ARK FUND

Tuesday 1 September 2009

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

By e-lodgement

Dear Sir/Madam

APPENDIX 4E – PRELIMINARY FINAL REPORT

Please find attached the Appendix 4E – Preliminary Report for the financial year ending on 30 June 2009 and the results for announcement to the market of this reporting period compared to the previous corresponding reporting period being the 12 month period ending on 30 June 2008.

12 Month Period Ending on 30 June 2009

The 12 month period ending on 30 June 2009 was an extraordinary one for Australian equity capital and debt capital markets due to the Global Financial Crisis and a particularly bleak period for the Real Estate Investment Trust (**REIT**) market in Australia.

Your Directors are pleased to report on the results achieved by The ARK Fund Limited (**ARK** or **Company**) over the past financial year with the business having ended the year in a reasonable position despite the serious consequences of the Global Financial Crisis and its material impact on the REIT market in Australia.

Although the Australian REIT market has suffered enormously from the effects of the Global Financial Crisis, ARK has performed relatively well in 2 key respects:

1. Contrary to the vast majority of REITs, ARK has not reported write downs in the value of its asset portfolio; and

2. ARK has also not experienced any financing difficulties as it has a long term (10 year) debt facility with NAB.

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The year saw the collapse of Timbercorp and Great Southern and increasing difficulties with water access in the Murray-Darling basin and the high cost of using that water. Profound change is underway in the Australian forestry landscape. Earlier today, Gunns announced its acquisition of ITC, a competitor of ARK's tenant Rewards Group in forestry MIS.

ARK's tenant Rewards Group is now faced with a superb opportunity to materially enhance its market share in both forestry MIS and agriculture MIS by way of its 'high value' – 'high margin' niche MIS offerings which are underpinned by excellent demand and supply fundamentals.

ARK's land values have remained strong and the Company has no property in the Murray-Darling basin. Your Directors believe the Company's property investment model has led to this relative success story.

ARK owns all the water rights that attach to the properties it owns and the agriculture and food production sector continues to be underpinned by very solid fundamentals and a strong growth outlook given Asian demand trends.

Rewards Group leases all of ARK's investment properties. Rewards Group is an agricultural and forestry MIS operator that has over $300 million worth of funds under management spread across 34 MIS projects throughout Australia that are supported by more than 8,000 growers.

Eleventh Consecutive Quarterly Dividend – 1 April 2009 to 30 June 2009

A total cash dividend sum of $418,638 will be paid in relation to the quarter commencing 1 April 2009 and ending on 30 June 2009. The dividend that shareholders will receive will be ***fully franked*** and equates to a dividend of 1.75 cents per share on a post tax basis or 2.5 cents per share on a pre-tax basis. The dividend will be received by shareholders by 24 September 2009. The dividend contains no foreign sourced income and accordingly there is no conduit foreign income.

Cash Payment

The total cash payment of 1.75 cents per share equates to delivering an annualised pre-tax dividend yield of 17.86% based on a share price of $0.56. The total cash dividend sum of $418,638 will be paid pari passu to the holders of all shares in ARK which as at the Record Date will total to 23,922,149 shares. ARK has no other securities of any kind on issue.

Timetable

Pursuant to Appendix 6A of the ASX's Listing Rules, the timetable is as follows:

EVENT	DAY
ARK announces dividend and Record Date and its shares are quoted on a "cum" basis	Tuesday 1 September 2009
Shares are quoted on an "ex" basis 4 business days before the Record Date	Monday 14 September 2009
Record Date	Friday 18 September 2009
Date of Dividend Payment	Thursday 24 September 2009

Production by Shareholders of Tax File Number

The dividend will be received by shareholders by 24 September 2009.

We request all shareholders to immediately contact ARK's share registrar (if they have not already done so) to provide their tax file number. The contact details of the Company's share registrar are as follows:

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

Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233

Yours faithfully
THE ARK FUND LIMITED

John D. Kenny
Chairman

Appendix 4E

Preliminary Final Report

Period ended 30 June 2009

Financial Reporting Period

The current financial reporting period is for the 12 months to 30 June 2009 with the previous corresponding period being the 12 months to 30 June 2008.

Results for Announcement to the Market

			$
Revenues from ordinary activities	**up**	**45% to**	**$6,790,653**
Profit from ordinary activities after tax attributable to members	down	13% to	$1,931,389
Net Profit for the period attributable to members	down	13% to	$1,931,389

Distribution to shareholders paid or payable

Type	Amount Per Share	Franked Percentage	Record Date	Payment Date
Interim	3.0 cents	0%	10 October 2008	14 October 2008
Interim	2.5 cents	0%	27 January 2009	30 January 2009
Interim	3.5 cents	100%	17 July 2009	23 July 2009
Interim	1.75 cents	100%	18 September 2009	24 September 2009

The company does not have a dividend re-investment plan.

Net Tangible Assets Per Share	30 June 2009	30 June 2008
	$1.08	$1.06

2009 PRELIMINARY FINAL REPORT

RESULTS PRESENTATION

'ARK ANNOUNCES 43% INCREASE IN FY09 REVENUE TO $6.7 MILLION'

FINANCIAL HIGHLIGHTS

• Revenues from ordinary activities	up	45%	to	$6,790,653
• Profit from ordinary activities before tax	up	38%	to	$2,864,342

KEY COMPARISONS TO LAST YEAR

	FY 2009	FY 2008	Variance
Revenue	**$6.8M**	**$4.7M**	**45%**
EBITDA	**$6.1M**	**$4.2M**	**45%**
NPAT [A]	**$1.9M**	**$2.2M**	**-13%**

[A] For the year ended 30 June 2008, ARK was able to utilise substantial carried forward losses resulting in the recognition of an income tax benefit. For the year ended 30 June 2009, the Company has recognised an income tax expense for the first time and commenced paying tax. Consequently the Company is now able to pay fully franked dividends to the benefit of shareholders.

KEY DRIVERS

ARK's net profit and therefore its ability to pay dividends, is dependent on a number of key drivers.

The following table demonstrates these key drivers as represented in the Income Statement for the year ended 30 June 2009:

Income		As a % of Income	As a % of Costs
	• Rental receipts from leasing of property	86%	
	• Rewards Guarantee, Rebate and Recharges	11%	
	• Ord Orchards Land Unit Trust	2%	
	• Interest	1%	
Costs			
	• Interest & borrowing costs – Debt Facility costs	-32%	45%
	• Taxes	-14%	19%
	• Depreciation	-10%	15%
	• ARK Capital Pty Ltd management fee	- 6%	8%
	• Directors and Company Secretarial fees	- 2%	3%
	• Printing, Postage and Administration	- 2%	3%
	• Accounting, Taxation and Legal fees	- 1%	2%
	• ASIC, ASX and Share Registry fees	- 1%	1%
	• Other general expenses	- 4%	4%
Net Profit		28%	

For the year ended 30 June 2009, it is evident that the three largest cost items are Debt Facility costs, taxes and depreciation that account for nearly 80% of the costs of the Company. As a group, they represent approximately 56% of revenue.

For the year ended 30 June 2009, the cost of capital was 6.51% of the Debt Facility amount of $33,259,744. As at 26 August 2009 the cost of capital was 6.26% per annum. Any movements in interest rates directly impacts on the net profit of the Company. ARK's cost of debt is 100% variable with no interest rate hedging having been undertaken.

Depreciation will decrease year on year whilst rental income from the leasing of the investment properties will continue to increase year on year, as the leases are adjusted annually, at a minimum of 2.8%.

As the Company is now in a tax paying position, dividends will in the future be accompanied by franking credits.

OUTLOOK

The Board are now focused on exploring opportunities for further growth and note the following:

- There are excellent buying opportunities currently in the rural investment landscape, however the ability to capitalise on these is limited by the ability to finance these potential acquisitions; and

- Interest rates are expected to rise from their relative historic lows, and the margin applicable to ARK's debt facility has also increased, and therefore the cost of debt capital is rising.

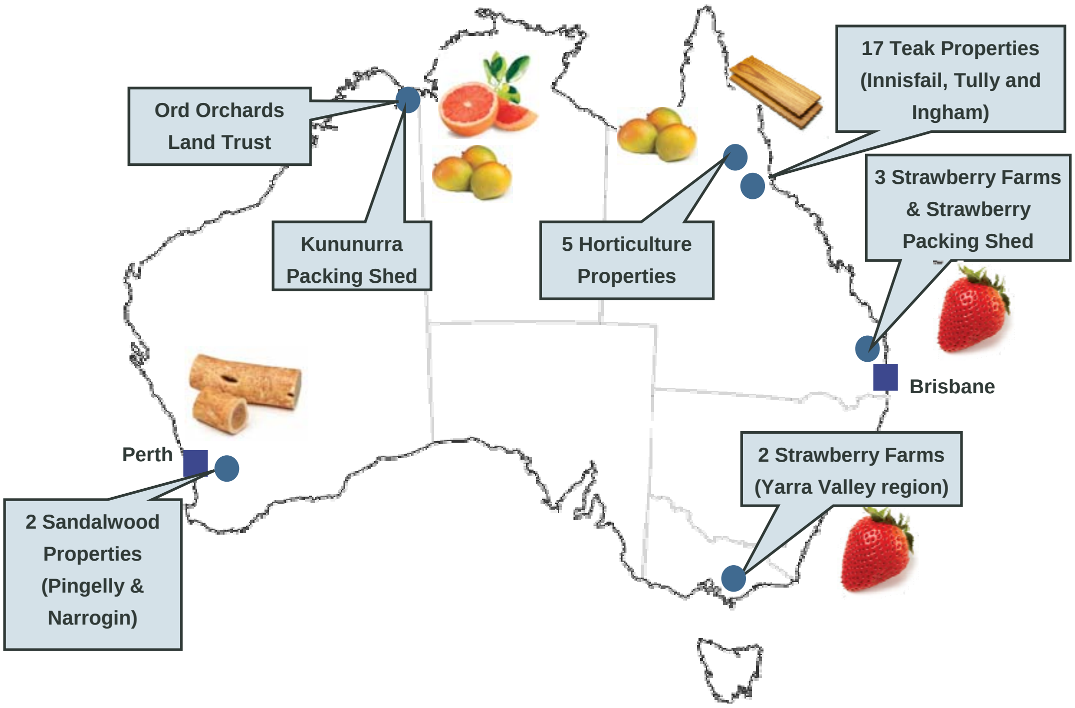
Over the coming year the Board will consider how best to position the Company to take advantage of these conditions, in a responsible and prudent manner, to the benefit of shareholders.

OPERATIONAL REVIEW

Property Analysis

As at 30 June 2009 the Company has a diverse rural property investment portfolio with investments under management at a book cost of $56 million.

The Company has 30 properties and 2 substantial state-of-the-art packing sheds that are located throughout Australia as can be seen from the map below.



Diversification is an important part of the Board's approach to ARK's rural property investment model. As well as having rural properties in well located agricultural regions throughout Australia, diversification is also found at the product level where a variety of products are farmed as shown below:

Product type	No. of properties	Cost base
Horticultural	6	$11,828,562
Berries	5	$14,264,567
Sandalwood	2	$4,603,663
Teak	17	$15,266,311
Packing Sheds	2	$10,485,581
Grand Total	**32**	**$56,448,684**

Sector Analysis

ARK has differentiated itself from many other REIT's through its focus on rural agricultural properties. As announced to the market on 23 December 2008 and 8 January 2009, ARK's Sandalwood and Teak properties have experienced growth since acquisition on average of 9.7% and 1.9%, respectively. ARK continues to be well placed to deliver returns to shareholders over the medium to long term through the potential growth in its current portfolio of rural land holdings.

An important aspect of rural property investment is the availability of water. All of the properties that have been acquired by ARK have water rights attached to the land. The decline in property values in the Murray Darling Basin area as a result of the lack of water availability, only serves to increase the value of agricultural land in more productive agricultural areas with secure water supplies. ARK currently owns no properties situated within the Murray Darling Basin and targets properties that have sufficient water supplies.

Many of ARK's Teak properties located in far north Queensland are close to the coast and beachside resorts and are expected to continue to increase in value over time. It is also expected that a number of properties (specifically those around the Caboolture area) may be rezoned into a residential zoning in the long term, allowing ARK shareholders to benefit from potential property revaluation gains.

Strategic Debt Facility – NAB

During the year the existing debt facility (**Facility)** with the National Australia Bank (**NAB**) was decreased by $4.7 million bringing the total debt facility to $33.26 million. The Facility was reduced to existing borrowings and therefore the Facility has been fully utilised in acquiring ARK's existing property portfolio. The purpose of the Facility will continue to be the financing of ARK's agricultural land and infrastructure portfolio.

During the year the margin on the facility was also revised from 1.05% to 2.50%, increasing ARK's cost of debt funding.

Rewards Group

Rewards Group Ltd (**Rewards**) performed an intercompany group transfer of all of its share interest in The ARK Fund Limited, being 3,226,935 shares, to its wholly owned subsidiary, Rewards Projects Limited.

The intercompany group transfer from Rewards Group Limited to its wholly owned subsidiary Rewards Projects Limited had no affect whatsoever on Rewards Group Limited's control of 13.49% of the issued shares of the ARK Fund Limited.

During the Financial Year the Company announced it had agreed with Rewards Group that Rewards would provide payment supplements in order to offset the increasing interest costs the Company faced at the beginning of the Financial Year.

On 3 July 2009, ARK announced that Rewards had paid all its lease rental obligations for the period to 30 June 2009 on these 32 properties but after having set-off the sum of $375,000 (ex GST) being the total amount of supplemental revenue payments paid by Rewards to ARK between 1 July 2008 and 30 November 2008. As announced, these supplemental revenue payments were made subject to various stipulated conditions and subject to the application of these conditions (which will now be finalised over the next week) part or all or none of this $375,000 (ex GST) may have to be paid by Rewards to ARK.

Dividends

On 3 July 2009, the Board of Directors declared an interim dividend of 3.5 cents (2008: 6.0c) per share fully franked in respect to the period 1 October 2009 to 31 March 2009. The dividend was paid on 23 July 2009.

On 1 September 2009, the Board of Directors declared an interim dividend of 1.75 (2008: 3.0c) cents per share fully franked in respect to the period 1 April 2009 to 30 June 2009 that will be paid on 24 September 2009.

Interim dividends of 7.75 cents per share, 68% franked, were therefore declared for the financial year ended 30 June 2009. The total cash payments of 7.75 cents per share equates to delivering an annualised pre-tax dividend yield of 17.86% based on a share price of $0.56. The total cash dividends are paid pari passu to the holders of all shares in ARK which totals to 23,922,149 shares. ARK has no other securities of any kind on issue.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $
Revenue	2	6,790,653	4,695,815
Depreciation		(710,376)	-
Consultancy fees		(61,850)	(54,292)
Directors fees		(85,000)	(62,803)
Finance costs	3	(2,164,965)	(1,722,947)
Management fees		(380,470)	(398,917)
Printing and stationery		(19,950)	(25,417)
Professional fees		(76,864)	(69,595)
Share registry and listing fees		(25,214)	(22,176)
Other expenses		(401,622)	(260,076)
Profit / (Loss) before income tax		2,864,342	2,079,592
Income tax (expense)/benefit	4a	(932,953)	151,275
Profit for the year		1,931,389	2,230,867
Net Profit after income tax attributable to the Members		1,931,389	2,230,867
Basic earnings per share (cents per share)	8a	8.07	14.50

The above Income Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET
AS AT 30 JUNE 2009

	Note	2009 $	2008 $
CURRENT ASSETS			
Cash and cash equivalents	9	3,689,171	229,957
Trade and other receivables	10	681,040	2,215,328
Other current assets	11	373,159	336,400
TOTAL CURRENT ASSETS		4,743,370	2,781,685
NON-CURRENT ASSETS			
Financial assets	12	2,100,000	2,100,000
Investment property	13	53,638,308	54,183,693
Deferred tax assets	4b	316,991	378,864
TOTAL NON-CURRENT ASSETS		56,055,299	56,662,557
TOTAL ASSETS		60,798,669	59,444,242
CURRENT LIABILITIES			
Trade and other payables	14	577,315	679,943
Tax liability	4d	759,415	20,992
TOTAL CURRENT LIABILITIES		1,336,730	700,935
NON-CURRENT LIABILITIES			
Financial liabilities	15	33,259,744	33,259,744
Deferred tax liabilities	4b	318,262	206,597
TOTAL NON-CURRENT LIABILITIES		33,578,006	33,466,341
TOTAL LIABILITIES		34,914,736	34,167,276
NET ASSETS		25,883,933	25,276,966
EQUITY			
Parent entity interest			
Issued capital	16	39,505,973	39,505,973
Reserves		-	449,123
Accumulated losses		(13,622,040)	(14,678,130)
TOTAL SHAREHOLDERS' EQUITY		25,883,933	25,276,966

The above Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Share Capital Ordinary $	**Capital Reserve** $	**Option Premium Reserve** $	**Accumulated Losses** $	**Total** $
Balance at 1 July 2007	19,020,795	9,773	439,350	(15,570,771)	3,899,147
Shares issued during the year	21,292,158	-	-	-	21,292,158
Share issue costs	(806,980)	-	-	-	(806,980)
Net profit/(loss) attributable to members of parent entity	-	-	-	2,230,867	2,230,867
Dividend costs	-	-	-	(34,821)	(34,821)
Dividend declared	-	-	-	(1,303,405)	(1,303,405)
Balance at 30 June 2008	39,505,973	9,773	439,350	(14,678,130)	25,276,966
Transfer of Reserves to Accumulated Losses	-	(9,773)	(439,350)	449,123	-
Net profit/(loss) attributable to members of parent entity	-	-	-	1,931,389	1,931,389
Dividend costs	-	-	-	(8,703)	(8,703)
Dividend declared	-	-	-	(1,315,719)	(1,315,719)
Balance at 30 June 2009	39,505,973	-	-	(13,622,040)	25,883,933

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		7,287,203	5,228,385
Payments to suppliers and employees		(1,798,572)	(1,213,206)
Interest received		63,590	50,289
Finance costs		(2,213,028)	(2,039,924)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	22(a)	3,339,193	2,025,544
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment property		(164,991)	(41,788,388)
Disposal of subsidiary	18	-	22
Loans to Related Parties:			
- Payments made		-	(1,982,000)
- Proceeds from repayments		1,609,434	600,000
NET CASH (USED IN) INVESTING ACTIVITIES		1,444,443	(43,170,366)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		-	21,292,158
Cost of share issue		-	(806,980)
Proceeds from borrowings		-	51,949,167
Repayment of borrowings		-	(30,263,495)
Payment of dividend costs		(8,703)	(34,821)
Payment of dividend		(1,315,719)	(1,303,405)
NET CASH PROVIDED BY FINANCING ACTIVITIES		(1,324,422)	40,832,624
Net increase / (decrease) in cash held		3,459,214	(312,220)
Cash at the beginning of the financial year		229,957	542,177
Cash at the end of the financial year	9	3,689,171	229,957

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers The ARK Fund Limited (**ARK or Company**). The ARK Fund Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report of The ARK Fund Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements have been prepared on the going concern basis of accounting which assumes that the Company will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business.

The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate funding for existing commitments and new ongoing business activities.

Statement of Compliance

The financial report complies with the recognition, measurement and classification requirements of Australian Accounting Standards, as issued by the Australian Accounting Standards Board, and International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and the disclosure requirements of Accounting Standards AASB 101 Presentation of Financial Statements, AASB 107 Cash Flow Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

In the current year the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Urgent Issues Group that are relevant to its operations and effective for annual reporting periods beginning 1 July 2008. The adoption of these new and revised standards and interpretations did not have any effect on the financial position or performance of the Company.

Certain Australian Accounting Standards and UIG interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2009, except for AASB 8 *Operating Segments* and therefore by default omnibus standard 2007-3 which includes some consequential changes to AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038.

AASB 8 is applicable for financial reporting periods beginning on or after 1 January 2009, however the effect of early adopting AASB 8 *Operating Segments* means that the directors are no longer required to disclose operating segment information.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The directors have assessed the impact of these new or amended standards (to the extent relevant) and interpretations as follows:

AASB Amendment / Standard	Title	Nature of change to accounting policy	Application date of standard	Application date for Company
101	Presentation of Financial Statements (September 2007)	Upon adoption it will impact the presentation of the income statement, and statement of recognised income and expense, and may affect the positioning of the statement of changes in equity.	1 January 2009	1 July 2009
2007-8	Amendments to Australian Accounting Standards arising from AASB 101		1 January 2009	1 July 2009
2007-10	Further Amendments to Australian Accounting Standards arising from AASB 101		1 January 2009	1 July 2009
127	Consolidated and Separate Financial Statements (March 2008)	No change	1 January 2009	1 July 2009
1039	Concise Financial Reports (August 2008)	No change	1 January 2009	1 July 2009
2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]	No change	1 January 2009	1 July 2009
2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]	No change	1 January 2009	1 July 2009
2009-2	Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments	No change	1 January 2009	1 July 2009
2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2, AASB 138 and AASB Interpretations 9 & 16]	No change	1 July 2009	1 July 2009
2009-5	Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 118, 136, 139]	No change	1 January 2010	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following amendments are not applicable and therefore have no impact.

AASB /Amendment	Title
1	First time adoption of Australian Accounting Standards (May 2009)
3	Business Combinations (March 2008)
123	Borrowing Costs (June 2007)
2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]
2008-1	Amendments to Australian Accounting Standards - Share-based Payment: Vesting Conditions and Cancellations [AASB 2]
2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation [AASB 1, AASB 7, AASB 101, AASB 132 & AASB 139 and Interpretation 2]
2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138, & 139 and Interpretations 9 & 107]
2008-7	Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136]
2008-8	Amendments to Australian Accounting Standards - Eligible Hedged Items [AASB 139]
2008-9	Amendments to AASB 1049 for Consistency with AASB 101
2008-11	Amendments to Australian Accounting Standard - Business Combinations Among not-for-Profit Entities [AASB 3]
2008-13	Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]
2009-1	Amendments to Australian Accounting Standards - Borrowing Costs for Not-for-Profit Public Sector Entities
Interpretation 15	Agreements for the Construction of Real Estate
Interpretation 16	Hedges of a Net Investment in a Foreign Operation
Interpretation 17	Distributions of Non-cash Assets to Owners
Interpretation 18	Transfer of Assets from Customers

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies

(a) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) 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. The directors have 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.

(c) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value, where revaluation is possible. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments (continued)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(d) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised in the income statement.

(e) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

(f) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the sale of assets is recognised at the date that the contract is entered into.

Rental revenue is recognised on a proportional basis with the invoices generated quarterly in advance. As at balance date all rental revenue invoiced for the year ended 30 June 2009 was recognised in the income statement.

Trust income is recognised throughout the year on an accruals basis, based on the corresponding previous years result until the results for the current year are known. A final adjustment is recognised in the income statement to reflect the trust income once the full result is known.

Rewards Group Ltd has provided an income guarantee to the Company as previously announced to the market. The income is recognised on a proportional basis throughout the year.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs directly attributable to the acquisition of investments that are not separately identifiable against each investment are capitalised and then proportionately recognised as an expense over a 5 year period.

Borrowing costs associated with holding investments are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Trade and other receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 90 days from the date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists and in any event when the debt is more than 90 days overdue.

(j) Trade and other creditors

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

(k) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

			2009 $	2008 $
2.	**REVENUE**			
	Interest received	(a)	64,627	50,289
	Trust distribution		147,020	328,475
	Rental income		5,816,040	3,933,210
	Other income received	(b)	762,966	383,841
	Revenue from ordinary activities		6,790,653	4,695,815
(a)	Interest revenue from:			
	– financial institutions		64,627	50,289
(b)	As at 30 June 2009, the Company is due an ex-gratia income guarantee payment of $437,566 (excl GST) (2008: $263,712) and a rebate of $84,220 (excl GST) (2008: $nil) from Rewards.			
3.	**PROFIT FOR THE YEAR**			
	Expenses			
	Finance costs		2,164,965	1,722,947

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

		2009 $	2008 $
4.	**INCOME TAX**		
(a)	**The prima facie tax on profit before income tax is reconciled to the income tax as follows:**		
	Prima facie tax payable on profit from ordinary activities at 30% (2008 30%):	859,302	623,878
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income	(2,611)	(10,366)
		856,691	613,512
	Movement in unrecognised temporary difference	-	(4,353)
	Recoupment of prior year tax losses not brought to account	-	(588,167)
	First time recognition of Deferred Tax Assets and Deferred Tax Liabilities	76,262	(172,267)
	Income Tax Expense/(Benefit) attributable to entity	932,953	(151,275)

(b) Recognised temporary differences

Deferred Tax Asset (at 30%)	**Opening Balance $**	**Charged to Income $**	**Closing Balance $**
Provision for expenses	-	136,939	136,939
Borrowing expenses	-	18,918	18,918
Business capital costs	-	10,286	10,286
Capital raising costs	-	212,721	212,721
Balance at 30 June 2008	-	378,864	378,864
Provision for expenses	136,939	189	137,128
Borrowing expenses	18,918	(4,987)	13,931
Business capital costs	10,286	(2,307)	7,979
Capital raising costs	212,721	(54,768)	157,953
Balance at 30 June 2009	378,864	(61,873)	316,991

Deferred Tax Liability (at 30%)	**Opening Balance $**	**Charged to Income $**	**Closing Balance $**
Accrued income guarantee	-	79,113	79,113
Depreciation	-	127,484	127,484
Balance at 30 June 2008	-	206,597	206,597
Accrued income guarantee	79,113	52,468	131,581
Depreciation	127,484	59,197	186,681
Balance at 30 June 2009	206,597	111,665	318,262

4. INCOME TAX (continued)

(c) Unrecognised temporary differences
Deferred Tax Assets (at 30%)

Carry forward capital tax losses	1,517,396	1,517,396
	1,517,396	1,517,396

(d) Tax liability

Provision for income tax	759,415	20,992
	759,415	20,992

The Company has carried forward income tax losses of $nil (2008: $nil) and capital losses of $5,057,985 (2008: $5,057,985). The deferred tax assets associated with carried forward capital losses have not been recognised as at 30 June 2009 since it has not been determined that the Company will generate sufficient capital gains to utilise them.

5. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and Positions held of key management personnel in office during the financial year are:

Key Management Position	Position
John D Kenny	Chairman and Managing Director
Simon C Price	Director – Non Executive
Marc N Loftus	Director – Non Executive
Rowan Caren	Company Secretary

There are no executives (other than Directors) with authority for strategic decision and management.

(b) Shareholdings

The number of shares in the Company held by each Director of The ARK Fund Limited, including their personally-related entities, is set out below:

Name	Balance at Start of the year	Change in Shareholdings	Balance at end of the year
John D Kenny	3,372,059 [A]	-	3,372,059 [A]
Simon C Price	20,833	-	20,833
Marc N Loftus	20,833	-	20,833
Total	**3,413,725**	**-**	**3,413,725**

Note A: John Kenny has a direct personal interest in 145,124 fully paid ordinary shares in The ARK Fund Limited. John Kenny is a director of ARK Capital, a company controlled and operated jointly with Dr Andrew Radomiljac and Mr Craig Anderson. On 28 August 2009, Rewards holds 3,226,935 fully paid ordinary shares in The ARK Fund Limited making it the largest shareholder in the Company with a 13.49% equity stake.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009 $	2008 $

6. REMUNERATION OF AUDITORS

	2009 $	2008 $
Remuneration of the auditor		
- auditing or reviewing the financial report	53,290	19,573
- other services	-	5,595
	53,290	25,168

7. DIVIDENDS

Distributions Paid

	2009 $	2008 $
1 April to 30 June quarterly unfranked ordinary dividend of 3.00 (2008: 3.48) cents per share	717,664	215,019
1 July to 30 September quarterly unfranked ordinary dividend of 2.5 (2008: 3.0) cents per share	598,055	185,361
1 October to 31 December quarterly fully franked ordinary dividend of 0.00 (2008: 3.0 unfranked) cents per share	-	185,361
1 January to 31 March quarterly fully franked ordinary dividend of 0.00 (2008: 3.0 unfranked) cents per share	-	717,664
	1,315,719	1,303,405

On 3 July 2009, the Board of Directors declared an interim dividend of 3.5 cents (2008: 6.0c) per share fully franked in respect to the period 1 October 2009 to 31 March 2009. The dividend was paid on 23 July 2009.
On 1 September 2009, the Board of Directors declared an interim dividend of 1.75 (2008: 3.0c) cents per share fully franked in respect to the period 1 April 2009 to 30 June 2009 that will be paid on 24 September 2009.

8. EARNINGS PER SHARE

Reconciliation of earnings to profit or loss

	2009 $	2008 $
Net profit/(loss) after tax	1,931,389	2,230,867
Earnings used in calculating basic earnings per share	1,931,389	2,230,867

		2009 cents	2008 cents
(a)	Basic and diluted earnings cents per share (loss)	8.07	14.50
(b)	Weighted average number of shares outstanding during the year used in the calculation of basic earnings per share	23,922,149	15,389,772

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009 $	2008 $
9. CASH AND CASH EQUIVALENTS		
Cash at bank	3,291,354	229,957
Bank Bill Deposit	397,817	-
	3,689,171	229,957
10. TRADE AND OTHER RECEIVABLES		
Trade receivables	-	605,894
Interest receivable	1,037	-
Other receivables	680,003	1,609,434
	681,040	2,215,328

There are no balances within trade receivables that contain assets that are impaired and are past due. It is expected that these balances will be received when due. Impaired assets are provided for in full.

Other receivables

Other receivables include the current portion of the Rewards Income Guarantee, the Rewards Rebate payable and trust income from the Company's investment in the Ord Orchards Land Unit Trust. These receivables are non-interest bearing and are paid once their respective accounts have been finalised, usually within 90 days of year end. The remaining trade receivables are non-interest bearing and generally on 30-90 days terms.

Amounts receivable Rewards Group Ltd

As at 30 June 2009, the Company is due an ex-gratia income guarantee payment of $437,566 (excl GST) (2008: $263,712) and a rebate of $84,220 (excl GST) (2008: $nil) from Rewards.

Effective interest rate risk

Information concerning the effective interest rate risk of current receivables is set out in note 24.

	2009 $	2008 $
11. OTHER CURRENT ASSETS		
Deposits	-	15,000
Prepayments	373,159	321,400
	373,159	336,400

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

		2009 $	2008 $
12.	**FINANCIAL ASSETS**		
	Available-for-sale financial assets (a)	2,100,000	2,100,000
(a)	**Available-for-sale financial assets comprise:**		
	Unlisted investments, at cost		
	- Units in unit trusts	2,100,000	2,100,000
		2,100,000	2,100,000
	Total available-for-sale financial assets	2,100,000	2,100,000

Available-for-sale financial assets comprise investments in the units of an unlisted unit trust. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as no quoted price exists for valuing the assets, nor does an active market exist for readily determining the value of them. As a result, all unlisted investments are reflected at cost. Management has determined that the estimate of total consolidated fair values for unlisted investments would exceed the cost of the assets based on the discounted cash flows received from the asset.

		2009 $	2008 $
13.	**INVESTMENT PROPERTY**		
	Balance at beginning of year	54,183,693	12,410,305
	Acquisitions	164,991	41,773,388
	Depreciation	(710,376)	-
	Fair value adjustment	-	-
	Total Investment Property	53,638,308	54,183,693

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

13. INVESTMENT PROPERTY (continued)

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.

	2009 $	2008 $
Based on the above assumptions the following represents the fair value disclosure for investment properties at balance date:		
Balance at beginning of year	54,183,693	12,410,305
Acquisitions	164,991	41,773,388
Depreciation	(710,376)	-
Fair value adjustment	2,242,082	-
Total Fair Value Investment Property	55,880,390	54,183,693

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

14. TRADE AND OTHER PAYABLES

	2009	2008
Trade creditors	13,030	223,078
Accrued expenses	457,092	456,465
Other payables	107,193	400
	577,315	679,943

		2009 $	2008 $
15. FINANCIAL LIABILITIES			
Secured liabilities			
Bank and other loans	(a)	33,259,744	33,259,744
		33,259,744	33,259,744
		33,259,744	33,259,744
(a) The carrying amounts of non-current assets pledged as security are:			
First mortgage			
Investment property		55,738,308	56,283,693

(b) The debt facility provided by the NAB to the Company is secured by a first ranking fixed and floating charge over the Company and a first ranking mortgage over each and every item of property owned by the Company. A financial covenant exists whereby the Company's minimum interest cover is 1.50 times as measured for the 12 month period ending 30 June 2009 and yearly thereafter.

(c) As at 30 June 2009, the debt facility was fully utilised at a maximum total of $33,259,744.

16. ISSUED CAPITAL

	2009 $	2008 $
23,922,149 (2008: 23,922,149) Fully paid ordinary shares	39,505,973	39,505,973

(a) Options

At 30 June 2009, the Company had no options on issue.

(b) Ordinary Shares

	2009 Number	2009 $	2008 Number	2008 $
At beginning of reporting period	23,922,149	39,505,973	617,874,502	19,020,795
15 August 2007 (1:100 Consolidation)	-	-	6,178,745	19,020,795
15 August 2007 Rounding down investor holdings	-	-	(61)	-
Shares issued during the year:				
24 December 2007	-	-	17,743,465	21,292,158
Cost of shares issued		-		(806,980)
Closing balance	23,922,149	39,505,973	23,922,149	39,505,973

16. ISSUED CAPITAL (continued)

(b) Ordinary Shares (continued)

ARK has no other securities of any kind on issue.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At the shareholder's meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote upon a show of hands.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands and upon a poll every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Capital Management

Management controls the capital of the Company in order to maintain an acceptable debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital in ordinary shares, and financial liabilities is supported by financial assets. ARK is required to make interest repayments associated with its debt facility with NAB on a periodic basis. Management monitors the cash required to fulfil its obligations with the interest bearing debt. Information concerning interest rate risk associated with the debt facility is set out in note 24.

17. RESERVES

(a) Option Premium Reserve

The option reserve was used to record items recognised as expenses on the valuation of employee share options. All of the options issued have since expired. Consequently, during the year an amount of $439,350 was transferred out from the Option Premium Reserve account to Accumulated Losses.

(b) Capital Reserve

The capital profits reserve was used to record the non-taxable profit on the sale of investments. The related investments have all been divested and consequently during the year an amount of $9,773 was transferred out from the Capital Reserve account to Accumulated Losses.

18. DECONSOLIDATION

During the year ended 30 June 2009 the Company had no interests in subsidiaries.

In the year ended 30 June 2008 the Company disposed of its interests in Geosat International Pty Ltd, Isharel Pty Ltd, Mt Edgar NL and Fargo Resources Pty Ltd.

The carrying amount of the assets and liabilities disposed of and the deconsolidation loss were recognised in the Consolidated accounts of the Company as at 30 June 2008.

19. CAPITAL AND LEASING COMMITMENTS

Capital Commitments
As at 30 June 2009, the Company has no capital commitments.

Operating Lease Commitments
Non-cancellable operating leases contracted for but not capitalised in the financial statements.

	2009 $	2008 $
Receivable – minimum lease receipts		
- not later than 12 months	5,943,096	5,781,222
- between 12 months and 5 years	25,483,703	24,789,595
- greater than 5 years	90,900,904	97,537,509
	122,327,703	128,108,326

The property leases are non-cancellable leases with between ten to twenty year terms, with rent payable quarterly in advance. Contingent rental receipts within the lease agreements shall be increased by the lower of CPI or 2.8% per annum.

Options exist to renew the leases at the end of their term for an additional term of 1 year followed by a further option of an additional 1 year term. The leases allows for the subletting of all leased areas.

20. CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2009, a contingent asset and corresponding liability for $250,000 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. This obligation has now been paid. 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 is nil.

21. EVENTS SUBSEQUENT TO REPORTING DATE

There were no events to disclose subsequent to reporting date.

22. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2009 $	2008 $
Operating profit after income tax	1,931,389	2,230,867
Non Cash Items		
Depreciation	710,376	-
Forgiven debt	-	(5,330)
Provision for doubtful debts	-	-
Change in assets and liabilities, net of the effects of purchase and disposal of controlled entity		
Decrease/(Increase) in trade debtors	(82,476)	(5,263)
Decrease/(Increase) in other receivables	74,201	279,607
Decrease/(Increase) in prepayments	(51,758)	(321,400)
Decrease/(Increase) in deferred tax assets	61,873	(378,864)
(Decrease)/Increase in creditors	(49,167)	(459,757)
(Decrease)/Increase in tax liability	738,422	20,992
(Decrease)/Increase in other creditors	(105,959)	191,011
(Decrease)/Increase in accrued expenses	627	267,062
(Decrease)/Increase in deferred tax liabilities	111,665	206,597
Net cash inflow/(outflow) from Operating Activities	3,339,193	2,025,522

23. RELATED PARTIES

(a) Amounts receivable from/ payable to parties related to Directors:

	2009 $	2008 $
- receivable from Rewards Group Ltd	530,208	1,899,517
- payable to Rewards Group Ltd	-	1,679
- payable to ARK Capital Pty Ltd	400,886	438,809

(b) At balance date, Directors and Director related entities held directly, indirectly or beneficially the following shares in The ARK Fund Limited.

	2009 Number	2008 Number
Ordinary Shares	3,413,725	3,413,725

23. RELATED PARTIES (continued)

(c) The following related party transactions occurred during the period:

(i) As at 30 June 2009, the Company is due an ex-gratia income guarantee payment of $437,566 (excl GST) (2008: $263,712) and a rebate of $84,220 (excl GST) (2008: $nil) from Rewards Group Ltd.

(ii) For the 12 month period ending on 30 June 2009, the Company incurred management fees of $380,470 (excl GST) (2008: $398,917) payable to ARK Capital Pty Ltd under the management contract with ARK Capital. John D. Kenny owns 33.3% of ARK Capital Pty Ltd. Under the contract ARK Capital receives remuneration in the form of a fee equal to seven and a half percent (7.5%). This fee shall be calculated and paid in cash once a year (following the end of the financial year) and be calculated by reference to the preceding 12 month period ending on 30 June of each year.

(iii) In the year ended 30 June 2009 the Company received a total rental income of $6,397,644 (incl GST) (2008: $4,326,531) from Rewards Projects Ltd.

(iv) 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.

(v) Rewards Group Ltd has provided a financial guarantee to the NAB in conjunction with the Company's debt facility. The guarantee commences when the Loan to Value Ratio (**LVR**), as determined by the NAB, exceeds 60% with the financial guarantee increasing proportionately to a maximum of $9 million when the LVR reaches a maximum of 66%.

24. FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The group's financial instruments consist of deposits with banks, accounts receivables and payables, and loans to and from Rewards Group Ltd, the Company's largest shareholder and a related party to the Company.

The main purpose of non-derivative financial instruments is to finance rural property investments.

i. Financial Risks

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk. The Company is not exposed to price risk.

Interest Rate Risk

The debt facility the Company has with the NAB is unhedged. Interest rate risk is managed through a revolving non-amortising long term (ten year) debt facility with the NAB.

Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are available. The Company invoices quarterly with expected receipts of $1,599,412 (incl GST) per quarter over the next financial year. The Company depends on these receipts to meet its obligations on interest payments associated with the NAB debt facility.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

24. FINANCIAL INSTRUMENTS (continued)

(a) Financial Risk Management (continued)

The Company has a material credit risk exposure with receivables from Rewards Projects Ltd under financial instruments. This risk it minimised as the receivables from Rewards Projects Ltd are fully performing and credit risk is mitigated by the unique symbiotic relationship between the parties.

(b) Financial Instruments

ii. Net Fair Values

The net fair value of financial assets and financial liabilities of the Company approximates their carrying value. None of the Company's financial assets and financial liabilities are readily traded on organised markets in standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to and forming part of these financial statements.

iii. Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and liabilities, is as follows:

Maturity analysis

The table below includes the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, namely Loans that consists solely of the debt facility with the NAB. The debt facility is a long term Non-Amortising and Revolving Facility valid through to 28 February 2017.

	Weighted Average Interest Rate		**Interest Bearing**		**Non-Interest Bearing**		**Total**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	%	**%**	**$**	**$**	**$**	**$**	**$**	**$**
Financial Assets								
Cash at bank	3.22	3.85	3,689,171	229,957	-	-	3,689,171	229,957
Receivables	-	-	-	-	681,040	2,215,328	681,040	2,215,328
Total Financial Assets			**3,689,171**	**229,957**	**681,040**	**2,215,328**	**4,370,211**	**2,445,285**
Financial Liabilities								
Loans	5.96	7.4	33,259,744	33,259,744	-	-	33,259,744	33,259,744
Creditors/Accruals	-	-	-	-	577,315	679,943	577,315	679,943
Total Financial Liabilities			**33,259,744**	**33,259,744**	**577,315**	**679,943**	**33,837,059**	**33,939,687**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

24. FINANCIAL INSTRUMENTS (continued)

	2009	2008
Trade and sundry creditors are expected to be paid as follows:	$	$
Less than 6 months	577,315	679,943
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	577,315	679,943

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Company's financial assets and liabilities at the balance sheet date on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount		-1% Change Profit		-1% Change Equity		+1% Change Profit		+1% Change Equity	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Financial Assets										
Cash at bank	3,689,171	229,957	(36,892)	(2,300)	(36,892)	(2,300)	36,892	2,300	36,892	2,300
Total Financial Assets	**3,689,171**	**229,957**	**(36,892)**	**(2,300)**	**(36,892)**	**(2,300)**	**36,892**	**2,300**	**36,892**	**2,300**
Financial Liabilities										
Loans	33,259,744	33,259,744	(332,597)	(332,597)	(332,597)	(332,597)	332,597	332,597	332,597	332,597
Total Financial Liabilities	**33,259,744**	**33,259,744**	**(332,597)**	**(332,597)**	**(332,597)**	**(332,597)**	**332,597**	**332,597**	**332,597**	**332,597**

25. ECONOMIC DEPENDENCY

The Company's rental revenues that make up the majority of total revenue, are derived from Rewards Projects Ltd (a wholly owned subsidiary of Rewards Group Ltd), the largest shareholder in and a related party to the Company.

AUDIT REVIEW AND STATUS

These accounts are in the process of being audited.

The accounts are not likely to be the subject to dispute or qualification.

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