



Wallace Absolute Return Limited
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February 27, 2009

The Manager
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Lodgement of Appendix 4D and Half Year Report

Please find attached the Appendix 4D and the Interim Half Year Directors Report and Financial Report for the period ending 31 December 2008 for Wallace Absolute Return Limited.

For further information, contact:

Mr Michael Birch
Chief Executive Officer
Wallace Absolute Return Limited
Ph: +612 9258 1114

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788

Appendix 4D Statement
Half-Year Report

RESULTS FOR ANNOUNCEMENT TO THE MARKET
HALF YEAR ENDED 31 DECEMBER 2008
All comparisons to the half year ended 31 December 2007

	6 months ended 31 December 2008 \$	6 months ended 31 December 2007 \$	% change prior year
Revenues from sale of investments	24,181,730	263,834,539	(90.83)
Gross (Loss)/Profit	(5,544,022)	9,100,809	(160.92)
Other revenue	2,372,782	6,193,137	(61.69)
Net Loss before tax	(30,241,511)	(7,662,557)	(294.67)
Net Loss after tax	(28,286,022)	(5,457,681)	(418.28)
Net Assets	36,218,944	83,118,635	(54.43)
Net Assets excl Deferred Tax Assets (DTA)	23,938,888	77,804,704	(69.23)
Net Tangible Assets per share	0.43	0.98	(56.12)
Net Tangible Assets per share (excluding DTA)	0.28	0.87	(67.81)
Dividend paid on ordinary shares	Nil	Nil	

Commentary and explanation of the results

Summary

- Loss before tax of \$30,241,511 for the half-year to 31 December 2008.
- Loss after tax of \$28,286,022 for the half-year to 31 December 2008.
- Net Tangible Assets per share fell to \$0.43 as at 31 December 2008 compared to \$0.76 as at 30 June 2008.
- Net Tangible Assets (excluding DTA) per share fell to \$0.28 as at 31 December 2008 compared to \$0.63 as at 30 June 2008.
- Basic earnings per share was a loss of \$0.33 in the half-year to 31 December 2008.
- No dividend has been paid or declared

Performance

The results were adversely affected by;

- Poor returns on the equity portfolio, and
- A material reduction in the value of the unlisted investments and fixed interest securities.

Commentary

Commentary on the results for the period is contained in the Directors Report accompanying the Interim Half Year Financial Report dated 27 February 2009.

NOTES

1. The current reporting period is the half-year ended 31 December 2008. For Appendix 4D, the comparative period is the half-year ended 31 December 2007.
2. This report is based on accounts which have been the subject of audit review.
3. All the documents comprise the information required by listing rule 4.2.A.
4. The information should be read in conjunction with the most recent annual report.
5. The attached Independent Auditor's Review Report has been qualified on the basis that there was insufficient evidence in terms of financial information being available to the auditors in support of the recoverable amount of the unlisted financial assets held by the company with a total carrying value of \$18,000,000 as recorded in the balance sheet at 31 December 2008. The auditor was unable to form a conclusion in respect to the carrying value of these financial assets.

**WALLACE ABSOLUTE RETURN LIMITED
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**WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788**

PORTFOLIO HOLDINGS

AS AT 31 DECEMBER 2008

LARGEST 20 STOCK EXCHANGE LISTED POSITIONS

Security	Total Values \$
Allco Equity Partners Limited	1,943,995
Babcock & Brown Communities Group	1,230,578
Mesoblast Limited	298,893
Prime Retirement and Aged Care Property Trust	277,315
Woolworths Limited	266,700
Primary Health Care Limited	107,022
Rio Tinto Limited	85,743
Funtastic Limited	69,220
BHP Billiton Limited	60,840
Leighton Holdings Limited	60,006
Oil Search Limited	55,560
AMP Limited	54,100
Qantas Airways Limited	52,600
CSL Limited	50,550
Ausenco Limited	43,600
Boart Longyear Limited	22,000
Westpac Banking Corporation Limited	8,450
Macarthur Coal	7,260
Longreach Group Limited	6,635
Healthlinx Limited	6,583
TOTAL	4,707,650

UNLISTED INVESTMENTS AND FIXED INTEREST SECURITIES

Name	Total Value \$
HAL Data Services Pty Limited	18,000,000
TOTAL	18,000,000

WALLACE ABSOLUTE RETURN LIMITED
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DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

In respect of the half year ended 31 December 2008, the directors of the company submit the following report together with the financial report of Wallace Absolute Return Limited ("the company").

The names of directors who held office during or since the end of the half year:

Mr Kenneth Barry	Chairman - Non-Executive
Mr Alan Liddle	Director - Non-Executive
Mr Michael Birch	Director - Executive (appointed 3 February 2009)
Mr Richard Wallace	Director - Executive (resigned 19 December 2008)

Review of operations	6 months to 31/12/2008	6 months to 31/12/2007
	\$	\$
Loss from ordinary activities before income tax benefit	(30,241,511)	(7,662,557)
Income tax benefit	<u>1,955,489</u>	<u>2,204,876</u>
Loss from ordinary activities after income tax benefit	<u>(28,286,022)</u>	<u>(5,457,681)</u>
Net Assets	36,218,944	83,118,635
Net Assets excluding Deferred Tax Assets	23,935,677	77,098,154
Earnings per share (cents per share)	(33.49)	(6.21)

Performance

Wallace Absolute Return Limited recorded a loss of \$28.3m for the half year to 31 December 2008.

Global financial markets experienced significant volatility during the half, and this contributed to the poor investment returns on company's portfolio. However, the returns generated by Wallace Funds Management Pty Ltd ("Manager") on both the listed and unlisted securities significantly underperformed the broader share market.

The ASX200 Accumulation Index fell by 26.8% in the six months to December 2008. This compared to the Manager producing returns on unlisted investments and fixed interest securities of approximately negative 57% and the remainder of the portfolio which was invested in equities, options and futures generating returns of approximately negative 48% for the half year.

Equity Portfolio (Including Equities, Options and Futures)

In the opinion of the company the equity portfolio underperformed the market for the following reasons:

- ~ The Manager did not adequately hedge the portfolio; and
- ~ The portfolio was too highly concentrated in illiquid stocks in the Babcock and Brown and Allco Groups. The Manager has continued to hold these positions through the financial crisis.

Leverage was reduced by the prime broker during the half year, and no leverage has been used since balance date. Subsequent to balance date a letter dated 15 January 2009 terminating amongst other things, the prime brokerage agreement from February 2009 was served on the company by UBS. Since the letter was served, the Manager has not initiated any new positions in the portfolio.

The company is awaiting information from the Manager regarding new prime brokerage arrangements. In the interim it is proposed that a broker be appointed to act as Chess Sponsor for the company's portfolio.

WALLACE ABSOLUTE RETURN LIMITED
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DIRECTORS' REPORT (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Unlisted Investments and Fixed Interest Securities

The company made an announcement to the Australian Stock Exchange (ASX) on 3 September 2008 regarding related party transactions pursuant to which investments were made in Lease Investments Pty Limited ("LIP") and Lease Company of Australia Limited ("LCA") in breach of ASX Listing Rule 10.1. The company's then managing director, Richard Wallace, is a director of, and indirectly controls LIP and LCA.

To remove the related party connection it was proposed that the company sell its investments in LIP and LCA to Hal Data Services Pty Ltd ("HAL") in exchange for notes in HAL having an equivalent face value of \$17.9m which would pay interest at a rate of at least 11% per annum and be secured by first ranking charges over specific assets of HAL. These charges were also to extend to cover the \$18.1m of HAL loans already held by the company in its investment portfolio.

The Manager and Richard Wallace as Managing Director at the time transferred the company's investments in LIP and LCA to HAL on 29 August 2008 in return for a Note dated 29 August 2008 issued by HAL for \$36.0m which includes the consideration of \$17.9m. In the terms and conditions of the Note HAL agrees to provide a first ranking charge over specific assets and the company agrees to not unreasonably withhold their acceptance of assets provided. The transfer of the company's investments in LIP and LCA to HAL in return for the Note issued by HAL was first notified by Richard Wallace to the other board members of the company at a board meeting held on 19 December 2008.

The company has requested HAL to provide a first ranking charge over specific assets as security for the note issued by HAL but no such security has to date been given.

As announced to the ASX on 16 February 2009, Lonergan Edwards and Associates Limited ("LEA") has provided the company with an independent report that in their opinion the market value of the shares and the debt securities held in HAL as at 31 December 2008, which had an aggregate purchase price or face value of \$41.6 million, ranges between \$16 million and \$20 million. The LEA valuation was made on the basis that HAL is a going concern, and assumes the continued availability to HAL of the debt and lease funding facilities currently in place. LEA noted that the statutory accounts for HAL for the year ended 30 June 2008 had not been completed and that their assessed value may change on provision to them of those accounts.

On the basis of the independent valuation report of LEA the directors of the company have valued the shares and the debt securities held in HAL as at 31 December 2008 at \$18.0m which is the mid point of the LEA valuation. The directors of the company note that the LEA valuation was made on the basis that HAL is a going concern and assumes the continued availability to HAL of the debt and lease funding facilities currently in place. If circumstances occur which result in that basis and assumption no longer being appropriate that may result in a change to the directors valuation of the shares and the debt securities held by the company in HAL. Further, the directors note that the audited accounts of HAL for the year ended 30 June 2008 are not yet available. Once these accounts become available, the information provided in them may cause the directors of the company to revise their valuation.

Dividends Declaration

No dividend has been paid or declared during the period (2007: Nil).

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed on behalf of the Board in accordance with a resolution of the directors.



MICHAEL BIRCH

Director

In Sydney, this 27th day of February 2009

MOORE STEPHENS**Auditor's Independence Declaration
to the Directors of Wallace Absolute Return Limited**

As lead auditor for the review of Wallace Absolute Return 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.

This declaration is in respect of Wallace Absolute Return Limited during the period.



Moore Stephens Sydney
Chartered Accountants



C Chandran
Partner

Dated in Sydney this 27th day of February 2009.

WALLACE ABSOLUTE RETURN LIMITED
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INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Notes	31/12/2008 \$	31/12/2007 \$
Proceeds from the sale of investments		24,181,730	263,834,539
Unrealised loss on investments		(801,446)	(19,009,958)
Cost of investments sold		(29,725,752)	(254,733,730)
Interest income		2,069,009	2,225,859
Dividend income		151,041	3,290,945
Other revenue from ordinary activities		152,732	676,333
Impairment loss on investments	5	(23,632,174)	-
Brokerage and other investment costs		(16,908)	(310,427)
Administration expenses		(328,394)	(549,941)
Doubtful debts expense - interest receivable	5	(1,501,439)	-
Borrowing costs		(195,004)	(2,767,130)
Other expenses from ordinary activities		(594,906)	(319,047)
Loss from ordinary activities before income tax benefit		(30,241,511)	(7,662,557)
Income tax benefit relating to ordinary activities		1,955,489	2,204,876
Loss attributable to shareholders		(28,286,022)	(5,457,681)
Basic and diluted earnings per share (cents per share)	3	(33.49)	(6.21)

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BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	31/12/2008 \$	30/06/2008 \$
ASSETS			
Cash and cash equivalents		629,358	471,363
Trade and other receivables		239,223	2,555,199
Current tax assets		769,293	778,519
Financial assets - held for trading		4,707,760	25,681,817
Financial assets - held to maturity	4, 5	17,465,313	-
Financial assets - loans and receivables	4, 5	534,687	26,122,866
Financial assets - available for sale	4, 5	-	14,601,135
Other assets		8,086	10,599
Deferred tax assets		12,283,267	10,672,226
Plant and equipment		7,736	7,736
TOTAL ASSETS		<u>36,644,723</u>	<u>80,901,460</u>
LIABILITIES			
Cash and cash equivalents		-	13,316,241
Trade and other payables		422,568	1,534,574
Financial liabilities		-	1,198,020
Deferred tax liabilities		3,211	347,659
TOTAL LIABILITIES		<u>425,779</u>	<u>16,396,494</u>
NET ASSETS		<u>36,218,944</u>	<u>64,504,966</u>
EQUITY			
Issued capital	6	89,491,831	89,491,831
Accumulated losses		(53,272,887)	(24,986,865)
TOTAL EQUITY		<u>36,218,944</u>	<u>64,504,966</u>

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STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Issued capital	Accumulated losses	Total equity
	\$	\$	\$
At 1 July 2007	92,245,819	(1,196,586)	91,049,233
Loss for the period	–	(5,457,681)	(5,457,681)
Shares bought back	(2,472,917)	–	(2,472,917)
At 31 December 2007	<u>89,772,902</u>	<u>(6,654,267)</u>	<u>83,118,635</u>
At 1 July 2008	89,491,831	(24,986,865)	64,504,966
Loss for the period	–	(28,286,022)	(28,286,022)
At 31 December 2008	<u>89,491,831</u>	<u>(53,272,887)</u>	<u>36,218,944</u>

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CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	31/12/2008	31/12/2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from the sale of investments	23,277,952	268,251,873
Dividends received	782,444	2,044,711
Interest received	1,084,326	2,251,234
Other receipts from investment activities	152,732	416,748
Payments for investments purchased	(10,616,369)	(294,884,481)
Payments to suppliers and employees	(1,011,845)	(2,502,314)
Borrowing costs	(195,004)	(2,622,259)
Net cash provided/(used) in operating activities	<u>13,474,236</u>	<u>(27,044,488)</u>
 CASH FLOWS FROM FINANCE ACTIVITIES		
Payments for shares bought back	-	(2,472,466)
Cash dividends paid	-	(451,492)
Cash used in financing activities	<u>-</u>	<u>(2,923,958)</u>
Net increase/(decrease) in cash held	13,474,236	(29,968,446)
Cash at the beginning of the half year	<u>(12,844,878)</u>	<u>(51,502,078)</u>
Cash at the end of the half year	<u>629,358</u>	<u>(81,470,524)</u>

**WALLACE ABSOLUTE RETURN LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The half year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB134: Interim Financial Reporting, and other applicable Australian Accounting Standards (including Australian Accounting Interpretation).

This half year financial report does not include all the notes of the type normally included in the annual financial report. Accordingly this half year financial report is to be read in conjunction with the 30 June 2008 annual financial report and any public announcements made by Wallace Absolute Return Limited ("the company") during the half year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies have been consistently applied, unless otherwise stated, and are consistent with those in the 30 June 2008 annual financial report and the corresponding interim report.

The financial statements have been prepared on an accruals basis and are based on historical cost with the exception of financial assets and liabilities which have been measured at fair value.

(b) Impairment of Financial Assets

At each reporting date, entities must assess whether there is any objective evidence of impairment of a financial asset as a result of past events that could have an impact on the estimated future cash flows expected to be generated by the financial asset. Where such evidence exists, a formal impairment test needs to be conducted.

Where a permanent impairment is identified, the impairment loss is recognised in the Income Statement. Subsequent declines in that asset must also be recognised directly to the Income Statement.

The share market fall over the last 6 months has caused the company to consider whether any of its investments are permanently impaired.

Refer to Note 5 for further information.

(c) Details of Reporting Period

The current reporting period is the half year ended 31 December 2008. For the Income Statement, Statement of Changes in Equity and the Cash Flow Statement, the previous corresponding period is the half year ended 31 December 2007. For the Balance Sheet, the previous corresponding date is 30 June 2008.

(d) Segment Reporting

The half year financial report is for the individual entity Wallace Absolute Return Limited. It is a publicly listed company limited by shares, incorporated and domiciled in Australia. The company is engaged in investment activities conducted predominantly in Australia and derives revenue and investment income from listed and unlisted securities and fixed interest securities.

NOTE 2 - DIVIDEND PAID

No dividend was paid during the half year or has been declared since half year end.

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 3 - EARNINGS PER SHARE

	31/12/2008	31/12/2007
Basic earnings per share (cents per share)	(33.49)	(6.21)
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	84,455,052	87,942,994

No adjustments were made to the loss from ordinary activities after income tax benefit shown on the Income Statement in deriving earnings used in the calculation of basic earnings per share.

Diluted earnings per share is the same as basic earnings per share.

NOTE 4 - FINANCIAL ASSETS

(a) Sale of Lease Company of Australia Limited (LCA) and Lease Investments Pty Limited (LIP) investments

On 3 September 2008, the company announced its agreement to sell to HAL Data Services Pty Limited ("HAL") all of its investments in LCA with a carrying value of \$7,930,865 as at 30 June 2008 and LIP with a carrying value of \$10,000,000 as at 30 June 2008 based on a proposal made by HAL on 29 August 2008.

The disposal of the company's investments in LCA and LIP was to rectify the noncompliance with ASX Listing Rule 10.1 when the Manager inadvertently without shareholders' approval acquired these investments.

On 3 September, 2008, the board of directors of the company approved the proposal made by HAL on 29 August 2008.

In consideration for the sale by the company of its investments in LCA and LIP a loan note with 11% interest rate per annum was issued by HAL equivalent to the carrying value of the company's investments in LCA and LIP.

The first interest payment due is on 30 June 2009 for the 12 month period from 1 July 2008. Thereafter, the interest will be paid every six month in arrears.

The initial term of the loan is 3 years commencing from 1 July 2008 and may be extended by a further 36 months. The principal repayment can be made in cash or other securities issued or owned by HAL which convert into cash. The loan note can also be converted into equity subject to the agreement of both parties.

In addition HAL will provide to the company a first ranking charge over specific assets. The company agreed not to unreasonably withhold its acceptance of assets provided. The company has requested HAL to provide a first ranking charge over specific assets as security for the note issued by HAL but no such security has to date been given.

**WALLACE ABSOLUTE RETURN LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

NOTE 4 - FINANCIAL ASSETS (CONTINUED)

(b) Amendments to the funding terms of the company's existing debenture investments in HAL and entities controlled by HAL

The funding terms of the company's existing debenture investments in HAL and entities controlled by HAL with a carrying value of \$18,000,174 as at 30 June 2008 were amended effective 1 July 2008. The amendments include the following:

- All facility positions were converted to residual value loans;
- Principal balances at 30 June 2008 will be used to calculate interest from 1 July 2008;
- The repayment term originally agreed for each drawn amount at the "initial interest rate" plus 36 months at the "extended interest rate";
- The initial interest rate payable will be the rate originally agreed for each drawn amount and will continue to be paid at that rate until the expiry of the term originally agreed for each drawn amount;
- The extended interest rate payable is calculated as the rate applicable to similar debt products by agreement with a minimum rate of 11.5% per annum paid monthly in arrears;
- Monthly repayments are interest only and will be made through the term. Principal repayment will be made at the end of the "extended interest rate" period or prior if borrowers elect. Principal repayment can be made in cash, other securities issued by HAL or LCA notes at their issue value.

On 29 August 2008, the existing loan to HAL of \$18,100,174 was combined with the new loan by WAB to HAL set out in the loan note issued on the said date with the same terms and conditions in (a) above.

The interest previously paid on \$18,100,174 from 1 July 2008 will be offset against the total interest due on 30 June 2009 for the 12 month period from 1 July 2008.

(c) Additional investments in HAL

On 3 November 2008, the company made a loan to HAL of \$1,100,000. The loan has a repayment term of 36 months with an interest rate of 11.5% per annum payable monthly in arrears. The loan will be backed by residual rights.

Principal repayment will be paid in cash at the end of the term or earlier at the option of HAL.

NOTE 5 - IMPAIRMENT FINANCIAL ASSETS

The directors note that the valuation of the shares and debt securities held by the company in Hal Data Services Pty Limited (HAL) contained in Note 4 has been prepared on the basis of an independent report provided by Lonergan Edwards and Associates Limited (LEA) to the company. The directors of the company have valued such shares and debt securities at \$18,000,000. This is the mid point of the LEA valuation.

The directors also note that the LEA valuation was made on the basis of market value as a going concern and accordingly assumes the continued availability to HAL of the debt and lease funding facilities which it currently has in place. If circumstances occur which result in that assumption no longer being appropriate, that may result in a change to the directors' valuation of the shares and debt securities held by the company in HAL.

Further, the directors note that the audited accounts for HAL for the year ended 30 June 2008 are not yet available. Once these accounts become available, the information provided in them may require the directors to revise their valuation.

An impairment loss of \$23,632,174 (2007: Nil) has been recognised.

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 5 - IMPAIRMENT FINANCIAL ASSETS (CONTINUED)

The directors also assessed the recoverability of the trade and other receivables of the company and a provision for doubtful debts of \$1,501,439 (2007: Nil) has been recognised relating to the interest accrued on the fixed interest securities.

NOTE 6 - ISSUED CAPITAL

	31/12/2008	30/06/2008
	\$	\$
Issued and paid-up capital		
84,455,052 (30/6/2008: 84,455,052) fully-paid ordinary shares issued	<u>89,491,931</u>	<u>89,491,831</u>
Fully-paid ordinary shares		
Balance at the beginning of the reporting period	89,491,831	92,245,819
Nil (30/6/2008: 3,589,735) shares bought back from on market share buy-back	-	(2,726,053)
Share issue costs net of tax	-	(27,935)
Balance at the end of the reporting period	<u>89,491,831</u>	<u>89,491,831</u>

NOTE 7 - CONTINGENT LIABILITIES

No contingent liabilities existed at 31 December 2008.

NOTE 8 - EVENTS SUBSEQUENT TO BALANCE DATE

(a) Termination of Prime Brokerage, Exchange Traded Derivatives and ISDA Agreements

UBS AG ("UBS") gave a letter to the company on 15 January 2009 terminating its Prime Brokerage and other agreements effective 27 February 2009. As a result the company has to ensure that all positions under the Prime Broking Agreement are closed out by 27 February 2009.

Up until termination date, UBS will only accept orders to transfer or liquidate positions and contracts for Futures and ASX accounts and as from 6 January 2009 has not accepted orders to establish new Futures or ASX positions or trades.

No replacement prime broker has been appointed but in the interim it is proposed a broker be appointed to act as a CHESSE Sponsor.

(b) Appointment of Director

Mr Michael Birch was appointed as a director on 3 February 2009.

(c) Breach of Management Agreement

On 5 December 2008 the company served notice on the manager, Wallace Funds Management Limited ("WFM") in relation to breaches of the Management Agreement. Subsequently WFM commenced legal proceedings against the company to prevent it from terminating the management agreement.

The hearing was held on 11 and 12 February 2009 and judgement is pending as at the date of this report

On 18 February 2009 the company served another notice on the manager in relation to an additional breach of the Management Agreement.

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DIRECTORS' DECLARATION

The directors of Wallace Absolute Return Limited declare that:

1. The financial statements and notes, as set out on pages 6 to 13 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position of the company as at 31 December 2008 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Michael Birch
Director

Dated in Sydney this 27th day of February 2009

MOORE STEPHENS

Independent Auditor's Review Report to the Members of Wallace Absolute Return Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of Wallace Absolute Return Limited ("the company"), 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 statement of significant accounting policies, other selected explanatory notes and the directors' declaration.

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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that it 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 Engagements ASRE 2410: "Review of an Interim Financial Report 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 Corporation Act 2001 including: giving a true and fair view of the consolidated entity'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 Wallace Absolute Return Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

MOORE STEPHENS

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we have complied with the applicable independence requirements of the *Corporations Act 2001*.

Basis for Qualified Conclusion

As a result of insufficient evidence, in terms of financial information being available to us in support of the recoverable amount of the unlisted financial assets held by the company, with a total carrying value of \$18,000,000, as recorded in the balance sheet as at 31 December 2008, we are unable to form a conclusion in respect to the carrying value of these financial assets.

Qualified Conclusion

Except for the adjustments, if any, to the half year financial report that we might have become aware of had it not been for the situation described above, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Wallace Absolute Return Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) 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
- (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*.



Moore Stephens Sydney
Chartered Accountants



C Chandran
Partner

Dated in Sydney this 27th day of February 2009.