanced investment as this proposal places the Fund in a better position for when a market recovery takes place and enables the Fund to be further developed and take advantage of current market opportunities; and
- Management stability as the key personnel currently managing the Fund will remain in place.

Timing

A Unitholder meeting will be held on 30 July 2009. It is anticipated the Proposal will be completed in September 2009.

Further information

For further information regarding the Proposal, please refer to www.asx.com.au.

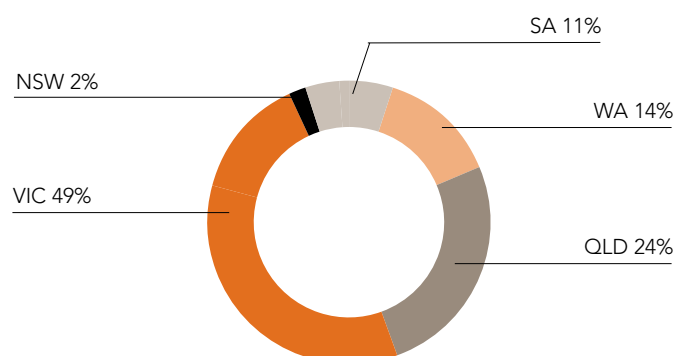
Portfolio overview

| | | | | | |
|---|----|---------------------------------------|---|--|----|
| Number of directly held properties | 23 | Number of indirect investments | 0 | Total number of properties Fund has exposure to | 23 |
|---|----|---------------------------------------|---|--|----|

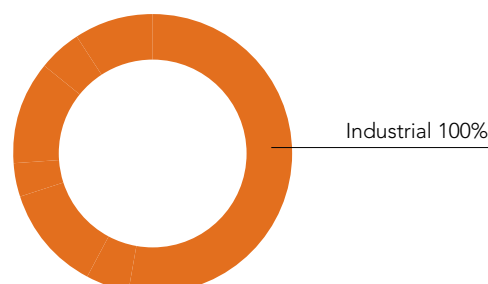
Asset allocation

| |
|------------------------|
| Direct property |
| 100% |

Geographic allocation



Sector allocation



Orchard Industrial Property Fund

Tenancy details

| | | | |
|----------------|-----|--------------------------------------|----------|
| Occupancy rate | 98% | Weighted average lease expiry (WALE) | 11 years |
|----------------|-----|--------------------------------------|----------|

Lease expiry profile

| Expires during | Vacant | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016+ |
|----------------|--------|------|------|------|------|------|------|------|-------|
| (%) | 2 | 0 | 0 | 0 | 7 | 3 | 3 | 0 | 85 |

Debt overview

| Description | Covenant | Actual | Description | Actual |
|--|----------|----------|-------------------------------|--------|
| Total direct borrowings* | | \$514.6m | Average interest rate (p.a.)* | 6.22% |
| Total direct borrowing facility limit* | | \$529.1m | Hedged component* | 98% |
| LVR* | 70.0% | 68.8% | Gearing ratio* | 66.2% |
| ICR ¹ * | 1.40 | 1.58 | | |

* As at 31 December 2008.

1 Calculated as per bank facility covenant.

Performance[^]

| As at 31 March 2009 | Distribution yield ¹ (% p.a.) | Capital growth ² (% p.a.) | Total return ³ (% p.a.) | Tax-deferred proportion ⁴ (%) |
|-----------------------------|---|---|---------------------------------------|---|
| 1 year | 6.07 | -65.69 | -59.62 | 100 |
| Since inception (July 2007) | 5.56 | -59.72 | -54.16 | 100 |

1 The distribution yield is equal to the total return less capital growth, assuming reinvestment of distributions.

2 The capital growth is the change in unit price, annualised for the relevant period.

3 The total return is equal to the change in unit price including reinvestment of distributions, annualised for the relevant period.

4 The tax-deferred portion relates to the distribution received. It does not apply to the capital growth component of the total return. Figures are for the relevant period ended 30 June 2008.

[^] Past performance is no indication of future performance.

Banksia Street Heidelberg Joint Venture

Trust overview

| | | | |
|----------------------------------|----------------|---------------------|------------------------|
| Inception date | May 2000 | Distribution status | Quarterly [^] |
| Total asset value | \$15.8m* | Withdrawal status | Not applicable |
| Unit price (as at 31 March 2009) | Not applicable | | |

* Estimated and unaudited figure.

[^] Payment is dependent on the Fund's financial position at the time.

Fund summary

The Banksia Street Heidelberg Joint Venture holds a single asset with one tenant. Orchard continues to collect the rent and administer the lease on the property.

The property is the head office of Dorevitch Pathology, a leading provider of pathology and medical diagnostic services to doctors, specialists and hospitals throughout Victoria. Recently, Dorevitch Pathology was taken over by Symbion Health Pathology, a wholly owned subsidiary of the ASX listed Primary Health Care (ASX Code: PRY).

Dorevitch Pathology is on a long term lease that runs until May 2014. As such the asset was 100% occupied over the last 12 months and the income has been stable.

This asset was independently valued in December 2008 at \$15.3 million on a capitalisation rate of 8.00%. This valuation represented a \$600,000 reduction from the previous valuation, against which the valuer had applied a 7.5% cap rate. The reason for the increase in the cap rate stemmed from the global financial crisis and ensuing lack of capital available for real estate investors, leading to reduced demand for real estate and falling asset prices.

The expectation is that market cap rates for well leased, high quality suburban commercial assets should continue at or about their current level in the near term.

The debt facility through Westpac Bank remains in place until 30 June 2011; the bank's interest rate margin has increased from 1.0% to 1.6%.

The loan to valuation ratio (LVR) for this Fund is 54.5% compared with a bank LVR covenant of 65%.

Distribution outlook

Distributions totalling \$2,868 per unit have been paid to date this financial year. The June distribution is due to be paid at the end of July 2009.

Subject to there being no further decline in the value of the property, the Joint Venture will continue to distribute the operating profit on a quarterly basis from October 2009.

Portfolio overview

| | | | | | |
|------------------------------------|---|--------------------------------|---|---|---|
| Number of directly held properties | 1 | Number of indirect investments | 0 | Total number of properties Fund has exposure to | 1 |
|------------------------------------|---|--------------------------------|---|---|---|

Asset allocation

| Direct property | Cash and other assets |
|-----------------|-----------------------|
| 99% | 1% |

Banksia Street Heidelberg Joint Venture

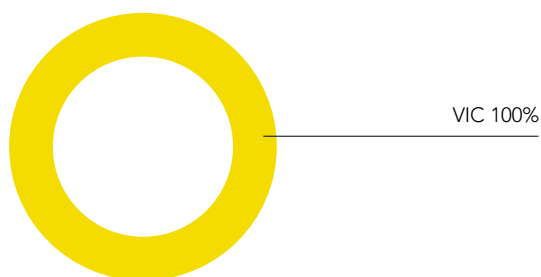
Tenancy details (indirect portfolio)

| | | | |
|----------------|------|--------------------------------------|------------|
| Occupancy rate | 100% | Weighted average lease expiry (WALE) | 4.96 years |
|----------------|------|--------------------------------------|------------|

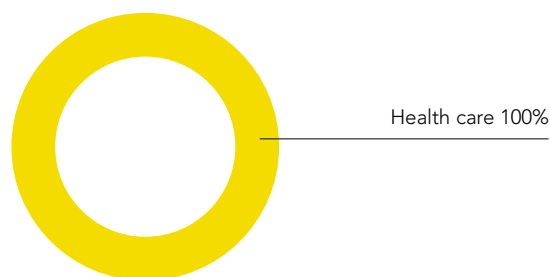
Lease expiry profile

| Expires within | Vacant | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------|--------|------|------|------|------|------|------|
| (%) | 0 | 0 | 0 | 0 | 0 | 0 | 100 |

Geographic allocation



Sector allocation



Debt overview

| Description | Covenant | Actual | Description | Actual |
|---------------------------------------|----------|--------|--|--------|
| Total direct borrowings | n/a | \$8.3m | Average interest rate ¹ (p.a.) | 8.39% |
| Total direct borrowing facility limit | n/a | \$8.3m | Hedged component | 98% |
| LVR | 65.0% | 54.5% | Gearing ratio ^{2*} | 52.72% |
| ICR | n/a | 1.84 | Interest cover ratio ^{3*} (times) | 1.54 |

* Unaudited figures.

1 Includes a bank margin of 160 basis points.

2 The gearing ratio is calculated in accordance with ASIC's Regulatory Guide 46. It is calculated as total interest bearing liabilities divided by total assets. A higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to Fund assets.

3 The interest cover ratio is calculated in accordance with ASIC's Regulatory Guide 46. It gives an indication of the Fund's ability to meet its interest payments from earnings. The higher the ratio the easier the Fund can meeting its interest expense.

Performance[^]

| As at 31 March 2009 | Distribution yield ¹ (% p.a.) | Capital growth ² (% p.a.) | Total return ³ (% p.a.) | Tax-deferred proportion ⁴ (%) |
|----------------------------|--|--------------------------------------|------------------------------------|--|
| Since inception (May 2000) | 4.18 | 10.37 | 14.56 | 100 |

1 The distribution yield is equal to the total return less capital growth, assuming reinvestment of distributions.

2 The capital growth is the change in unit price, annualised for the relevant period.

3 The total return is equal to the change in unit price including reinvestment of distributions, annualised for the relevant period.

4 The tax-deferred portion relates to the distribution received. It does not apply to the capital growth component of the total return. Figures are for the relevant period ended 30 June 2008.

[^] Past performance is no indication of future performance.

Barossa Valley Resort

Trust overview

| | | | |
|----------------------------------|----------------|---------------------|----------------|
| Inception date | 1 July 2002 | Distribution status | Monthly |
| Total asset value | Not applicable | Withdrawal status | Not applicable |
| Unit price (as at 31 March 2009) | Not applicable | | |

Fund summary

Total revenue for the quarter was 9% lower than budget and 6% below the corresponding quarter last year, reflecting the impact of tougher trading conditions for the resort in the midst of the current global recession. As a consequence, the contributions from the Rooms Division and Food & Beverage Division were 6% and 24% lower than budget respectively.

Despite lower revenue, the net operating profit for the quarter of \$637,340 was a pleasing result which was only marginally down on budget as a result of prudent cost control.

Overhead costs were 13% lower than budget for the quarter due to various cost control measures. The average room rate for the quarter was \$171.51 against a budget of \$173.82, with average occupancy at 73.3%.

Distribution outlook

The cash distribution return for the quarter ended 31 March 2009 was an annualised 7.77 cents per unit, compared with 5.23 cents per unit for the same quarter last year.

We expect normal monthly distributions will continue to be paid.

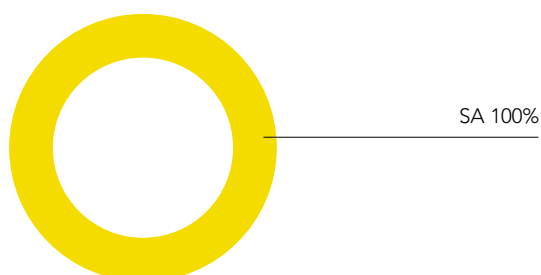
Portfolio overview

| | | | | | |
|------------------------------------|---|--------------------------------|---|---|---|
| Number of directly held properties | 0 | Number of indirect investments | 0 | Total number of properties Fund has exposure to | 0 |
|------------------------------------|---|--------------------------------|---|---|---|

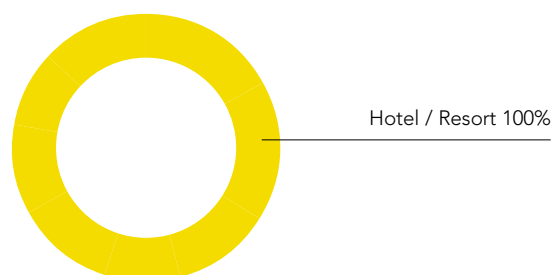
Asset allocation

| Direct property | Cash and other assets |
|-----------------|-----------------------|
| n/a | n/a |

Geographic allocation



Sector allocation



Barossa Valley Resort

Tenancy details (indirect portfolio)

| | | | |
|----------------|-----|--------------------------------------|-----|
| Occupancy rate | n/a | Weighted average lease expiry (WALE) | n/a |
|----------------|-----|--------------------------------------|-----|

Lease expiry profile

| Expires within | Vacant | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016+ |
|----------------|--------|------|------|------|------|------|------|------|-------|
| (%) | - | - | - | - | - | - | - | - | - |

Debt overview

| Description | Covenant | Actual |
|---------------------------------------|----------|--------|
| Total direct borrowings | n/a | n/a |
| Total direct borrowing facility limit | n/a | n/a |
| LVR | n/a | n/a |
| ICR | n/a | n/a |

| Description | Actual |
|------------------------------|--------|
| Average interest rate (p.a.) | n/a |
| Gearing ratio | n/a |
| Interest cover ratio (times) | n/a |
| Hedged component | n/a |

Performance[^]

| As at 31 March 2009 | Distribution yield ¹ (% p.a.) |
|-----------------------------|---|
| 1 year | 6.33 |
| 3 years | 4.98 |
| 5 years | 4.62 |
| Since inception (July 2002) | 4.11 |

¹ Distribution yield is based on original investment amount.

[^] Past performance is no indication of future performance.

Chevron Renaissance Property Trust

Fund overview

| | | | |
|-------------------------------------|--------------|---------------------|----------------------|
| Inception date | January 2005 | Distribution status | On hold [^] |
| Total asset value | \$88.0m* | Withdrawal status | On hold |
| Unit price (as at 28 February 2009) | \$0.9303 | | |

* Estimated and unaudited figure.

[^] Refer below.

Fund summary

Despite the Federal Government stimulus packages and lower interest rates, the retail environment remains fragile.

Retail centres such as the Chevron Renaissance Shopping Centre (the Centre) have shown some signs of resilience particularly with non-discretionary retailers. The Coles turnover continues to deliver strong year-on-year growth with turnover to the end of March up 5.7%.

The Centre is 98% leased, with the Australian Institute of Fitness renewing leases over three tenancies totalling 533 square metres for terms of five years.

Despite the Centre's continued strong operational performance, the latest independent valuation has underscored the softening demand for commercial property across all markets, including retail.

The valuation result showed a weighted average yield increase of 1% in the 14 months since the last independent valuation was undertaken. This has pushed the LVR to 69% against a revised covenant of 70%.

During the quarter NAB agreed to extend the loan facility by a further two years to February 2012 subject to the Trust's LVR being reduced to 55% by February 2010. Orchard is currently reviewing various capital raising options and will report to investors later in the year.

Distribution outlook

Due to the current LVR constraints no distributions will be paid for the 2009 year.

Given the quarterly debt amortisation of \$250,000 required by NAB and a reduction in LVR to 55% by February 2010, firm distribution guidance will be provided after capital raising plans are further progressed.

Portfolio overview

| | | | | | |
|------------------------------------|---|--------------------------------|---|---|---|
| Number of directly held properties | 1 | Number of indirect investments | 0 | Total number of properties Fund has exposure to | 1 |
|------------------------------------|---|--------------------------------|---|---|---|

Asset allocation

| | |
|-----------------|-----------------------|
| Direct property | Cash and other assets |
| 98.9% | 1.1% |

Tenancy details

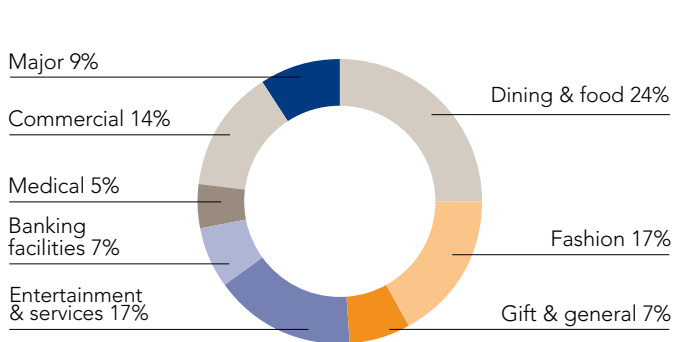
| | | | |
|----------------|-----|--------------------------------------|------------|
| Occupancy rate | 98% | Weighted average lease expiry (WALE) | 3.26 years |
|----------------|-----|--------------------------------------|------------|

Chevron Renaissance Property Trust

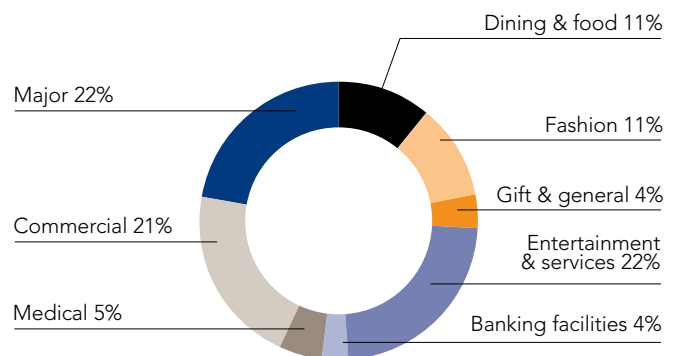
Lease expiry profile

| Expires within | Vacant | 1 year | 2 years | 3 years | 4 years | 5 years | 5 + years |
|----------------|--------|--------|---------|---------|---------|---------|-----------|
| (%) | 2 | 12 | 20 | 9 | 12 | 16 | 29 |

Tenancy mix by gross income



Tenancy mix by lettable area



Debt overview

| Description | Covenant | Actual |
|---------------------------------------|----------|---------|
| Total direct borrowings | n/a | \$58.8m |
| Total direct borrowing facility limit | n/a | \$60.0m |
| LVR ¹ | 70.0% | 69.2% |
| ICR ² | 1.50 | 1.63 |

| Description | Actual |
|--|--------|
| Average interest rate (p.a.) ³ | 8.35% |
| Hedged component | 97.7% |
| Gearing ratio ⁴ (balance sheet) | 66.77% |
| Interest cover ratio ⁵ (times) | 1.32 |

* Unaudited figures.

1 LVR based on the last independent valuations.

2 Calculated as per bank facility covenant.

3 Includes bank margin of 250 basis points.

4 The gearing ratio is calculated in accordance with ASIC's Regulatory Guide 46. It is calculated as total interest bearing liabilities divided by total assets. A higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to Fund assets.

5 The interest cover ratio is calculated in accordance with ASIC's Regulatory Guide 46. It gives an indication of the Fund's ability to meet its interest payments from earnings. The higher the ratio the easier the Fund can meet its interest expense.

Performance[^]

| As at 31 March 2009 | Distribution yield ¹ (% p.a.) | Capital growth ² (% p.a.) | Total return ³ (% p.a.) | Tax-deferred proportion ⁴ (%) |
|--------------------------------|--|--------------------------------------|------------------------------------|--|
| 1 year | 0.95 | -34.72 | -33.77 | 100 |
| 3 years | 6.29 | -12.40 | -6.12 | 100 |
| Since inception (January 2005) | 7.11 | -1.69 | 5.42 | 100 |

1 The distribution yield is equal to the total return less capital growth, assuming reinvestment of distributions.

2 The capital growth is the change in Unit Price, annualised for the relevant period.

3 The total return is equal to the change in Unit Price including reinvestment of distributions, annualised for the relevant period.

4 The tax-deferred portion relates to the distribution received. It does not apply to the capital growth component of the total return. Figures are for the relevant period ended 30 June 2008.

[^] Past performance is no indication of future performance.

Primary Health Care Darlinghurst Syndicate

Trust overview

| | | | |
|----------------------------------|----------------|---------------------|----------------|
| Inception date | September 2001 | Distribution status | Quarterly |
| Total asset value | \$13.6m* | Withdrawal status | Not applicable |
| Unit price (as at 31 March 2009) | Not applicable | | |

* Estimated and unaudited figure.

Fund summary

Orchard has continued to manage the Primary Health Care Darlinghurst Syndicate (PHC) investment throughout the year. The single property asset is 100% occupied by Primary Health Care Limited (ASX Code: PRY).

Given the asset is subject to a long term lease that runs until December 2021, the building is expected to be occupied until that time. Due to the high quality of the tenant, it is expected that the building will not experience loss of income for the remaining lease term.

For the half year ended December 2008, PRY reported a total operating Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) of \$155 million and Net Profit After Tax (NPAT) of \$11.5 million. The group also reported total assets of \$3.5 billion, and net assets of \$1.77 billion.

The property was last valued independently in December 2008 at \$13 million which was \$1 million lower than the previous valuation.

The key reason for this decrease in valuation is the asset's passing rent being assessed to be 8.45% higher than the market rental for this type of asset. This resulted from the combination of 5.5% fixed reviews and CPI rent reviews under the head lease to PRY. The effect of this situation ensures the property delivers a strong and growing cash rental. Cash flow has grown at a faster rate than the medical centre market rental.

In the immediate term it is expected that capitalisation rates for medical centres leased to blue chip tenants on long term leases will remain constant or reduce slightly as investors' access to capital improves.

The debt facility with Westpac remains in place. The Fund is compliant with the bank's covenants and the debt facility term still has more than two years to run.

The loan to value ratio (LVR) is 62% compared with the LVR covenant of 63%.

Distribution outlook

Given the current LVR constraints, approximately 70% of the Syndicate's distributable income will be retained and used to reduce debt. The balance amounting to \$107.20 per unit will be paid in July 2009.

We will continue to monitor the Syndicate's financial position and the possibility of making quarterly distributions in 2010.

Portfolio overview

| | | | | | |
|------------------------------------|---|--------------------------------|---|---|---|
| Number of directly held properties | 1 | Number of indirect investments | 0 | Total number of properties Fund has exposure to | 1 |
|------------------------------------|---|--------------------------------|---|---|---|

Asset allocation

| | |
|-----------------|-----------------------|
| Direct property | Cash and other assets |
| 96% | 4% |

Primary Health Care Darlinghurst Syndicate

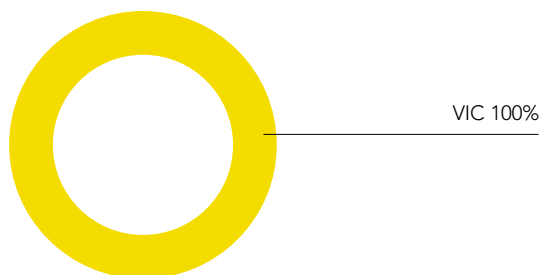
Tenancy details (indirect portfolio)

| | | | |
|----------------|------|--------------------------------------|------------|
| Occupancy rate | 100% | Weighted average lease expiry (WALE) | 12.7 years |
|----------------|------|--------------------------------------|------------|

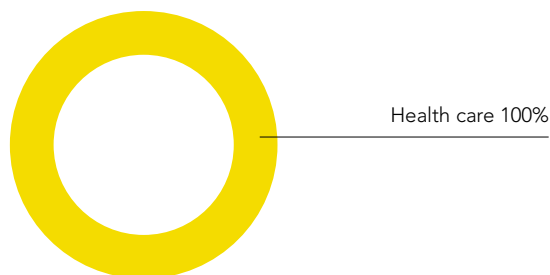
Lease expiry profile

| Expires within | Vacant | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016+ |
|----------------|--------|------|------|------|------|------|------|------|-------|
| (%) | - | - | - | - | - | - | - | - | 100 |

Geographic allocation



Sector allocation



Debt overview

| Description | Covenant | Actual |
|---------------------------------------|----------|--------|
| Total direct borrowings | n/a | \$8.1m |
| Total direct borrowing facility limit | n/a | \$8.1m |
| LVR | 63.0% | 62.16% |
| ICR ¹ | 1.5 | 1.9 |

| Description | Actual |
|--|--------|
| Average interest rate ² (p.a.) | 7.36% |
| Hedged component | 94% |
| Gearing ratio ^{3*} | 59.57% |
| Interest cover ratio ^{4*} (times) | 1.24 |

* Unaudited figures.

1 Calculated as per bank facility covenant.

2 Includes a bank margin of 100 basis points.

3 The gearing ratio is calculated in accordance with ASIC's Regulatory Guide 46. It is calculated as total interest bearing liabilities divided by total assets. A higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to Fund assets.

4 The interest cover ratio is calculated in accordance with ASIC's Regulatory Guide 46. It gives an indication of the Fund's ability to meet its interest payments from earnings. The higher the ratio the easier the Fund can meeting its interest expense.

Performance[^]

| As at 31 March 2009 | Distribution yield ¹ (% p.a.) | Capital growth ² (% p.a.) | Total return ³ (% p.a.) | Tax-deferred proportion ⁴ (%) |
|----------------------------------|--|--------------------------------------|------------------------------------|--|
| Since inception (September 2001) | 2.06 | 4.11 | 6.17 | 100 |

1 The distribution yield is equal to the total return less capital growth, assuming reinvestment of distributions.

2 The capital growth is the change in unit price, annualised for the relevant period.

3 The total return is equal to the change in unit price including reinvestment of distributions, annualised for the relevant period.

4 The tax-deferred portion relates to the distribution received. It does not apply to the capital growth component of the total return. Figures are for the relevant period ended 30 June 2008.

[^] Past performance is no indication of future performance.

Sydney Land Syndicate

Trust overview

| | | | |
|----------------------------------|----------------|---------------------|----------------|
| Inception date | 1 July 2002 | Distribution status | On hold |
| Total asset value | \$7.1m* | Withdrawal status | Not applicable |
| Unit price (as at 31 March 2009) | Not applicable | | |

* Estimated and unaudited figure.

Fund summary

We are pleased to report that the Syndicate's property located at Memorial Avenue (previously Burns Road), Kellyville, was successfully sold in April 2009 for \$4.9 million (including costs) to the NSW State Government.

The sale enabled the Syndicate to repay its fully drawn bank debt facility of \$3.4 million with Westpac, which was due for repayment. As at 31 May 2009, the Syndicate had a cash balance of \$1.2 million. These funds will be utilised to meet the holding costs in relation to the two remaining properties and other running costs for the Syndicate.

A development application has been lodged for the approval of subdivision of the Balmoral Road site into 19 residential lots in excess of 700 square metres each. We are expecting approval to be issued shortly. The development is expected to take place on a staged basis to conserve capital and reduce market risk in the current economic environment.

A financing proposal from NAB, to fund the staged development of Balmoral Road, has been conditionally approved.

Summary of the Status of the Syndicate's Properties

In summary, the status of the four properties is as follows:

1. Wrights Road, Kellyville NSW – successfully sold all developed residential allotments by 2003/04
2. Memorial Avenue (previously Burns Road) – sold for \$4.9 million (including costs) in April 2009
3. Balmoral Road, Kellyville NSW – zoned for single dwelling residential; awaiting Development Application approval by council
4. Schofields Road, Rouse Hill NSW – awaiting planning and zoning

Distribution outlook

Distributions remain subject to successful development of residential land located at Balmoral Road and Schofields Road properties.

In the next 12 months it is unlikely that distributions will be made.

Sydney Land Syndicate

The Syndicate's land holdings were valued in December 2008 by Kenny & Good (based in Parramatta, NSW) as a member on the approved panel of valuers for NAB.

The most recent valuations obtained (on an "as is" or pre-development basis) indicate an underlying net tangible asset value of around \$0.91 per unit invested (unaudited). The valuation breakdown is as follows:

December 2008 Valuations - Kenny & Good (as is basis)

| | ha | Site area acres | sqm | Assessed value | \$ / sqm |
|---------------------------------------|-------|--------------------|--------|-------------------|----------|
| 30 Balmoral Road, Kellyville NSW | 1.624 | 4.012 | 16,240 | \$3,085,000 | \$189.96 |
| 97 Schofields Road, Rouse Hill NSW | 2.030 | 5.016 | 20,300 | \$2,740,000 | \$134.98 |
| Total | 3.654 | - | 36,540 | \$5,825,000 | \$159.41 |

The remaining two sites were purchased for \$3,442,529 in total. The Syndicate has received conditional approval for a new loan facility from NAB.

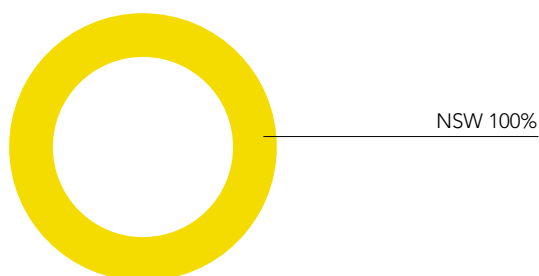
Portfolio overview

| | | | | | |
|------------------------------------|---|--------------------------------|---|---|---|
| Number of directly held properties | 2 | Number of indirect investments | 0 | Total number of properties Fund has exposure to | 2 |
|------------------------------------|---|--------------------------------|---|---|---|

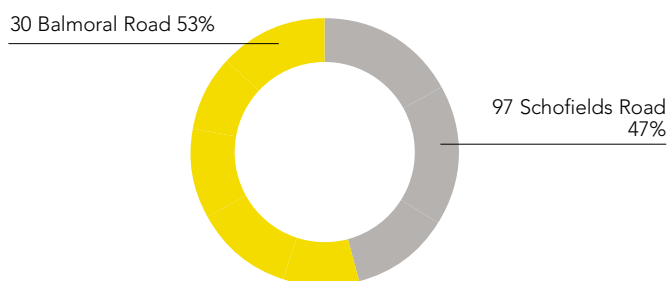
Asset allocation

| Development land | Cash and other assets |
|------------------|-----------------------|
| 83% | 17% |

Geographic allocation



Sector allocation



Key terms

| | |
|-----------------------------------|--|
| AFSL - | Australia financial services license |
| AIFRS - | Australian equivalents to International Financial Accounting Standards |
| A-REIT - | Australian Real Estate Investment Trust |
| ASX - | Australian Securities Exchange |
| AUM - | Assets under management |
| BOSI - | Bank of Scotland International (Australia) |
| Cap rates - | Capitalisation rates |
| CBD - | Central business district |
| CEO - | Chief Executive Officer |
| EBITDA - | Earnings Before Interest, Tax, Depreciation and Amortisation |
| FUM - | Funds under management |
| GDP - | Gross domestic product |
| ICR - | Interest cover ratio |
| LVR - | Loan to value ratio |
| Non discretionary retail - | Essential retail spending |
| NPAT - | Net profit after tax |
| NTA - | Net tangible assets |
| RBA - | Reserve Bank of Australia |
| REIT - | Real Estate Investment Trust |
| Sublease - | A lease extended to another tenant that is under the main (head) lease agreement |
| WALE - | Weighted average lease expiry |



Banksia Street Heidelberg Joint Venture
Barossa Valley Resort ARSN 091 043 854
Orchard Childcare Property Fund ARSN 106 891 641
Commercial Office Fund ARSN 115 845 871
Chevron Renaissance Property Trust ARSN 112 310 380
Orchard Diversified Property Fund ARSN 093 304 379
Essential HealthCare Trust ARSN 102 470 333
Orchard Hybrid Property Fund ARSN 096 350 533
Orchard Industrial Property Fund ARSN 120 121 002
Primary Health Care Darlinghurst Syndicate
Orchard Primary Infrastructure Fund ARSN 110 813 851
Orchard Social Infrastructure Trust ARSN 125 629 058
Sydney HealthCare Trust ARSN 101 067 878
Sydney Land Syndicate ARSN 097 409 811

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www.orchardfunds.com

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