

Friday 27 February 2009

Companies Announcement Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

By e-lodgement

Dear Sir/Madam

APPENDIX 4D – HALF YEAR REPORT

Please find attached the Appendix 4D – Half Year Report for the half year ended on 31 December 2008 for The ARK Fund Limited (**ARK**) and the results for announcement to the market of this reporting period. The attached should be read in conjunction with the most recent annual financial report.

Assets – Carrying Values

The 6 month period between 1 July 2008 and 31 December 2008 has been a tumultuous one for the ASX listed real estate investment trust (**REIT**) sector. Since the market highs of November 2007 up until Friday 27 February 2009, the ASX listed REIT sector has fallen 73% in value. The current half yearly reporting period has seen a substantial number of REITs report to the ASX, after the reviews undertaken by their auditors, significant write downs in the carrying value of their property assets.

This is not the case for ARK.

ARK's auditors are Grant Thornton. They have undertaken their review of the Half Year Report. The Board of ARK is pleased to note that within the attached Half Year Report, Investment Property that is carried at a depreciated cost of \$53.9 million has a Fair Value of \$56.6 million.

This Fair Value **uplift** of \$2.3 million, as disclosed in Note 13, is particularly pleasing in an environment where a substantial number of REITs are reporting asset deflation and accordingly large write downs.

Quality agricultural land with secure water supplies located outside the Murray-Darling basin is rising in value. All of ARK's assets are located outside the Murray-Darling basin.

The ARK Fund Limited
ABN 93 009 204 175

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Debt Position and Cost

As reported in the Directors' Report, the gearing of ARK is now at 56.5% and its long term debt facility with the NAB (maturing in February 2017) currently remains 100% variable.

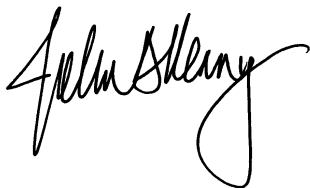
As announced on 25 February 2009, the current all up cost of ARK's debt facility with the NAB is now only 4.60%.

Conclusion

In summary, during the 6 month period to 31 December 2008, the cost of ARK's debt capital has fallen, the value of ARK's assets has risen and ARK's gearing position (measured at cost) has decreased to 56.5%.

Yours faithfully

THE ARK FUND LIMITED

A handwritten signature in black ink, appearing to read 'John D. Kenny', written in a cursive style.

John D. Kenny
Chairman and Managing Director

THE ARK FUND LIMITED

ABN 93 009 204 175

**CONDENSED FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2008**

THE ARK FUND LIMITED AND CONTROLLED ENTITIES
ABN 93 009 204 175
CONDENSED FINANCIAL REPORT
For the Half Year Ended 31 December 2008

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THE ARK FUND LIMITED AND CONTROLLED ENTITIES
 ABN 93 009 204 175

COMPANY DIRECTORY

Directors

John D Kenny BCom (Hons); LLB
(Chairman and Managing Director)

Simon C Price
(Non Executive Director)

Marc N Loftus
(Non Executive Director)

Company Secretary Rowan Caren

Registered Office and Business

Ground Floor
 50 Colin Street
 West Perth WA 6005
 Australia

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 E-mail: ark@thearkfund.com.au
 Website: www.thearkfund.com.au

Share Registry

Security Transfer Registrars Pty Ltd
 Alexandria House
 770 Canning Highway
 Applecross WA 6153 Australia

Telephone: +618 9315 2333
 Facsimile : +618 9315 2233

Home Exchange

Australian Stock Exchange Limited
 Home Branch Perth
 Exchange Plaza
 2 The Esplanade
 Perth WA 6000
 Australia

ASX Code: ARJ

Auditors

Grant Thornton (WA) Partnership
 Level 1
 10 Kings Park Road
 West Perth WA 6005

Bankers

National Australia Bank Limited
 Level 11
 50 St Georges Terrace
 Perth WA 6000

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF THE ARK FUND LIMITED**

10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872

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E admin@gtwa.com.au
W www.grantthornton.com.au

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of The Ark Fund Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton (WA) Partnership

**GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants**

P. Warr.

P W WARR
Partner

Perth, 26 February 2009

THE ARK FUND LIMITED AND CONTROLLED ENTITIES
ABN 93 009 204 175

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

The Directors of the ARK Fund Limited (**ARK** or **Company**) have pleasure in submitting the condensed consolidated financial report for the half year ended 31 December 2008.

DIRECTORS

The names of the directors of the Company in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

| | |
|--------------|----------------------------------|
| John D Kenny | (Chairman and Managing Director) |
| Marc Loftus | (Non Executive Director) |
| Simon Price | (Non Executive Director) |

REVIEW OF OPERATIONS

Operating Results

The consolidated result of the economic entity was an after tax profit of \$1,052,910 (2007: profit of \$619,082) during the half year. This resulted in earnings per share (EPS) of 4.4 cents (2007: 8.91 cents, after adjusting for share consolidation). Consolidated revenue for the half year was \$3,628,872 (2007: \$1,752,128), representing an increase of 107%.

These increases were as a result of the acquisition of agricultural property during the later half of the financial year ended 30 June 2008 and the concurrent leasing of these properties to Rewards Projects Limited.

At the end of the period net assets were \$25.6 million (2007: \$24.4 million) represented by a significant increase in the acquisition of investment properties during the second half of the last financial year that were funded by borrowings from the National Australia Bank. Gearing (net debt to net debt plus equity) was 56.5%, which is within ARK's banking covenants and capital management guidelines.

Operational Report

Despite the recent poor state of equity and debt capital markets, the basic fundamentals that underpin ARK's business strategy remain sound. As previously stated however, the pace at which ARK executes this strategy will be greatly slowed for the financial year ending on 30 June 2009 due to the poor state of equity and debt capital markets.

The Board of The ARK Fund Limited expects the year ahead to continue to be a difficult one for both equity and debt capital markets and therefore it expects ARK's growth rate to be curtailed for the remainder of the 2009 financial year.

Investment Portfolio

During the half year the Company appointed a reputable independent licensed valuer to prepare a valuation report on all the Company's Teak and Sandalwood agricultural property investments.

Whilst the recent state of equity and debt capital markets has led to the price of many asset classes to fall, ARK is pleased with the recent sworn valuations received for its Teak and Sandalwood investment properties.

These sworn independent valuations, conducted by ascertaining the value of the land on an unencumbered basis, have increased on a weighted average basis the value of the Teak and Sandalwood properties by 1.9% and 9.7%, respectively.

These valuations do not assign any value to the leases in place on the properties (by assessing the value of the rental income stream attributable to these leases). ARK's accounting policy is to carry its investment properties at cost with a disclosure of fair value to be provided in the notes to the annual report.

\$33.3M Debt Facility – National Australia Bank

ARK's debt facility (**Facility**) with the NAB has maintained a balance of \$33.3 million during the half year.

The key terms of the Facility are as follows:

| | |
|--|---|
| Facility Size | \$33,259,744 |
| Term | 10 years |
| Nature of Facility | Non-amortising and Revolving |
| Interest Rate | \$27M: BBSW + 0.2% margin + 1% facility fee \$6.26M: BBSW + 0.2% margin + 1.25% facility fee |
| 30 Day Bank Bill Swap Rate (at 24 Feb 09) | 3.21% |

The Facility continues to be a 100% variable rate facility. Accordingly the cost of the \$33,259,744 Facility has rapidly fallen as a result of the recent rapid decline in interest rates. This decline is projected to continue and the official cash rate is predicted by many commentators to fall further, from 3.25% to historic lows.

Based on the 30 Day Bank Bill Swap (BBSW) rate on Tuesday 24 February 2009, the annualised cost of the Facility is as follows.

| Cost of Facility | Annualised | Rate (% p.a.)* |
|--|--------------------|----------------|
| Bank fees (including accrued setup costs) | \$36,500 | 0.11% |
| Weighted Average Facility fees (1% - 1.25% margin) | \$353,647 | 1.10% |
| Interest charge (30 Day BBSW + 0.2% margin) | \$1,089,509 | 3.39% |
| Total Cost of Facility | \$1,479,656 | 4.60% |

* Based on a discounted Face Value of \$32,170,235.

Whilst the current weighted average income yield on ARK's 32 Investment Properties is approximately 11% per annum, the weighted average annualised cost of the Facility is currently **4.60%**. The Board has previously announced entering into a SWAP programme to hedge ARK's interest rate expense. Upon entering into any SWAP arrangement, ARK's cost of debt would change from being solely driven by short term interest rates, to being driven by a mixture of short term and long term interest rates.

Dividends

During the half year ended on 31 December 2008, ARK declared and paid its dividend for the quarter ended on 30 June 2008 of 3 cents per share (unfranked). This quarterly dividend was paid to all those shareholders of ARK on the record as at 5.00pm WST on Friday 10 October 2008.

Subsequent to the half year ended on 31 December 2008, ARK has paid a dividend for the quarter ended on 30 September 2008 of 2.5 cents per share (unfranked). This quarterly dividend has been paid to all those shareholders of ARK on the record as at 5.00pm WST on Tuesday 27 January 2009.

The total dividend for the six months ended 30 September 2008 of 5.5 cents per share equates to a pre-tax dividend yield of 15.71% assuming a share price of \$0.70 per share, being the price of shares as at 31 December 2008.

Based on a closing price for ARK shares on 19 February 2009 of \$0.77 per share, the pre-tax dividend yield based on dividends paid for the six months ended 30 September 2008 was 14.29%.

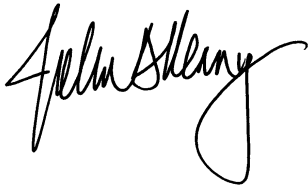
Significant post Balance Date Events

As presented above, subsequent to the half year ended on 31 December 2008, ARK has paid a dividend for the quarter ended on 30 September 2008 of 2.5 cents per share (unfranked).

Auditor's Independence Declaration

The auditors independence declaration is set out on page 4 for the half year ended 31 December 2008.

Signed in accordance with a resolution of the directors

A handwritten signature in black ink, appearing to read 'John D. Kenny', with a large, stylized flourish at the end.

John D. Kenny
Chairman and Managing Director
Perth, 26 February 2009

THE ARK FUND LIMITED AND CONTROLLED ENTITIES
ABN 39 009 204 175

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

| | Note | 31 Dec 2008 \$ | 31 Dec 2007** \$ |
|--|------|-------------------|---------------------|
| Revenue | 3 | 3,628,872 | 1,752,128 |
| Depreciation | | (333,857) | (65,000) |
| Consultancy fees | | (41,499) | - |
| Directors fees | | (42,000) | (35,845) |
| Finance costs | | (1,333,648) | (748,732) |
| Management fees | | (209,990) | (164,934) |
| Printing and stationery | | (11,950) | (21,866) |
| Professional fees | | (40,135) | (25,044) |
| Share registry & listing fees | | (12,756) | (9,122) |
| Other expenses | | (100,772) | (62,503) |
| | | <hr/> | <hr/> |
| Profit before income tax | | 1,502,265 | 619,082 |
| Income tax expense | 7 | (449,355) | - |
| | | <hr/> | <hr/> |
| Profit after income tax attributable to members of the consolidated entity | | 1,052,910 | 619,082 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Basic / diluted profit per share (cents) | | 4.40 | 8.91 |

** Includes the consolidation of Geosat International Pty Ltd, Isharel Pty Ltd, Mt Edgar NL and Fargo Resources Pty Ltd, all of which were deconsolidated during the year ended 30 June 2008. Refer to Note 11 for further details.

The accompanying notes form part of the financial statements.

THE ARK FUND LIMITED AND CONTROLLED ENTITIES
ABN 39 009 204 175

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

| | Note | 31 Dec 2008 \$ | 30 June 2008** \$ |
|--------------------------------------|------|-------------------|----------------------|
| Current assets | | | |
| Cash and cash equivalents | 4 | 2,345,797 | 229,957 |
| Trade and other receivables | | 957,132 | 2,215,328 |
| Other current assets | | 203,888 | 336,400 |
| Total current assets | | <u>3,506,817</u> | <u>2,781,685</u> |
| Non-current assets | | | |
| Financial assets | | 2,100,000 | 2,100,000 |
| Investment property | 1 | 53,946,604 | 54,183,693 |
| Deferred tax asset | | 312,644 | 378,864 |
| Other non-current assets | | 98,463 | - |
| Total non-current assets | | <u>56,457,711</u> | <u>56,662,557</u> |
| Total assets | | <u>59,964,528</u> | <u>59,444,242</u> |
| Current liabilities | | | |
| Trade and other payables | | 504,056 | 679,943 |
| Tax liability | | 20,992 | 20,992 |
| Total current liabilities | | <u>525,048</u> | <u>700,935</u> |
| Non-current liabilities | | | |
| Financial liabilities | | 33,241,953 | 33,259,744 |
| Deferred tax liabilities | | 192,556 | 206,597 |
| Tax liability | | 397,176 | - |
| Total non-current liabilities | | <u>33,831,685</u> | <u>33,466,341</u> |
| Total liabilities | | <u>34,356,733</u> | <u>34,167,276</u> |
| Net assets | | <u>25,607,795</u> | <u>25,276,966</u> |
| Equity | | | |
| Issued capital | 5 | 39,505,973 | 39,505,973 |
| Reserves | | 449,123 | 449,123 |
| Accumulated losses | | (14,347,301) | (14,678,130) |
| Total shareholder's equity | | <u>25,607,795</u> | <u>25,276,966</u> |

** Includes the consolidation of Geosat International Pty Ltd, Isharel Pty Ltd, Mt Edgar NL and Fargo Resources Pty Ltd, all of which were deconsolidated during the year ended 30 June 2008. Refer to Note 11 for further details.

The accompanying notes form part of this financial report.

THE ARK FUND LIMITED AND CONTROLLED ENTITIES
ABN 39 009 204 175

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

| | Share Capital Ordinary | Capital Reserve | Option Premium Reserve | Accumulated Losses | Total |
|------------------------------------|------------------------------|--------------------|------------------------------|-----------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1.7.2007** | 19,020,795 | 9,773 | 439,350 | (15,565,419) | 3,904,499 |
| Net profit attributable to members | - | - | - | 619,082 | 619,082 |
| Shares issued | 21,292,158 | - | - | - | 21,292,158 |
| Transaction costs | (849,142) | - | - | - | (849,142) |
| Subtotal | 39,463,811 | 9,773 | 439,350 | (14,946,337) | 24,966,597 |
| Dividends paid or provided for | - | - | - | (585,720) | (585,720) |
| Dividend costs | - | - | - | (20,943) | (20,943) |
| Balance at 31.12.2007** | <u>39,463,811</u> | <u>9,773</u> | <u>439,350</u> | <u>(15,553,000)</u> | <u>24,359,934</u> |

| | Share Capital Ordinary | Capital Reserve | Option Premium Reserve | Accumulated Losses | Total |
|------------------------------------|------------------------------|--------------------|------------------------------|-----------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1.7.2008 | 39,505,973 | 9,773 | 439,350 | (14,678,130) | 25,276,966 |
| Net profit attributable to members | - | - | - | 1,052,910 | 1,052,910 |
| Subtotal | 39,505,973 | 9,773 | 439,350 | (13,625,220) | 26,329,876 |
| Dividends paid or provided for | - | - | - | (717,664) | (717,664) |
| Dividend costs | - | - | - | (4,417) | (4,417) |
| Balance at 31.12.2008 | <u>39,505,973</u> | <u>9,773</u> | <u>439,350</u> | <u>(14,347,301)</u> | <u>25,607,795</u> |

** Includes the consolidation of Geosat International Pty Ltd, Isharel Pty Ltd, Mt Edgar NL and Fargo Resources Pty Ltd, all of which were deconsolidated during the year ended 30 June 2008. Refer to Note 11 for further details.

The accompanying notes form part of this financial report.

THE ARK FUND LIMITED AND CONTROLLED ENTITIES
ABN 39 009 204 175

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

| | Note | 31 Dec 2008 \$ | 31 Dec 2007** \$ |
|--|------|-------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 3,792,389 | 2,484,318 |
| Payments to suppliers and employees | | (1,197,824) | (932,708) |
| Interest received | | 41,530 | 21,206 |
| Finance costs | | (1,310,841) | (943,390) |
| | | <hr/> | <hr/> |
| Net cash from operating activities | | 1,325,254 | 629,426 |
| | | <hr/> | <hr/> |
| Cash flows from investing activities | | | |
| Payments for investment properties | | (96,767) | (16,740,518) |
| Loans to Related Parties: | | | |
| - Proceeds from repayments | | 1,609,434 | - |
| | | <hr/> | <hr/> |
| Net cash from / (used in) investing activities | | 1,512,667 | (16,740,518) |
| | | <hr/> | <hr/> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | - | 21,292,158 |
| Cost of share issue | | - | (110,682) |
| Proceeds from borrowings | | - | 15,753,136 |
| Repayment of borrowings | | - | (18,000,000) |
| Payment of dividends (incl costs) | | (722,081) | (421,302) |
| | | <hr/> | <hr/> |
| Net cash provided by / (used in) financing activities | | (722,081) | 18,513,310 |
| | | <hr/> | <hr/> |
| Net increase in cash held | | 2,115,840 | 2,402,218 |
| Cash at the beginning of the reporting period | | 229,957 | 542,199 |
| | | <hr/> | <hr/> |
| Cash at the end of the reporting period | 4 | 2,345,797 | 2,944,417 |
| | | <hr/> <hr/> | <hr/> <hr/> |

** Includes the consolidation of Geosat International Pty Ltd, Isharel Pty Ltd, Mt Edgar NL and Fargo Resources Pty Ltd, all of which were deconsolidated during the year ended 30 June 2008. Refer to Note 11 for further details.

The accompanying notes form part of this financial report.

THE ARK FUND LIMITED AND CONTROLLED ENTITIES
ABN 39 009 204 175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This general purpose condensed consolidated financial report for the half year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The half year condensed consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half year condensed consolidated financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by The ARK Fund Limited during the half year ended 31 December 2008 in accordance with the continuous disclosure obligations of the *ASX Listing Rules*.

The half year condensed consolidated financial report has been prepared on a historical cost basis, except financial assets that have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The half year condensed consolidated financial report comprises the financial statements of The ARK Fund Limited and its controlled entities as at 31 December 2008 and has been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008, except for the accounting policy adopted in relation to investment properties as detailed below.

Investment Property

Investment property, comprising freehold land and any attached buildings, is held to generate long-term rental yields. All tenant leases are on an arm's length commercial basis.

During the financial year ended 30 June 2008 the Company acquired investment properties and completed the construction of various buildings. These assets were determined to be classified as investment properties and whilst reported at cost it was considered that in future these be accounted for under the fair value model.

The directors have now determined that these assets will continue to be carried at cost (subject to depreciation and impairment) in the financial statements of the Company and the fair value to be disclosed in the Notes to Accounts. Refer Note 13.

Since 1 July 2008 there were no new Accounting Standards or Interpretations which had an impact on the financial position or performance of the Group.

2. SEGMENT INFORMATION

The principal business of the consolidated entity is agricultural property investment and the only geographical segment is Australia. There are therefore no industry or geographical segments requiring disclosure.

THE ARK FUND LIMITED AND CONTROLLED ENTITIES
ABN 29 009 204 175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

| | 31 Dec 2008 | 31 Dec 2007 |
|---|-------------|-------------|
| | \$ | \$ |
| 3. OPERATING PROFIT | | |
| The following revenue and expense items are relevant in explaining the financial performance of the interim period: | | |
| Revenue: | | |
| Rental income | 2,910,420 | 1,383,520 |
| Income guarantee – Rewards Group | 209,616 | 218,996 |
| Supplemental income – Rewards Group | 375,000 | - |
| Management fee rebate – ARK Capital | - | 51,306 |
| Interest received | 51,156 | 21,206 |
| Trust distribution | 82,680 | 77,100 |
| Expenses: | | |
| Interest – NAB debt facility | 1,113,021 | 604,884 |
| Management fees | 209,990 | 164,934 |
| | 31 Dec 2008 | 30 Jun 2008 |
| | \$ | \$ |

4. CASH AND CASH EQUIVALENTS

For the purpose of the half year cash flow statement cash and cash equivalents are comprised of :

| | | |
|--------------------------|-----------------------------|-----------------------------|
| Cash at bank and in hand | 2,345,797 | 229,957 |
| | <u> </u> | <u> </u> |

5. ISSUED CAPITAL

23,922,149 (2007: 23,922,149)

| | | |
|-----------------------|-----------------------------|-----------------------------|
| Issued and fully paid | 39,505,973 | 39,505,973 |
| | <u> </u> | <u> </u> |

6. DIVIDENDS

| | | |
|--|-----------------------------|-----------------------------|
| Dividends paid during the half year on ordinary shares: | \$ | \$ |
| Unfranked dividend of 3.00 (2007: 3.48) cents per share for the quarter ended 30 June 2008 | 717,664 | 215,000 |
| Unfranked dividend of 2.50 (2007: 3.00) cents per share for the quarter ended 30 September 2008 declared 14 January 2009 (post year-end) | 598,054 | 185,360 |
| Unfranked dividend of 3.00 cents per share for the quarter ended 31 December 2007 | - | 185,360 |
| | <u>1,315,718</u> | <u>585,720</u> |
| | <u> </u> | <u> </u> |

THE ARK FUND LIMITED AND CONTROLLED ENTITIES
ABN 29 009 204 175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

| | 31 Dec 2008 | 31 Dec 2007 |
|--|-------------|-------------|
| | \$ | \$ |
| 7. INCOME TAX | | |
| The major components of income tax expense for the half year ended 31 December 2008 and 31 December 2007 are as follows: | | |
| Current income tax | | |
| Current income tax charge @ 30% (2007 30%) | 450,680 | 185,725 |
| Carry forward revenue losses | - | (185,725) |
| Dividend payment costs | (1,325) | - |
| | 449,355 | - |
| Income tax expense reported in income statement | 449,355 | - |

8. RELATED PARTY DISCLOSURES – REWARDS GROUP AND ASSOCIATED ENETITIES

During the half year the following related party transactions occurred with Rewards and its Associates.

- ARK received an ex-gratia income guarantee payment of \$263,712 (excl GST) (2007: \$553,059) from Rewards Group Ltd.
- ARK has fully paid the management fee due for the financial year ended 30 June 2008 to ARK Capital Pty Ltd of \$398,917 (excl GST). ARK Capital Pty Ltd acts in the capacity of a CEO to perform the functions of managing the Company. John D. Kenny owns 33.3% of ARK Capital Pty Ltd.
- The Company incurred management fees of \$209,990 (excl GST) (2007: \$164,934) from ARK Capital Pty Ltd for the half year ended 31 December 2008.
- The Company pays a fee to Rewards Management Pty Ltd for personnel and associated administration expenses provided to the Company. The fee is invoiced monthly and is calculated as the lower of 2.5% of monthly EBIT or \$10,000 (excl GST) per month.
- In addition to the ex-gratia income guarantee provided by Rewards (disclosed above), Rewards has paid a further \$375,000 (excl GST) (2007: nil) in accordance with the supplemental income agreement with ARK.
- The Company received in full the payment due from Rewards Group Ltd for the loan receivable of \$1,609,434 (2007: nil) as presented in the 30 June 2008 financial statements.

The following amounts are receivable from / payable to parties related to the Directors:

| | 31 Dec 2008 | 30 Jun 2008 |
|-------------------------------------|-------------|-------------|
| | \$ | \$ |
| - Receivable from Rewards Group Ltd | 653,911 | 1,899,517 |
| - Payable to Rewards Group Ltd | 65,679 | 1,679 |

The only other related party transactions were the payments of Directors fees, consistent with prior periods.

THE ARK FUND LIMITED AND CONTROLLED ENTITIES
ABN 29 009 204 175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

9. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the half year, the following events have occurred.

- An interim dividend of 2.5 cents per share (a total cash dividend payment of \$598,054) was paid to ordinary shareholders of the Company on 30 January 2009.

10. COMMITMENTS AND CONTINGENCIES

As at 31 December 2008, a contingent asset and corresponding liability for \$500,000 exists. The purchase of Horticultural Property No. 7 included a performance condition embedded within the sale contract for which the net effect on ARK will be nil.

Satisfaction of the performance condition after 12 months from the date of settlement obligates ARK to pay \$250,000 to the Vendor. A further \$250,000 is payable to the vendor upon satisfaction of the performance condition 24 months after settlement.

Upon ARK becoming obligated to pay any of the above, Rewards Group Ltd then becomes obligated to reimburse the same to ARK. Accordingly, the net effect on ARK will be nil.

There has been no change in contingencies since the most recent annual financial report.

11. DECONSOLIDATION

The balances in the respective financial statements as at 30 June 2008 and 31 December 2007 are presented on a consolidated basis.

During the year ended 30 June 2008 the Company deconsolidated Geosat International Pty Ltd, Isharel Pty Ltd, Mt Edgar NL and Fargo Resources Pty Ltd. Consequently, as at 31 December 2008 the balances in the respective financial statements are those of the Company alone.

To provide comparative information the consolidated balances would ordinarily need to be restated, however as none of the deconsolidated entities traded during the half year ended 31 December 2007 or the full year ended 30 June 2008 the consolidated balances as presented in the financial statements are comparable to the balances as presented at 31 December 2008.

12. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following applicable standards have been issued but have not been early adopted:

- AASB 101 *Presentation of Financial Statements (Revised 2007)*

AASB 101 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The changes affect the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. The 'Statement of changes in equity' is now presented as a primary statement. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged.

THE ARK FUND LIMITED AND CONTROLLED ENTITIES
ABN 29 009 204 175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

13. INVESTMENT PROPERTY – FAIR VALUE DISCLOSURE

Investment properties are carried at cost and are disclosed in these notes at fair value in accordance with AASB 140 *Investment Property*, and based on Directors valuations. Directors assess the fair value of property investments at each reporting date based on recent market prices and/or independent licensed valuations, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at balance sheet date.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

In determining fair value, the expected net cash flow projections based on reliable estimates of future cash flows derived from existing lease contracts applicable to each property and estimated terminal values of the properties based on unencumbered valuations, have been discounted to their present values using discount rates that are considered to reflect current market assessments of uncertainty in the amount and timing of the cash flows.

The nature of the Company's investment properties is such that on issuing a lease over a property, the fair value of the property may be reduced below its pre-leased value. This reduction should it occur would reflect the difference between the value of the unencumbered land on the open market and the discounted cash flows to be generated from that property. The discounted cash flows result from forecast sale proceeds and any rentals cash flows.

The model used in the fair value analysis has the following key assumptions:

| | Assumption range | Valuation assumption |
|--------------------------------|-------------------------|---|
| Terminal land valuation basis | Unencumbered / best use | Unencumbered / best use |
| Date of capital cash inflows | Expiry of lease term | Expiry of lease term |
| Ave. annual real growth - land | 2% - 4% p.a. | 3.5% p.a. |
| CPI | 2% - 3% p.a. | 2.8% p.a. |
| Lease rental indexation | 2% - 3% p.a. | 2.8% p.a. |
| Discount rate | 10.8% - 14.8% p.a. | Rental 10.8% p.a. Capital 14.8% p.a. |

Based on the above assumptions the following represents the fair value disclosure for investment properties at balance date:

| | Half Year Ended 31 Dec 2008 \$ | Full Year Ended 30 Jun 2008 \$ |
|---------------------------------------|--------------------------------------|--------------------------------------|
| Opening balance | 54,183,693 | 12,410,305 |
| Acquisitions | 96,768 | 41,773,388 |
| Disposals | - | - |
| | 54,280,461 | 54,183,693 |
| Net gains from fair value adjustments | 2,269,229 | - |
| | <u>56,549,690</u> | <u>54,183,693</u> |
| Closing balance - Fair Value | 56,549,690 | 54,183,693 |

The Company has no contractual obligations to develop or enhance investment property held.

THE ARK FUND LIMITED AND CONTROLLED ENTITIES
ABN 93 009 204 175

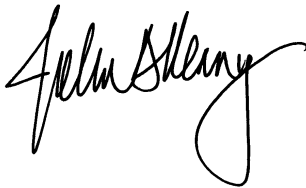
DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of The ARK Fund Limited, I state that:

In the opinion of the Directors:

1. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half year ended on that date of the consolidated entity; and
 - b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.
2. there are reasonable grounds to believe that company will be able to pay its debts as and when they become due and payable.

On behalf of the board



John D. Kenny
Chairman and Managing Director

Perth, 26 February 2009

**Independent Auditor's Review Report
To the Members of The Ark Fund Limited**

10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872

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Report on the half-year financial report

We have reviewed the accompanying half-year financial report of The Ark Fund Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a description of accounting policies, and other selected explanatory notes.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of The Ark Fund Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independent Auditor's Review Report
To the Members of The Ark Fund Limited**

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Report on the half-year financial report

We have reviewed the accompanying half-year financial report of The Ark Fund Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies, and other selected explanatory notes.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Australian professional ethical pronouncements and the Corporations Act 2001.



Electronic presentation of reviewed financial report

This auditor's review report relates to the financial report of The Ark Fund Limited for the half-year ended 31 December 2008 included on The Ark Fund Limited's web site. The Company's directors are responsible for the integrity of The Ark Fund Limited's web site. We have not been engaged to report on the integrity of The Ark Fund Limited's web site. The auditor's review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The Ark Fund Limited is not in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b. Complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP **Chartered Accountants**

P. Warr.

P W WARR
Partner

Perth, 26 February 2009

Appendix 4D

Half year report

1. Details of the reporting period and the previous corresponding period.

| |
|---|
| Name of entity: The ARK Fund Limited |
| ABN: 93 009 204 175 |
| Half year ended: 31 December 2008 |
| Previous half year ended: 31 December 2007 |

2. Results for announcement to the market.

| | Percentage change over previous year | \$'000 |
|--|--|--------|
| 2.1 Revenues from ordinary activities | Up 107% | 1,877 |
| 2.2 Profit from ordinary activities after tax attributable to members | Up 70% | 434 |
| 2.3 Net profit attributable to members | Up 70% | 434 |
| 2.4 Dividends: An unfranked dividend of 3 cents per share (total \$717,664) for the quarter ended 30 June 2008 was paid during the half year ended 31 December 2008. | | |
| 2.5 Record date for determining entitlements to the dividend: For the quarter ended 30 June 2008 – record date was Friday 10 October 2008. | | |
| 2.6 Brief explanation of any of the figures reported in 2.1 to 2.4 necessary to enable the figures to be understood: Refer to review of Operations in attached Half Year Financial Report | | |

3. Net Tangible Asset Backing

| | 31/12/08 | 31/12/07 |
|--|-----------------|-----------------|
| Net tangible asset backing per ordinary security | 107.05 cents | 101.83 cents |

4. Details of entities over which control has been gained or lost during the period.

N/A

5. Dividends

An unfranked dividend of \$717,664 for the quarter ended 30 June 2008 was paid on Tuesday 14 October 2008. The dividend was for 3.0 cents per share and included no foreign sourced dividend or distribution.

6. Details of dividend reinvestment plans in operation

N/A

7. Details of associates and joint venture entities

N/A

8. For Foreign entities details of which set of accounting standards is used in compiling the report (International Accounting Standards)

N/A

9. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.

N/A