

# Appendix 4E

## Preliminary Final Report to the Australian Stock Exchange

Name of Entity	ARC Funds Limited
ACN	52 001 746 710
Financial Year Ended	30 June 2023
Previous Corresponding Reporting Period	30 June 2022

### Results for Announcement to the Market

	\$	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities	35,764	627%
Loss from ordinary activities after tax attributable to members	(964,971)	(58%)
Loss for the period attributable to members	(964,971)	(58%)
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final Dividend	Nil	-
Previous corresponding period	Nil	-
Record date for determining entitlements to the dividends (if any)	n/a	

### Dividends

Date the dividend is payable	n/a
Record date to determine entitlement to the dividend	n/a
Amount per security	n/a
Total dividend	n/a
Amount per security of foreign sourced dividend or distribution	n/a
Details of any dividend reinvestment plans in operation	n/a
The last date for receipt of an election notice for participation in any dividend reinvestment plans	n/a

NTA Backing

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	Current Period	Previous corresponding period
<b>Net tangible asset backing per ordinary security</b>	\$0.06	\$0.10

**Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position:**

See attached Annual Report

**Commentary on the Results for the Period**

<p><b>The earnings/(loss) per security and the nature of any dilution aspects:</b></p> <p>see note 8 Annual Report</p>
<p><b>Returns to shareholders including distributions and buy backs:</b></p> <p>See attached Annual Report</p>
<p><b>Significant features of operating performance:</b></p> <p>See attached Annual Report</p>
<p><b>The results of segments that are significant to an understanding of the business as a whole:</b></p> <p>See attached Annual Report</p>
<p><b>Discussion of trends in performance:</b></p> <p>See attached Annual Report</p>
<p><b>Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:</b></p> <p>See attached Annual Report</p>


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## Audit/Review Status

<b>This report is based on accounts to which one of the following applies:</b> (Tick one)			
The accounts have been audited	*	The accounts have been subject to review	
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	
<b>If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:</b>  n/a			
<b>If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:</b>  n/a			

## Attachments Forming Part of Appendix 4E

Attachment #	Details
1	Annual Report

<b>Signed By (Director/Company Secretary)</b>	
<b>Print Name</b>	James Jackson
<b>Date</b>	22 August 2023

ARC Funds Limited advises that its Annual General Meeting will be held on 18 October 2023. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after dispatch.

In accordance with the ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00pm (AEST) 30 August 2023.

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ARC FUNDS LIMITED

ABN 52 001 746 710



**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS**

30 JUNE 2023

**DIRECTORY****Directors**

James Jackson	Chairman
Harley Grosser	Managing Director
Darren Anderson	Non-Executive Director
Wayne Massey	Executive Director

**Company Secretary**

Mark Licciardo

**Registered Office**

c/- Acclime Australia  
Level 7  
330 Collins Street  
Melbourne VIC 3000

**Communications**

**telephone:** +61 3 8689 9997  
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**mail:** and C/- James A Jackson, P O Box 100  
Federal NSW 2480  
**website:** [www.arcfunds.com.au](http://www.arcfunds.com.au)

**Share Registry**

Boardroom Pty Limited  
Level 12  
Grosvenor Place  
225 George Street  
SYDNEY NSW 2000

**Shareholder Enquiries: 1 300 737 760 / (02) 9290 9600**

Shareholders requiring clarification of holdings, or requesting changes of name or address should contact Boardroom Pty Limited directly. A variety of requisite forms may be downloaded from [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

**Bankers**

National Australia Bank Limited  
Level 19  
100 Creek Street  
BRISBANE  
QLD 4000

**Auditors**

Bentleys Brisbane (Audit) Pty Ltd  
Level 9  
123 Albert Street  
BRISBANE  
QLD 4000

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In this Annual Report a reference to "Group", "we", "us" "ARC" or "our" is a reference to ARC FUNDS Limited ABN 52 001 746 710 and the entities that it controls unless otherwise stated.

The ARC corporate governance statement is available on our website ([www.arcfunds.com.au](http://www.arcfunds.com.au)) in the section titled "Corporate Governance" and at the ASX website ([www.asx.com.au](http://www.asx.com.au)) under the code "ARC".

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# CHAIRMAN'S REVIEW

Dear Fellow Shareholders

## The Financial Results

The company recorded an after-tax loss of \$964,971 for the full year to June 30, 2023. This result did include a number of non-cash items. The main contributors to the loss, apart from our operating costs, were the two unsuccessful projects of Magnum and Lanyon. These have now been fully expensed. We also undertook a series of business development initiatives and progressed two potential acquisitions which also incurred incremental legal expenses beyond our operating costs, which have also been expensed.

## Business Development and Investments

In the first half of this year, we completed the exit from the Magnum and Lanyon projects, we then have been pursuing an acquisition in the financial services sector, in businesses associated with funds management or in providing services to fund managers, wealth managers and advisors. Our objective here is to acquire a business that will enable ARC to be cashflow positive. We have conducted due diligence on two good opportunities, however, were unable to complete due to ASX listing rules and compliance reasons.

This process was time consuming and costly, however our subsequent learnings have placed us in a better position to consider and evaluate potential opportunities. Further to this, we are seeing a number of attractive opportunities available to acquire. We have developed five initial screens to help us evaluate any potential acquisitions or investments, as per below.

1. The opportunity must create value for ARC shareholders.
2. It generates positive operating cashflow.
3. Have an established management team aligned to the outcomes of the business
4. The business has the potential to scale in size, without large capital expenditure.
5. The vendors are willing to accept all or part ARC stock as consideration.

An update on our investment in Merewether Capital will be covered in Harleys CEO Report.

## AMP Investment (ASX: AMP)

Further to our direct business development and fund launch activities we have also made an initial investment of \$100,000 in this diversified financial services company. Our reasoning here is ARC invests in diversified financial services companies. AMP operates in banking, funds management (also called wealth management), financial products distribution (called Platforms), Master Trust operations and financial advice.

Based upon our analysis of the businesses it owns, we estimate AMP shares to have a combined value of more than \$2 per share on a sum of parts valuation. We purchased our shares at \$1.16. A discount to valuation is a good start. The company also has a new CEO with a track record in creating value for, and returning capital, to shareholders. This is a fundamental of any investment, and this process is now in action with dividends resumed and a share buyback in place and operating. The benefit of a share buyback when the underlying value of the company is less than 60 % of a sum of parts valuation, is that the company is buying shares at a large discount to our valuation and cancelling those shares. We believe the remaining shares in AMP represent an exceptional value opportunity in the diversified financial services sector.

## Summary and Thanks

I again thank my fellow directors, Harley, Darren and Wayne for their continued work, support, and input during the year. I thank Harley for his relentless executive drive and continued pursuit of our goals to build the business. Your board remains focussed on creating value for our shareholders whilst also preserving our capital.

I also want to thank our company secretaries at Acclime Australia for their efforts and our various advisers with whom we have worked with over the past year for your help.

Finally, the Board thanks all our shareholders for your patience, support, and interest, and we look forward to updating you on our future progress.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'J. Jackson', with a long horizontal flourish extending to the right.

James A Jackson  
**Chairman**  
August 22, 2023

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## MANAGING DIRECTOR'S LETTER

Dear Shareholders,

In FY23, in response to the changing market conditions, we adjusted our strategy.

As James explained in the Chairman's report, rather than make further investments in start-up fund managers, we instead focused on acquiring established, profitable fund and wealth management businesses, including service providers to the wealth management and financial services industries.

Despite the change in strategy, our end goal remains the same, which is to build out our wealth management platform by continuing to back talented fund managers and provide them with the services and support they need to be successful.

As we acquire profitable, cash flow positive businesses we will be in a stronger position to utilise that cash flow to further build out our funds management platform. The potential acquisition of service providers to our core funds management businesses is also highly strategic and would add value to businesses like Merewether, as well as those managers we back in the future.

To this end we continue to review several attractive opportunities that align with the acquisition criteria James listed above. We want businesses that are profitable, in line with our strategic objectives and, most importantly, come with aligned and talented people that see the value and potential in partnering with ARC. And then we aim to structure deals that are accretive both to ARC shareholders and to the vendors joining our group.

During the year we varied our AFSL to expand our authorities and allow for the potential launch of ARC Emerging Managers, though we note we have prioritised the acquisition of established companies for now.

We continue to support Merewether and have not waived in our optimism for both the investment talent of Luke Winchester and the potential for the business once at scale. We note emerging green shoots for ASX listed small and microcap equities, which if they continue should be supportive for Merewether's investment performance.

Earlier this calendar year we had agreed commercial terms for the acquisition of a long established, highly profitable funds management business, only for that deal to be declined by ASX due to a change of scale issue.

While frustrating, we emerged from this process with a refined criteria and clearer M&A strategy, as well as a pipeline of several deals (and talent) that we are currently working on bringing under the ARC banner. It is a priority of mine to not only acquire good businesses, but to also acquire good people, ideally in the same deal, as building out the ARC team is critical to achieving our vision.

We are progressing the above as quickly as possible, but these things do take time, so I wish to extend my gratitude to our shareholders for their support and patience over the last 12 months. If we can execute on the strategy and pipeline we have in front of us, the wait will be worth it, and I hope to have updates for you prior to the company's AGM later this year.

As always, if you have any questions, you are welcome to reach out.



Harley Grosser  
**Managing Director**  
August 22, 2023

## DIRECTORS' REPORT

The Directors present their annual report on ARC Funds Limited (“the Company”) and its controlled entities (“Group” or “Economic Entity”) for the financial year ended 30 June 2023.

### DIRECTORS

The names and details of the Directors of the Company in office at the date of this report are:

**James Andrew Jackson** (*Chairman*) (*appointed 25 July 2014*)

James Jackson has background and experience in both capital markets and agribusiness. He worked for JB Were in Australia and SG Warburg & Co in both London and New York over a ten year period in Equity Capital Markets and Institutional Sales transacting with significant American and European institutional investors. He is now a company director and professional investor and was a director and Deputy Chairman of the ASX listed Elders Limited from 2014 to 2017 and MSF Sugar Limited (known formerly as The Maryborough Sugar Factory Ltd) from 2004 and Chairman from 2008 until the agreed takeover in 2012. This was during a period of significant growth and shareholder value creation for the company. The skills and expertise relevant to the position of director include a deep knowledge of agribusiness, financial risk management, strategic analysis and development and implementation of strategy and corporate governance. He has strong interest in agriculture and a large network in rural Australia and the capital markets. James holds a Bachelor of Commerce from the University of Queensland, completed the Program for Management Development at Harvard Business School and is a Fellow of the Australian Institute of Company Directors.

**Harley Grosser** (*Managing Director*) (*appointed 1 July 2021 as a Non-Executive Director and 22 July 2021 as Managing Director*)

Mr Grosser is the Founder, Managing Director and Principal of Capital H Management, a Sydney based specialist small cap funds management company and the manager of the Capital H Inception Fund and Capital H Active Fund. Mr Grosser brings extensive knowledge and skills in capital markets, financial analysis and valuation, building and operating an investment management business and investor relations, developed over the past 12 years. These attributes will complement the existing skills and experience on the board and the Company considers Mr Grosser will add considerable value and energy to the Company. Mr Grosser holds a Bachelor of Commerce from the University of New South Wales and is also currently a Non- Executive Director of Motio Limited (ASX: MXO).

**Darren Anderson** (*Non-Executive Director*) (*appointed 5 June 2015*)

Darren Anderson has significant legal and commercial experience and expertise gained over a 30 year career to date. He is a partner of Brisbane legal firm Holding Redlich and specialises in providing legal services to the property industry. He has particular expertise in major acquisitions and disposals in residential, industrial and rural property, structured property development, due diligence and property finance arrangements.

Darren brings extensive legal knowledge and background particularly in real property transactions, and the structuring of finance and due diligence. He has a good understanding of corporate governance, financial accounting and risk assessment.

He holds a Bachelor of Commerce and Bachelor of Laws (Second Class Honours) from the University of Queensland and is admitted as a Solicitor in the Supreme Court of Queensland.

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)

### Wayne Massey (Executive Director) (appointed 14 December 2015)

Wayne Massey has occupied a number of senior finance executive positions in the sugar industry since 1998, including a period as Chief Financial Officer of MSF Sugar Ltd from 2008 to 2012 (ASX listed until 2012). Wayne has experience in mergers and acquisitions, debt management and development of futures and currency capability. He has also held Director positions of unlisted Australian parent and subsidiary companies in the sugar industry in recent years and has been a Director of SMART, an Industry Superannuation Fund.

### COMPANY SECRETARY

**Mark Licciardo** B Bus(Acc), GradDip CSP, FGIA, FCIS, FAICD

#### *Experience and special responsibilities*

Mark Licciardo is a Partner and Managing Director of Acclime Australia Pty Ltd (formerly Mertons Corporate Services Pty Ltd) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies.

Prior to establishing Mertons, Mark Licciardo was Company Secretary of the Transurban Group and Australian Foundation Investment Company Limited. Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mark Licciardo is a former Chairman of the Governance Institute Australia (GIA) in Victoria and the Melbourne Fringe Festival, a fellow of GIA, the Institute of Chartered Secretaries (CIS) and the Australian Institute of Company Directors (AICD) and a Director of ASX listed Frontier Digital Ventures Limited, Ensogo Limited and Mobilicom Limited as well as several other public and private companies.

#### Interests in the Shares of the Company and Related Bodies Corporate

The relevant interests of each director in the share capital of the Company shown in the Register of Directors' Shareholding as at the date of this report is:

	<i>Ordinary Shares - (ARC)</i>	<i>ASX Listed Option -(ARCO)s</i>
Mr James Jackson	2,965,000	-
Mr Harley Grosser	10,517,566	-
Mr Darren Anderson	538,655	-
Mr Wayne Massey	520,176	-

### PRINCIPAL ACTIVITIES

The group's primary activities are:

- (A) Equity investment – investment in fund management companies.
- (B) Funds management and financial services – operation of a wholesale funds management business.

During the financial year there was a change in the focus of activity on investment in the rural and rural related areas to investment in fund management companies across a range of asset classes and investment strategies.

### RESULTS AND DIVIDENDS

The net loss after income tax for the financial year to 30 June 2023 was \$964,971 (2022: loss \$612,433). No dividends were paid or declared during the year.

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)

### TRADING IN COMPANY SHARES

During the 12 months to 30 June 2023, the Company's shares traded in the following ranges:

<i>Quarter ending</i>	<i>High price</i>	<i>Low price</i>	<i>Closing price</i>	<i>Volume</i>
30 <sup>th</sup> September 2022	0.48	0.34	0.375	338,741
31 <sup>st</sup> December 2022	0.41	0.30	0.33	263,445
31 <sup>st</sup> March 2023	0.33	0.20	0.21	432,489
30 <sup>th</sup> June 2023	0.255	0.18	0.24	238,349

Source: ASX

### REVIEW OF OPERATIONS

A full review of operations is given on pages 2 to 5 which include the Chairman's Review and Managing Directors update.

### SIGNIFICANT EVENTS DURING THE YEAR

The Company adopted and commenced implementing a new strategy to build a listed boutique funds management platform and investment company by investing in, supporting and partnering with the best fund managers across a range of asset classes and investment strategies.

### DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of a committee of Directors) attended by each of the Directors of the Company for the 12 months to 30 June 2023 was:

	Directors' Meetings held during period in office		Audit Committee Meetings held during period in office	
	No. of meetings eligible to attend #	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
James Jackson	5	5	2	2
Harley Grosser	5	5	-	-
Darren Anderson	5	5	2	2
Wayne Massey	5	5	-	-

# the Directors also assented to one written resolution during the year

### REMUNERATION REPORT (AUDITED)

#### (A) Key Management Personnel

The names and positions of key management personnel of the Company who have held office during the financial year are:

#### Directors

James Jackson	Chairman
Harley Grosser	Managing Director
Darren Anderson	Non-Executive Director
Wayne Massey	Executive Director

**DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)**

**REMUNERATION REPORT (AUDITED) (continued)**

**(B) Directors Remuneration for the financial years ended 30 June 2023 and 30 June 2022**

	<i>Short-Term Benefits</i>		<i>Post Employment Benefits</i>		<i>Share Based Payments</i>		<b>Total</b>
	<b>Salaries &amp; fees</b>		<b>Super-annuation</b>	<b>Other</b>	<b>Shares</b>	<b>Options</b>	
<b>2023</b>							
James Jackson	\$50,000		\$5,250	-	-	-	\$55,250
Harley Grosser	\$102,838		\$10,500	-	-	-	\$113,338
Darren Anderson	\$25,000		\$2,625	-	-	-	\$27,625
Wayne Massey	\$70,000		\$7,350	-	-	-	\$77,350
<b>TOTAL</b>	<b>\$247,838</b>		<b>\$25,725</b>	-	-	-	<b>\$273,563</b>
<b>2022</b>							
James Jackson	\$54,166		\$5,417	-	-	-	\$59,583
Harley Grosser	\$101,683		\$9,375	-	-	-	\$111,058
Darren Anderson	\$25,000		\$2,500	-	-	-	\$27,500
Wayne Massey	\$59,167		\$5,917	-	-	-	\$65,084
<b>TOTAL</b>	<b>\$240,016</b>		<b>\$23,209</b>	-	-	-	<b>\$263,225</b>

**(C) Specified Executives Remuneration for the years ended 30 June 2023 and 30 June 2022**

	<i>Short-Term Benefits</i>			<i>Post Employment Benefits</i>		<i>Share Based Payments</i>		<b>Total</b>
	<b>Salaries &amp; fees</b>	<b>Cash bonuses</b>	<b>Non Monetary Benefits</b>	<b>Super-annuation</b>	<b>Other</b>	<b>Options</b>		
<b>2023 and 2022</b>								
There were no specified executives in the period from 1 July 2022 to 30 June 2023 and 1 July 2021 to 30 June 2022.								

**(D) Remuneration Policy**

The Non-Executive Directors annually review and recommend the remuneration packages of senior management. The payment of bonuses, options and other incentive payments are annually reviewed by the Non-Executive Directors as part of the review of Executive Directors and Specified Executives.

The Non-Executive Directors can exercise their discretion in relation to approving bonuses, options and incentives but will do so by reference to measurable performance criteria, and are able to seek independent advice on the appropriateness of remuneration packages.

The remuneration policy, which sets the terms and conditions for senior executives, was developed by the remuneration committee after seeking professional advice from independent consultants and was approved by the Board. Executives have historically received a base salary, superannuation, performance incentives and retirement benefits. Remuneration is reviewed annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed Companies and independent advice, but has regard to expected significant share ownership in the Company. The policy is designed to attract appropriate executives and reward them for performance that results in long-term growth in shareholder value.

The current remuneration for Non-Executive Directors is set by resolution of shareholders at a maximum \$400,000 per annum in aggregate. This amount of remuneration includes all monetary and non-monetary components. There are no schemes for retirement benefits for Non-Executive Directors.

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### (D) Remuneration Policy (continued)

Key management personnel employed by the Company during the year, in addition to the Company's Directors, is Mr Harley Gross as the Company's Managing Director appointed on 22 July 2021.

Mr Grosser is employed by the Company under the terms and conditions set out in an employment contract. Due to the size of the company and the nature of its operations, the contract is open-ended and not for a specific time frame. Mr Grosser's contract can be terminated by either party giving notice commensurate with the prescribed notice outlined in the employment contract. There is no provision in the employment contract for the payment of any termination payments other than accrued statutory entitlements.

#### (E) Shares issued to Directors in lieu of Directors Fees

It was resolved by the Directors that new ordinary shares in the company would be issued in lieu of cash payments for Director's Fees for the following directors: \$50,000 for James Jackson and \$25,000 for Darren Anderson for the financial year ending 30 June 21. Shareholders approved the issue of these shares on 21 October 2021.

#### (F) Options held by Specified Directors and Specified Executives

No options held by specified director and specified executives during or at year end.

#### (G) Shareholdings by Specified Directors and Specified Executives

Directors	Balance at 1/7/22	Received as Remuneration	Shares Acquired	Net change – other	Balance at 30/6/23
James Jackson	2,965,000	-	-	-	2,965,000
Harley Grosser	10,336,614	-	180,952	-	10,517,566
Darren Anderson	538,655	-	-	-	538,655
Wayne Massey	520,176	-	-	-	520,176
TOTAL	14,360,445	-	180,952	-	14,541,397

#### (H) Performance of ARC Funds Limited

In the 30 June 22 financial year the Company adopted a new investment strategy to build a listed boutique funds management platform and investment company by investing in, supporting and partnering with the best fund managers across a range of asset classes and investment strategies. Implementation of this new strategy through investments in Merewether Capital Management Pty Ltd and Magnum Funds Management Pty Ltd and the recently announced agreement to acquire the investment management rights to Lanyon Investment Company Limited has seen the share price trading in the 50 cents range during the financial year.

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### (H) Performance of ARC Funds Limited (continued)

The table below shows the performance for the Company as measured by its share price, market capitalisation, distributions via dividends and capital returns and profit from all operations (discontinued or ongoing) over the last five financial years.

	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Share price (adjusted)	\$0.36	\$0.29	\$0.26	\$0.47	\$0.24
Market capitalisation (\$000's)	4,850	3,754	7,742	14,134	7,218
Dividends paid (\$000's)	-	-	-	-	-
Capital returns (\$000's)	-	-	3,374	-	-
Profit/(loss) for the year (\$000's)	(2,473)	(1,149)	(577)	(612)	(965)

**This concludes the Remuneration Report, which has been audited.**

#### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Pursuant to Access and Indemnity deeds signed by the parties when each Director was appointed, the Company has agreed to indemnify each Director against any liability incurred by being a Director of the Company and to pay all of the Directors reasonable defence costs in relation to any claim alleging any liability on the part of the Director as a result of being a Director of the Company. The Company has agreed to maintain Director's and Officers' Liability Insurance upon terms and conditions reasonably satisfactory to the Directors and to pay all reasonable or market premiums in respect to the insurance for a period of 7 years following the date when any Director ceases to be a Director of the Company. Under the terms of the policy, the Company is precluded from disclosing the details of premiums paid.

#### ENVIRONMENTAL REGULATION

No significant environmental regulations apply to the economic entity.

#### CHANGES IN STATE OF AFFAIRS

During the financial year, there was no significant change in the state of affairs of the economic entity other than those noted under significant events during the year.

#### PROCEEDINGS ON BEHALF OF THE COMPANY

There are no material legal or other proceedings being made on behalf of the Company or against the Company as at the date of this report.

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## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)

### SUBSEQUENT EVENTS

There are no events subsequent to the reporting date.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company is seeking to continue to develop and expand the funds management activities through the part ownership of fund managers and funds management operations investing across a range of asset classes. Alongside this, the company is also considering strategic partnerships and initiatives that would help scale the funds management operations and/or our distribution capabilities. The Directors have excluded information on the expected results of the economic entity. The Directors have budgeted annual cash operating costs of approximately \$600,000 from the normal operations of the Company. This is prior to the costs/benefits of any business development or initiatives or any dividend receipts or investment returns from any principal investment.

### NON AUDIT SERVICES

During the year the Company's auditors performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does 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.

Details of the amounts paid to the auditors of the Company for audit and non-audit services provided during the year are set out in Note 7 to the financial statements.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 12.

Dated at Brisbane this 22<sup>nd</sup> day of August 2023.

Signed in accordance with a resolution of the Board of Directors of ARC Funds Limited



J A Jackson - Chairman

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*  
TO THE DIRECTORS OF ARC FUNDS LIMITED  
AND ITS CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

*Bentleys.*

Bentleys Brisbane (Audit) Pty Ltd

*Ashley Carle*

Ashley Carle

Director

Brisbane

22/08/2023

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# ARC FUNDS LIMITED

ABN 52 001 746 710

## FINANCIAL REPORT FOR THE YEAR TO 30<sup>th</sup> JUNE 2023

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Statement of Changes in Equity for the year ended 30 June 2023

Statement of Cash Flows for the year ended 30 June 2023

### NOTES:

1. Statement of Significant Accounting Policies
2. Revenues
3. Profit/(Loss) for the Year
4. Finance Costs
5. 3<sup>rd</sup> Party Loan Written Off
6. Gain/(Loss) on Disposal of Associate
7. Auditors Remuneration
8. Dividends and Franking Credit Balances
9. Income Tax
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**ARC FUNDS LIMITED AND CONTROLLED ENTITIES**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023**

	Note	Economic Entity	
		2023 \$	2022 \$
<b>Continuing operations</b>			
Revenues	2	35,764	4,921
Other expenses	3	(656,488)	(559,171)
Finance costs	4	(273)	(290)
3rd party loan written off	5	(150,000)	-
Gain/(loss) on disposal of associate	6	(152,553)	-
Share of net profit/(loss) of investments in associates accounted for using the equity method	6 & 17	(41,421)	(57,893)
Loss before income tax		(964,971)	(612,433)
Income tax benefit	9	-	-
Loss after income tax		(964,971)	(612,433)
Loss attributable to non-controlling interests		-	-
Loss after income tax and non-controlling interests		(964,971)	(612,433)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income attributable to owners of ARC Funds Limited		(964,971)	(612,433)
Basic loss (cents) per share from continuing operations	10	(3.2)	(2.0)
Diluted loss (cents) per share from continuing operations	10	(3.2)	(2.0)
Dividends (cents) per share	8	-	-

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

**ARC FUNDS LIMITED AND CONTROLLED ENTITIES**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

	Note	Economic Entity	
		2023 \$	2022 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	11	600,068	2,414,522
Financial assets	12	1,106,871	-
Trade and other receivables	13	15,335	11,099
Loans to 3rd Parties	14	90,000	125,000
<b>TOTAL CURRENT ASSETS</b>		<b>1,812,274</b>	<b>2,550,621</b>
<b>NON-CURRENT ASSETS</b>			
Investments accounted for using the equity method	17	173,299	389,456
<b>TOTAL NON-CURRENT ASSETS</b>		<b>173,299</b>	<b>389,456</b>
<b>TOTAL ASSETS</b>		<b>1,985,573</b>	<b>2,940,077</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	37,906	30,277
Employee provisions		10,771	7,933
<b>TOTAL CURRENT LIABILITIES</b>		<b>48,677</b>	<b>38,210</b>
<b>TOTAL LIABILITIES</b>		<b>48,677</b>	<b>38,210</b>
<b>NET ASSETS</b>		<b>1,936,896</b>	<b>2,901,867</b>
<b>EQUITY</b>			
Issued Capital	20A	20,153,280	20,153,280
Options Reserve	21	-	111,250
Accumulated Losses		(18,216,384)	(17,362,663)
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF ARC FUNDS LIMITED</b>		<b>1,936,896</b>	<b>2,901,867</b>

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

**ARC FUNDS LIMITED AND CONTROLLED ENTITIES**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023**

ECONOMIC ENTITY	Issued Capital \$	Options Reserve \$	Accumulated Losses \$	Total Equity \$
<b>As at 30 June 2021</b>	<b>20,078,280</b>	-	<b>(16,750,230)</b>	<b>3,328,050</b>
Total comprehensive income for the period	-	-	(612,433)	(612,433)
Unlisted options issued	-	111,250	-	111,250
Share based payments	75,000	-	-	75,000
<b>As at 30 June 2022</b>	<b>20,153,280</b>	<b>111,250</b>	<b>(17,362,663)</b>	<b>2,901,867</b>
Total comprehensive income for the period	-	-	(964,971)	(964,971)
Transfer reserve on lapsing of options	-	(111,250)	111,250	-
<b>As at 30 June 2023</b>	<b>20,153,280</b>	-	<b>(18,216,384)</b>	<b>1,936,896</b>

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The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

**ARC FUNDS LIMITED AND CONTROLLED ENTITIES**  
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

	Note	Economic Entity	
		2023 \$	2022 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Payments to suppliers and employees		(650,257)	(566,945)
Proceeds from sale of investments		-	24,187
Purchase of financial assets – listed shares		(99,760)	-
Receipts from customers		12,000	-
Interest received		16,653	634
Finance costs paid		(273)	(290)
<b>NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES</b>	<b>24 (A)</b>	<b>(721,637)</b>	<b>(542,414)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Loan to 3 <sup>rd</sup> Party		(115,000)	(125,000)
Purchase of financial assets – term deposits		(1,000,000)	-
Payments for investments accounted for using the equity method		-	(336,099)
Proceeds from sale of associates	<b>6</b>	22,183	-
<b>NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES</b>		<b>(1,092,817)</b>	<b>(461,099)</b>
Net (decrease)/increase in cash held		(1,814,454)	(1,003,513)
Cash at the beginning of the financial year		2,414,522	3,418,035
<b>Cash at the end of the financial year</b>	<b>11</b>	<b>600,068</b>	<b>2,414,522</b>

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

**ARC FUNDS LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been approved for issue by the Board of Directors of ARC Funds Limited on 22 August 2023. The functional currency of the entity is measured using the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the economic entity's functional and presentation currency.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements cover the economic entity, consisting of ARC Funds Limited and its subsidiaries and covers the financial year ended 30 June 2023. ARC Funds Limited is a publicly listed entity, incorporated and domiciled in Australia.

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Group. The principal accounting policies adopted in the preparation of this financial report are set out below.

**A. Basis of Preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ("AASB's"), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements also comply with International Financial Reporting Standards.

The Group is a "for-profit" entity, the principal activities of which during the financial year ended 30 June 2023 included 'equity investment' and 'funds management and financial services'. There were no significant changes in the nature of the group's activities during the financial year.

*Historical cost convention*

These financial statements have been prepared on an accruals basis and are based on historic costs as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

*Amendments to Accounting Standards*

In accordance with Corporations Amendment (Corporate Reporting Reform) Act 2010, the economic entity has dispensed with the inclusion of parent company accounts but discloses the requisite information for the parent company as per note 16.

**B. Principles of Consolidation**

*Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ARC Funds Limited ("company" or "parent entity") as at 30 June 2023 and the results of all subsidiaries for the year then ended. ARC Funds Limited and its subsidiaries together are referred to in these financial statements as "group" or "the economic entity".

Subsidiaries are all those entities over which the economic entity has control. The economic entity controls an entity when the economic entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the economic entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the economic entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the economic entity.

Investments in subsidiaries are accounted for at the lower of cost or recoverable value in the individual financial statements of the parent entity.

## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

#### C. Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ("CODM"). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

#### D. Income Tax

The income tax (expense) revenue for the year comprises current income tax (expense) income and deferred tax (expense) income.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax (liabilities) assets are therefore measured at the amounts expected to be (paid to) recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the financial year as well as unused tax losses.

Current and deferred income tax (expense) benefit is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

ARC Funds Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as at 1 July 2003.

The wholly-owned entities have not compensated ARC Funds Limited for deferred tax liabilities assumed by ARC Funds Limited on the date of the implementation of the legislation.

#### E. Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Net gain on investments are recognised when a contract note is issued in the case of a sale of shares or when a signed transfer agreement has been affected with the purchaser.

## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

#### F. Financial Instruments

##### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component.

##### Classification and subsequent measurement

###### *Financial liabilities*

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

###### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

Financial guarantee contracts are initially measured at fair value (and if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset) and subsequently measured at the higher of:

- the amount of loss allowance determined in accordance to AASB 9.3.25.3; and
- the amount initially recognised less accumulative amount of income recognised in accordance with the revenue recognition policies.

#### *Financial assets*

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

#### *Equity instruments*

At initial recognition, as long as the equity instrument is not held for trading or is not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investments will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

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## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

#### Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

#### *Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### *Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which the Group elected to classify under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

#### Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amount due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: *Financial Instruments*:

- the general approach;
- the simplified approach;

## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

#### General approach

Under the general approach, at each reporting period, the Group assessed whether the financial instruments are credit impaired, and:

- if the credit risk of the financial instrument increased significantly since initial recognition, the Group measured the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- if there was no significant increase in credit risk since initial recognition, the Group measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

#### Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that result from transactions that are within the scope of AASB 15: *Revenue from Contracts with Customers*, and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie diversity of its customer base, appropriate groupings of its historical loss experience, etc).

#### Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

#### G. Trade and Other Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at the reporting date plus accrued interest and less, where applicable, any unearned income or allowance for expected credit losses.

#### H. Trade and Other Payables

Accounts payable represent the principal amounts outstanding at the reporting date plus, where applicable, any accrued interest.

#### I. Finance Costs

Borrowing costs are expensed in the period in which they are incurred.

#### J. Employee Benefits

##### *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised as current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

##### *Share based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees and directors.

## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

Equity-settled transactions are awards of shares, or options over shares that are provided to employees and directors in exchange for the rendering of services.

Share based payments are expensed over the period that the payments vest to the employee and directors with a corresponding increase in equity over the vesting period.

#### K. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash includes cash at bank and on hand and term deposits, offset by loans from a margin lending or overdraft facility.

#### L. Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australia Taxation Office. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position. Cash flows in the Statement of Cash Flows are included on a gross basis. The GST component of cash flows arising from investing and financing activities that are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

#### M. Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the cost of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example, as part of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised in equity.

#### N. Earnings Per Share

##### *Basic earnings per share*

Basic earnings per share is determined by dividing net profit/(loss) after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect if interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### O. Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

##### *Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

#### P. Impairment of Non-Financial Assets

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

#### Q. Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

#### R. Leases

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However, all contracts classified as short-term leases (with a remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- Fixed lease payments less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss and other comprehensive income.

#### S. Investment in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transactions costs) and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or the loss of the associate is included in the Group's profit or loss. The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of the investment, is recognised in profit or loss in the period in which the investment is recognised.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group discontinues recognising its share of future losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Upon the association subsequently making profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

#### T. Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

#### U. Comparative Figures

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

#### V. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023.

The Group anticipates to adopt these standards from their relevant application dates. Based on the preliminary assessment these standards are not expected to have a material effect.

#### W. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

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## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

	Economic Entity	
	2023 \$	2022 \$
<b>2. REVENUES</b>		
Interest revenue	26,344	634
Change in fair value of investments	(2,580)	1,287
Service charges	12,000	3,000
<b>TOTAL REVENUES</b>	<b>35,764</b>	<b>4,921</b>
<b>3. PROFIT/(LOSS) FOR THE YEAR</b>		
<b>EXPENSES</b>		
Auditors remuneration – audit, audit review and accruals	38,304	43,556
Directors fees, employee benefits and costs	273,563	263,225
Legal Expenses	134,373	46,874
Insurance	31,074	26,810
Other expenses	179,174	178,706
<b>TOTAL EXPENSES EXCLUDING FINANCE COSTS</b>	<b>656,488</b>	<b>559,171</b>
<b>4. FINANCE COSTS</b>		
External	273	290
<b>Total finance costs</b>	<b>273</b>	<b>290</b>

### 5. 3RD PARTY LOAN WRITTEN OFF

On 10 May 2022 the company announced it had entered into an agreement with Lanyon Investment Company Limited (LAN) to acquire the investment management rights to LAN.

As part of this agreement, ARC Investment Management Pty Ltd (a subsidiary of ARC) (“ARC IM”), was to replace the existing investment manager, Lanyon Asset Management Pty Ltd, and become party to the existing investment management agreement (IMA) of LAN.

The agreement contemplated in the IMA were conditional upon LAN shareholder approval, including to novate the IMA, change LAN’s name and amend LAN’s constitution accordingly, to undertake a \$15m capital raising.

As part of the LAN restructure process the company agreed to fund LAN by way of a converting note issued to ARC. The total consideration was \$150,000 (plus LAN’s re-listing fee), with \$100,000 issued immediately, and two additional tranches of \$25,000 each paid in June 2022 and July 2022. The converting loan was on an interest free, unsecured basis.

On 14 September 2022 the company announced the following, further to the ASX announcements dated 10 May 2022 and 11 May 2022, in relation to the transaction with ARC Funds Limited (ARC) (ASX:ARC), Lanyon Investment Company Limited (LAN or the Company) has, in light of the current broader market conditions, made a decision to not to proceed with the capital raising at this time.

## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

#### 5. 3<sup>RD</sup> PARTY LOAN WRITTEN OFF (continued)

As the capital raising is not proceeding at this time the company does not expect the \$150,000 loan to LAN to be repaid in cash, in accordance with the converting loan agreement the loan will instead be repaid as soon as reasonably practicable after 30 June 2023 by way of issue of 24,175 Shares in LAN to the company.

As LAN has very little in net assets and its future plans remain unclear the company does not expect any value will be assigned to the 24,175 in LAN. As a result, it has been decided to write off the \$150,000 loan to LAN.

#### 6. GAIN/(LOSS) ON DISPOSAL OF ASSOCIATE

On 22<sup>nd</sup> December 2022 ARC and Magnum Holdings agreed to terminate the Joint Venture, with a view to limiting the costs and liabilities of each party associated with operating Magnum Funds Management and the Magnum Fixed Income Fund.

Up until the termination of the Joint Venture agreement Magnum incurred additional losses of which ARC share of these losses was \$2,249.

Of the initial \$50,000 equity investment in Magnum by ARC, ARC share of cash reserves in Magnum at the time of the termination of the joint venture were \$22,183 and this was returned to ARC on 4 January 2023.

The calculation of the loss in relation to ARCs investment in Magnum are as follows;

<b>Carrying value as at 30 June 22</b>	\$
ARC equity in Magnum	50,000
Capitalised expenses	34,031
Issued Options	111,250
Share of Retained Earnings / (Losses) 30 June 2022	(18,296)
Share of Retained Earnings / (Losses) to 22 December 2022	(2,249)
<b>Investment in Magnum as at 22 December 2022</b>	<b>174,736</b>
less Proceeds from Magnum	(22,183)
<b>Loss on Magnum disposal</b>	<b>152,553</b>

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## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

	Economic Entity	
	2023	2022
	\$	\$
<b>7. AUDITORS REMUNERATION</b>		
<b>Remuneration of the auditors of the parent entity for:</b>		
Auditing and reviewing the financial statements	35,804	41,056
Audit of controlled entities	2,500	2,500
	<u>38,304</u>	<u>43,556</u>

### Non-audit services

The auditors of the Company, Bentleys, did provide non-audit related services to the Company with the exception of the taxation services shown below. The Board of Directors in accordance with advice from the audit committee, 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 did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does 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 were paid or payable to the auditor for non-audit services provided during the relevant years:

Taxation services		
- Bentleys	3,000	3,125

## 8. DIVIDENDS AND FRANKING CREDIT BALANCES

### Franking Credits

Balance of franking account at the reporting date adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.

48,634	48,634
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No dividends were declared or paid in respect of the years ended 30 June 2023 or 30 June 2022.

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**ARC FUNDS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

	Economic Entity	
	2023	2022
	\$	\$
<b>9. INCOME TAX</b>		
<b>(A) INCOME TAX</b>		
The aggregate amount of income tax expense/(benefit) attributable to the year differs from the amount prima facie payable on the profit/(loss) from ordinary activities. The differences are reconciled as follows:		
Profit/(loss) before tax	(964,971)	(612,433)
Prima facie income tax expense/(benefit) on the profit/(loss) before income tax at 25% (2022: 25%%)	(241,243)	(153,108)
<b>Add/(deduct) tax effect of:</b>		
Tax losses used/(not brought to account)	230,124	135,527
Share of profits of entities under joint control	10,355	14,473
Franking credits	-	-
Other permanent differences	-	-
Other timing differences	764	3,108
	241,243	153,108
Income tax (benefit)/expense attributable to entity	-	-

The effective tax rate of 0% (2022: 0%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2022: not to bring to account tax losses) in respect of the current year.

**Income tax benefit/(expense) is made up of:**

Deferred tax	-	-
	-	-

**(B) DEFERRED TAX ASSETS**

**Deferred tax assets comprise:**

Temporary differences – accruals	-	-
	-	-

**(C) RECONCILIATIONS**

**The overall movement in the deferred tax account is as follows:**

Opening balance	-	-
Subsidiary disposal	-	-
(Debit) to statement of profit or loss and other comprehensive income	-	-
Closing balance	-	-

**(D) DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT**

On 30 June 2023, the economic entity had estimated unrecouped operating income tax losses of \$15,677,810 (2022: \$15,004,949) which are not presented on the Statement of Financial Position. The benefit of these losses has not been brought to account as realisation is not probable. The benefit will only be obtained if:

- (i) the companies derive future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- (ii) the companies continue to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the companies in realising the benefit from the deductions for the losses.

**ARC FUNDS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

	Economic Entity	
	2023	2022
	\$	\$
<b>10. EARNINGS PER SHARE</b>		
<b>Continuing operations</b>		
Earnings used in the calculation of basic EPS	(964,971)	(612,433)
Earnings used in the calculation of diluted EPS	(964,971)	(612,433)
Weighted average number of ordinary shares outstanding during the year used in calculation of EPS:		
Basic EPS	30,076,352	30,001,352
Diluted EPS	30,076,352	30,001,352
Basic loss per share (cents)	(3.2)	(2.0)
Diluted loss per share (cents)	(3.2)	(2.0)
<b>11. CASH AND CASH EQUIVALENTS</b>		
Cash on hand and at bank	600,068	2,414,522
Net cash and cash equivalents as per Statement of Cash Flows	600,068	2,414,522
<b>12. FINANCIAL ASSETS (CURRENT)</b>		
<b>Fair value through profit or loss:</b>		
Listed investments at fair value		
- shares in listed corporations (note 27F)	97,180	-
TOTAL	97,180	-
<b>Amortised cost:</b>		
Term deposit	1,009,691	-
TOTAL	1,009,691	-
	1,106,871	-
<b>13. TRADE AND OTHER RECEIVABLES</b>		
<b>CURRENT</b>		
Other debtors and receivables	15,335	11,099
	15,335	11,099
<b>14. LOAN TO 3RD PARTY</b>		
Loan to 3 <sup>rd</sup> Party	90,000	125,000

ARC has agreed to fund Merewether Capital Pty Ltd working capital by way of a working capital loan. The total amount available to be drawn down is \$150,000, with \$90,000 drawn as of 30 June 2023. The working capital loan is on an interest free, unsecured basis.

**ARC FUNDS LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

**15. CONTROLLED ENTITIES**

	Country of Incorporation	Percentage Owned	
		2023	2022
<b>Parent Entity:</b>			
ARC Funds Limited	Australia		
<b>Controlled Entities of ARC Funds Limited:</b>			
ARC Operations Pty Ltd	Australia	100%	100%
ARC Investment Management Pty Ltd	Australia	85%	85%

	Economic Entity	
	2023	2022
	\$	\$
<b>16. PARENT ENTITY INFORMATION</b>		
<b>Information relating to the parent entity, ARC Funds Limited:</b>		
Current Assets	1,822,057	2,560,405
Total Assets	1,995,357	2,949,861
Current Liabilities	48,000	38,210
Total Liabilities	48,677	38,210
Issued Capital	20,153,280	20,153,280
Options Reserve	-	111,250
Accumulated Losses	(18,206,600)	(17,352,879)
Total Shareholders' Equity	1,946,680	2,911,651
Profit/(Loss) of the parent entity	(964,971)	(602,649)
Total comprehensive income of the parent entity	(964,971)	(602,649)

As at 30 June 2023 and 30 June 2022, the parent entity had not entered into any guarantees in relation to the debts of its subsidiaries, nor had entered into any contractual commitments for the acquisition of property, plant or equipment.

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**ARC FUNDS LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

**17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

**(A) INFORMATION ABOUT PRINCIPAL ASSOCIATES**

The Group holds an investment in an entity that undertakes investment management activities as part of its strategic direction and plan.

Information relating to the investment is set out below.

<b>Name of company</b>	<b>Principal Activity</b>	<b>Class of security</b>	<b>Ownership interest</b>	<b>Carrying Value</b>
Merewether Capital Management Pty Ltd (Merewether)	Funds Management	Ordinary share	40%	173,299

The above entity was invested in during the 30 June 2022 financial year. There has not been any change to the ownership interest and continues to be accounted for using the equity method.

The above entity is incorporated and has their principal place of business in Australia.

Impairment testing is carried out on the carrying value of the Group's investments accounted for using the equity method at each reporting date. For the purpose of impairment testing, each investment is assessed individually as each represents a separate 'cash generating unit' (CGU), with the carrying value compared to the 'recoverable amount'. The 'recoverable amount' is defined as the higher of each CGU's fair value less costs of disposal and its value in use.

An impairment trigger assessment was carried out at 30 June 2023, which identified one impairment trigger that existed at this date. Following an analyses of the assessment, there has been no impairment to the Group's investments accounted for using the equity method in the financial year ended 30 June 2023 (30 June 2022: \$nil).

Revenues generated by Associates are impacted by movements in equities and other markets which, in turn, could impact the Group's share of net profit of associates and joint ventures accounted for using the equity method. Revenues generated by Affiliates may also be impacted by movements in interest rates which, in turn, could impact the Group's share of net profit of associates and joint ventures accounted for using the equity method.

**(B) COMMITMENTS AND CONTINGENT LIABILITIES IN RESPECT ASSOCIATES**

There are no commitments at 30 June 2023 relating to the associates that the Group is liable for.

The Group is not liable for any contingent liabilities arising from its interests in associates.

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**ARC FUNDS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

**17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)**

**(C) SUMMARISED FINANCIAL INFORMATION FOR INVESTMENTS IN ASSOCIATES**

The tables below provide summarised financial information for those associates that are material to the group. The Group assesses materiality based on each associates' relative contribution to share of carrying value and share of net profits, and other qualitative factors. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not ARC Funds Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	<b>Merewether</b>
Cash	30,773
Other Assets	89,572
Total Liabilities	117,269
Closing net assets	3,076
Group share in %	40%
Opening net assets 1 July 2022	101,006
Issued Shares	-
Reserves	-
Total comprehensive income	(97,930)
Dividends paid	-
Closing net assets	3,076
ARC share of net assets	1,231
Excess consideration over share of net assets	172,068
ARC Carrying amount	173,299
Revenue	81,733
Net profit for the year after tax	(97,930)
Other comprehensive income	-
Total comprehensive income	(97,930)
Dividends received from associates	0
ARC's share of net result	(39,172)

**(D) MOVEMENT IN CARRYING AMOUNTS**

	<b>2023</b>	<b>2022</b>
	\$	\$
Carrying amount at the beginning of the financial year	389,456	-
Purchase of shares in entities accounted for using the equity method	-	250,000
Capitalised establishment expenses	-	86,099
Fair value of Options issued	-	111,250
Disposal of associates accounted for using the equity method	(174,736)	-
Share of profit after income tax related to disposed investment	(2,249)	-
Share of profit after income tax	(39,172)	(57,893)
Carrying amount at the end of the financial year	173,299	389,456

**ARC FUNDS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

	Economic Entity	
	2023	2022
	\$	\$
<b>18. TRADE AND OTHER PAYABLES</b>		
Trade creditors	52	52
Other creditors and accruals	37,854	30,225
	37,906	30,277

**19. CONTINGENT LIABILITIES**

The Economic Entity has no outstanding contingent liabilities (2022: nil).

**20. ISSUED CAPITAL**

30,076,352 fully paid authorised ordinary shares (2022: 30,076,352)	20,153,280	20,153,280
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**Terms and conditions of contributed equity:**

Ordinary shares have no par value. Ordinary shares have the right to receive dividends as declared and in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The voting rights attached to the ordinary shares at a general meeting of shareholders are such that on a show of hands every member present (in person or by proxy) shall have one vote and on a poll one vote for each share held.

**MOVEMENT IN ISSUED SHARES OF THE PARENT ENTITY FOR THE YEAR**

**(A) ORDINARY SHARES**

Date	Details	Number of shares	\$
1 July 2022	Opening balance	30,076,352	20,153,280
30 June 2023	Closing balance	30,076,352	20,153,280

	Economic Entity	
	2023	2022
	\$	\$
<b>21. OPTION RESERVE</b>		
Option Reserve	-	111,250

This option was terminated on 22nd December 2022 when ARC and Magnum Holdings agreed to terminate the Joint Venture, with a view to limiting the costs and liabilities of each party associated with operating Magnum Funds Management and the Magnum Fixed Income Fund.

## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

### 22. KEY MANAGEMENT PERSONNEL

The names and positions held by Key Management Personnel of the economic entity who have held office during the financial year are:

#### Directors

James Jackson	Chairman
Harley Grosser	Managing Director
Darren Anderson	Director – Non-Executive
Wayne Massey	Director – Executive

#### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2023	2022
	\$	\$
Short-term employee benefits	247,838	240,016
Post-employment benefits	25,725	23,209
	<u>273,563</u>	<u>263,225</u>

#### Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at start of the year	Received as part of remuneration	Additions	Disposals / other	Balance at the end of the year
<b>2023</b>					
<i>Ordinary shares</i>					
James Jackson	2,965,000	-	-	-	2,965,000
Harley Grosser	10,336,614	-	180,952	-	10,517,566
Darren Anderson	538,655	-	-	-	538,655
Wayne Massey	520,176	-	-	-	520,176
	<u>14,360,445</u>	<u>-</u>	<u>180,952</u>	<u>-</u>	<u>14,541,397</u>
<b>2022</b>					
<i>Ordinary shares</i>					
James Jackson	2,722,158	200,000	42,842	-	2,965,000
Harley Grosser	9,509,909	-	826,705	-	10,336,614
Darren Anderson	438,655	100,000	-	-	538,655
Wayne Massey	520,176	-	-	-	520,176
	<u>13,190,898</u>	<u>300,000</u>	<u>869,547</u>	<u>-</u>	<u>14,360,445</u>

#### Related party transactions

Related party transactions are set out in note 26.

**ARC FUNDS LIMITED AND CONTROLLED ENTITIES****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)****23. CAPITAL AND LEASING COMMITMENTS****(A) OPERATING LEASE COMMITMENTS**

The Economic Entity has no outstanding operating lease commitments (2022: nil).

**(B) CAPITAL COMMITMENTS**

The Economic Entity has no outstanding capital commitments (2022: nil).

**(C) SUPERANNUATION**

The Company contributes superannuation payments on behalf of directors of the economic entity in accordance with prescribed Government legislation. The Company is not committed to funding any shortfall in the earnings of any of the individual superannuation funds.

	<b>Economic Entity</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>24. CASH FLOW INFORMATION</b>		
<b>(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS) AFTER TAX</b>		
Operating profit/(loss) after income tax	(964,971)	(612,433)
<b>Cash flows excluded from profit/(loss) attributable to operating activities:</b>		
Proceeds from sales of investments	-	24,187
Cost of investments	(99,760)	-
<b>Non cash flows in operating profit/(loss):</b>		
Change in fair value of investments	2,580	(1,287)
Interest accrued classified to financial assets	(9,691)	-
Gain/(loss) on disposal of associate	152,553	-
3rd party loan written off	150,000	-
Investments accounted for using the equity method	41,421	57,893
Share based payments	-	75,000
<b>Changes in assets and liabilities net of acquisitions:</b>		
(Increase)/decrease in trade and other receivables	(4,236)	739
(Decrease)/increase in trade and other payables	7,629	(86,513)
(Decrease)/increase in employee provisions	2,838	-
<b>Cash flows (used in)/provided by operations</b>	<b>(721,637)</b>	<b>(542,414)</b>

**ARC FUNDS LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

**25. EVENTS SUBSEQUENT TO REPORTING DATE**

There are no events subsequent to the reporting date.

**26. RELATED PARTY INFORMATION AND TRANSACTIONS**

**Ultimate Controlling Entity**

The ultimate controlling entity of the economic entity is ARC Funds Limited (refer notes 15 and 16).

**Key management personnel remuneration**

During the financial year, total remuneration of \$273,563 (2022: \$263,225) was paid to Directors and key management personnel by the economic entity, including partially owned controlled entities. Details of the payments and shareholdings in ARC Funds Limited of Directors and key management personnel are shown in the Remuneration Report contained as part of the Directors Report on pages 7 - 10 of this Financial Report.

**ARC Funds Limited transactions with controlled entities**

During the financial year, ARC Funds Limited advanced and repaid loans, sold and purchased goods and services, and provided management, accounting and administrative assistance to its controlled entities. At 30 June 2023, the parent was owed from controlled entities \$159,783 (2022: owed \$59,783). All loans advanced to and from these controlled entities are unsecured, subordinate to other liabilities and do not bear interest. Loans between members of the tax consolidated group are not on normal terms and conditions.

No dividends were received from controlled entities in either of the periods to 30 June 2023 or 30 June 2022.

**Other related party transactions**

In the year to 30 June 2023, the Company paid Holding Redlich total invoices, including GST, of \$125,921 (2022: \$112,291) in respect of legal advice and related disbursements. Darren Anderson, a Director of the Company has been a Partner of Holding Redlich since November 2019. All fees and charges rendered by Holding Redlich were on commercial terms or more advantageous to the Company and were approved by Directors other than Darren Anderson.

At 30 June 2023, the parent owed Holding Redlich \$4,478 (2022: \$0).

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## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

### 27. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT

The economic entity undertakes transactions in a range of financial instruments including:

- listed shares and equity type securities in other corporations;
- cash assets;
- term deposits;
- receivables;
- payables;
- deposits; and
- bills of exchange and commercial paper.

As a consequence, the Economic Entity is exposed to a number of financial risks. The Directors believe that these risks fall into two categories:

- “largely controllable risks” including interest rate risk, credit risk, and liquidity and operational risks; and
- “partly controllable risks” mainly arising from financial market risk.

We seek to sensibly mitigate the controllable risks but recognise that our financial performance is likely to be highly volatile as a result of “mark-to-market” accounting conventions, and the economic entity’s portfolio of investments, which may be influenced by variety of financial risks: market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk.

The Board provides overall guidance in respect of risk management, mainly in the areas of approving individual security investments, and providing advice and guidance in respect of the economic entity’s debt financing of its activities. The economic entity generally does not enter into derivative contracts as part of its day to day business, and has no major necessity to hedge specific exposures, given its relatively simple debt and equity financing structures and lack of overseas assets and liabilities.

#### (A) CAPITAL RISK MANAGEMENT

We aim to manage equity and debt capital in order to provide returns for shareholders, whilst maintaining the Economic Entity’s ability to pay its debts as and when they come due. As a smaller corporation, there is limited ability to manage the overall cost of capital, since equity capital may not always be accessible, and if so, only at significant theoretical cost. These costs may result in significant dilution to existing shareholders percentage interest in the economic entity.

In addition, the supply of debt capital is also not always assured as a result of the economic entity’s requirements to use major commercial banks. Since the economic entity’s business is of a specialist nature, commercial banks may not always be willing to lend to support its activities or may do so on terms which are highly constraining. These constraints include not only the price of available credit – referenced by its margin over market based bank bill rates – but also the variable nature of covenants required to be observed by the economic entity.

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## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

#### 27. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

To manage overall capital risks, it may be necessary for the Board of Directors to adjust the level of dividends paid to shareholders, return capital to shareholders or issue new shares. Capital is monitored on an overall basis, although in the past has had to be done so with an emphasis on maintaining access to debt facilities made available to the economic entity. These have historically required the economic entity to maintain stipulated ratios of total liabilities to total tangible assets, minimum net worth (in dollar terms), restricted the ability to pay dividends in certain circumstances, and required that a parcel of securities be lodged with the economic entity's debt financier. The economic entity fully repaid facilities which required maintenance of such criteria on 14 July 2010, although it has utilised overdraft facilities, from time to time, since that date.

#### (B) LARGELY CONTROLLABLE RISKS – INTEREST RATE RISK AND EXPOSURES

**Interest rate risk** refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets, such as interest bearing bank accounts. Historically, our interest rate liability risk arose primarily from drawdowns of bank accepted bills with a maximum of 180 days duration.

At current interest rates, over the course of a full year, an increase of 100 basis points in borrowing rates with an accompanying change in deposit rates would reduce pre-tax loss by \$20,121 (2022: reduce pre-tax loss by \$28,554).

Interest rate risk is not specifically managed since the economic entity has no fixed balance sheet inflow/outflow requirements which would require complex asset-liability management, and the maximum 180 day bill accepted drawdown nature of the previous facility inhibited such a requirement. Given the equity nature of the economic entity's investments, the Directors believe that any increases in the costs of debt finance could be mitigated by the sale of equity investments.

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**ARC FUNDS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

**27. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)**

The following table summarises interest rate risk, for the economic entity with weighted average interest rates at reporting date:

	Interest Rate	Fixed Interest Rate \$	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
<b>ECONOMIC ENTITY 2023</b>					
<b>Financial assets:</b>					
Cash and cash equivalents	3.7%	-	600,068	-	600,068
Financial assets – term deposit	4.1%	1,009,691	-	-	1,009,691
Financial assets – listed shares	-	-	-	97,180	97,180
Loans to 3rd Parties	-	-	-	90,000	90,000
Trade and other receivables	-	-	-	15,335	15,335
		1,009,691	600,068	202,515	1,812,274
<b>Financial Liabilities:</b>					
Trade and other payables	-	-	-	37,906	37,906
		-	-	37,906	37,906
<b>Net Financial Assets</b>		-	1,609,759	164,609	1,774,368
<b>ECONOMIC ENTITY 2022</b>					
<b>Financial assets:</b>					
Cash and cash equivalents	0.05%	-	2,414,522	-	2,414,522
Trade and other receivables	-	-	-	125,000	125,000
Financial assets – listed shares	-	-	-	11,099	11,099
		-	2,414,522	136,099	2,550,621
<b>Financial Liabilities:</b>					
Trade and other payables	-	-	-	30,277	30,277
		-	-	30,277	30,277
<b>Net Financial Assets</b>		-	2,414,522	105,822	2,520,344

**(C) LARGELY CONTROLLABLE RISKS – CREDIT RISK**

**Credit risk** arises from cash and cash equivalents, financial assets at fair value through profit or loss, loans to entities under joint control, loans to shareholders and outstanding receivables.

Credit risk is managed on a Group basis. Credit risk relates to the risk of a client or counterparty defaulting on their financial obligations resulting in a loss to the Group. These obligations primarily relate loans to third parties. The Group does not carry significant trade receivable exposure to either a single counterparty or a group of counterparties. For banks and financial institutions, only independently rated parties with a minimum rating of BBB+ / A-1 are accepted as counterparties.

## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

#### 27. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

##### (D) LARGELY CONTROLLABLE RISKS – OPERATIONAL AND LIQUIDITY RISK

**Liquidity risk** includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the due date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial asset at all.

To help mitigate these risks we maintain constant monitoring of the economic entity's financial position through a series of cross-linked financial programs and attempt to ensure the economic entity has accessible liquidity in the form of cash and readily saleable securities. The contracted cash flows of all financial liabilities are equal to their carrying value and will mature within twelve months of the reporting date.

##### (E) PARTLY CONTROLLABLE RISKS – FINANCIAL MARKET AND SECURITIES RISK

**Financial market risk** is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. In the main, this occurs due to the economic entity's investments in listed ordinary shares whose share prices can fluctuate significantly over short periods of time.

The Board of Directors regard financial market risk as being only partly controllable, since investing in ordinary shares is an inherent component of the economic entity's activities, from which it seeks to profit. The economic entity is subject to significant risks which it is largely unable to control as a result of investing in smaller companies.

Investments in these companies are subject to more volatile price fluctuations as a result of:

- illiquidity of trading in the investee company's securities;
- potential proprietary conflict from large shareholdings owned by management or Directors;
- concentration of major shareholdings, which can lead to extreme negative fluctuations in share prices when single investors seek to sell their securities in the investee company, irrespective of the business performance of the investee;
- lack of diversification of business activities of the investee company, rendering the investee susceptible to volatility within a single industry; and
- non-voting or restricted voting securities or other restrictive mechanisms enshrined in investee constitutions.

In respect of individual securities, the Board of Directors monitors and approves significant exposures to individual securities, other than controlled entities. In addition, the inherent risks of significant exposures to individual entities are, on occasion, partly mitigated by board representation on the investee company. Due to the nature of securities owned, there is limited correlation with traditional stock market indices.

In the event that the listed company portfolio increased or decreased in value by 10% from the levels of 30 June 2023, there would be a corresponding positive or negative impact on pre-tax profit/(loss) of \$9,718 (2022: \$0).

##### (F) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

As of 1 July 2009, the group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

#### 27. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

30 June 2023	Level 1 \$	Level 2 \$	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:				
Shares in other corporations	97,180	-	-	97,180
TOTAL	97,180	-	-	97,180
30 June 2022	Level 1 \$	Level 2 \$	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:				
Shares in other corporations	-	-	-	-
TOTAL	-	-	-	-

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used):

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2023	30 June 2022				
Held for trading non-derivative financial assets (see note 12)	Listed Australian equity securities: Funds Management industry - \$97,180	Listed Australian equity securities: \$nil	Level 1	Quoted bid prices in an active market	N/A	N/A

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Other data on net fair values of assets and liabilities is presented in note 12 to the financial statements.

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## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

### 27. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

#### (G) RECONCILIATION OF NET FINANCIAL ASSETS TO NET ASSETS

	Economic Entity	
	2023	2022
	\$	\$
Net Financial Assets as above	1,774,368	2,520,344
<b>Non financial assets and liabilities:</b>		
Investments accounted for using the equity method	173,299	389,456
Employee provisions	(10,771)	(7,933)
Net assets per balance sheet	1,936,896	2,901,867

### 28. COMPANY DETAILS

The Registered Office and Principal Place of Business of the Economic Entity c/- Acclime Australia, Level 7, 330 Collins Street, Melbourne VIC 3000.

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## ARC FUNDS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

#### 29. SEGMENT REPORTING

The Economic Entity has two reportable segments, which both solely operate in one geographic segment, being Australia. Segment results, assets and liabilities include items directly attributable to a segment. Information about each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Managing Director, who is also the chief operating decision maker.

Segment profit before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of each operating segment. The reportable segments are as follows:

**Funds management:** management of investment vehicles and provision of funds management services.

**Investment:** investment in agriculture related entities, schemes and securities; “microcap” Australian companies, and other financial services entities.

2023	Funds			TOTAL
	Management	Investment	Unallocated	
	\$	\$	\$	\$
External revenue	12,000	(2,580)	-	9,420
Interest revenue	-	26,344	-	26,344
Expenses other than finance, depreciation and amortisation	-	-	(656,488)	(656,488)
3rd party loan written off	(150,000)	-	-	(150,000)
Gain/(loss) on disposal of associate	(152,553)	-	-	(152,553)
Share of net profit/(loss) of jointly controlled entities accounted for using the equity method	(41,421)	-	-	(41,421)
<b>SEGMENT RESULT</b>	<b>(331,974)</b>	<b>23,764</b>	<b>(656,488)</b>	<b>(964,698)</b>
Finance Costs	-	-	(273)	(273)
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>(331,974)</b>	<b>23,764</b>	<b>(656,761)</b>	<b>(964,971)</b>
Income tax expense	-	-	-	-
<b>PROFIT/(LOSS) AFTER INCOME TAX</b>	<b>(331,974)</b>	<b>23,764</b>	<b>(656,761)</b>	<b>(964,971)</b>
Segment Assets	263,299	-	1,722,274	1,985,573
Segment Liabilities	-	-	48,677	48,677
Capital Expenditure	-	-	-	-
2022	Funds			TOTAL
	Management	Investment	Unallocated	
	\$	\$	\$	\$
External revenue	3,000	1,287	-	4,287
Interest revenue	-	634	-	634
Expenses other than finance, depreciation and amortisation	-	-	(559,171)	(559,171)
Share of net profit/(loss) of jointly controlled entities accounted for using the equity method	(57,893)	-	-	(57,893)
<b>SEGMENT RESULT</b>	<b>(54,893)</b>	<b>1,921</b>	<b>(559,171)</b>	<b>(612,143)</b>
Finance Costs	-	-	(290)	(290)
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>(54,893)</b>	<b>1,921</b>	<b>(559,461)</b>	<b>(612,433)</b>
Income tax expense	-	-	-	-
<b>PROFIT/(LOSS) AFTER INCOME TAX</b>	<b>(54,893)</b>	<b>1,921</b>	<b>(559,461)</b>	<b>(612,433)</b>
Segment Assets	514,456	-	2,425,622	2,940,077
Segment Liabilities	-	-	38,210	38,210
Capital Expenditure	-	-	-	-

## ARC FUNDS LIMITED

### DIRECTORS DECLARATION

In accordance with a resolution of the Board of directors of ARC Funds Limited, we declare that:

- (a) The financial statements and notes of the Economic Entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Economic Entity's financial position as at 30 June 2023 and of its performance for the year ended on that date;
  - (ii) complying with Accounting Standards and Corporations Regulations; and
  - (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements; and
- (b) In the opinion of the directors, there are reasonable grounds to believe that the Economic Entity will be able to pay its debts as and when they become due and payable.
- (c) The Managing Director has declared that:
  - (i) the financial records of the Economic Entity for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (iii) the financial statements and notes for the financial year give a true and fair view.
- (d) The remuneration disclosures that are contained in pages 7 to 10 of the Directors' Report comply with Australian Accounting Standard AASB 124 Related Parties and Corporations Regulations 2001.

On behalf of the Board



J A Jackson  
Chairman

Date: 22 August 2023

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ARC FUNDS LIMITED**

**Report on the Audit of the Financial Report**

**Opinion**

We have audited the financial report of ARC Funds Limited (the Company and its controlled entities (the "Group")), which comprises the consolidated statement of financial position as at 30 June 2023 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration.

In our opinion the consolidated financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Australian Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p>As disclosed in Note 17, ARC holds an investment in one other entity (Merewether Capital Management Pty Ltd) which has been accounted for using the equity method.</p> <p>This is considered to be a key audit matter due to the judgment in determining that the carrying value is appropriate, including the movement in value for the year and whether any impairment exists, and its impact on the Group's Financial Assets.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> <li>• Reviewing relevant shareholder agreements;</li> <li>• Evaluating the accounting treatment of the transaction;</li> <li>• Reviewing information to assess whether the movement in carrying value has been accounted for correctly;</li> <li>• Reviewing information, which included the discounted cash flow provided by management, to assess whether any impairment exists for the investment and</li> <li>• Assessing the adequacy of the disclosure in Note 17 of the Financial Report</li> </ul>

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ARC FUNDS LIMITED  
(Continued)**

**Information Other than the Financial Report and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ARC FUNDS LIMITED  
(Continued)**

**Auditor's Responsibilities for the Audit of the Financial Report (continued)**

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of ARC Funds Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

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.

*Bentleys.*

Bentleys Brisbane (Audit) Pty Ltd  
Chartered Accountants  
Brisbane  
22 August 2023

*Ashley Carle*

Ashley Carle  
Director

## ARC FUNDS LIMITED.

### OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2023

#### A. Range of Shares Issued as at 17 August 2023

As at 17 August 2023 there were 30,076,352 ordinary shares held by 491 shareholders, all of which were quoted on the ASX.

Range	Holders	Shares held	% of capital
1-1,000	286	51,195	0.17
1,001-5,000	62	149,239	0.50
5,001-10,000	25	195,986	0.65
10,001-100,000	83	3,442,460	11.44
100,001-9,999,999,999	35	26,237,472	87.24
<b>Totals</b>	<b>491</b>	<b>30,076,352</b>	<b>100.00</b>

There are 250 shareholders owning a total of 26,991 shares who own unmarketable parcels of the Company's securities.

#### B. Top Twenty shareholders as at 17 August 2023

Holder	Shares held	% of capital
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,294,393	24.25%
CAPITAL H MANAGEMENT PTY LTD	3,088,751	10.27%
AGRICO PTY LTD <PALM SUPER FUND A/C>	1,553,604	5.17%
DR EWAN RODERICK NIXON	1,500,309	4.99%
FEDERAL PACIFIC HOLDINGS PTY LTD	1,250,000	4.16%
AGRICO INVESTMENTS PTY LIMITED	1,231,511	4.09%
MISTOVER PTY LTD <MISTOVER A/C>	1,000,000	3.32%
POAL PTY LTD <BARAIN SUPER FUND A/C>	997,164	3.32%
MR PETER GEOFFREY HOLLICK & MS HELEN THERESE PATTINSON <MACDY NO 5 SUPER FUND A/C>	945,618	3.14%
P K CAPITAL PTY LTD	830,000	2.76%
FEDERAL PACIFIC HOLDINGS PTY LTD	687,842	2.29%
PUNTERO PTY LTD	570,000	1.90%
MR JOEL DAVID WEBB	370,000	1.23%
DATALA INVESTMENTS PTY LTD <DEEP NORTH SECURIT S/F A/C>	344,905	1.15%
CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C>	341,836	1.14%
CLAPSY PTY LTD <BARON SUPER FUND A/C>	300,000	1.00%
CLAPSY PTY LTD <BARON SUPER FUND A/C>	300,000	1.00%
CROMMO PTY LTD	276,837	0.92%
CITICORP NOMINEES PTY LIMITED	274,377	0.91%
MR WAYNE MORRISON MASSEY & MRS RUTH VALERIE MASSEY <WARM SUPER FUND A/C>	270,176	0.90%
Total Securities of Top 20 Holdings	23,427,323	77.89%

#### C. Voting Rights

Shareholders are entitled to one vote for each share held. On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll, every shareholder so present shall have one vote for every share held.

## OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2023 (CONTINUED)

### D. Other equity securities on issue

1,000,000 Unlisted Options expiring 09/11/2024 and exercisable at \$1.00 were held by Magnum Holdings Australia Pty Ltd during the financial year.

These options were terminated on 22nd December 2022 when ARC and Magnum Holdings agreed to terminate the Joint Venture, with a view to limiting the costs and liabilities of each party associated with operating Magnum Funds Management and the Magnum Fixed Income Fund.

No other options existed as at 30 June 2023.

### E. Substantial Shareholders

The company has received the following substantial holder notices from shareholders who hold relevant interests in the company's ordinary shares as at 17 August 2023:

Substantial Shareholder	Shares Held	Holding
Capital H Management Pty Ltd	10,517,566	34.97%
James Andrew Jackson (relevant interests)	2,965,000	9.86%
Agrico Investments Pty Limited	2,785,115	9.26%
Paul Young	1,829,706	6.08%

### F. Corporate Governance Statement and Information

The Company's Corporate Governance Statement and other corporate governance related information including Securities Trading Policy, Board Charter, Risk and Audit Committee Charter and Code of Conduct is available at the Company's website: [www.arcfunds.com.au/investors/](http://www.arcfunds.com.au/investors/).

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