

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 2024
Previous Corresponding Reporting Period	30 June 2023

Results for Announcement to the Market

	\$	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities	91,897	157%
Loss from ordinary activities after tax attributable to members	(829,938)	14%
Loss for the period attributable to members	(742,816)	23%
Dividends (distributions)	Amount per security	Franked amount per security
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

For personal use only

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.05	\$0.06

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

The earnings/(loss) per security and the nature of any dilution aspects:

see note 8 Annual Report

Returns to shareholders including distributions and buy backs:

See attached Annual Report

Significant features of operating performance:

See attached Annual Report

The results of segments that are significant to an understanding of the business as a whole:

See attached Annual Report

Discussion of trends in performance:

See attached Annual Report

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:


See attached Annual Report

Audit/Review Status

This report is based on accounts to which one of the following applies: (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	
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: n/a			
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification: n/a			

Attachments Forming Part of Appendix 4E

Attachment #	Details
1	Annual Report

Signed By (Director/Company Secretary)	
Print Name	James Jackson
Date	26 August 2024

ARC Funds Limited advises that its Annual General Meeting will be held on 18 October 2024. 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) 2 September 2024.

ARC FUNDS LIMITED

ABN 52 001 746 710



**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

30 JUNE 2024

DIRECTORY**Directors**

James Jackson	Chairman
Harley Grosser	Non-Executive Director
Darren Anderson	Non-Executive Director (resigned 30 June 2024)
Wayne Massey	Executive Director
Scott Beeton	Managing Director (appointed 1 July 2024)

Company Secretary

Mark Licciardo

Registered Office

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

Communications

telephone: +61 3 8689 9997
email: info@arcfunds.com.au
mail: and C/- James A Jackson, P O Box 100
Federal NSW 2480
website: 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

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) in the section titled "Corporate Governance" and at the ASX website (www.asx.com.au) under the code "ARC".

CHAIRMAN'S REVIEW

Dear Shareholder,

This year has been one of transition for your company, as we have moved to appoint new executive talent, we have consolidated existing operations and raised new equity capital. We are now evaluating and developing a roadmap forward to build an operational foundation for the company in the financial services sector.

The Financial Results

The company recorded an after-tax loss of \$829,938 for the full year to June 30, 2024. However, the result included a number of negative non-cash items which totalled approximately \$294,000.

These non-cash items related to legacy issues with a loan to Lanyon Investment Company, which has now been written off and a goodwill write-off for the investment in Merewether Capital. When these non-cash items are deducted from the reported loss, this closely aligns with our cash operating loss of approximately \$550,000 for the period.

Our financial position remains robust with our cash term deposits and cash holdings totalling more than \$2,100,000 at balance date and the company has no debt.

Appointment of Scott Beeton as Managing Director

The board appointed Scott Beeton as CEO of the company in March of this year with Harley Grosser stepping down from Managing Director to the role of non-executive director. Subsequently, Scott was appointed Managing Director effective July 1, 2024. Scott brings over 20 years of significant knowledge, experience and network in the financial services, funds, superannuation services, stockbroking, AFSL dealer services, financial advice and fintech. Scott has been busy since joining and already in this time we have been able to raise over \$1m in new equity via a placement and Shareholder Purchase Plan (SPP) which was completed in April. This places the company in a solid position to fund our working capital whilst evaluating and working towards capturing some growth initiatives to build out the business. Scott has identified a number of areas and targets of interest to enable ARC to become a more significant player in funds management, funds distribution and funds services. Scott and the board remain focussed on capturing these opportunities and therefore creating greater scale and scope to the operations of the company.

Merewether Capital

We now hold a 45.5% interest of this operation with the founder and fund manager Luke Winchester holding the balance. We also now have greater board control over the operation, and this has resulted in ARC consolidating the operations of Merewether.

The performance of Luke's fund has continued to improve, with the 1 year and 2-year investment performances being encouragingly positive in a challenging microcap investing environment. This we believe is a positive confirmation of Luke's capability as a fund manager.

The challenge and opportunity for Luke and ARC with this business is to capitalise on this improved investment performance and seek to increase the funds under management which in turn translate into positive cashflow on an operational basis. These initiatives have commenced.

AMP Investment (ASX: AMP)

Further to our direct business development and fund launch activities last year we made an initial investment of \$100,000 in this diversified financial services company last year. 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. We purchased our shares at \$1.16 per share and we have now subsequently sold these shares at our cost price. We did receive dividend income over the period of holding this stake. However, we determined the value unlock at AMP was going to take longer than originally expected and our funds would be better available for our own direct business opportunities in the sector.

Summary and Thanks,

I firstly thank Darren Anderson, who retired as a director in June this year, for his contribution as a director. Darren served for nine years and provided invaluable advice and counsel over this period to the company. I also thank Harley Grosser for his contribution as Managing Director as he stepped down from that role in March and remains an active non-executive. I welcome Scott Beeton to the board and thank him for his efforts to date and finally thank Wayne Massey for his continued work, support, and input during the year.

I also extend thanks to 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 and support, and we look forward to updating you on our future progress.

Yours Sincerely,



James A Jackson
Chairman
August 26, 2024

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 2024.

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 is currently a Non- Executive Director of Alliance Aviation Services Limited (ASX: AQZ) 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 (*Non-Executive Director*) (*appointed 1 July 2021 as a Non-Executive Director and 22 July 2021 as Managing Director. Ceased to be Managing Director on 12 March 2024*)

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 and resigned 30 June 2024*)

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 2024 (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 and has been a Director of SMART, an Industry Superannuation Fund.

Scott Beeton (*Managing Director*) (*appointed 12 March 2024 as Chief Executive Officer and 1 July 2024 as Managing Director*)

Scott is a successful entrepreneur who has founded several successful start-up and growth businesses predominantly in the financial services sector, including founding Sequoia Financial Group (ASX:SEQ) and taking the business through to a public listing. He has over 20 years of management experience having held senior roles across superannuation, funds management, stockbroking, AFSL dealer services, financial advice and fintech. The material terms of Scott's employment agreement are summarised in the remuneration report.

Prior to joining ARC, Scott was an executive at Finexia Financial Group Ltd (ASX:FNX), non-executive director of Registry Direct Limited (acquired by Complii Fintech Solutions Ltd) and Founder, Managing Director & CEO of Sequoia Financial Group Ltd for 14 years. Scott holds a Bachelor of Business from the University of Newcastle and a Diploma of Financial Services (Financial Planning).

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	3,015,000	-
Mr Harley Grosser	10,916,875	-
Mr Darren Anderson	538,655	-
Mr Wayne Massey	520,176	-
Mr Scott Beeton	2,794,075	-

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024 (continued)

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.

RESULTS AND DIVIDENDS

The net loss after income tax for the financial year to 30 June 2024 was \$742,816 (2023: loss \$964,971) attributable to owners. No dividends were paid or declared during the year.

TRADING IN COMPANY SHARES

During the 12 months to 30 June 2024, the Company's shares traded in the following ranges:

Quarter ending	High price	Low price	Closing price	Volume
30 th September 2023	0.245	0.230	0.245	263,097
31 st December 2023	0.245	0.200	0.200	52,333
31 st March 2024	0.200	0.100	0.135	135,085
30 th June 2024	0.135	0.091	0.100	2,192,264

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 continued to implement a 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 2024 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

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024 (continued)

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

Specified Executives

Scott Beeton	Chief Executive Officer
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(B) Directors Remuneration for the financial years ended 30 June 2024 and 30 June 2023

	Short-Term Benefits	Post Employment Benefits		Share Based Payments		
	Salaries & fees	Super- annuation	Other	Shares	Options	Total
2024						
James Jackson	\$50,000	\$5,500	-	-	-	\$55,500
Harley Grosser	\$64,879	\$7,629	-	-	-	\$72,508
Darren Anderson	\$25,000	\$2,750	-	-	-	\$27,750
Wayne Massey	\$70,000	\$7,700	-	-	-	\$77,700
TOTAL	\$209,879	\$23,579	-	-	-	\$233,458
2023						
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
TOTAL	\$247,838	\$25,725	-	-	-	\$273,563

(C) Specified Executives Remuneration for the years ended 30 June 2024 and 30 June 2023

	Short-Term Benefits	Post Employment Benefits		Share Based Payments		
		Super- annuation	Other	Shares	Options	Total
2024						
Scott Beeton	\$55,241	\$5,967	-	-	\$11,860	\$73,068
TOTAL	\$55,241	\$5,967	-	-	\$11,860	\$73,068
There were no specified executives in the period 1 July 2022 to 30 June 2023.						

(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.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024 (continued)

REMUNERATION REPORT (AUDITED) (continued)

(D) Remuneration Policy (continued)

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.

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 resigned as Managing Director effective 12th March 2024 and continues as a non executive Director.

Mr Scott Beeton was appointed as the Company's Chief Executive Officer on 12 March 2024 and was appointed Managing Director on 1 July 2024.

Mr Beeton 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

There were no shares issued to Directors in lieu of directors fees for the years ended 30 June 2024 and 30 June 2023.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024 (continued)

REMUNERATION REPORT (AUDITED) (continued)

(F) Options held by Specified Directors and Specified Executives

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted No.	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
					\$	\$
Scott Beeton	2,000,000	12 March 2024	12 March 2025	12 September 2025	0.115	0.196

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2024 are set out below:

2024	Balance at beginning of year	Granted as remuneration	Exercised	Lapsed	Balance at end of year	Vested during the year	Vested and exercisable
Other KMP							
Unlisted Options @ \$0.115, Expire 12 September 2025							
Scott Beeton	-	2,000,000	-	-	2,000,000	-	-
TOTAL	-	2,000,000	-	-	2,000,000	-	-

There were no options issued to any directors or other KMP during the year ended 30 June 2023.

(G) Shareholdings by Specified Directors and Specified Executives

Directors	Balance at 1/7/23	Received as Remuneration	Shares Acquired	Net change – other	Balance at 30/6/24
James Jackson	2,965,000	-	50,000	-	3,015,000
Harley Grosser	10,517,566	-	369,499	-	10,887,065
Darren Anderson	538,655	-	-	-	538,655
Wayne Massey	520,176	-	-	-	520,176
TOTAL	14,541,397	-	419,499	-	14,960,896
Specified Executives	Balance at 1/7/23	Received as Remuneration	Shares Acquired	Net change – other	Balance at 30/6/24
Scott Beeton	-	-	2,794,075	-	2,794,075
TOTAL	-	-	2,794,075	-	2,794,075

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024 (continued)

(H) Performance of ARC Funds Limited

In the 30 June 24 financial year the Company has continued to focus on our growth strategy in fund management and adjacent services.

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 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Share price (adjusted)	\$0.29	\$0.26	\$0.47	\$0.24	\$0.10
Market capitalisation (\$000's)	3,754	7,742	14,134	7,218	3,913
Dividends paid (\$000's)	-	-	-	-	-
Capital returns (\$000's)	-	3,374	-	-	-
Profit/(loss) for the year (\$000's)	(1,149)	(577)	(612)	(965)	(743)

This concludes the Remuneration Report, which has been audited.

OPTIONS

Unissued shares under option

At the date of this report, the unissued ordinary shares of Analytica Limited under option are as follows

Grant Date	Date of Expiry	Exercise Price	Number under Option
Unlisted			
12 March 2024	12 September 2025	\$0.115	2,000,000
TOTAL			2,000,000

Listed

There were no listed options that existed as at the date of this report.

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.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024 (continued)

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.

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 \$750,000 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 10 to the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

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

Dated at Brisbane this 26th day of August 2024.

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 2024 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
Chartered Accountants

Ashley Carle

Ashley Carle
Director
Brisbane
26 August 2024

ARC FUNDS LIMITED

ABN 52 001 746 710

FINANCIAL REPORT FOR THE YEAR TO 30th JUNE 2024

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Statement of Changes in Equity for the year ended 30 June 2024

Statement of Cash Flows for the year ended 30 June 2024

NOTES:

1. Statement of Significant Accounting Policies
2. Revenues
3. Profit/(Loss) for the Year
4. Finance Costs
5. 3rd Party Loan Written Off
6. Gain/(Loss) on Disposal of Associate
7. Investments Accounted for using the Equity Method
8. Loans to 3rd Parties
9. Goodwill
10. Auditors Remuneration
11. Dividends and Franking Credit Balances
12. Income Tax
13. Earnings per Share
14. Cash and Cash Equivalents
15. Financial Assets (Current)
16. Trade and Other Receivables
17. Controlled Entities
18. Parent Entity Information
19. Trade and Other Payables
20. Contingent Liabilities
21. Issued Capital
22. Option Reserve
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24. Capital and Leasing Commitments
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26. Events Subsequent to Reporting Date
27. Related Party Information and Transactions
28. Financial Instruments, Risk Management and Capital Risk Management
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Consolidated Entity Disclosure Statement

ARC FUNDS LIMITED AND CONTROLLED ENTITIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024

	Note	Economic Entity	
		2024 \$	2023 \$
Continuing operations			
Revenues	2	91,897	35,764
Other expenses	3	(600,551)	(656,488)
Finance costs	4	(1,037)	(273)
3rd party loan written off	5	-	(150,000)
Gain/(loss) on disposal of associate	6	-	(152,553)
Gain/(loss) on change in accounting for investments in associates	7	(147,984)	-
Goodwill written off	9	(60,211)	-
Share of net profit/(loss) of investments in associates accounted for using the equity method	7	(25,315)	(41,421)
Loss before income tax		(743,201)	(964,971)
Income tax expense	12	(86,737)	-
Loss after income tax		(829,938)	(964,971)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(829,938)	(964,971)
Loss for the year attributable to:			
Non-controlling interests		(87,122)	-
Owners of ARC Funds Limited		(742,816)	-
		(829,938)	(964,971)
Total comprehensive income for the year			
Non-controlling interests		(87,122)	-
Owners of ARC Funds Limited		(742,816)	-
Total comprehensive income attributable to owners of ARC Funds Limited		(829,938)	(964,971)
Basic loss (cents) per share from continuing operations	13	(2.3)	(3.2)
Diluted loss (cents) per share from continuing operations	13	(2.3)	(3.2)
Dividends (cents) per share	11	-	-

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 2024

		Economic Entity	
	Note	2024	2023
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	14	643,328	600,068
Financial assets	15	1,507,652	1,106,871
Trade and other receivables	16	36,052	15,335
Loans to 3rd Parties	8	-	90,000
TOTAL CURRENT ASSETS		2,187,032	1,812,274
NON-CURRENT ASSETS			
Investments accounted for using the equity method	7	-	173,299
TOTAL NON-CURRENT ASSETS		-	173,299
TOTAL ASSETS		2,187,032	1,985,573
CURRENT LIABILITIES			
Trade and other payables	19	103,204	37,906
Employee provisions		9,014	10,771
TOTAL CURRENT LIABILITIES		112,218	48,677
TOTAL LIABILITIES		112,218	48,677
NET ASSETS		2,074,814	1,936,896
EQUITY			
Issued Capital	21	21,109,276	20,153,280
Option Reserve		11,860	-
Accumulated Losses		(18,959,200)	(18,216,384)
Equity Attributable to owners of ARC Funds Limited		2,161,936	1,936,896
Non controlling interest		(87,122)	-
TOTAL EQUITY		2,074,814	1,936,896

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 2024

	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Non-Controlling Interest \$	Total Equity \$
At 30 June 2022	20,153,280	111,250	(17,362,663)	-	2,901,867
Total comprehensive income for the period	-	-	(964,971)	-	(964,971)
Transfer from reserves on lapsing of options	-	(111,250)	111,250	-	-
As at 30 June 2023	20,153,280	-	(18,216,384)	-	1,936,896
Total comprehensive income for the period	-	-	(742,816)	(87,122)	(829,938)
Options expense incurred during the year	-	11,860	-	-	11,860
Share placement	988,036	-	-	-	988,036
Share issue costs	(32,040)	-	-	-	(32,040)
As at 30 June 2024	21,109,276	11,860	(18,959,200)	(87,122)	2,074,814

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 2024

	Note	Economic Entity	
		2024	2023
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		(544,428)	(650,257)
Proceeds from sale of investments		99,786	-
Purchase of financial assets – listed shares		-	(99,760)
Receipts from customers		43,105	12,000
Interest received		48,225	16,653
Finance costs paid		(1,037)	(273)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	25(A)	(354,349)	(721,637)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loan to 3 rd Party		(60,000)	(115,000)
Sale of financial assets – term deposits		1,000,000	-
Purchase of financial assets – term deposits		(1,500,000)	(1,000,000)
Investment in subsidiaries, operations and joint operations, net of cash		1,613	-
Proceeds from sale of associates		-	22,183
NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES		(558,387)	(1,092,817)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issuance		988,036	-
Payment of share issue costs		(32,040)	-
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		955,996	-
Net (decrease)/increase in cash held		43,260	(1,814,454)
Cash at the beginning of the financial year		600,068	2,414,522
Cash at the end of the financial year	14	643,328	600,068

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 2024

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been approved for issue by the Board of Directors of ARC Funds Limited on 26th August 2024. 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 2024. 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 2024 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 18.

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 2024 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 2024 (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 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 2024 (continued)

F. Comparative Figures

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

G. 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 2024.

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.

H. 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.

	Economic Entity	
	2024	2023
	\$	\$
2. REVENUES		
Interest revenue	46,186	26,344
Dividends	5,154	-
Change in fair value of investments	2,606	(2,580)
Service charges	-	12,000
Management fee	37,951	-
TOTAL REVENUES	91,897	35,764
3. PROFIT/(LOSS) FOR THE YEAR		
EXPENSES		
Auditors remuneration – audit, audit review and accruals	42,292	38,304
Directors fees, employee benefits and costs	355,068	273,563
Directors fees and costs – share based	11,860	-
Legal Expenses	13,951	134,373
Insurance	39,508	31,074
Other expenses	137,872	179,174
TOTAL EXPENSES EXCLUDING FINANCE COSTS	600,551	656,488
4. FINANCE COSTS		
External	1,037	273
Total finance costs	1,037	273

ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

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.

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 2024 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 22nd 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;

Carrying value as at 30 June 22	\$
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)
Investment in Magnum as at 22 December 2022	174,736
less Proceeds from Magnum	(22,183)
Loss on Magnum disposal	152,553

ARC FUNDS LIMITED AND CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)****NOTE 7: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

As disclosed in note 8 and 9, during the period the Merewether Capital Management Pty Ltd investment is now being accounted for as a controlled entity due to a change in ownership and the number of board positions held by ARC Directors.

Consequently, the investment balance has been derecognised during the year as follows:

Carrying value as at 30 June 23	173,299
Share of (Losses) to 06 November 2023	(25,315)
Investment in Merewether as at 06 November 2023	147,984
less Proceeds received	-
Loss on Merewether disposal	147,984

NOTE 8: LOANS TO 3RD PARTIES

ARC agreed to provide Merewether Capital Management with a working capital facility of \$150,000, no interest payable, as at 30 June 2023 \$90,000 of this facility had been drawn down.

On the 6th November 2023 there was a change in control where ARC acquired an additional 50,000 shares in Merewether Capital Management taking its shareholding to 45.5% along with amendments to the shareholding agreement between the parties which resulted in ARC be able to appoint a majority of the Merewether Capital Management board of directors.

As a result of this change in control, Merewether Capital Management is now consolidated into ARCs accounts. The intercompany loan is therefore eliminated on consolidation of the Merewether Capital Management into the ARCs accounts as at 30 June 2024.

NOTE 9: GOODWILL

On the 6th November 2023, ARC acquired control of Merewether Capital Management Pty Ltd at a premium of \$60,211 to net asset value. This amount was recognised as Goodwill within the consolidated financial statements. Calculation of Goodwill is as follows.

Description	Amount
Fair value of consideration given for controlling interest	42,406
Fair value of non-controlling interest	-
Fair value of previously held interest	-
Sub-total	42,406
Less: Fair value of net assets of acquiree *	17,805
Goodwill arising on consolidation	60,211

* Note this balance has been added as the entity is in a net liability position

On 30 June 2024 the directors undertook an impairment assessment of the goodwill associated with Merewether. As Merewether is currently not profitable and it is uncertain as to when Merewether will become profitable the decision has been taken to write off the goodwill associated with the Merewether investment.

	Economic Entity	
	2024	2023
	\$	\$
10. AUDITORS REMUNERATION		
Remuneration of the auditors of the parent entity for:		
Auditing and reviewing the financial statements	39,492	35,804
Audit of controlled entities	2,800	2,500
	<u>42,292</u>	<u>38,304</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	2,500	3,000

11. 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.

48,937	48,634
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No dividends were declared or paid in respect of the years ended 30 June 2024 or 30 June 2023.

ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

	Economic Entity	
	2024	2023
	\$	\$
12. INCOME TAX		
(A) INCOME TAX		
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	(743,201)	(964,971)
Prima facie income tax expense/(benefit) on the profit/(loss) before income tax at 25% (2023: 25%)	(185,800)	(241,243)
Add/(deduct) tax effect of:		
Tax losses not brought to account/(used)	156,055	230,124
Share of losses of entities under joint control	6,329	10,355
Share of profits of controlled entities	21,781	-
Franking credits	37	-
Other permanent differences	2,960	-
Other timing differences	(1,362)	764
Deferred tax written off in controlled entity	86,737	-
	272,537	241,243
Income tax expense/(benefit) attributable to entity	86,737	-
The effective tax rate of -12% (2023: 0%) arises from the derecognition of the previously recognised deferred tax asset within the newly consolidated entity. In prior years, the effective tax rate has mainly arisen from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2023: 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	-	-
Balance recognised upon consolidation of Subsidiary	86,737	-
(Debit) to statement of profit or loss and other comprehensive income	(86,737)	-
Closing balance	-	-

(D) DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT

On 30 June 2024, the economic entity had estimated unrecouped operating income tax losses of \$16,530,088 (reflecting ARC tax consolidated group losses of \$16,110,020 and Merewether entity losses with \$420,068) (2023: ARC tax consolidated group only losses of \$15,512,954) 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.

	Economic Entity	
	2024	2023
	\$	\$
13. EARNINGS PER SHARE		
Continuing operations		
Earnings used in the calculation of basic EPS	(742,816)	(964,971)
Earnings used in the calculation of diluted EPS	(742,816)	(964,971)
Weighted average number of ordinary shares outstanding during the year used in calculation of EPS:		
Basic EPS	32,469,955	30,076,352
Diluted EPS	32,469,955	30,076,352
Basic loss per share (cents)	(2.3)	(3.2)
Diluted loss per share (cents)	(2.3)	(3.2)
14. CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	643,328	600,068
Net cash and cash equivalents as per Statement of Cash Flows	643,328	600,068
15. FINANCIAL ASSETS (CURRENT)		
Fair value through profit or loss:		
Listed investments at fair value		
- shares in listed corporations (note 28F)	-	97,180
TOTAL	-	97,180
Amortised cost:		
Term deposit	1,507,652	1,009,691
TOTAL	1,507,652	1,009,691
	1,507,652	1,106,871
16. TRADE AND OTHER RECEIVABLES		
CURRENT		
Other debtors and receivables	36,052	15,335
	36,052	15,335

ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

17. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2024	2023
Parent Entity:			
ARC Funds Limited	Australia		
Controlled Entities of ARC Funds Limited:			
ARC Operations Pty Ltd	Australia	100%	100%
ARC Investment Management Pty Ltd	Australia	100%	85%
ARC Wealth Group Pty Ltd	Australia	100%	-
Merewether Capital Management Pty Ltd *	Australia	45.5%	40%

* This entity was not considered controlled in the 2023 financial year

The consolidated financial statements incorporate the assets, liabilities and results of the following entity with non-controlling interests in accordance with the accounting policy described in note 1

Name	Principal place of business / Country of incorporation	Principal activities	Parent		Non-controlling interest	
			Ownership interest 2024	Ownership interest 2023	Ownership interest 2024	Ownership interest 2023
			%	%	%	%
Merewether Capital Management Pty Ltd *	Australia	Small and microcap boutique funds management	45.5	40.0	54.5	60.0

* This entity was not considered controlled in the 2023 financial year

18. PARENT ENTITY INFORMATION

Information relating to the parent entity, ARC Funds Limited:

	Economic Entity	
	2024	2023
	\$	\$
Current Assets	2,300,111	1,822,057
Total Assets	2,300,111	1,995,357
Current Liabilities	49,680	48,000
Total Liabilities	49,851	48,677
Issued Capital	21,109,276	20,153,280
Options Reserve	11,860	-
Accumulated Losses	(18,870,876)	(18,206,600)
Total Shareholders' Equity	2,250,260	1,946,680
Profit/(Loss) of the parent entity	(664,276)	(964,971)
Total comprehensive income of the parent entity	(664,276)	(964,971)

ARC FUNDS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

	Economic Entity	
	2024	2023
	\$	\$
19. TRADE AND OTHER PAYABLES		
Trade creditors	52	52
Other creditors and accruals	103,152	37,854
	<u>103,204</u>	<u>37,906</u>

20. CONTINGENT LIABILITIES

The Economic Entity has no outstanding contingent liabilities (2023: nil).

	Economic Entity	
	2024	2023
	\$	\$
21. ISSUED CAPITAL		
39,125,864 fully paid authorised ordinary shares (2023: 30,076,352)	<u>21,109,276</u>	<u>20,153,280</u>

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
ORDINARY SHARES

Date	Details	Number of shares	\$
1 July 2023	Opening balance	30,076,352	20,153,280
21 March 2024	Share placement	7,519,087	803,236
15 April 2024	Share Purchase Plan	1,530,425	152,760
30 June 2024	Closing balance	<u>39,125,864</u>	<u>21,109,276</u>

ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

22. OPTION RESERVE

Option Reserve

Economic Entity	
2024	2023
\$	\$
11,860	-

Scott Beeton was granted a total of 2,000,000 options as a condition of his employment contract. These options vest on the 12-month anniversary of the employment commencement date (12 March 2025) providing Mr. Beeton remains in the employment of the Company. The options are exercisable at \$0.115 per share until 12 September 2025. These options have a fair value of \$39,000 and will be amortised over the vesting period. The total expense recognised during the year was \$11,860.

The weighted average share price during the financial year was \$0.18 (2023: \$0.31). The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.2 years (2023: nil).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
12/03/2024	12/09/2025	\$0.10	\$0.115	30.00%	-	3.643%	\$0.115

23. 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	Director – Non-Executive (resigned as Managing Director 12 March 2024)
Scott Beeton	Chief Executive Officer (appointed 12 March 2024)
Darren Anderson	Director – Non-Executive (resigned 30 June 2024)
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:

	Economic Entity	
	2024	2023
	\$	\$
Short-term employee benefits	265,120	247,838
Post-employment benefits	29,546	25,725
Share-based payments	11,860	-
	306,526	273,563

ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

23. KEY MANAGEMENT PERSONNEL (continued)

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
2024					
<i>Ordinary shares</i>					
James Jackson	2,965,000	-	50,000	-	3,015,000
Harley Grosser	10,517,566	-	369,499	-	10,887,065
Darren Anderson	538,655	-	-	-	538,655
Wayne Massey	520,176	-	-	-	520,176
Scott Beeton	-	-	2,794,075	-	2,794,075
	<u>14,541,397</u>	<u>-</u>	<u>3,163,574</u>	<u>-</u>	<u>17,704,971</u>
2023					
<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>

Options

The number of options 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
2024					
<i>Unlisted Options</i>					
Scott Beeton	-	2,000,000	-	-	2,000,000
	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>

2023

There were no options issued or held during the period 1 July 2022 to 30 June 2023

Related party transactions

Related party transactions are set out in note 27.

ARC FUNDS LIMITED AND CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)****24. CAPITAL AND LEASING COMMITMENTS****(A) OPERATING LEASE COMMITMENTS**

The Economic Entity has no outstanding operating lease commitments (2023: nil).

(B) CAPITAL COMMITMENTS

The Economic Entity has no outstanding capital commitments (2023: 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.

	Economic Entity	
	2024	2023
	\$	\$
<hr/>		
25. CASH FLOW INFORMATION		
(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS) AFTER TAX		
Operating profit/(loss) after income tax	(829,938)	(964,971)
Cash flows excluded from profit/(loss) attributable to operating activities:		
Proceeds from sales of investments	99,467	-
Cost of investments	-	(99,760)
Non cash flows in operating profit/(loss):		
Change in fair value of investments	(2,606)	2,580
Interest accrued classified to financial assets	2,039	(9,691)
Loss on disposal of associate	-	152,553
Loss on change in accounting for investments in associates	147,984	-
3rd party loan written off	-	150,000
Investments accounted for using the equity method	25,315	41,421
Share based payments	11,860	-
Goodwill written off	60,211	-
Deferred Tax Asset written off	86,737	-
Changes in assets and liabilities net of acquisitions:		
(Increase)/decrease in trade and other receivables	(20,717)	(4,236)
(Decrease)/increase in trade and other payables	67,056	7,629
(Decrease)/increase in employee provisions	(1,757)	2,838
Cash flows (used in)/provided by operations	(354,349)	(721,637)

ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

26. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to the reporting date.

27. RELATED PARTY INFORMATION AND TRANSACTIONS

Ultimate Controlling Entity

The ultimate controlling entity of the economic entity is ARC Funds Limited (refer notes 17 and 18).

Key management personnel remuneration

During the financial year, total remuneration of \$306,526 (2023: \$273,563) 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 2024, the parent was owed from controlled entities \$317,483 (2023: owed \$159,783). 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 2024 or 30 June 2023.

Other related party transactions

In the year to 30 June 2024, the Company paid Holding Redlich total invoices, including GST, of \$25,675 (2023: \$125,921) 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 2024, the parent owed Holding Redlich \$1,980 (2023: \$4,478).

28. 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.

28. 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 \$16,583 (2023: reduce pre-tax loss by \$20,121).

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.

ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

28. 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 \$
ECONOMIC ENTITY 2024					
Financial assets:					
Cash and cash equivalents	2.85%	-	643,328	-	643,328
Financial assets – term deposit	4.9%	1,507,652	-	-	1,507,652
Trade and other receivables	-	-	-	36,052	36,052
		1,507,652	643,328	36,052	2,187,032
Financial Liabilities:					
Trade and other payables	-	-	-	103,204	103,204
	-	-	-	103,204	103,204
Net Financial Assets	-	1,507,652	643,328	(67,152)	2,083,828
ECONOMIC ENTITY 2023					
Financial assets:					
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
Financial Liabilities:					
Trade and other payables	-	-	-	37,906	37,906
	-	-	-	37,906	37,906
Net Financial Assets	-	-	1,609,759	164,609	1,774,368

(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.

28. 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 2024, there would be a corresponding positive or negative impact on pre-tax profit/(loss) of \$0 (2023: \$9,718).

ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

(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)
- 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 2024	Level 1 \$	Level 2 \$	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:				
Shares in other corporations	-	-	-	-
TOTAL	-	-	-	-
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

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 2024	30 June 2023				
Held for trading non-derivative financial assets (see note 15)	Listed Australian equity securities: Funds Management industry - \$Nil	Listed Australian equity securities: Funds Management industry - \$97,180	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 15 to the financial statements.

ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

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

(G) RECONCILIATION OF NET FINANCIAL ASSETS TO NET ASSETS

	Economic Entity	
	2024	2023
	\$	\$
Net Financial Assets as above	2,083,828	1,774,368
Non financial assets and liabilities:		
Investments accounted for using the equity method	-	173,299
Employee provisions	(9,014)	(10,771)
Net assets per balance sheet	2,074,814	1,936,896

29. 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.

ARC FUNDS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

30. 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.

	Funds			
	Management	Investment	Unallocated	TOTAL
2024	\$	\$	\$	\$
External revenue	37,951	7,760		45,711
Interest revenue	-	46,186	-	46,186
Expenses other than finance, depreciation and amortisation	-	-	(600,551)	(600,551)
Gain/(loss) on change in accounting for investments in associates	(147,984)	-	-	(147,984)
Goodwill written off	(60,211)	-	-	(60,211)
Share of net profit/(loss) of jointly controlled entities accounted for using the equity method	(25,315)	-	-	(25,315)
SEGMENT RESULT	(195,559)	53,946	(600,551)	(742,164)
Finance Costs	-	-	(1,037)	(1,037)
PROFIT/(LOSS) BEFORE INCOME TAX	(195,559)	53,946	(601,588)	(743,201)
Income tax expense	(86,737)	-	-	(86,737)
PROFIT/(LOSS) AFTER INCOME TAX	(282,296)	53,946	(601,588)	(829,938)
Segment Assets	41,874	-	2,145,158	2,187,032
Segment Liabilities	69,536	-	42,682	112,218
Capital Expenditure	-	-	-	-
	Funds			
	Management	Investment	Unallocated	TOTAL
2023	\$	\$	\$	\$
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)
SEGMENT RESULT	(331,974)	23,764	(656,488)	(964,698)
Finance Costs	-	-	(273)	(273)
PROFIT/(LOSS) BEFORE INCOME TAX	(331,974)	23,764	(656,761)	(964,971)
Income tax expense	-	-	-	-
PROFIT/(LOSS) AFTER INCOME TAX	(331,974)	23,764	(656,761)	(964,971)
Segment Assets	263,299	-	1,722,274	1,985,573
Segment Liabilities	-	-	48,677	48,677
Capital Expenditure	-	-	-	-

**ARC FUNDS LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED ENTITY DISCLOSURE STATEMENT
AS AT 30 JUNE 2024**

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
ARC Funds Limited	Body Corporate	Australia	N/A	Australia
ARC Operations Pty Ltd	Body Corporate	Australia	100.00%	Australia *
ARC Investment Management Pty Ltd	Body Corporate	Australia	100.00%	Australia *
ARC Wealth Group Pty Ltd	Body Corporate	Australia	100.00%	Australia *
Merewether Capital Management Pty Ltd	Body Corporate	Australia	45.5%	Australia

* ARC Funds Limited (the 'parent entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

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 2024 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.
- (e) the information disclosed in the attached consolidated entity disclosure statement is true and correct.

On behalf of the Board



J A Jackson
Chairman

Date: 26 August 2024

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 2024 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, the consolidated entity disclosure statement 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 2024 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 7, during the year ARC changed its existing accounting treatment for its investment in Merewether Capital Management Pty Ltd from investments accounted for using the equity method to a consolidated entity. This was due to an increase percentage ownership and an additional director position held on the board. This also includes the recognition of goodwill as disclosed in Note 9.</p> <p>This is considered to be a key audit matter due to the judgment involved in determining that control is deemed to now exist and the impacts that result within the financial report.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> • Reviewing relevant shareholder agreements; • Evaluating the accounting treatment of the transaction; • Reviewing information to ensure the accuracy of the balances at derecognition date; • Reviewing information, which included the discounted cash flow provided by management, to assess whether any impairment exists; and • Assessing the adequacy of the disclosure in Note 7 and 9 of the Financial Report

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 2024, but does not include the financial report and our auditor's report thereon.

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

Information Other than the Financial Report and Auditor's Report Thereon (Continued)

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:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of 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 2024.

In our opinion, the Remuneration Report of ARC Funds Limited, for the year ended 30 June 2024, 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 Brisbane (Audit) Pty Ltd
Chartered Accountants

Ashley Carle
Director
Brisbane
26 August 2024

ARC FUNDS LIMITED.

OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2024

A. Range of Shares Issued as at 17 August 2024

As at 16 August 2024 there were 39,125,864 ordinary shares held by 478 shareholders, all of which were quoted on the ASX.

Range	Holders	Shares held	% of capital
1-1,000	274	47,779	0.12
1,001-5,000	51	118,029	0.30
5,001-10,000	24	185,113	0.47
10,001-100,000	79	2,965,296	7.58
100,001-9,999,999,999	50	35,809,647	91.52
Totals	478	39,125,864	100.00

There are 326 shareholders owning a total of 171,100 shares who own unmarketable parcels of the Company's securities.

B. Top Twenty shareholders as at 16 August 2024

Holder	Shares held	% of capital
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,555,262	19.31
CAPITAL H MANAGEMENT PTY LTD	3,227,191	8.25
MR PETER GEOFFREY HOLLICK & MS HELEN THERESE PATTISON <MACDY NO 5 SUPER FUND A/C>	1,902,140	4.86
AGRICO PTY LTD <PALM	1,684,038	4.30
MANLY LANE PTY LTD <SCOTT & SALLY BEETON SUP A/C>	1,272,336	3.25
PUNTERO PTY LTD	1,263,000	3.23
FEDERAL PACIFIC HOLDINGS PTY LTD	1,250,000	3.19
AGRICO INVESTMENTS PTY LIMITED	1,231,511	3.15
MISTOVER PTY LTD <MISTOVER A/C>	1,050,000	2.68
ANDREW ADCOCK INVESTMENTS PTY LTD <ADCOCK FAMILY S/F A/C>	1,010,869	2.58
P K CAPITAL PTY LTD	1,000,000	2.56
BEETON ENTERPRISES PTY LTD <SCOTT & SALLY BEETON FAM A/C>	1,000,000	2.56
POAL PTY LTD <BARAIN SUPER FUND A/C>	997,164	2.55
CROMMO PTY LTD	724,663	1.85
FEDERAL PACIFIC HOLDINGS PTY LTD	687,842	1.76
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	641,511	1.64
CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C>	601,836	1.54
SPRINGBOARD FINANCIAL GROUP PTY LTD	521,739	1.33
THIRTY FOUR PTY LTD <HAMARJAR SUPER FUND A/C>	470,918	1.20
SYMINGTON PTY LTD	435,000	1.11
Total Securities of Top 20 Holdings	28,527,020	72.91

OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2024 (CONTINUED)

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.

D. Other equity securities on issue

2,000,000 Unlisted Options expiring 12/09/2025 and exercisable at \$0.115. These options are subject to vesting conditions and do not carry a right to vote.

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 16 August 2024:

Substantial Shareholder	Shares Held	Holding
Capital H Management Pty Ltd	10,548,359	26.96%
Agrico Investments Pty Limited	2,785,115	7.12%
James Andrew Jackson (relevant interests)	2,965,000	7.58%
Scott Lionel Beeton (relevant interests)	2,794,075	7.14%

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/.