

*Rules 4.1, 4.3*

# Appendix 4D

## Half yearly report

Introduced 1/1/2003.

<b>Name of Entity</b>	ARC Funds Limited
<b>ABN</b>	52 001 746 710
<b>Financial Period Ended</b>	31 DECEMBER 2021
<b>Previous Corresponding Reporting Period</b>	31 DECEMBER 2020

### Results for Announcement to the Market

	\$	Percentage increase /(decrease) over previous corresponding period
<b>Revenue from ordinary activities</b>	1,544	101%
<b>Profit from ordinary activities after tax attributable to members</b>	(289,868)	(37%)
<b>Profit for the period attributable to members</b>	(289,868)	(37%)
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	Nil	-
<b>Interim Dividend</b>	Nil	-
<b>Previous corresponding period</b>	Nil	Nil
<b>Record date for determining entitlements to the dividends (if any)</b>		
<b>Brief explanation of any of the figures reported above necessary to enable the figures to be understood:</b>		

**The half-yearly report it is to be read in conjunction with the most recent annual financial report.**

+ See chapter 19 for defined terms.

### Dividends

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

### NTA Backing

	Current Period	Previous corresponding period
<b>Net tangible asset backing per ordinary security</b>	10.7c	29.3c

### Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	-
Date control gained	-
Consolidated profit / (loss) from ordinary activities since the date in the current period on which control was acquired	-
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	-

### Loss of Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	-
Date control lost	-
Consolidated profit / (loss) from ordinary activities for the current period to the date of loss of control	-
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) while controlled for the whole of the previous corresponding period	-

### Details of Associates and Joint Venture Entities


Name of Entity	Percentage Held		Share of Net Profit	
	Current Period	Previous Period	Current Period	Previous Period
Merewether Capital Management Pty Ltd	40%	0%	(\$32,849)	\$-

### Audit/Review Status

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

#### Attachments Forming Part of Appendix 4D

Attachment #	Details
1	Interim Financial Report

<b>Signed By (Director/Company Secretary)</b>	
<b>Print Name</b>	James A Jackson (Chairman)
<b>Date</b>	23 February 2022

## **DIRECTORS' REPORT**

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2021.

### **Directors**

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

James Andrew Jackson  
Harley Grosser (appointed 1 July 2021)  
Darren Anderson  
Wayne Massey

### **Principal Activities**

During the financial half-year, the principal activities of the consolidated entity consisted of:

- Equity Investment- investment in funds management companies, securities, schemes and entities
- Funds Management and Financial Services-operation of a wholesale funds management business

### **Review of Operations**

ARC Funds Limited (**ARC**) posted a loss after provision for income tax of \$289,868 for the period compared to a loss of \$211,152 in the comparative period.

### **Half Year 2021 Results Update to Shareholders**

- Loss of \$289,868
- NTA at December 31, 2021 of 10.7 cents

### **Update from Managing Director**

Dear Fellow Shareholders,

Since I last wrote to you, we have made substantial progress towards achieving the Company Vision outlined in last year's Annual Report.

*"To build a listed multi-affiliate boutique funds management company by investing in, supporting and partnering with the best fund managers across a range of asset classes and investment strategies"*

I have previously stated that Phase 1 of our strategy involves identifying, investing in, and supporting the best funds management talent in Australia. To this end, the last six months have seen us acquire equity stakes and establish partnerships with Merewether Capital Management (microcap) and Magnum Funds Management (fixed income).

In November 2021, Merewether established the Merewether Capital Inception Fund, which has since raised over \$5m of funds under management (FUM) and, during the recent period of heightened market volatility, ranked amongst the best performing small and microcap funds in the industry from November to January.

Magnum Funds, with which ARC entered a partnership in November 2021, continues to progress towards the launch of the Magnum High Income Active ETF, having recently secured \$35m of commitments from founding investors. This is an excellent start for the business as it provides early scale and helps kick off what will now become our focus of growing broader investor awareness of the Magnum High Income Active ETF and the value it can add to an investor's portfolio.

Both of our affiliate managers now have a clear line of sight to profitability and strong prospects for continued FUM growth throughout 2022. We will continue to focus on how we can support these businesses to grow and prosper.

We've previously outlined our intention to in-house the services we provide our affiliate managers over time. In February, ASIC granted ARC's wholly owned subsidiary, ARC Funds Operations Pty Ltd, a wholesale Australian Financial Services Licence (AFSL), permitting the company to carry on the business of investment management for wholesale clients.

Alongside the retail AFSL held by Magnum Funds Management, ARC can now provide licensing for both retail and wholesale funds effectively in-house, an important strategic step.

ARC continues to field inbound enquiry and engage with prospective managers across a range of asset classes and investment strategies. We are working on plans for new methods of distribution that would provide immediate scale for our managers, including potential products that would allow retail investors access to funds that are typically only available to wholesale investors.

2021 was about establishing the foundations of our new strategy, and we feel we achieved that in securing partnerships with Merewether and Magnum.

2022 is all about growth and continuing to build value for our managers, current and prospective.

We are excited for the year ahead and thank our wonderful shareholders for their support.

#### **Auditor's Declaration**

We have received a declaration from the auditors, Bentleys Brisbane (Audit) Pty Ltd, of their independence. The lead auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 6 for the half year ended 31 December 2021.

The report is made in accordance with a resolution of the Board of Directors pursuant to section 306(3)(a) of the *Corporations Act 2001*.

Signed on behalf of the Directors:



**Harley Grosser**  
**Managing Director**

Dated: 23 February 2022

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001***

**TO THE DIRECTORS OF ARC FUNDS LIMITED**

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2021 there have been:

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

*Bentleys.*

Bentleys Brisbane (Audit) Pty Ltd  
Chartered Accountants

*Ashley Carle*

Ashley Carle  
Director  
Brisbane  
23 February 2022

**ARC FUNDS LIMITED AND CONTROLLED ENTITY  
Statement of Profit or Loss and Other Comprehensive Income  
For the half year ended 31 December 2021**

<b>Continuing Operations</b>	<b>Note</b>	<b>31 Dec 2021 \$</b>	<b>31 Dec 2020 \$</b>
Revenue	<b>2</b>	1,544	(127,814)
Other expenses	<b>3</b>	(258,422)	(106,776)
Finance Costs		(141)	(2,455)
Gain/(loss) on sale of subsidiary		-	30,642
Share of net profit/(loss) of investments accounted for using the equity method	<b>13</b>	(32,849)	-
<b>Profit/(loss) before income tax</b>		(289,868)	(206,403)
Income tax expense		-	(4,749)
<b>Profit/(loss) after income tax for the half-year</b>		(289,868)	(211,152)
Other comprehensive income for the half year, net of tax		-	-
<b>Total comprehensive income attributable to members of ARC Funds Limited</b>		(289,868)	(211,152)
Basic earnings/(loss) per share (cents per share)		(1.0c)	(1.6c)

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

**ARC FUNDS LIMITED AND CONTROLLED ENTITY**  
**Statement of Financial Position**  
**As at 31 December 2021**

	Note	Economic Entity	
		31 Dec 2021	30 June 2021
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	2,865,904	3,418,035
Trade and other receivables		8,331	6,836
Prepayments	6	165,697	5,002
Financial assets	7	-	22,900
<b>TOTAL CURRENT ASSETS</b>		<b>3,039,932</b>	<b>3,452,773</b>
<b>NON-CURRENT ASSETS</b>			
Investments accounted for using the equity method	13	219,219	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>219,219</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>3,259,151</b>	<b>3,452,773</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other payables		31,017	124,723
Employee provisions		3,702	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>34,719</b>	<b>124,723</b>
<b>TOTAL LIABILITIES</b>		<b>34,719</b>	<b>124,723</b>
<b>NET ASSETS</b>		<b>3,224,432</b>	<b>3,328,050</b>
<b>EQUITY</b>			
Issued capital	9	20,153,280	20,078,280
Reserves – options	10	111,250	-
Accumulated losses		(17,040,098)	(16,750,230)
<b>TOTAL EQUITY</b>		<b>3,224,432</b>	<b>3,328,050</b>

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



**ARC FUNDS LIMITED AND CONTROLLED ENTITY  
Statement of Cash Flows  
For the half year ended 31 December 2021**

	Note	Economic Entity	
		31 Dec 2021	31 Dec 2020
		\$	\$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(290,336)	(150,196)
Proceeds from sale of investments		24,187	231,333
Dividends received		-	2,055
Interest received		258	18
Finance costs paid		(141)	(2,455)
<b>Net cash (used in) / provided by operating activities</b>		<b>(266,032)</b>	<b>80,755</b>
<b>Cash flows from financing activities</b>			
Repayment of loans to related entities		-	(200,000)
<b>Net cash (used in) / provided by financing activities</b>		<b>-</b>	<b>(200,000)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of subsidiary – net		-	40,600
Payments for investments accounted for using the equity method		(286,099)	-
<b>Net cash (used in) / provided by financing activities</b>		<b>(286,099)</b>	<b>40,600</b>
<b>Net (decrease)/increase in cash</b>		<b>(552,131)</b>	<b>(78,645)</b>
Cash at beginning of period		3,418,035	116,144
<b>Cash at end of period</b>	<b>5</b>	<b>2,865,904</b>	<b>37,499</b>

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

**ARC FUNDS LIMITED AND CONTROLLED ENTITY**  
**Statement of Changes in Equity**  
**For the half year ended 31 December 2021**

	Issued Capital	Reserves		Accumulated Losses	Total Equity
	\$	Share based payments	Options	\$	\$
	\$	\$	\$	\$	\$
<b>At 30 June 2020</b>	<b>20,178,935</b>	<b>68,588</b>	<b>387,303</b>	<b>(16,629,647)</b>	<b>4,005,179</b>
Total comprehensive income for the period	-	-	-	(211,152)	(211,152)
Share based payments reserve	-	1,012	-	-	1,012
Unlisted options lapsed	-	(69,600)	-	69,600	-
<b>At 31 December 2020</b>	<b>20,178,935</b>	<b>-</b>	<b>387,303</b>	<b>(16,771,199)</b>	<b>3,795,039</b>
Total comprehensive income for the period	-	-	-	(366,334)	(366,334)
Listed options lapsed	-	-	(387,303)	387,303	-
In specie distribution	(3,374,543)	-	-	-	(3,374,543)
Share placement	388,387	-	-	-	388,387
Rights Issue, net of transaction costs	2,885,501	-	-	-	2,885,501
<b>At 30 June 2021</b>	<b>20,078,280</b>	<b>-</b>	<b>-</b>	<b>(16,750,230)</b>	<b>3,328,050</b>
Total comprehensive income for the period	-	-	-	(289,868)	(289,868)
Shared based payments	75,000	-	111,250	-	186,250
<b>At 31 December 2021</b>	<b>20,153,280</b>	<b>-</b>	<b>111,250</b>	<b>(17,040,098)</b>	<b>3,224,432</b>

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

**ARC FUNDS LIMITED AND CONTROLLED ENTITY**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The interim consolidated financial report was approved by the Board of Directors on 23 February 2022.

This interim consolidated financial report has been prepared in accordance with Accounting Standard AASB 134 and is to be read in conjunction with the annual financial report for the financial year ended 30 June 2021 ("**2021 Annual Report**"). The 2021 Annual Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations and the *Corporations Act 2001*, as appropriate for for-profit oriented entities.

The half yearly report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the economic entity as the full financial report. Accordingly, it is recommended that this financial report be read in conjunction with the 2021 Annual Report and any public announcements made by ARC Funds Limited ("**ARC**") during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The same accounting policies have been followed as those applied and discussed in the 2021 Annual Report.

The Group has considered the implications of new or amended Accounting Standards, but determined that their impact is either not relevant or not material.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The functional and presentation currency of ARC is Australian dollars.

**(a) Investments in Associates**

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

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

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

**ARC FUNDS LIMITED AND CONTROLLED ENTITY**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Economic Entity</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	\$	\$

**NOTE 2: REVENUES**

Revenues are comprised as follows:

Miscellaneous revenue	-	983
Interest revenue	258	18
Dividend income	-	2,055
Change in fair value of investments retained	1,286	(130,870)
<b>Total revenues</b>	<b>1,544</b>	<b>(127,814)</b>

**NOTE 3: EXPENSES**

Expenses are comprised as follows:

Directors fees and costs – share based	-	1,012
Directors fees and costs - cash	122,375	-
Insurance	12,813	10,464
Legal Expenses	12,330	13,713
Office and occupancy expenses	-	6,000
Other expenses	110,904	75,587
<b>Total expenses</b>	<b>258,422</b>	<b>106,776</b>

**NOTE 4: DIVIDENDS PAID OR PROPOSED**

**Declared and paid during the period**

Total dividends paid	-	-
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**Proposed and not recognised as a liability (fully franked at 25%)**

Interim franked dividend for period to 31 December 2021: nil (30 June 2021: nil)	-	-
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The current balance of the franking account, prior to accounting for any taxation paid in relation to the result for the latest period is \$48,634.

**ARC FUNDS LIMITED AND CONTROLLED ENTITY**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Economic Entity</b>	
	<b>31 Dec 2021</b>	<b>30 June 2021</b>
	\$	\$

**NOTE 5: CASH AND CASH EQUIVALENTS**

Cash on hand and at bank	2,865,904	3,418,035
Net cash and cash equivalents as per statement of cash flows	<u>2,865,904</u>	<u>3,418,035</u>

**NOTE 6: PREPAYMENTS**

Insurance	20,416	5,002
Expenses prepaid for investments that will be accounted for using the equity method that will be capitalised into the investment	34,031	-
Option value for investments that will be accounted for using the equity method that will be capitalised into the investment	111,250	-
	<u>165,697</u>	<u>5,002</u>

Prepayments in relation to investments that will be accounted for using the equity method relate to ARC investment in Magnum Funds Management Pty Ltd, refer Note 14 Events After The Reporting Date for more information.

**NOTE 7: FINANCIAL ASSETS**

**CURRENT:**

**Fair value through profit and loss:**

Listed investments at fair value – shares in listed corporations	-	22,900
TOTAL	<u>-</u>	<u>22,900</u>

**NOTE 8. CONTROLLED ENTITIES**

	<b>Country of Incorporation</b>	<b>Percentage Owned</b>	
		<b>31 Dec 2021</b>	<b>30 June 2021</b>
<b>Parent Entity:</b>			
ARC Funds Limited	Australia		
<b>Controlled Entities of ARC Funds Limited:</b>			
ARC Funds Operations Pty Ltd (a)	Australia	100%	-

(a) Registered 23<sup>rd</sup> August 2021

**ARC FUNDS LIMITED AND CONTROLLED ENTITY**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

<b>Economic Entity</b>	
<b>31 Dec 2021</b>	<b>30 June 2021</b>
\$	\$

**NOTE 9. EQUITY – ISSUED CAPITAL**

30,076,352 fully paid authorised ordinary shares (30 June 2021: 29,776,352)	20,153,280	20,078,280
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**MOVEMENT IN ISSUED SHARES OF THE PARENT ENTITY FOR THE PERIOD**

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>\$</b>
30 June 2021	Opening balance	29,776,352	20,078,280
21 October 2021	Share based payments	300,000	75,000
31 December 2021	Closing balance	30,076,352	20,153,280

**NOTE 10. EQUITY: RESERVES - OPTIONS**

*Investment in Magnum Funds Management Pty Ltd*

On 3 November 2021, ARC announced that it had entered into a binding agreement to acquire a 25% of the issued share capital of Magnum Funds Management Pty Ltd.

In consideration for Magnum Holdings entering into the transaction, ARC has issued 1,000,000 unlisted options over fully paid ordinary shares in ARC at an exercise price of \$1.00 per share, with a 3-year expiry period upon achieving the agreed vesting conditions.

These options had a fair value at the grant date of 11.125c per option. The cost of the options of \$111,250 will be included in Investments accounted for using the equity method (as at 31 December 2021 the value of the options is included in prepayments as the transaction was finalised post 31 December 2021). These options expire 3 years after the relevant vesting condition is met, the vesting conditions are as follows;

- 500,000 Options will vest and become exercisable upon the satisfaction of Vesting Condition 1. Vesting Condition 1 means the date on which the Fund is listed on the Chi-X and begins to operate; and
- 500,000 Options will vest and become exercisable upon the satisfaction of Vesting Condition 2. Vesting Condition 2 means the date that is the 1 year anniversary of the Vesting Condition 1 being satisfied, provided that the Fund remains in operation and listed and trading normally on the Chi-X;

**ARC FUNDS LIMITED AND CONTROLLED ENTITY**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11. FAIR VALUE MEASUREMENT**

*Fair value hierarchy*

The following tables detail the consolidated entity's assets and liabilities measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the fair value measurement being:

- 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.

31 December 2021	Level 1 \$	Level 2 \$	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:				
Shares in other corporations	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
30 June 2021	Level 1 \$	Level 2 \$	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:				
Shares in other corporations	22,900	-	-	22,900
<b>TOTAL</b>	<b>22,900</b>	<b>-</b>	<b>-</b>	<b>22,900</b>

There were no transfers between levels during the financial half year.

*Financial Instruments*

The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to approximate their fair values due to their short-term nature.

**ARC FUNDS LIMITED AND CONTROLLED ENTITY**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12. SEGMENT INFORMATION**

The Economic Entity's activities have been divided into two specific segmental groups, operating in one geographical region, being Australia:

**Funds management:** the management of investment vehicles and provision of other funds management services;

**Investment:** investment in listed and unlisted Australian companies and securities.

Unallocated expenses include all financing costs except those directly attributable to investment, and personnel costs associated with the Economic Entity except the use of outside personnel as Directors of partly owned subsidiaries and compliance committees which are capable of allocation to a specific business segment; interest and dividend income is allocated to "Investment".

<b>Six months to 31 December 2021</b>	<b>Funds M'ment</b>	<b>Investment</b>	<b>Unallocated</b>	<b>TOTAL</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	-	1,286	-	1,286
Interest revenue	-	258	-	258
Share of net profit/(loss) of investments accounted for using the equity method	(32,849)	-	-	(32,849)
Expenses other than finance, depreciation & amortisation	-	-	258,422	258,422
<b>SEGMENT RESULT</b>	<b>(32,849)</b>	<b>1,544</b>	<b>(258,422)</b>	<b>(289,727)</b>
Finance costs	-	-	(141)	(141)
<b>LOSS BEFORE INCOME TAX</b>	<b>(32,849)</b>	<b>1,544</b>	<b>(258,563)</b>	<b>(289,868)</b>
Income tax expense	-	-	-	-
<b>LOSS AFTER INCOME TAX</b>	<b>(32,849)</b>	<b>1,544</b>	<b>(258,563)</b>	<b>(289,868)</b>
Segment Assets	364,500	2,865,904	28,747	3,259,151
Segment Liabilities	-	-	34,719	34,719

<b>Six months to 31 December 2020</b>	<b>Funds M'ment</b>	<b>Investment</b>	<b>Unallocated</b>	<b>TOTAL</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	-	(127,832)	30,642	(97,190)
Interest revenue	-	18	-	18
Expenses other than finance, depreciation & amortisation	-	-	106,776	106,776
<b>SEGMENT RESULT</b>	<b>-</b>	<b>(127,814)</b>	<b>(76,134)</b>	<b>(203,948)</b>
Finance costs	-	-	(2,455)	(2,455)
<b>LOSS BEFORE INCOME TAX</b>	<b>-</b>	<b>(127,814)</b>	<b>(78,589)</b>	<b>(206,403)</b>
Income tax expense	-	-	(4,749)	(4,749)
<b>LOSS AFTER INCOME TAX</b>	<b>-</b>	<b>(127,814)</b>	<b>(83,338)</b>	<b>(211,152)</b>
Segment Assets	-	3,783,984	26,437	3,810,421
Segment Liabilities	-	-	15,382	15,382



**ARC FUNDS LIMITED AND CONTROLLED ENTITY**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

On 12 August 2021, ARC announced that it had entered into a binding agreement to acquire a 40% of the issued share capital of Merewether Capital Management Pty Ltd (MCMPL). The transaction was funded by ARC cash reserves.

**Material terms of the Merewether Capital Management Pty Ltd investment**

<b>Key Terms</b>	<b>Details</b>
<b>Equity Investment</b>	ARC has paid \$200,000 to acquire 40% of the issued share capital of Merewether Capital Management.
<b>Working Capital Facility</b>	ARC will provide Merewether Capital Management with a working capital facility of \$150,000 on a 2-year term (commencing 11 August 2021), no interest payable.  The working capital facility agreement is on short form and usual terms that the Company considers appropriate for an agreement of this nature in the circumstances.
<b>Merewether Capital Inception Fund</b>	Merewether Capital Management will be the exclusive Investment Manager of the Merewether Capital Inception Fund, a wholesale-only managed investment trust specializing in ASX-listed micro and small cap equities.
<b>Managing Director &amp; CEO - Merewether Capital Management</b>	Mr. Luke Winchester has entered into an employment agreement with Merewether Capital Management as Managing Director & CEO.
<b>Merewether Capital Management</b>	The initial directors of Merewether Capital Management are Harley Grosser (ARC Managing Director) and Luke Winchester.  The shareholders of MCMPL are ARC (40%) and the Winchester shareholder (an entity controlled by Luke Winchester (60%).  A shareholders' agreement dated 11 August 2021 between the Winchester shareholder, Luke Winchester, ARC, MCMPL regulates the conduct, control, and governance of MCMPL and the establishment of the Merewether Capital Inception Fund.  The shareholders' agreement is on terms that are customary for an agreement and contains other terms that are appropriate for an agreement in these circumstances.

**ARC FUNDS LIMITED AND CONTROLLED ENTITY  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 14. EVENTS AFTER THE REPORTING DATE**

On 3 November 2021, ARC announced that it had entered into a binding agreement to acquire a 25% of the issued share capital of Magnum Funds Management Pty Ltd. This transaction was finalised on 3rd February 2022 and was funded by ARC cash reserves.

**Material terms of the Magnum Funds Management investment**

<b>Key Terms</b>	<b>Details</b>
<b>Shareholding and Equity Investment</b>	ARC is to acquire 25% of Magnum Funds Management Pty Ltd for \$50,000. Magnum Holdings is to acquire new shares and hold 75% of Magnum Funds Management for \$150,000.
<b>Marketing and Distribution</b>	ARC has committed to investing a minimum of \$200,000 to be used in respect of marketing and distribution of the Magnum Fixed Income Fund over the initial 2 years.
<b>Investment team</b>	Magnum Holdings will also be responsible for procuring and funding the costs of the investment team up until the Magnum Fixed Income Fund surpasses \$32.5m of funds under management ( <b>FUM</b> ), at which point these costs will be borne by Magnum Funds Management.
<b>Magnum Fixed Income Fund</b>	Magnum Funds Management will be the Investment Manager of the Magnum Fixed Income Fund, an actively managed Exchange Traded Fund intended to be listed on Chi-X and available to both retail and wholesale investors.
<b>Magnum Funds Management</b>	Harley Grosser (ARC Managing Director and ARC nominee) is to be appointed to the board of Magnum Funds Management. A Security Holders agreement dated 2 <sup>nd</sup> December 2021 between ARC, Magnum Holdings and Magnum Funds Management will regulate the conduct, control and governance of Magnum Funds Management and the establishment of the Magnum Fixed Income Fund. The Security Holders agreement is on terms that are customary for an agreement in the circumstances, and includes certain 'non-compete' provisions.
<b>ARC Options</b>	In consideration for Magnum Holdings entering into the transaction, ARC has issued 1,000,000 unlisted options over fully paid ordinary shares in ARC ( <b>Options</b> ) at an exercise price of \$1.00 per share, with a 3-year expiry from meeting agreed vesting conditions.

**DIRECTORS' DECLARATION**

In the directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



James A Jackson  
Chairman

23 February 2022

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

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of ARC Funds Limited and its controlled entity (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2021, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review 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 Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Directors' Responsibility for the Half-Year Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Bentleys Brisbane (Audit) Pty Ltd  
Chartered Accountants



Ashley Carle  
Director  
Brisbane, 23 February 2022

