



ARK FUND

2008 ANNUAL REPORT

The ARK Fund Limited
ABN 93 009 204 175

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West Perth WA 6005, Australia

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CORPORATE DIRECTORY

DIRECTORS

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

Simon C Price
(Non Executive Director)

Marc N Loftus
(Non Executive Director)

SECRETARY

Rowan Caren

REGISTERED OFFICE AND BUSINESS ADDRESS

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50 Colin Street
West Perth WA 6005
Australia

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Website: www.thearkfund.com.au

SHARE REGISTRY

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

Telephone: + 61 8 9315 2333
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HOME EXCHANGE

ASX 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 Tce
Perth WA 6000

2008 Annual Report

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CHAIRMAN'S LETTER

Dear Shareholder

During the 12 month period that ended on 30 June 2008, The ARK Fund Limited (**ARK or Company**) materially added to its agricultural land portfolio and in doing so achieved the following milestones:

- Increased Total Assets to \$59,444,242
- Earned Revenue of \$4,690,485
- Delivered a Net Profit After Tax of \$2,220,163
- Paid \$1,303,405 in dividends to ARK's shareholders.

Since January 2009 there has been a material fall in the value of both listed and unlisted property securities and a corresponding material decline in retail investor sentiment in equity capital markets. Our equity capital raising in November 2008, at the price of \$1.20 per share, occurred therefore at the height of the recent bull market.

Since June 2009 there has also been a material impairment in the functioning of debt capital markets which has been widely reported. It is pleasing to note that ARK's debt facility with the NAB is a long term facility (10 years) and remains variable. With the cost of variable debt rapidly falling this will result in a lower cost base for ARK for the financial year ending on 30 June 2009.

The recent state of equity and debt capital markets has led to the price of many asset classes to fall. The market however for agricultural land in Australia (particularly land situated outside the Murray Darling Basin) remains buoyant. ARK is seeking to deploy capital (both equity and debt) to buy agricultural land that rises in value. The basic fundamentals that underpin ARK's business strategy remain strong. The pace however 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 Company remains the ASX listed property arm of leading managed investment scheme company Rewards Group Limited (**Rewards**). Rewards holds 3,226,935 fully paid ordinary shares in ARK making it the largest shareholder in the Company with a 13.49% equity stake.

The Board of The ARK Fund expects the year ahead 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.

Yours faithfully



John D. Kenny

Chairman

REVIEW OF OPERATIONS

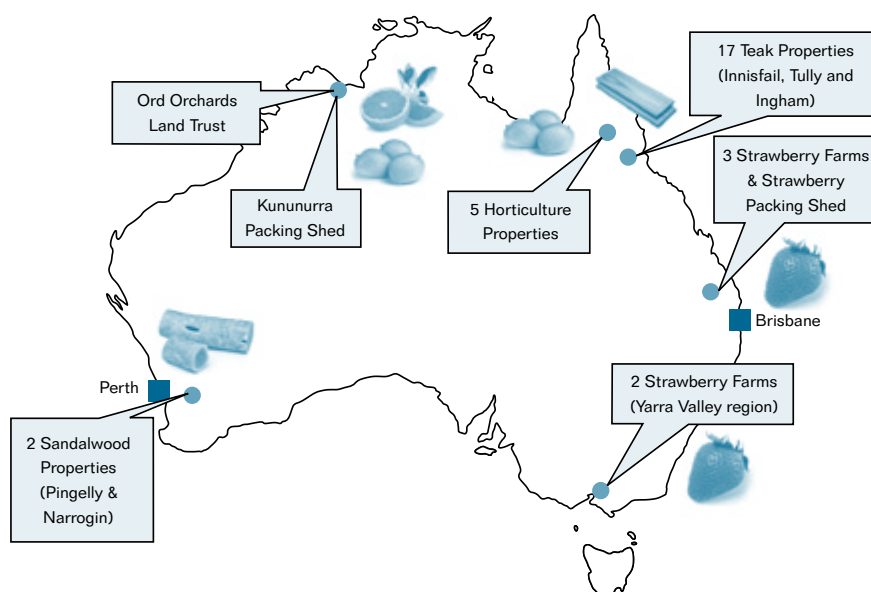
Your Directors are pleased to report on the growth achieved by The ARK Fund Limited (**ARK or Company**) over the past financial year with the business having achieved the majority of its milestones as outlined in its Prospectus dated 20 November 2007.

As at 30 June 2008 the Company has secured a diverse rural investment portfolio with investments under management having increased by 84% or \$26 million since 31 December 2007.

Record prices for soft commodities have led to a significant demand for agricultural land (particularly land situated outside the Murray Darling Basin) and the agriculture and food production sector is underpinned by very solid fundamentals and a strong growth outlook given current demand trends.

Property Analysis

The 32 properties acquired by ARK are located throughout Australia as can be seen from the map below.



Diversification has been 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, further diversification is found at the product level where a variety of products are farmed as shown below:

Product type	No. of properties	Cost base
Horticultural	6	\$11,828,212
Berries	5	\$14,264,567
Sandalwood	2	\$4,594,615
Teak	17	\$15,234,572
Packing Sheds	2	\$10,361,727
Grand Total	32	\$56,283,693

REVIEW OF OPERATIONS

Acquisition of Agricultural Properties

During the year that ended on 30 June 2008, ARK purchased the following properties:

Property name	Contract price \$	No. of hectares	Location	Starting Rental p.a. \$ (excl GST)
Teak Property No.2	1,700,000	226	Ingham (QLD)	170,000
Teak Property No.3	1,376,000	147	Ingham (QLD)	137,600
Teak Property No.4	390,000	41	Innisfail (QLD)	39,000
Teak Property No.5	1,000,000	102	Innisfail (QLD)	100,000
Strawberry Property No.2	4,500,000	n/a	Caboolture (QLD)	450,000
Teak Property No.6	196,000	20	Ingham (QLD)	19,600
Teak Property No.7	1,454,000	138	Ingham (QLD)	145,400
Teak Property No.8	680,000	71	Innisfail (QLD)	68,000
Teak Property No.9	704,000	99	Ingham (QLD)	73,216
Teak Property No.10	550,000	69	Innisfail (QLD)	57,200
Teak Property No.11	1,350,000	157	Ingham (QLD)	154,440
Horticultural Property No.4	2,050,000	141	Mareeba (QLD)	234,520
Teak Property No.12	396,000	44	Ingham (QLD)	45,302
Teak Property No.13	375,300	84	Tully (QLD)	42,934
Teak Property No.14	980,000	123	Innisfail (QLD)	112,112
Teak Property No.15	185,000	20	Ingham (QLD)	21,164
Strawberry Property No.3	1,750,000	29	Caboolture (QLD)	200,200
Sandalwood Property No. 2	2,229,500	1,286	Narrogin (WA)	255,054
Strawberry Property No.4	1,115,000	20	Caboolture (QLD)	127,556
Horticultural Property No.5	5,816,000	n/a	Kununurra (WA)	639,760
Strawberry Property No.5	4,668,000	118	Yarra Valley (VIC)	534,019
Teak Property No.16	1,780,000	210	Ingham (QLD)	203,632
Teak Property No.17	800,000	82	Innisfail (QLD)	91,520
Strawberry Property No.6	1,500,000	19	Yarra Valley (VIC)	171,600
Horticultural Property No.6	3,000,000	301	Kumbia (QLD)	343,200
Horticultural Property No.7	1,918,000	62	Mareeba (QLD)	219,419
Total	42,462,800	3,609		\$4,656,448

Simultaneous with the acquisition of each property, ARK has leased the properties for initial terms of between 10 to 20 years. The starting rental, as tabled above, is per annum and excludes GST.

Sector Analysis

In terms of value, the rural property segment makes up about 6% of the Australian property market. This is a significant proportion of the Australian property market (excluding the residential market that makes up 62% of the total property market) when compared to other property segments. As a comparison, Offices make up 7.5%, Industrial is 6.8%, Education & Health is 5.7% and Retail shops are 5%, respectively, of the Australian commercial property market.

Accordingly, the rural property sector is a large property sector and ARK differentiates itself from many other Real Estate Investment Trusts through its focus on rural properties. ARK is 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.

REVIEW OF OPERATIONS

Sector Analysis (cont)

An inherent part of every rural property investment is in the consideration of the availability of water. Many of the properties that have been acquired by ARK also have water rights attached to the land. The decline in property prices 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 and are located in regions where there is good water security.

Property prices have continued to escalate in far north Queensland and Caboolture. Many of ARK's Teak properties located in far north Queensland are close to the coast and beachside resorts and are expected 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 increased by \$26 million bringing the total debt facility to \$38 million. ARK currently has \$4.74 million of available credit capacity with the NAB under the terms of the Facility.

The purpose of the Facility will continue to be the financing of ARK's agricultural land and infrastructure portfolio.

Consolidation of Issued Capital

During the year, shareholder approval was sought and obtained at an ARK general meeting to consolidate ARK's issued share capital by consolidating every 100 existing shares into one new share. Consequently during the year, ARK reduced its number of shares on issue down to 6,178,684 shares.

Capital Raising of \$21,292,158

On 20 December 2007, shareholder approval was sought and obtained at the ARK Annual General Meeting to issue 17,000,000 shares, with an allowance for a further 4,000,000 shares of oversubscriptions, at an issue price of \$1.20 per share pursuant to a Prospectus dated 20 November 2007. Consequently during the year, ARK successfully issued 17,743,465 shares thereby increasing the shares on issue from 6,178,684 shares to 23,922,149 shares, raising \$21,292,158 before fees and charges.

Rewards Group Ltd (**Rewards**) applied for shares pursuant to the ARK Prospectus and has increased its shareholding from 10.1% to 13.5%. Rewards currently holds 3,226,935 fully paid ordinary shares in ARK.

The purpose of the capital raising was to retire debt incurred by the Company with the National Australia Bank and to otherwise complete the objectives of the Company set out in the Prospectus.

DIRECTORS' REPORT

Your Directors present their report on The ARK Fund Limited for the financial year ended 30 June 2008.

DIRECTORS

The Directors of The ARK Fund Limited during the year and to the date of this Report are as follows:

John D Kenny

Simon Price (Appointed 19 November 2007)

Marc Loftus (Appointed 19 November 2007)

Gilbert Rodgers (Resigned 19 November 2007)

Sin Jen Hwang (Resigned 19 November 2007)

Robert Arrigoni (Alternate for Sin Jen Hwang – resigned 19 November 2007)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

INFORMATION ON DIRECTORS

Details of the Directors of the Company in office at the date of this Report are:

John D Kenny (Chairman and Managing Director)

Experience and expertise

Mr Kenny holds the degrees of Bachelor of Commerce (Honours) and Bachelor of Laws from the University of Western Australia. Mr Kenny is a lawyer by profession. He has served as a director of several ASX listed public companies including Gippsland Limited, Finders Gold NL, Hunter Exploration NL and Aurora Oil & Gas Limited.

As authorised by shareholders on 18 August 2006, the functions of the management of the Company as would normally be undertaken by a CEO are performed by ARK Capital Pty Ltd (**ARK Capital**), a company controlled and operated jointly by Dr Andrew Radomiljac, Mr Craig Anderson and Mr John Kenny. The same parties control and operate Rewards. Rewards is a highly successful managed agribusiness investment schemes operator. Rewards is the largest shareholder in the Company. For further information about Rewards please visit its comprehensive website: www.rewardsgroup.com.au.

Other current listed entity directorships

Director of ASX listed public company Gippsland Limited.

Former listed entity directorships in the last 3 years

Director of ASX listed public company Aurora Oil & Gas Limited.

Special responsibilities

Chairman and Managing Director.

Interests in shares and options

A direct personal interest in 145,124 fully paid ordinary shares in The ARK Fund Limited. On 2 September 2008, 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.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS (cont)

Simon C Price (Non Executive Director)

Experience and expertise

Mr Price is a co-founder and Director of corporate advisory firm, Azure Capital. Mr Price specialises in the areas of project finance, equity capital markets and mergers and acquisitions and has advised on transactions in various sectors, including natural resources, industrial and financial services.

Mr Price is a lawyer by profession and graduated from the University of Cambridge with a Masters of Law with first class honours. He also has a Bachelor of Commerce and a Bachelor of Laws with first class honours from Bond University.

Other current listed entity directorships

Nil

Former listed entity directorships in the last 3 years

Nil.

Special responsibilities

Independent Non Executive Director and member of the Audit Committee.

Interests in shares and options

A direct personal interest in 20,833 fully paid ordinary shares in The ARK Fund Limited as at 29 August 2008.

Marc N Loftus (Non Executive Director)

Experience and expertise

Mr Loftus is a partner with national accounting firm PKF. Mr Loftus has over 19 years experience with PKF in providing Australian and international businesses with financial and strategic advice, particularly in the areas of taxation and accounting. In addition to these traditional services, Mr Loftus has assisted clients with business and company valuations, financial feasibility analysis and business broking services.

Mr Loftus is a chartered accountant. He graduated from the University of Western Australia with a Bachelor of Commerce with a double major in Accounting and Finance. He also has a Bachelor of Business from Curtin University with majors in Valuation and Land Economy.

Other current listed entity directorships

Nil

Former listed entity directorships in the last 3 years

Nil.

Special responsibilities

Independent Non Executive Director and member of the Audit Committee.

Interests in shares and options

A direct personal interest in 20,833 fully paid ordinary shares in The ARK Fund Limited as at 2 September 2008.

DIRECTORS' REPORT

INFORMATION ON COMPANY SECRETARY

Rowan Caren, B.Com, CA

Mr Caren graduated with a Bachelor of Commerce (Accounting) from the University of Western Australia and is a member of the Institute of Chartered Accountants in Australia. He qualified with PricewaterhouseCoopers and worked for them in Australia and overseas for six years. He has since been directly involved in the exploration industry for a further 12 years, initially with a minerals explorer based in Perth but with operations in South America and Asia, for which he acted as an executive and company secretary.

In 2004 he created a specialist company secretarial and advisory consultancy, Dabinett Corporate Pty Ltd. Dabinett Corporate provides financial and corporate services to several listed and unlisted companies involved in the resources, industrial and property sectors.

REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each Director of the Company.

Remuneration Policy

The Company's remuneration policy for Directors is designed to promote superior performance and long term commitment to the Company. Directors may receive a base remuneration which if paid is market related. Overall, the remuneration policy is subject to the discretion of the Board and can be altered to reflect the competitive market and business conditions where it is in the best interests of the Company and shareholders to do so.

The Board's reward policy reflects its obligations to align Director's remuneration with shareholders' interests and to retain appropriately qualified human capital for the benefit of the Company. The main principles of the policy are:

- Reward reflects the competitive market in which the Company operates;
- Individual reward should be linked to performance criteria; and
- Director's should be rewarded for both financial and non-financial performance.

Directors' and executives' (if any) remuneration is reviewed by the Board of Directors having regard to various goals set. This remuneration and other terms of employment or engagement are commensurate with those offered within general industry.

Non Executive Directors' remuneration is in the form of fixed directors' fees and is approved by shareholders as to the maximum aggregate remuneration. The Board recommends the actual payment to Non Executive Directors. The Board's reward policy for Non Executive Directors reflects its obligation to align remuneration with shareholders' interests and to retain appropriately qualified talent for the benefit of the Company.

Remuneration packages are set at levels that are intended to attract and retain Directors and executives capable of managing the Company's operations.

The following discloses the remuneration of all of the Directors and executive officers of the Company as determined by the Board during the year ended 30 June 2008.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) (cont)

Remuneration Policy (cont)

2008	Primary		Post Employment		Equity	
Name	Cash Salary & Fees	Non-Monetary Benefits	Superannuation	Retirement Benefits	Shares	Total
John D Kenny ^A	-	-	-	-	-	-
Simon C Price	\$29,818	-	-	-	-	\$29,818
Marc N Loftus	\$27,000	-	-	-	-	\$27,000
Rowan Caren	\$45,027	-	-	-	-	\$45,027
Gilbert C Rodgers	\$6,000	-	-	-	-	\$6,000
Sin Jen Hwang	-	-	-	-	-	-
Robert A Arrigoni	-	-	-	-	-	-
Total	\$107,845	-	-	-	-	\$107,845

2007	Primary		Post Employment		Equity	
Name	Cash Salary & Fees	Non-Monetary Benefits	Superannuation	Retirement Benefits	Shares	Total
John D Kenny ^A	-	-	-	-	-	-
Gilbert C Rodgers	\$42,000	-	-	-	-	\$42,000
Sin Jen Hwang	-	-	-	-	-	-
Robert A Arrigoni	-	-	-	-	-	-
Total	\$42,000	-	-	-	-	\$42,000

Note A: Refer to Service Agreements (a), below.

Service Agreements

The following are the service agreements entered into between the Company and Directors or their affiliates:

- (a) The Company has a management agreement with ARK Capital Pty Ltd pursuant to which the functions of the management of the Company as would normally be undertaken by a CEO are performed by ARK Capital, a company controlled and operated jointly by Dr Andrew Radomiljac, Mr Craig Anderson and Mr John Kenny. The same parties control and operate Rewards. On 18 August 2006, the Company's shareholders met and authorised the Company to enter into the contract and the Company has since been managed by ARK Capital. ARK Capital receives remuneration in the form of a fee equal to fifteen percent (15%) (plus GST) of the earnings before interest and income tax of the Company to 20 November 2007 and seven and a half percent (7.5%) (plus GST) thereafter. This fee is calculated and paid in cash once a year (following the end of the financial year) by reference to the preceding 12 month period ending on 30 June of each year. ARK Capital is due fees for the year ended on 30 June 2008 from the Company of \$398,917 (excl GST).
- (b) The Company pays a fee to Rewards Management Pty Ltd for personnel and associated operational 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.

Share based compensation

No shares or options were granted to any Executive Director or any Non Executive Director of the Company during the year as consideration for services performed.

DIRECTORS' REPORT

CORPORATE INFORMATION

The ARK Fund Limited is a limited liability company incorporated and domiciled in Australia. The registered office and principal place of business of the Company is 50 Colin Street, West Perth.

EMPLOYEES

At the end of the financial year the Company had no employees. The Company also had no employees during the financial year which ended on 30 June 2007.

PRINCIPAL ACTIVITY

The principal activity of the Company during the course of the financial year is that of an ASX listed agricultural property investment company that buys agricultural property upon which resides established, income producing, horticultural, forestry and/or other agricultural businesses and once purchased rents these agricultural assets/businesses to Rewards in return for a cash rental. These agricultural assets may then form part of a Rewards managed investment scheme.

ARK therefore is a pure rural property investor and in its capacity as a landlord earns a cash rental yield. The business or operational risk is ultimately borne by the growers/investors in Rewards' managed investment schemes.

OPERATING RESULTS

During the financial year the Company earned an operating profit after tax of \$2,220,163 (2007: \$648,894).

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2008 and the number of meetings attended by each Director.

	Number eligible to attend	Number Attended
John D Kenny	12	12
Gilbert C Rodgers	7	7
Sin Jen Hwang	7	0
Robert A Arrigoni	7	3
Simon C Price	5	4
Marc N Loftus	5	4

DIVIDENDS

During the 12 month reporting period that ended on 30 June 2008 ARK declared and paid four quarterly dividends. The first was for the quarter ending on 30 June 2007 and was in the amount of 3.48 cents per share. The record date for this dividend was 21 September 2007. The second quarterly dividend was for the quarter ending on 30 September 2007 and was in the amount of 3.0 cents per share. The record date for this dividend was 30 November 2007. The third quarterly dividend was for the quarter ending on 31 December 2007 and was in the amount of 3.0 cents per share. The record date for this dividend was 18 December 2007. The fourth quarterly dividend was for the quarter ending on 31 March 2008 and was in the amount of 3.0 cents per share. The record date for this dividend was 16 May 2008.

DIRECTORS' REPORT

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In addition to the supplemental income provided by Rewards to ARK by way of its announcement on 29 August 2006 which for the year ending on 30 June 2008 totalled to \$263,712 (excl GST) (2007: \$553,059), Rewards has entered into a further supplemental income payment agreement with ARK.

Subject to various conditions, Rewards has agreed to provide additional income to ARK to the extent of \$75,000 (excl GST) per month for the 12 months; commencing from 1 July 2008 through to 30 June 2009. This additional income to ARK partially offsets the increased interest costs ARK has incurred thereby resulting in margin preservation for ARK.

As at the date of this report, the Company has received in full the payment due from Rewards for both the loan receivable of \$1,609,434 and the Income Guarantee receivable of \$263,712 (excl GST).

ARK has fully paid the management fee due to ARK Capital of \$398,917 (excl GST).

LIKELY DEVELOPMENTS

There are no likely developments to state which have not otherwise been dealt with elsewhere in this Report.

REVIEW OF OPERATIONS

The review of operations has been detailed separately at the front of this Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year ending on 30 June 2008 were as follows:

- (a) During the financial year, the ARK Fund Limited appointed two new directors and a new company secretary with experience to direct and grow the Company in its strategic new direction focussing solely on agricultural property investment.
- (b) The Company has made significant progress towards its agricultural property investment objective during the financial year by investing \$14.6 million on 1,633 hectares in northern Queensland which will be directed towards the growing of Teak. Furthermore, four strawberry properties were purchased for a total cost of \$9.7 million, two horticultural properties were acquired for a total cost of \$5.3 million and a Sandalwood property was acquired for \$2.4 million.

In addition to the investment in the above properties, the Company has also completed the construction of a large fruit packing facility in Caboolture, Queensland for the price of \$4.5 million and has completed the construction of a state of the art fruit packing facility in Kununurra, Western Australia and acquired the underlying land for a total cost of \$5.8 million. The Company has also purchased from Rewards Group Ltd (**Rewards**) a 141.2 hectare mango farm situated 35 kilometres west of Mareeba in far north Queensland for the purchase price of \$2.1 million. The acquisition from Rewards was voted upon at the Company's Annual General Meeting and was unanimously passed by shareholders.

These investments have taken the Company's property assets under management to \$56.3 million and the rental book (the rent the Company receives on all properties in its portfolio) to \$5.8 million (excl GST) per annum, representing a gross yield (before interest, tax and expenses) on the portfolio of approximately 10% per annum. Simultaneous with the acquisition of these properties, the Company has leased these to Rewards for an initial term of 20 years.

The ARK Fund Limited is a pure rural property investor and in its capacity as a landlord earns a cash rental yield. The business or operational risk is ultimately borne by the growers/investors in Rewards' managed investment schemes. The sole risk borne by the Company is the landlord's risk.

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (cont)

- (c) The Company is managed by ARK Capital Pty Ltd a company controlled and operated jointly by Dr Andrew Radomiljac, Mr Craig Anderson and Mr John Kenny. The same parties control and operate Rewards. During the financial year, ARK Capital Pty Ltd agreed with the Company to halve its management fee from 15% to 7.5% of EBIT.
- (d) The Company increased its debt facility (**Facility**) with the NAB during the financial year from \$12 million to \$38 million. The Facility was used to purchase properties as disclosed to the market during the year. The capital raising, per item (f) below, has been used to retire a significant proportion of the debt to enable the further acquisition of properties pursuant to the prospectus dated 20 November 2007. Rewards Group Ltd has provided a financial guarantee to the NAB in conjunction with the Company's extension of its debt facility to \$38 million. 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%.

The key terms of the Facility are as follows:

Amount	\$38 million
Term	10 years
Interest Rate	\$27M: BBSW + 1% margin + 1% facility fee \$11M: BBSW + 1.25% margin + 1.25% facility fee
BBSW (as at 26 Sep 08)	7.4%
Nature of Facility	Non-Amortising and Revolving

The purpose of the Facility will continue to be the financing of ARK's agricultural land and infrastructure portfolio.

- (e) During the financial year, shareholder approval was sought and obtained at a general meeting of the Company to consolidate the Company's issued share capital by consolidating every 100 existing shares into one new share. Consequently during the period, the Company reduced its number of shares on issue down to 6,178,684 shares.
- (f) On 20 December 2007, shareholder approval was sought and obtained at the Company's Annual General Meeting to issue 17,000,000 shares, with an allowance for a further 4,000,000 shares of oversubscriptions, at an issue price of \$1.20 per share pursuant to a Prospectus dated 20 November 2007. Consequently during the financial year, the Company successfully issued 17,743,465 shares thereby increasing the shares on issue from 6,178,684 shares to 23,922,149 shares. The Company raised \$21,292,158 before fees and charges, as a result of the share issue.

Rewards applied for shares pursuant to the Company's Prospectus and has increased its shareholding in the financial year from 10.1% to 13.5%. Rewards currently holds 3,226,935 fully paid ordinary shares in the Company.

The purpose of the capital raising was to retire debt incurred by the Company with the National Australia Bank (**NAB**) and to otherwise complete the objectives of the Company as stated in the Prospectus.

DIRECTORS' REPORT

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reason:

- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees, inclusive of GST, for non-audit services were paid to a related practice of the external auditors during the year ended 30 June 2008:

	\$
Independent Experts Report	6,155

SHARE OPTIONS

There are no options in existence at the date of this Report.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 17.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of ARK is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Since the introduction of the ASX Principles of Good Corporate Governance and Best Practice Recommendations (**ASX Guidelines**), the Company has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are listed in this Report.

The Company has followed each recommendation as described within the ASX Guidelines where the Board has considered the recommendation to be appropriate and where, after due consideration the Company's corporate governance practice depart from the recommendations, the Board has offered full disclosure of and reason for the adoption of its own practice.

Should additional information of the Company's Corporate Governance Structure be required, it can be obtained from the Company via its website, post, fax or email, details of which are in the Corporate Directory section of this Report.

Details of the Company's Corporate Governance Structure are displayed on the Company's website in the format below.

- Board Charter
- Audit Committee Charter
- Investment Committee Charter
- Structure of the Board
- Code of Ethics including Trading Policy and Conduct for Company Executives
- Disclosure of Information
- Shareholder Communication Strategy
- Company's Risk Management Policy
- Performance Review for the Board, Board committees, individual directors and key executives
- Remuneration Policy; and
- Interest of Stakeholders

DIRECTORS' REPORT

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the year, the Company has complied with each of the Ten Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council (**ASX Principles of Good Corporate Governance and Best Practice Recommendations**), other than in relation to the matters specified below.

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
2	2.1	<p>The Board considers that it has a majority of independent directors, comprising two independent directors and one non-independent director.</p> <p>Mr John D Kenny, Executive Chairman and Managing Director does not satisfy paragraph 3 of the Independence Test. The Board will be considering appointing an independent Chairman in the future.</p> <p>Mr Simon Price is considered to be independent by the Board notwithstanding the existence of a relationship whereby Mr Price is a principal of Azure Capital, an entity that has provided professional services to the Company on an arms length basis.</p> <p>Mr Marc Loftus is considered to be independent by the Board notwithstanding the existence of a relationship whereby Mr Loftus is a partner of PKF Chartered Accountants, an entity that provides professional services to Rewards Group Ltd and its associated entities at commercial rates and terms.</p>	<p>The Board considers that its current structure is appropriate given its size and the early stage of its business. The Board considers that the current Directors provide the necessary diversity of skills and experience which is appropriate for the Company's current business. The relationship of the two non executive directors in accordance with the ASX Guidelines has been considered by the Board. The Board believes both Mr Price and Mr Loftus are able to exercise independent judgement notwithstanding the existence of these relationships with group companies.</p>
2	2.2	<p>The Chairman does not satisfy paragraph 3 of the Independence Test.</p>	<p>Notwithstanding that Mr John Kenny does not satisfy paragraph 3 of the Independence Test, the Board believes that currently Mr Kenny is the most appropriate person for the position due to his extensive industry experience. Once an independent chairperson is appointed, the roles will be segregated in accordance with industry best practice.</p>
2	2.3	<p>Mr John Kenny is the Chairperson of The ARK Fund Limited and provides the services normally reserved for a Chief Executive Officer.</p>	<p>On 18 August 2006, the Company's shareholders met and authorised the Company to enter into a contract with ARK Capital Pty Ltd pursuant to which the functions of the management of the Company as would normally be undertaken by a CEO will be performed by ARK Capital Pty Ltd, a related party to Mr Kenny.</p>

DIRECTORS' REPORT

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
2	2.4	A separate nomination committee has not been formed.	The role of nomination committee is carried out by the full Board. Given the Company's current size and the early stage of its business, the Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee. The full Board considers the appointment of new directors on an informal basis. During the year the Board adopted a policy for the Structure of the Board which formalises the functions of the Board when considering issues that would otherwise fall to a nomination committee.
4	4.3	The audit committee consists of the two independent directors and the company secretary and therefore not all members are non-executive directors.	Due to the small size and structure of the Board, it was deemed appropriate for the audit committee to include the company secretary. In carrying out its duties the committee follows the Audit Committee Charter, a copy of which is available on the Company's website.
9	9.2 ; 9.3 ; 9.4	There is no separate remuneration committee. There are no equity-based remunerations.	<p>Due to the small size and structure of the Board, a separate remuneration committee was not considered to add any efficiency to determining the levels of remuneration of the Directors.</p> <p>When considering matters of remuneration, the Board functions in accordance with the Remuneration Arrangements policy which was adopted during the year.</p>

IDENTIFICATION OF INDEPENDENT DIRECTORS

The independent Directors of the Company are Mr Simon Price and Mr Marc Loftus.

STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

If a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a Director then, provided the Director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

NAMES AND QUALIFICATIONS OF AUDIT COMMITTEE MEMBERS

The two Non Executive Directors and the Company Secretary perform the functions of the audit committee in accordance with the Audit Committee Charter. All members of the committee have the necessary financial and industry experience to carry out the necessary functions.

DIRECTORS' REPORT

SKILLS, EXPERIENCE, EXPERTISE AND TERM OF OFFICE OF EACH DIRECTOR

A profile of each Director containing the applicable information is set out in the Directors' Report.

NUMBER OF AUDIT COMMITTEE MEETINGS AND NAMES OF ATTENDEES

The Company has held no formal audit committee meeting as items that would ordinarily be considered by the audit committee were considered during the directors meetings at which both the two Non Executive Directors and Company Secretary were present. Otherwise, the committee considered matters informally on an ongoing basis.

CONFIRMATION WHETHER PERFORMANCE EVALUATION OF THE BOARD AND ITS MEMBERS HAVE TAKEN PLACE AND HOW CONDUCTED

During the year an evaluation of the Board and its members was carried out on an ongoing basis by the full Board (in the absence of the relevant Board member).

COMPANY'S REMUNERATION POLICIES

Disclosure of Directors' and executives' remuneration during the financial year is set out in the Director's Report. The Company does not have in place any bonus or incentive option schemes.

NAMES OF REMUNERATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS

The full Board carries out the functions of a remuneration committee in accordance with the Remuneration Arrangements policy. The full Board addressed issues of remuneration of the Non Executive Directors.

EXISTENCE AND TERMS OF ANY SCHEMES FOR RETIREMENT BENEFITS FOR NON EXECUTIVE DIRECTORS

The Company does not have any terms or schemes relating to retirement benefits for Non Executive Directors.

ENVIRONMENTAL REGULATION

The Company has assessed whether there are any particular or significant environmental regulations which apply. It has determined a low risk of non compliance and has not identified any compliance breaches during the year.

INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify the current Directors and Officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities including costs and expenses.

Signed on 30 September 2008 for and on behalf of the Board in accordance with a resolution of the Directors.



John D. Kenny

Chairman and Managing Director

AUDITOR'S INDEPENDENCE DECLARATION



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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of The Ark Fund Limited for the year ended 30 June 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 audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP

Chartered Accountants

P. Warr

P W WARR

Partner

Perth, 30 September 2008

Liability limited by a scheme approved under Professional Standards Legislation.

Grant Thornton (WA) Partnership is an independent business entitled to trade under the international name Grant Thornton.
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INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Parent Entity	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	2	4,690,485	1,284,697	4,695,815	1,284,697
Consultancy fees		(54,292)	(23,130)	(54,292)	(23,130)
Directors fees		(62,803)	(42,000)	(62,803)	(42,000)
Doubtful debts	3	-	-	-	(482)
Finance costs	3	(1,722,947)	(262,888)	(1,722,947)	(262,888)
Loss on deconsolidation	19	(5,374)	-	-	-
Management fees		(398,917)	(160,903)	(398,917)	(160,903)
Printing and stationery		(25,417)	(33,165)	(25,417)	(33,165)
Professional fees		(69,595)	(34,660)	(69,595)	(34,660)
Share registry and listing fees		(22,176)	(40,925)	(22,176)	(40,925)
Other expenses		(260,076)	(38,132)	(260,076)	(37,650)
Profit / (Loss) before income tax		2,068,888	648,894	2,079,592	648,894
Income tax benefit	4a	151,275	-	151,275	-
Profit for the year		2,220,163	648,894	2,230,867	648,894
(Profit)/Loss attributable to minority equity interest		-	-	-	-
Net Profit after income tax attributable to the Members of the parent entity		2,220,163	648,894	2,230,867	648,894
Basic earnings per share (cents per share)	8a	14.43	11.82		

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

BALANCE SHEET

AS AT 30 JUNE 2008

	Note	Consolidated		Parent Entity	
		2008 \$	2007 \$	2008 \$	2007 \$
CURRENT ASSETS					
Cash and cash equivalents	9	229,957	542,199	229,957	542,177
Trade and other receivables	10	2,215,328	942,107	2,215,328	942,107
Other current assets	11	336,400	-	336,400	-
TOTAL CURRENT ASSETS		2,781,685	1,484,306	2,781,685	1,484,284
NON-CURRENT ASSETS					
Financial Assets	12	2,100,000	2,100,000	2,100,000	2,100,000
Investment property	13	54,183,693	12,410,305	54,183,693	12,410,305
Deferred tax assets	4b	378,864	-	378,864	-
TOTAL NON-CURRENT ASSETS		56,662,557	14,510,305	56,662,557	14,510,305
TOTAL ASSETS		59,444,242	15,994,611	59,444,242	15,994,589
CURRENT LIABILITIES					
Trade and other payables	14	679,943	738,164	679,943	738,164
Tax liability	4d	20,992	-	20,992	-
TOTAL CURRENT LIABILITIES		700,935	738,164	700,935	738,164
NON-CURRENT LIABILITIES					
Financial Liabilities	15	33,259,744	11,351,948	33,259,744	11,357,278
Deferred tax liabilities	4b	206,597	-	206,597	-
TOTAL NON-CURRENT LIABILITIES		33,466,341	11,351,948	33,466,341	11,357,278
TOTAL LIABILITIES		34,167,276	12,090,112	34,167,276	12,095,442
NET ASSETS		25,276,966	3,904,499	25,276,966	3,899,147
EQUITY					
Parent entity interest					
Issued capital	16	39,505,973	19,020,795	39,505,973	19,020,795
Reserves		449,123	449,123	449,123	449,123
Accumulated losses		(14,678,130)	(15,565,419)	(14,678,130)	(15,570,771)
Total parent entity interest		25,276,966	3,904,499	25,276,966	3,899,147
Minority equity interest	18	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY		25,276,966	3,904,499	25,276,966	3,899,147

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

CONSOLIDATED

	Share Capital Ordinary	Capital Reserve	Option Premium Reserve	Accumulated Losses	Outside Equity Interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2006	17,296,667	9,773	439,350	(15,780,957)	-	1,964,833
Shares issued during the year	1,829,940	-	-	-	-	1,829,940
Share issue costs	(105,812)	-	-	-	-	(105,812)
Net profit/(loss) attributable to members of parent entity	-	-	-	648,894	-	648,894
Dividends paid	-	-	-	(433,356)	-	(433,356)
Balance at 30 June 2007	19,020,795	9,773	439,350	(15,565,419)	-	3,904,499
Deconsolidation loss	-	-	-	5,352 ^A	-	5,352
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	-	-	-	2,220,163	-	2,220,163
Dividend costs	-	-	-	(34,821)	-	(34,821)
Dividends paid	-	-	-	(1,303,405)	-	(1,303,405)
Balance at 30 June 2008	39,505,973	9,773	439,350	(14,678,130)	-	25,276,966

^A During the year the Company disposed of its interests in Geosat International Pty Ltd, Isharel Pty Ltd, Mt Edgar NL, and Fargo Resources Pty Ltd on 7 May 2008 resulting in a deconsolidation loss of \$5,352. Refer note 19.

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

PARENT

	Share Capital Ordinary	Capital Reserve	Option Premium Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2006	17,296,667	9,773	439,350	(15,786,309)	1,959,481
Shares issued during the year	1,829,940	-	-	-	1,829,940
Share issue costs	(105,812)	-	-	-	(105,812)
Net profit/(loss) attributable to members of parent entity	-	-	-	648,894	648,894
Dividend declared	-	-	-	(433,356)	(433,356)
Balance at 30 June 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

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 2008

	Note	Consolidated		Parent Entity	
		2008 \$	2007 \$	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		5,228,385	540,589	5,228,385	540,589
Payments to suppliers and employees		(1,213,228)	(445,097)	(1,213,228)	(444,615)
Interest received		50,289	105,343	50,289	105,343
Finance costs		(2,039,924)	(229,861)	(2,039,924)	(229,861)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	24(a)	2,025,522	(29,026)	2,025,522	(28,544)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment property		(41,788,388)	(12,145,423)	(41,788,388)	(12,145,423)
Disposal of subsidiary	19	-	-	22	-
Loans to Related Parties:					
- Payments made		(1,982,000)	-	(1,982,000)	(482)
- Proceeds from repayments		600,000	-	600,000	-
NET CASH (USED IN) INVESTING ACTIVITIES		(43,170,388)	(12,145,423)	(43,170,366)	(12,145,905)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares and options		21,292,158	1,829,940	21,292,158	1,829,940
Cost of share issue		(806,980)	(105,812)	(806,980)	(105,812)
Proceeds from borrowings		51,949,167	11,319,921	51,949,167	11,319,921
Repayment of borrowings		(30,263,495)	-	(30,263,495)	-
Payment of dividend costs		(34,821)	-	(34,821)	-
Payment of dividend		(1,303,405)	(399,112)	(1,303,405)	(399,112)
NET CASH PROVIDED BY FINANCING ACTIVITIES		40,832,624	12,644,937	40,832,624	12,644,937
Net increase / (decrease) in cash held		(312,242)	470,488	(312,220)	470,488
Cash at the beginning of the financial year		542,199	71,711	542,177	71,689
Cash at the end of the financial year	9	229,957	542,199	229,957	542,177

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

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.

The financial report has been authorised for issue by a resolution of the Board of Directors on 30 September 2008.

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.

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 Company has adopted the fair value model for valuation of investment properties. Deemed cost is considered to be fair value as the properties have all been recently acquired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Accounting policies (cont)

(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.

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 2008 was recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Accounting policies (cont)

(f) Revenue (cont)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
2. REVENUE				
Interest received (a)	50,289	105,343	50,289	105,343
Trust distribution	328,475	149,724	328,475	149,724
Rental income	3,933,210	283,860	3,933,210	283,860
Other income received	378,511	745,770	383,841	745,770
Revenue from ordinary activities	4,690,485	1,284,697	4,695,815	1,284,697
(a) Interest revenue from:				
– financial institutions	50,289	105,343	50,289	105,343

3. PROFIT FOR THE YEAR

Expenses

Doubtful debts	-	-	-	482
Finance costs	1,722,947	262,888	1,722,947	262,888

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% (2007 30%):	620,666	194,668	623,878	194,668
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	(7,154)	81	(10,366)	-
	613,512	194,749	613,512	194,668
Movement in unrecognised temporary difference	(4,353)	(101,898)	(4,353)	(101,754)
Recoupment of prior year tax losses not brought to account	(588,167)	-	(588,167)	-
Tax effect of current year tax losses for which no Deferred tax asset has been recognised	-	(92,851)	-	(92,914)
First time recognition of Deferred Tax Assets and Deferred Tax Liabilities	(172,267)	-	(172,267)	-
Income Tax (Benefit) attributable to entity	(151,275)	-	(151,275)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
4. INCOME TAX (cont)				
(b) Recognised temporary differences				
Deferred Tax Assets (at 30%)				
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	-
	378,864	-	378,864	-
Deferred Tax Liabilities (at 30%)				
Accrued income guarantee	79,113	-	79,113	-
Depreciation	127,484	-	127,484	-
	206,597	-	206,597	-
(c) Unrecognised temporary differences				
Deferred Tax Assets (at 30%)				
Loans (provisions)	-	739,922	-	739,922
Investments (provisions)	-	286,942	-	286,942
Provision for expenses	-	56,821	-	56,821
Borrowing expenses	-	17,958	-	17,958
Capital raising costs	-	25,395	-	25,395
Carry forward revenue tax losses	-	314,554	-	314,554
Carry forward capital tax losses	1,517,396	490,694	1,517,396	490,694
	1,517,396	1,932,286	1,517,396	1,932,286
Deferred Tax Liabilities (at 30%)				
Accrued income guarantee	-	165,918	-	165,918
	-	165,918	-	165,918
(d) Tax liability				
Provision for income tax	20,992	-	20,992	-
	20,992	-	20,992	-

The Company has carried forward income tax losses of \$nil (2007: \$1,048,514) and capital losses of \$5,057,985 (2007: \$1,635,647).

The deferred tax assets associated with carried forward capital losses have not been recognised as at 30 June 2008 since it has not been determined that the Company will generate sufficient capital gains to utilise them.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

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 (appointed 19 November 2007)
Marc N Loftus	Director – Non Executive (appointed 19 November 2007)
Rowan Caren	Company Secretary (appointed 19 November 2007)
Gilbert C Rodgers	Director – Non Executive (resigned 19 November 2007)
Sin Jen Hwang	Director – Non Executive (resigned 19 November 2007)
Robert A Arrigoni	Alternate for Sin Jen Hwang (resigned 19 November 2007)

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:

	Balance at Start of the year	1:100 Consolidation	Share issue under prospectus	Balance at end of the year
John D Kenny	77,205,972	772,059	2,600,000	3,372,059 ^A
Simon C Price	-	-	20,833	20,833
Marc N Loftus	-	-	20,833	20,833
Gilbert C Rodgers	-	-	-	-
Sin Jen Hwang	1,478,660	14,786	-	14,786
Robert A Arrigoni	1,375,660	13,756	-	13,756
Total	80,060,292	800,601	2,641,666	3,442,267

Note A: John Kenny has a direct personal interest in 145,124 fully paid ordinary shares in The ARK Fund Limited. On 2 September 2008, 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.

Consolidated		Parent Entity	
2008	2007	2008	2007
\$	\$	\$	\$

6. REMUNERATION OF AUDITORS

Remuneration of the auditor

- auditing or reviewing the financial report	19,573	15,000	19,573	15,000
- other service	5,595	-	5,595	-
	25,168	15,000	25,168	15,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
7. DIVIDENDS				
Distributions Paid				
1 April to 30 June quarterly unfranked ordinary dividend of 3.48 (2007: nil) cents per share	215,019	-	215,019	-
1 July to 30 September quarterly unfranked ordinary dividend of 3.0 (2007: nil) cents per share	185,361	-	185,361	-
1 October to 31 December quarterly unfranked ordinary dividend of 3.0 (2007: 0.0384) cents per share	185,361	215,246	185,361	215,246
1 January to 31 March quarterly unfranked ordinary dividend of 3.0 (2007: 0.0353) cents per share	717,664	218,110	717,664	218,110
	1,303,405	433,356	1,303,405	433,356

8. EARNINGS PER SHARE

	Consolidated	
	2008 \$	2007 \$
Reconciliation of earnings to profit or loss		
Net profit/(loss)	2,220,163	648,894
Net profit/(loss) attributable to outside equity interest	-	-
Earnings used in calculating basic earnings per share	2,220,163	648,894
	2008 cents	2007 cents
(a) Basic and diluted earnings cents per share (loss) (2007 adjusted for 100:1 consolidation)	14.43	11.82
(b) Weighted average number of shares outstanding during the year used in the calculation of basic earnings per share (2007 adjusted for 100:1 consolidation)	15,389,772	5,489,267

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Cash at bank	229,957	541,241	229,957	541,219
Trust account	-	958	-	958
	229,957	542,199	229,957	542,177

10. TRADE AND OTHER RECEIVABLES

Trade receivables	605,894	942,107	605,894	942,107
Amounts receivable from Rewards Group Ltd	1,609,434	-	1,609,434	-
Amounts receivable from subsidiaries	-	1,166,054	-	1,166,054
Provision for impairment of receivables	-	(1,166,054)	-	(1,166,054)
	2,215,328	942,107	2,215,328	942,107

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.

Trade receivables

Trade receivables include the current portion of the Rewards Income Guarantee 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

Late in the quarter ended 30 June 2008, settlement occurred on 2 horticultural businesses in Queensland with a combined asset value of \$7.4 million. ARK acquired the land component and the water rights component of these 2 businesses and the tenant, Rewards Projects Ltd, acquired the balance of these 2 businesses. The Company effected the transactions at settlement with the result that at balance date, being 30 June 2008, there was a temporary obligation of Rewards to ARK that is reflected in the balance of \$1,609,434.

Effective interest rate risk

Information concerning the effective interest rate risk of current receivables is set out in note 26.

11. OTHER CURRENT ASSETS

Deposits	15,000	-	15,000	-
Prepayments	321,400	-	321,400	-
	336,400	-	336,400	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Available-for-sale financial assets (a)	2,100,000	2,100,000	2,100,000	2,100,000
(a) Available-for-sale financial assets comprise:				
Listed investments, at cost				
– Shares in listed corporations	-	3	-	3
– Provision for impairment	-	(3)	-	(3)
Unlisted investments, at cost				
– Units in unit trusts	2,100,000	2,100,000	2,100,000	2,100,000
	2,100,000	2,100,000	2,100,000	2,100,000
Total available-for-sale financial assets	2,100,000	2,100,000	2,100,000	2,100,000

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities and units in 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.

13. INVESTMENT PROPERTY

Balance at beginning of year	12,410,305	-	12,410,305	-
Acquisitions	41,773,388	12,410,305	41,773,388	12,410,305
Fair value adjustment	-	-	-	-
Total Investment Property	54,183,693	12,410,305	54,183,693	12,410,305

The fair value model is applied to all investment property. Directors will assess fair value of property investments at each reporting date and obtain independent valuations on a regular basis to assist in assessing fair value.

An adjustment to fair value has not been made as the Directors are of the opinion that with all properties having been acquired within 18 months that the price paid for the property is its fair value as at the end of the financial year.

14. TRADE AND OTHER PAYABLES

Trade creditors	223,078	500,964	223,078	500,964
Oversubscription share money	-	5,000	-	5,000
Accrued expenses	456,465	189,403	456,465	189,403
Other payables	400	42,797	400	42,797
	679,943	738,164	679,943	738,164

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
15. FINANCIAL LIABILITIES				
Unsecured liabilities				
Unsecured loan	-	-	-	5,330
	-	-	-	5,330
Secured liabilities				
Bank and other loans (a)	33,259,744	11,351,948	33,259,744	11,351,948
	33,259,744	11,351,948	33,259,744	11,351,948
	33,259,744	11,351,948	33,259,744	11,357,278
(a) The carrying amounts of non-current assets pledged as security are:				
First mortgage				
Investment property	56,283,693	12,410,305	56,283,693	12,410,305

(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 2008 and yearly thereafter.

(c) As at 30 June 2008, the debt facility was for a maximum total of \$38,000,000 and as at 30 June 2008 \$4,740,256 of that debt facility was unused.

16. ISSUED CAPITAL

23,922,149 (2007: 617,874,502)

Fully paid ordinary shares	39,505,973	19,020,795	39,505,973	19,020,795
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(a) Options

At 30 June 2008, the Company had no options on issue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	2008 Number	2008 \$	2007 Number	2007 \$
16. ISSUED CAPITAL (cont)				
(b) Ordinary Shares				
At beginning of reporting period	617,874,502	19,020,795	465,379,503	17,296,667
Shares issued during the year:				
3 October 2006	-	-	32,231,666	386,780
3 November 2006	-	-	13,250,000	159,000
9 November 2006	-	-	6,350,000	76,200
20 November 2006	-	-	2,500,000	30,000
27 November 2006	-	-	9,350,000	112,200
7 December 2006	-	-	5,090,000	61,080
15 December 2006	-	-	3,283,333	39,400
21 December 2006	-	-	15,950,000	191,400
4 January 2007	-	-	5,453,333	65,440
8 January 2007	-	-	1,700,000	20,400
19 January 2007	-	-	800,000	9,600
29 January 2007	-	-	41,666,667	500,000
31 January 2007	-	-	850,000	10,200
1 February 2007	-	-	170,000	2,040
2 February 2007	-	-	850,000	10,200
13 February 2007	-	-	9,833,333	118,000
12 March 2007	-	-	1,666,667	20,000
13 March 2007	-	-	1,000,000	12,000
20 March 2007	-	-	500,000	6,000
15 August 2007 (1:100 Consolidation)	6,178,745	19,020,795	-	-
15 August 2007 Rounding down investor holdings	(61)	-	-	-
24 December 2007	17,743,465	21,292,158	-	-
Cost of shares issued	-	(806,980)	-	(105,812)
Closing balance	23,922,149	39,505,973	617,874,502	19,020,795

On 20 December 2007, shareholder approval was sought and obtained at the ARK Annual General Meeting to issue 17,000,000 shares, with an allowance for a further 4,000,000 shares of oversubscriptions, at an issue price of \$1.20 per share pursuant to a Prospectus dated 20 November 2007. Consequently during the year, ARK successfully issued 17,743,465 shares thereby increasing the shares on issue from 6,178,684 shares to 23,922,149 shares. ARK raised \$21,292,158 before fees and charges, as a result of the share issue. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

16. ISSUED CAPITAL (cont)

(c) Options

At 30 June 2008, the Company had no options on issue.

(d) 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 26.

17. RESERVES

(a) Option Premium Reserve

The option reserve records items recognised as expenses on valuation of employee share options. All of the options issued have since expired.

(b) Capital Reserve

The capital profits reserve records non-taxable profit on the sale of investments.

Consolidated	
2008	2007
\$	\$

18. MINORITY INTEREST

Interest in:

Share capital	-	20
Reserves	-	85,556
Retained Profits	-	(85,576)
	-	-

19. DECONSOLIDATION

During the year the Company disposed of its interests in Geosat International Pty Ltd, Isharel Pty Ltd, Mt Edgar NL, and on 7 May 2008 Fargo Resources Pty Ltd.

The carrying amount of assets and liabilities disposed of are:

Cash	22	-
Net cash	22	-

The deconsolidation had the following effect on the economic entity's performance:

Economic entity's effective interest in subsidiaries after disposals	-	-
Economic entity's effective interest in subsidiaries before disposals	5,374	-
Loss on deconsolidation	5,374	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

20. CAPITAL AND LEASING COMMITMENTS

Capital Commitments

As at 30 June 2008, the Company has no capital commitments.

Operating Lease Commitments

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Non-cancellable operating leases contracted for but not capitalised in the financial statements.				
Receivable – minimum lease receipts				
– not later than 12 months	5,781,222	954,909	5,781,222	954,909
– between 12 months and 5 years	24,789,595	4,094,603	24,789,595	4,094,603
– greater than 5 years	97,537,509	13,180,026	97,537,509	13,180,026
	128,108,326	18,229,538	128,108,326	18,229,538

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.

21. CONTINGENT ASSETS AND LIABILITIES

As at 30 June 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.

22. SEGMENT REPORTING

The principal business of the Company is agricultural property and infrastructure investment and the only geographical segment is Australia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

23. EVENTS SUBSEQUENT TO REPORTING DATE

In addition to the supplemental income provided by Rewards to ARK by way of its announcement on 29 August 2006 which for the year ending on 30 June 2008 totalled to \$263,712 (excl GST) (2007: \$553,059), Rewards has entered into a further supplemental income payment agreement with ARK.

Subject to various conditions, Rewards has agreed to provide additional income to ARK to the extent of \$75,000 (excl GST) per month for the 12 months; commencing from 1 July 2008 through to 30 June 2009. This additional income to ARK partially offsets the increased interest costs ARK has incurred thereby resulting in margin preservation for ARK.

As at the date of this report, the Company has received in full the payment due from Rewards for both the loan receivable of \$1,609,434 and the Income Guarantee receivable of \$263,712 (excl GST).

ARK has fully paid the management fee due to ARK Capital of \$398,917 (excl GST).

24. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Operating profit after income tax	2,220,163	648,894	2,230,867	648,894
Non Cash Items				
Deconsolidation loss	5,374	-	-	-
Forgiven debt	-	-	(5,330)	-
Provision for doubtful debts	-	-	-	482
Change in assets and liabilities, net of the effects of purchase and disposal of controlled entity				
Decrease/(Increase) in trade debtors	(5,263)	(4,902)	(5,263)	(4,902)
Decrease/(Increase) in other receivables	279,607	(701,584)	279,607	(701,584)
Decrease/(Increase) in prepayments	(321,400)	-	(321,400)	-
Decrease/(Increase) in deferred tax assets	(378,864)	-	(378,864)	-
Decrease/(Increase) in accrued income	-	55,990	-	55,990
(Decrease)/Increase in creditors	(459,757)	(242,703)	(459,757)	(242,703)
(Decrease)/Increase in tax liability	20,992	-	20,992	-
(Decrease)/Increase in other creditors	191,011	40,579	191,011	40,579
(Decrease)/Increase in accrual expenses	267,062	174,700	267,062	174,700
(Decrease)/Increase in deferred tax liabilities	206,597	-	206,597	-
Net cash inflow/(outflow) from Operating Activities	2,025,522	(29,026)	2,025,522	(28,544)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

Consolidated		Parent Entity	
2008	2007	2008	2007
\$	\$	\$	\$

25. RELATED PARTIES

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

– receivable from Rewards Group Ltd	1,899,517	1,166,326	1,899,517	1,166,326
– payable to Rewards Group Ltd	1,679	1,383,675	1,679	1,383,675
– payable to ARK Capital Pty Ltd	438,809	176,993	438,809	176,993

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

	Parent Entity	
	2008 Number	2007 Number
Ordinary Shares	3,413,725	800,603

No options were on issue at 30 June 2008.

(c) Consolidated Group

The consolidated group consists of The ARK Fund Limited and its subsidiaries.

Transactions between The ARK Fund Limited and subsidiaries in the group during the year 30 June 2008 consisted of loans on an interest free basis with no fixed term and no specific repayment arrangements. No amounts were included in the determination of operating profit before tax of the parent entity that resulted from transactions with related parties in the wholly-owned group.

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

- (i) As at 30 June 2008, the Company is due an ex-gratia income guarantee payment of \$263,712 (excl GST) (2007: \$553,059) from Rewards Group Ltd.
- (ii) For the 12 month period ending on 30 June 2008, the Company incurred management fees of \$398,917 (excl GST) (2007: \$160,903) 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 receive remuneration in the form of a fee equal to fifteen percent (15%) (plus GST) of the earnings before interest and tax of the Company to 20 November 2007 and seven and a half percent (7.5%) thereafter. 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) During the 2008 financial year a total of twenty six rental agreements were entered into with Rewards Projects Ltd, twenty one of which were for 20 years, four for 18 years and one for 10 years in respect of land purchased during the year by the Company. In the year ended 30 June 2008 the Company received a total rental income of \$4,326,531 (incl GST) (2007: \$312,246).
- (iv) Late in the quarter ended 30 June 2008, settlement occurred on 2 horticultural businesses in Queensland with a combined asset value of \$7.4 million. The Company acquired the land components and the water right components of these 2 businesses and the tenant, Rewards Projects Ltd, acquired the balance of these 2 businesses. The Company effected the transactions at settlement with the result that at balance date, being 30 June 2008, there is a temporary obligation of Rewards to The ARK Fund Limited that is reflected in the net receivable balance of \$1,609,434 (2007: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

25. RELATED PARTIES (cont)

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

- (v) 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.
- (vi) Rewards Group Ltd has provided a financial guarantee to the NAB in conjunction with the Company's extension of its debt facility to \$38 million. 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%.

26. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

26. FINANCIAL INSTRUMENTS (cont)

(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	
	2008 %	2007 %	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Financial Assets								
Cash at bank	3.85	2.0	229,957	541,241	-	-	229,957	541,241
Trust account	-	-	-	958	-	-	-	958
Receivables	-	-	-	-	2,215,328	942,107	2,215,328	942,107
Total Financial Assets			229,957	542,199	2,215,328	942,107	2,445,285	1,484,306
Financial Liabilities								
Loans	7.4	6.4	33,259,744	11,351,948	-	-	33,259,744	11,351,948
Creditors/Accruals	-	-	-	-	679,943	738,164	679,943	738,164
Total Financial Liabilities			33,259,744	11,351,948	679,943	738,164	33,939,687	12,090,112

	Consolidated		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Trade and sundry creditors are expected to be paid as follows:				
Less than 6 months	679,943	738,164	679,943	738,164
6 months to 1 year	-	-	-	-
1 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
	679,943	738,164	679,943	738,164

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

26. FINANCIAL INSTRUMENTS (cont)

(b) Financial Instruments (cont)

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	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Financial Assets										
Cash at bank	229,957	541,241	(2,300)	(5,412)	(2,300)	(5,412)	2,300	5,412	2,300	5,412
Trust account	-	958	-	(10)	-	(10)	-	10	-	10
Total Financial Assets	229,957	542,199	(2,300)	(5,422)	(2,300)	(5,422)	2,300	5,422	2,300	5,422
Financial Liabilities										
Loans	33,259,744	11,351,948	(332,597)	(113,519)	(332,597)	(113,519)	332,597	113,519	332,597	113,519
Total Financial Liabilities	33,259,744	11,351,948	(332,597)	(113,519)	(332,597)	(113,519)	332,597	113,519	332,597	113,519

27. ECONOMIC DEPENDENCY

A significant portion of the Company's revenues 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.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes set out on pages 18 to 40 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view;
3. 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 Board of Directors.



John D Kenny

Chairman and Managing Director

Signed in Perth this 30 day of September 2008

INDEPENDENT AUDIT REPORT TO THE MEMBERS



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INDEPENDENT AUDITOR'S REPORT To the members of The Ark Fund Limited

Report on the Financial Report

We have audited the accompanying financial report of The Ark Fund Limited, (the company) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 controls relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Electronic Presentation of Audited Financial Report

This auditor's report relates to the financial report of The Ark Fund Limited (the company) for the year ended 30 June 2008 included on the company's web site. The company's directors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. The auditor's 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 audited financial report to confirm the information included in the audited financial report presented on this web site.

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INDEPENDENT AUDIT REPORT TO THE MEMBERS



Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of The Ark Fund Limited is in accordance with the *Corporations Act 2001*, including:
- i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 9 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of The Ark Fund Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP

Chartered Accountants

P. Warr.

P W WARR

Partner

Perth, 30 September 2008

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OTHER INFORMATION

The following information was applicable for The ARK Fund as at 17 October 2008.

SHAREHOLDER INFORMATION

(a) Analysis of the Number of Shareholders by the Size of their Shareholding

Category (size of holding)	Number of Shareholders
1 – 1,000	264
1,001 – 5,000	221
5,001 – 10,000	136
10,001 – 200,000	335
200,001 and over	14
	970

(b) There were 190 shareholders holding less than a marketable parcel of shares.

(c) Substantial shareholders in The ARK Fund are:

Name	Number of Shares	% of Issued Share Capital
Rewards Group Limited	3,226,935	13.49
Australian Executor Trustees Limited	2,911,350	12.17
Wyllie Group Pty Ltd	2,400,000	10.03

(d) Top 20 shareholders

Name	Number of Shares	% of Issued Share Capital
Rewards Group Limited	3,226,935	13.49
Australian Executor Trustees Limited	2,911,350	12.17
Wyllie Group Pty Ltd	2,400,000	10.03
Fortis Clearing Nominees Pty Ltd	1,219,236	5.10
Equitas Nominees Pty Ltd	833,000	3.48
Istana Securities Limited	357,113	1.49
Market Securities Pty Ltd	200,000	0.84
Bond Street Custodians Limited – (LMD)	166,666	0.70
Mr & Mrs LC & JE Smith	166,665	0.70
D P Prospecting Services Pty Ltd	145,454	0.61
Venture Works JDK Pty Ltd	132,000	0.55
Dr NR Sonenberg	108,400	0.45
Starland Nominees Pty Ltd	104,377	0.44
Bond Street Custodians Limited – (SGM)	104,166	0.44
Waland Pty Ltd	100,000	0.42
Jekato Superannuation Nominees Pty Ltd	100,000	0.42
Herway Pty Ltd	100,000	0.42
GI Investments UK Limited	99,666	0.42
Mr Sin Chong Wong	96,000	0.40
Piperlake Pty Ltd	90,888	0.38

There were a total of 23,922,149 fully paid ordinary shares on issue as at 17 October 2008, all of which are listed on the ASX.

(e) Voting rights.

Under the Company's constitution, all ordinary shares carry one vote per share without restriction. Options over ordinary shares do not carry any voting rights.



