



# LF Investment Fund

LF Equity Income Fund

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2023



## AUTHORISED CORPORATE DIRECTOR ('ACD')

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### LINK FUND SOLUTIONS LIMITED

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Telephone: 0345 922 0044  
Email: [investorservices@linkgroup.co.uk](mailto:investorservices@linkgroup.co.uk)  
(Authorised and regulated by the Financial Conduct Authority)

## DIRECTORS OF THE ACD

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N. Boyling  
B. Hammond  
K.J. Midl  
A.G. Reid\*  
A.J. Stuart\*  
E.E. Tracey\*

\* Non-Executive Directors of the ACD

## INVESTMENT MANAGER

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### LINK FUND SOLUTIONS LIMITED

Head Office:  
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London EC2V 7NQ  
(Authorised and regulated by the Financial Conduct Authority)

## DEPOSITARY

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### NORTHERN TRUST INVESTOR SERVICES LIMITED

50 Bank Street  
Canary Wharf  
London E14 5NT  
(Authorised and regulated by the Financial Conduct Authority)

## REGISTRAR AND ADMINISTRATOR

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### NORTHERN TRUST GLOBAL SERVICES SE UK BRANCH

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## INDEPENDENT AUDITOR

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### GRANT THORNTON UK LLP

30 Finsbury Square  
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## ACD'S REPORT

for the year ended 31 March 2023

### Authorised Status

The LF Investment Fund ('the Company') is an investment company with variable capital incorporated in England and Wales with registered number IC001010 and authorised by the Financial Conduct Authority ('FCA') with effect from 7 May 2014. The Company has one sub-fund, LF Equity Income Fund ('the sub-fund' or 'the Fund'). On 18 January 2020 the Company commenced, after receiving FCA approval, its winding up process and returning capital to investors.

The Company and its sub-fund is a Undertakings for the Collective Investment in Transferable Securities ('UCITS') scheme and the base currency of the Company and its sub-fund is pounds sterling.

Shareholders are not liable for the debts of the Company. Shareholders are not liable to make any further payment to the Company after they have paid the price on purchase of the shares.

### ACD's Report

Link Fund Solutions Limited ('LFSL') in its capacity as the Authorised Corporate Director ('the ACD'), the sole director of the Company, presents its report and the Annual Financial Report and Statements of the Company for the year 1 April 2022 to 31 March 2023.

### Status of the Fund

Dealings in the shares of the Fund were suspended on 3 June 2019. The Fund has been in wind-up, by way of an orderly realisation, since January 2020. As a consequence the financial statements have been prepared on a break-up basis (see 31 March 2020 Annual report and Financial Statements for further detail).

### Orderly Realisation

It is anticipated that the sale of the remaining assets will continue, but at a pace which is commensurate with seeking to achieve the best outcome for investors. Whilst it is not possible to provide a definitive end date to the realisation process, it is hoped that the sale of the key remaining assets could now be concluded by the end of 2024.

### Valuation of the Assets

The ACD, based on the fair valuation of the assets within the Fund, publishes on its website quarterly the price of each share class of the Fund. This information can be found on our website <https://equityincome.linkfundsolutions.co.uk/> 'Investor Communications' tab of our website.

### Investor Communication

Please note that since the suspension of the sub-fund, all shareholder communications including information regarding the progress being made with the orderly realisation of the Fund's assets and up to date valuation information can be found on our website [https://equityincome.linkfundsolutions.co.uk.](https://equityincome.linkfundsolutions.co.uk/)

### Important Information

On 18 January 2020 the Company commenced, after receiving FCA approval, its winding up process and returning capital to investors. For full details of all these changes please refer to [https://equityincome.linkfundsolutions.co.uk.](https://equityincome.linkfundsolutions.co.uk/)

## ACD'S REPORT *continued*

### for the year ended 31 March 2023

#### Remuneration Policy

Link Fund Solutions Limited ('LFSL') is committed to ensuring that its remuneration policies and practices are consistent with, and promote, sound and effective risk management. LFSL's remuneration policy is designed to ensure that excessive risk taking is not encouraged by or within LFSL including in respect of the risk profile of the funds it operates, to manage the potential for conflicts of interest in relation to remuneration (having regard, inter alia, to its formal conflicts of interest policy) and to enable LFSL to achieve and maintain a sound capital base.

None of LFSL's staff receives remuneration based on the performance of any individual fund.

LFSL acts as the operator of both UK UCITS funds and Alternative Investment Funds ('AIFs').

LFSL delegates portfolio management for the funds to various investment management firms. The portfolio managers' fees and expenses for providing investment management services are paid by the ACD out of its own remuneration under the ACD agreement. The investment management firms make information on remuneration publicly available in accordance with the disclosure requirements of Pillar 3 of the Capital Requirements Directive. This disclosure is in respect of LFSL activities (including activities performed by its sister company Link Fund Administration Limited (LFAL) or by employees of that entity), and excludes activities undertaken by third party investment management firms. LFSL staff do not perform duties solely for particular funds, nor are they remunerated by reference to the performance of any individual fund. Accordingly, the information below is for LFSL as a whole. No attempt has been made to attribute remuneration to the Company itself.

Information on LFSL's remuneration arrangements is collated annually, as part of its statutory accounts preparation processes. Accordingly, the information disclosed relates to the year ended 30 June 2022, being the most recent accounting period for which accounts have been prepared by LFSL prior to the production of these accounts. As at 30 June 2022, LFSL operated 91 UK UCITS and 105 AIFs, whose respective assets under management ('AuM') were £37,814 million and £44,462 million. The Company was valued at £109 million as at that date and represented 0.13% of LFSL's total AuM and 0.29% of its UK UCITS AuM.

The disclosure below represents that required under COLL 4.5.7R (7) for funds subject to UK UCITS obligations.

2022	Number of beneficiaries	Fixed £'000	Variable £'000	Total £'000
Total amount of remuneration paid by LFSL for the financial year to 30 June 2022	183	8,711	618	9,329
Total amount of remuneration paid to members of staff whose activities have a material impact on the risk profile of the funds for the financial year to 30 June 2022				
Senior management (including all Board members)	7	878	205	1,083
Staff engaged in control functions	7	666	52	718
Risk takers and other identified staff	22	1,577	150	1,727
Any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers	-	-	-	-

## **ACD'S REPORT** *continued*

for the year ended 31 March 2023

### **Remuneration Policy** *continued*

LFSL's remuneration arrangement includes fixed salaries, contributory pension arrangements and certain other benefits, and the potential for discretionary bonuses. The amount available for payment of discretionary bonuses is dependent on satisfactory performance by LFSL, and the Link Group as a whole, rather than the performance of any individual fund. Bonuses may then be paid to staff to reflect their contribution to the LFSL's success. The precise metrics used will vary by function, but consideration is given to both qualitative and quantitative measures.

Further details can be found at:

<https://www.linkfundsolutions.co.uk/media/gjcdba2w/lfs-explanation-of-compliance-with-remuneration-code.pdf>

### **Securities Financing Transactions**

The Company has the ability to utilise Securities Financing Transactions (being transactions such as lending or borrowing of securities, repurchase or reverse repurchase transactions, buy-sell back or sell-buy back transactions, or margin lending transactions). No such transactions have been undertaken in the period covered by this report.

### **Economic Uncertainty**

The outbreak of COVID-19 in March 2020 caused significant disruption to business and economic activity, which was reflected in the fluctuations seen in the global stock markets for an extended period. However, after various national governments provided financial support and stimulus to their economies, combined with the development of effective vaccines to immunise populations, society and businesses are learning to operate in the post COVID-19 world which led to a recovery in asset prices.

In the first quarter of 2022, the geopolitical situation came into sharp focus, culminating in February 2022 with Russia's incursion into Ukraine, a position which continues to evolve. The consequences of this, combined with other factors, led to significant disruption to the global supply chains and soaring energy and commodity prices, leading to a significant increase in inflation in many countries. To curb the increase in global inflation, many nations' central banks have been increasing interest rates, a process which is expected to continue until inflation is brought under control. What is not clear at this time is whether the combination of high inflation and increasing interest rates will culminate in a global recession. With this level of uncertainty, it is reasonably foreseeable, that markets may see further periods of instability and consequently volatility in asset pricing.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Investment Fund

28 July 2023

## DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the FCA.

**N. BOYLING**

**LINK FUND SOLUTIONS LIMITED**

ACD of LF Investment Fund

*28 July 2023*



## STATEMENT OF ACD'S RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Collective Investment Schemes sourcebook published by the FCA ('the COLL Rules') requires the ACD to prepare financial statements for each annual accounting year which give a true and fair view of the financial position of the Company, comprising its sub-fund, and of the net revenue/expense and net capital gains/losses on the property of the Company's sub-fund for the year.

In preparing the financial statements the ACD is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Company and its sub-fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Company or terminate its sub-fund or to cease operations, or have no realistic alternative but to do so. For the reasons stated in the ACD's Report and Accounting Policy 1(A), the financial statements have been prepared on a break-up basis as the Company is not a going concern;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, the Prospectus and the COLL Rules.

## **STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES IN RESPECT OF THE SCHEME AND REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS OF LF INVESTMENT FUND ('THE COMPANY')**

The Depositary must ensure that the Company is managed in accordance with the FCA's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ('the AFM'), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

**STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES IN RESPECT OF THE SCHEME AND REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS OF LF INVESTMENT FUND ('THE COMPANY')** *continued*

Dealing in shares in the LF Equity Income Fund (formerly the LF Woodford Equity Income Fund) were suspended on 3 June 2019. Termination of the Fund commenced on 18 January 2020. A consequence of the commencement of termination is that the Regulations in relation to dealing, valuation and pricing, assessment of value, and investment and borrowing powers ceased to apply to the LF Equity Income Fund from this date.

**NORTHERN TRUST INVESTOR SERVICES LIMITED**

UK Trustee and Depositary Services

28 July 2023

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF INVESTMENT FUND ('THE COMPANY')

### Opinion

We have audited the financial statements of LF Investment Fund ('the Company') for the year ended 31 March 2023. These financial statements comprise the financial statements of the following sub-fund of the Company:

- LF Equity Income Fund (the 'sub-fund')

The financial statements of the sub-fund comprise the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, notes to the financial statements and the distribution tables.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Association in May 2014 as amended in June 2017, the rules of the Collective Investment Schemes sourcebook and the Company's Instrument of Incorporation.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company and the sub-fund as at 31 March 2023 and of the net revenue and the net capital gains/(losses) on the scheme property of the Company and the sub-fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Association in May 2014 as amended in June 2017, the rules of the Collective Investment Schemes sourcebook, and the Company's Instrument of Incorporation.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter – basis of accounting

We draw attention to note 1(A) 'Basis of accounting' to the financial statements of the Company, which describes the basis of preparation of the financial statements. As described in that note, due to the winding up of the Company and the termination of its sub-fund starting on 18 January 2020, the financial statements have been prepared on a break-up basis. Our opinion is not modified in respect of this matter.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Authorised Corporate Director is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF INVESTMENT FUND ('THE COMPANY')** *continued*

### **Other information** *continued*

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. 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.

### **Opinions on other matters prescribed by the Collective Investment Schemes sourcebook**

In our opinion:

- we have been given all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- the information given in the Authorised Corporate Director's Report (which comprises the information on the inside cover, the Management and Professional Service Providers' Details; on page 3, the Report of the Authorised Corporate Director; on page 15, the Report of the Investment Manager; and on page 26, the Portfolio Statement) is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Company or the sub-fund have not been kept; or
- the financial statements are not in agreement with those accounting records.

### **Responsibilities of the Authorised Corporate Director**

As explained more fully in the Statement of the ACD's Responsibilities set out on page 7, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Authorised Corporate Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the Company's and the sub-fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to terminate the sub-fund, wind up the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) will always detect a material misstatement when it exists.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF INVESTMENT FUND ('THE COMPANY')** *continued*

### **Auditor's responsibilities for the audit of the financial statements** *continued*

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 these financial statements.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management. We determined that the most significant laws and regulations were the Collective Investment Schemes Sourcebook, the Investment Association Statement of Recommended Practice (SORP) 'Financial Statements of UK Authorised Funds' and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.
- We enquired of the Authorised Corporate Director and management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the breaches register.
- In assessing the potential risks of material misstatement, we obtained an understanding of: the Company's operations, including the nature of its revenue sources, and of its objective to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement and the Company's control environment, including the policies and procedures implemented to mitigate risks of fraud or non-compliance with the relevant laws and regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risks identified included:
  - evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
  - testing journal entries, including manual journal entries processed at the year-end for financial statements preparation; and
  - challenging the assumptions and judgements made by management in its significant accounting estimates.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF INVESTMENT FUND ('THE COMPANY') *continued*

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud *continued*

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
  - knowledge of the industry in which the Company operates; and
  - understanding of the legal and regulatory frameworks applicable to the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's shareholders, as a body, in accordance with regulation 67(2) of the Open-Ended Investment Companies Regulations 2001, and with Rule 4.5.12 of the Collective Investment Schemes sourcebook. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**GRANT THORNTON UK LLP**  
**Statutory Auditor, Chartered Accountants**  
London, United Kingdom  
28 July 2023

## **LF EQUITY INCOME FUND ACD'S REPORT**

for the year ended 31 March 2023

### **Important Information**

Refer to the 'Important Information' section for the Company on page 3.

With effect from 18 January 2020, when the Fund commenced wind-up, the requirement to meet the Investment Objective and Policy of the Fund and its returns compared to the comparator benchmarks fell away.

### **Investment Objective and Policy of the Fund prior to 18 January 2020**

LF Equity Income Fund ('the Fund') had a stated aim to provide a reasonable level of income together with capital growth. This was to be achieved by investing primarily in UK listed companies. The Fund could also invest in unlisted companies and overseas entities as well as in other transferable securities, money market instruments, warrants, collective investment schemes and deposits.

The Investment Manager could also make use of derivatives for investment purposes (gaining both long and short exposure to the underlying assets) and for efficient portfolio management. Such use of derivatives did not have a significant adverse effect on the risk profile of this Fund.

### **Benchmarks**

The Fund's comparator benchmarks were the FTSE All Share Total Return Index and the IA UK All Companies Equities Sector.

The FTSE All Share Total Return Index is representative of the universe of assets in which the Fund could invest and could assist investors in evaluating the Fund's performance against UK equity returns. The Fund also used the IA UK All Companies Equity Sector as a comparator as investors could find it useful to compare the performance of the Fund with the performance of a group of the Fund's peers. The Fund was not constrained by the benchmarks and could take positions that differed significantly from the benchmarks.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Equity Income Fund

28 July 2023



## LF EQUITY INCOME FUND

### ACD'S REPORT *continued*

## INVESTMENT MANAGER'S REPORT

for the year ended 31 March 2023

Link Fund Solutions Limited ("LFSL") in its capacity as Investment Manager, has over the past twelve months, managed the LF Equity Income Fund on the basis of progressing the orderly realisation of assets thereby enabling capital distributions to be made to investors.

In last year's annual report, it was noted that Sabina had agreed a payment of €5,000,000 which was received on 25 May 2022. In the half-year report, it was stated that the Fund had made further progress in the orderly realisation process, with a partial sale in August 2022 of Nexeon, realising £3.98 million. These proceeds, when aggregated with the cash held by the Fund, enabled the fifth capital distribution to be made to investors. This payment, made on 11 November 2022, returned a further £20.0 million to investors, bringing the total returned to £2.56 billion.

In March 2023, the sale of Origin Inc was concluded for \$1,000,000 (£826,788), with payment received in April 2023. It had been expected, based on its financial position, that Origin would have had no value. Whilst this was a pleasing outcome, the position with Mafic was disappointing. Mafic advised shareholders on 4 April 2023, that the assets of the company are to be repossessed by the bank. Over recent years LF EIF, alongside other investors, has supplied limited financing with the aim of enabling Mafic to achieve either a trade sale or to have a business that would attract new investors. Despite several false dawns neither outcome has been achieved. Therefore, Mafic has determined that it can no longer continue its operations. It is anticipated that there will be no amount payable to shareholders. Mafic has been held at zero value by the Fund since the 31 December 2022.

In last year's annual report, it was noted in the Subsequent Events, that BenevolentAI had, on 25 April 2022, listed on Euronext and that a condition of the listing was that shareholders holding more than 5% (the Fund holds 6.3%) of the shares were not permitted to sell those shares for a period of six months. Since its debut on Euronext at €10.00 the price of BenevolentAI had, by 31 March 2023, declined to €2.20. The volume of shares traded since listing has been very low, with a maximum one-day volume of 3,500 shares traded, and an average daily volume of 1,950 shares since the expiration of the six-month restraint on the ability to sell the shares. The Fund holds 9,116,181 shares.

In the subsequent events section of the last annual report, it was noted that winding up orders were made against 8 companies in the Rutherford Group of companies, with the Official Receiver being appointed as Liquidator. In February 2023, Interpath, replaced the Official Receiver. The LFSL Investment Committee maintains an oversight of the liquidation process and as this process continues it will become clearer as to whether there is any potential for monies to be received by Fund along with the other junior lenders.

Nexeon, Atom Bank, Freevolt and RM2 continue to progress in line with expectations.

Whilst during the period the Fund has not had the opportunity to achieve a significant orderly realisation in respect of the remaining assets, the Fund still continues to seek exits that do not amount to a 'fire sale'.

Whilst it is not possible to provide a definitive end date to the realisation process, it is now hoped that the sale of the key remaining assets could now be concluded by the end of 2024.

### LINK FUND SOLUTIONS LIMITED

ACD of LF Equity Income Fund

28 July 2023

## **LF EQUITY INCOME FUND**

### **ACD'S REPORT** *continued*

#### **FUND INFORMATION**

for the year ended 31 March 2023

#### **Risk and Reward Profile**

As the Fund is now in the process of an orderly wind-up and returning capital to investors, the Risk and Reward Profile is no longer reported.

#### **Fund Performance**

As the Fund is now in the process of an orderly wind-up and returning capital to investors, Fund Performance is no longer reported.

## LF EQUITY INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

for the year ended 31 March 2023

#### Comparative Tables

A Sterling Accumulation shares

	01.04.22 to 31.03.23 pence per share	01.04.21 to 31.03.22 pence per share	01.04.20 to 31.03.21 pence per share
<b>CHANGE IN NET ASSETS PER SHARE</b>			
Opening net asset value per share	2.65	3.27	12.80
Return before operating charges*	(1.16)	(0.62)	(1.85)
Operating charges	–	–	(0.01)
Return after operating charges	(1.16)	(0.62)	(1.86)
Distributions <sup>1</sup>	(0.55)	–	(7.67)
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	0.94	2.65	3.27
* after direct transaction costs of: <sup>2</sup>	–	–	–
<b>PERFORMANCE</b>			
Return after charges	(43.77)%	(18.96)%	(14.53)%
<b>OTHER INFORMATION</b>			
Closing net asset value (£'000)	179	505	623
Closing number of shares	19,033,522	19,033,522	19,033,522
Operating charges	0.16%	–%	0.07%
Direct transaction costs <sup>2</sup>	–%	–%	0.01%
<b>PRICES</b>			
Highest share price	N/A	N/A	N/A
Lowest share price	N/A	N/A	N/A

<sup>1</sup> Includes capital distributions made on 26 August 2020, 11 December 2020 and 11 November 2022 as part of the Fund's winding up.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs. A negative transaction costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

## LF EQUITY INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

for the year ended 31 March 2023

#### Comparative Tables *continued*

A Sterling Income shares

	01.04.22 to 31.03.23	01.04.21 to 31.03.22	01.04.20 to 31.03.21
	pence per share	pence per share	pence per share
<b>CHANGE IN NET ASSETS PER SHARE</b>			
Opening net asset value per share	2.18	2.69	10.52
Return before operating charges*	(0.96)	(0.51)	(1.52)
Operating charges	–	–	(0.01)
Return after operating charges	(0.96)	(0.51)	(1.53)
Distributions on income shares <sup>1</sup>	(0.45)	–	(6.30)
Closing net asset value per share	0.77	2.18	2.69
* after direct transaction costs of: <sup>2</sup>	–	–	–
<b>PERFORMANCE</b>			
Return after charges	(44.04)%	(18.96)%	(14.54)%
<b>OTHER INFORMATION</b>			
Closing net asset value (£'000)	81	228	282
Closing number of shares	10,484,995	10,484,995	10,484,995
Operating charges	0.16%	–%	0.07%
Direct transaction costs <sup>2</sup>	–%	–%	0.01%
<b>PRICES</b>			
Highest share price	N/A	N/A	N/A
Lowest share price	N/A	N/A	N/A

<sup>1</sup> Includes capital distributions made on 26 August 2020, 11 December 2020 and 11 November 2022 as part of the Fund's winding up.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs. A negative transaction costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

## LF EQUITY INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

for the year ended 31 March 2023

#### Comparative Tables *continued*

C Sterling Accumulation shares

	01.04.22 to 31.03.23	01.04.21 to 31.03.22	01.04.20 to 31.03.21
	pence per share	pence per share	pence per share
<b>CHANGE IN NET ASSETS PER SHARE</b>			
Opening net asset value per share	2.69	3.32	12.97
Return before operating charges*	(1.19)	(0.63)	(1.87)
Operating charges	–	–	(0.01)
Return after operating charges	(1.19)	(0.63)	(1.88)
Distributions <sup>1</sup>	(0.55)	–	(7.77)
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	0.95	2.69	3.32
* after direct transaction costs of: <sup>2</sup>	–	–	–
<b>PERFORMANCE</b>			
Return after charges	(44.24)%	(18.98)%	(14.49)%
<b>OTHER INFORMATION</b>			
Closing net asset value (£'000)	8,314	23,470	28,967
Closing number of shares	873,672,765	873,672,765	873,672,765
Operating charges	0.16%	–%	0.07%
Direct transaction costs <sup>2</sup>	–%	–%	0.01%
<b>PRICES</b>			
Highest share price	N/A	N/A	N/A
Lowest share price	N/A	N/A	N/A

<sup>1</sup> Includes capital distributions made on 26 August 2020, 11 December 2020 and 11 November 2022 as part of the Fund's winding up.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs. A negative transaction costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

## LF EQUITY INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

for the year ended 31 March 2023

#### Comparative Tables *continued*

##### C Sterling Income shares

	01.04.22 to 31.03.23	01.04.21 to 31.03.22	01.04.20 to 31.03.21
	pence per share	pence per share	pence per share
<b>CHANGE IN NET ASSETS PER SHARE</b>			
Opening net asset value per share	2.21	2.73	10.66
Return before operating charges*	(0.98)	(0.52)	(1.53)
Operating charges	–	–	(0.01)
Return after operating charges	(0.98)	(0.52)	(1.54)
Distributions on income shares <sup>1</sup>	(0.45)	–	(6.39)
Closing net asset value per share	0.78	2.21	2.73
* after direct transaction costs of: <sup>2</sup>	–	–	–
<b>PERFORMANCE</b>			
Return after charges	(44.34)%	(19.05)%	(14.45)%
<b>OTHER INFORMATION</b>			
Closing net asset value (£'000)	3,334	9,410	11,613
Closing number of shares	425,922,649	425,922,649	425,922,649
Operating charges	0.16%	–%	0.07%
Direct transaction costs <sup>2</sup>	–%	–%	0.01%
<b>PRICES</b>			
Highest share price	N/A	N/A	N/A
Lowest share price	N/A	N/A	N/A

<sup>1</sup> Includes capital distributions made on 26 August 2020, 11 December 2020 and 11 November 2022 as part of the Fund's winding up.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs. A negative transaction costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

## LF EQUITY INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

for the year ended 31 March 2023

#### Comparative Tables *continued*

Z Sterling Accumulation shares

	01.04.22 to 31.03.23	01.04.21 to 31.03.22	01.04.20 to 31.03.21
	pence per share	pence per share	pence per share
<b>CHANGE IN NET ASSETS PER SHARE</b>			
Opening net asset value per share	2.70	3.33	13.04
Return before operating charges*	(1.18)	(0.63)	(1.89)
Operating charges	–	–	(0.01)
Return after operating charges	(1.18)	(0.63)	(1.90)
Distributions <sup>1</sup>	(0.56)	–	(7.81)
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	0.96	2.70	3.33
* after direct transaction costs of: <sup>2</sup>	–	–	–
<b>PERFORMANCE</b>			
Return after charges	(43.70)%	(18.92)%	(14.57)%
<b>OTHER INFORMATION</b>			
Closing net asset value (£'000)	15,024	42,410	52,343
Closing number of shares	1,569,816,936	1,569,816,936	1,569,816,936
Operating charges	0.16%	–%	0.07%
Direct transaction costs <sup>2</sup>	–%	–%	0.01%
<b>PRICES</b>			
	01.04.22 to 31.03.23	01.04.21 to 31.03.22	01.04.20 to 31.03.21
Highest share price	N/A	N/A	N/A
Lowest share price	N/A	N/A	N/A

<sup>1</sup> Includes capital distributions made on 26 August 2020, 11 December 2020 and 11 November 2022 as part of the Fund's winding up.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs. A negative transaction costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

## LF EQUITY INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

for the year ended 31 March 2023

#### Comparative Tables *continued*

##### Z Sterling Income shares

	01.04.22 to 31.03.23	01.04.21 to 31.03.22	01.04.20 to 31.03.21
	pence per share	pence per share	pence per share
<b>CHANGE IN NET ASSETS PER SHARE</b>			
Opening net asset value per share	2.22	2.74	10.72
Return before operating charges*	(0.97)	(0.52)	(1.55)
Operating charges	–	–	(0.01)
Return after operating charges	(0.97)	(0.52)	(1.56)
Distributions on income shares <sup>1</sup>	(0.46)	–	(6.42)
Closing net asset value per share	0.79	2.22	2.74
* after direct transaction costs of: <sup>2</sup>	–	–	–
<b>PERFORMANCE</b>			
Return after charges	(43.69)%	(18.98)%	(14.55)%
<b>OTHER INFORMATION</b>			
Closing net asset value (£'000)	7,330	20,692	25,539
Closing number of shares	931,809,232	931,809,232	931,809,232
Operating charges	0.16%	–%	0.07%
Direct transaction costs <sup>2</sup>	–%	–%	0.01%
<b>PRICES</b>			
Highest share price	N/A	N/A	N/A
Lowest share price	N/A	N/A	N/A

<sup>1</sup> Includes capital distributions made on 26 August 2020, 11 December 2020 and 11 November 2022 as part of the Fund's winding up.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs. A negative transaction costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.



## LF EQUITY INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

for the year ended 31 March 2023

#### Comparative Tables *continued*

X Sterling Accumulation shares

	01.04.22 to 31.03.23	01.04.21 to 31.03.22	01.04.20 to 31.03.21
	pence per share	pence per share	pence per share
<b>CHANGE IN NET ASSETS PER SHARE</b>			
Opening net asset value per share	2.59	3.19	12.48
Return before operating charges*	(1.14)	(0.60)	(1.80)
Operating charges	–	–	(0.01)
Return after operating charges	(1.14)	(0.60)	(1.81)
Distributions <sup>1</sup>	(0.53)	–	(7.48)
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	0.92	2.59	3.19
* after direct transaction costs of: <sup>2</sup>	–	–	–
<b>PERFORMANCE</b>			
Return after charges	(44.02)%	(18.81)%	(14.50)%
<b>OTHER INFORMATION</b>			
Closing net asset value (£'000)	149	422	521
Closing number of shares	16,314,315	16,314,315	16,314,315
Operating charges	0.16%	–%	0.07%
Direct transaction costs <sup>2</sup>	–%	–%	0.01%
<b>PRICES</b>			
Highest share price	N/A	N/A	N/A
Lowest share price	N/A	N/A	N/A

<sup>1</sup> Includes capital distributions made on 26 August 2020, 11 December 2020 and 11 November 2022 as part of the Fund's winding up.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs. A negative transaction costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

## LF EQUITY INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

for the year ended 31 March 2023

#### Comparative Tables *continued*

X Sterling Income shares

	01.04.22 to 31.03.23	01.04.21 to 31.03.22	01.04.20 to 31.03.21
	pence per share	pence per share	pence per share
<b>CHANGE IN NET ASSETS PER SHARE</b>			
Opening net asset value per share	2.13	2.62	10.26
Return before operating charges*	(0.94)	(0.49)	(1.48)
Operating charges	–	–	(0.01)
Return after operating charges	(0.94)	(0.49)	(1.49)
Distributions on income shares <sup>1</sup>	(0.44)	–	(6.15)
Closing net asset value per share	0.75	2.13	2.62
* after direct transaction costs of: <sup>2</sup>	–	–	–
<b>PERFORMANCE</b>			
Return after charges	(44.13)%	(18.70)%	(14.52)%
<b>OTHER INFORMATION</b>			
Closing net asset value (£'000)	14	40	49
Closing number of shares	1,883,152	1,883,152	1,883,152
Operating charges	0.16%	–%	0.07%
Direct transaction costs <sup>2</sup>	–%	–%	0.01%
<b>PRICES</b>			
Highest share price	N/A	N/A	N/A
Lowest share price	N/A	N/A	N/A

<sup>1</sup> Includes capital distributions made on 26 August 2020, 11 December 2020 and 11 November 2022 as part of the Fund's winding up.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs. A negative transaction costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

## LF EQUITY INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

for the year ended 31 March 2023

#### Comparative Tables *continued*

F Sterling Accumulation shares<sup>1</sup>

	01.04.22 to 31.03.23	01.04.21 to 31.03.22	01.04.20 to 31.03.21
	pence per share	pence per share	pence per share
<b>CHANGE IN NET ASSETS PER SHARE</b>			
Opening net asset value per share	2.12	2.62	10.25
Return before operating charges*	(0.93)	(0.50)	(1.48)
Operating charges	–	–	(0.01)
Return after operating charges	(0.93)	(0.50)	(1.49)
Distributions <sup>2</sup>	(0.44)	–	(6.14)
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	0.75	2.12	2.62
* after direct transaction costs of: <sup>3</sup>	–	–	–
<b>PERFORMANCE</b>			
Return after charges	(43.87)%	(19.08)%	(14.54)%
<b>OTHER INFORMATION</b>			
Closing net asset value (£'000)	33	93	115
Closing number of shares	4,381,590	4,381,590	4,381,590
Operating charges	0.16%	–%	0.07%
Direct transaction costs <sup>3</sup>	–%	–%	0.01%
<b>PRICES</b>			
Highest share price	N/A	N/A	N/A
Lowest share price	N/A	N/A	N/A

<sup>1</sup> This class is only available for investment by the Woodford Feeder Fund (Ireland) and the Group Self Invested Pension Plan of the Investment Manager.

<sup>2</sup> Includes capital distributions made on 26 August 2020, 11 December 2020 and 11 November 2022 as part of the Fund's winding up.

<sup>3</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs. A negative transaction costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

## LF EQUITY INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 March 2023

Portfolio weightings show as at 31 March 2023 are based on the net asset value of £34,458,000. Comparative weights are based on the 31 March 2022 net asset value of £97,270,000.

Holding	Portfolio of investments	Value £'000	31.03.23 %
	UNITED KINGDOM – 89.26% (31.03.22 – 79.04%)		
	TECHNOLOGY – 0.49% (31.03.22 – 0.03%)		
8,131,847	Freevolt Technologies <sup>1</sup>	170	0.49
	HEALTH CARE – 27.57% (31.03.22 – 49.17%)		
9,116,181	BenevolentAI <sup>1</sup>	9,500	27.57
57,027,018	Rutherford Health <sup>1,2</sup>	–	–
	1 Rutherford Health Preferred <sup>1,2</sup>	–	–
	1 Rutherford Health Second Loan <sup>1,2</sup>	–	–
		9,500	27.57
	FINANCIALS – 16.78% (31.03.22 – 7.66%)		
11,802,229	Atom Bank <sup>1</sup>	5,783	16.78
	INDUSTRIALS – 44.42% (31.03.22 – 22.18%)		
138,009	Nexeon <sup>1</sup>	15,304	44.42
	TOTAL UNITED KINGDOM	30,757	89.26
	IRELAND – 9.99% (31.03.22 – 15.65%)		
3,442,512	BlackRock ICS Sterling Liquidity Fund <sup>3</sup>	3,443	9.99
	CONTINENTAL EUROPE – 0.00% (31.03.22 – 0.39%)		
	LUXEMBOURG – 0.00% (31.03.22 – 0.39%)		
	NORTH AMERICA – 1.53% (31.03.22 – 1.10%)		
	BRITISH VIRGIN ISLANDS – 0.00% (31.03.22 – 0.00%)		
76,157,453	HaloSource <sup>1</sup>	–	–
67,436,226	HaloSource Reg S <sup>1</sup>	–	–
		–	–
	UNITED STATES – 1.53% (31.03.22 – 1.10%)		
799,424	Mafic <sup>1,2</sup>	–	–
100,000	Mafic Convertible Loan <sup>1,2</sup>	–	–

## LF EQUITY INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 March 2023

Holding	Portfolio of investments	Value £'000	31.03.23 %
1,000,000	Mafic Convertible Series 1 <sup>1,2</sup>	–	–
226,737	Mafic Convertible Series 2 <sup>1,2</sup>	–	–
1,142	Mafic Warrants <sup>1,2</sup>	–	–
12,500	Origin 1 A Series B Preferred <sup>1</sup>	–	–
9	Origin Warrants <sup>1</sup>	–	–
797,630	RM2 International <sup>1</sup>	526	1.53
		<u>526</u>	<u>1.53</u>
	Portfolio of investments	34,726	100.78
	Net other liabilities	<u>(268)</u>	<u>(0.78)</u>
	Net assets	<u>34,458</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are ordinary shares listed on a regulated market unless stated otherwise.

<sup>1</sup> Unquoted security.

<sup>2</sup> In liquidation.

<sup>3</sup> Collective Investment Scheme.

**LF EQUITY INCOME FUND**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF TOTAL RETURN**

for the year ended 31 March 2023

	Notes	£'000	31.03.23 £'000	£'000	31.03.22 £'000
Income					
Net capital losses	3		(42,879)		(22,795)
Revenue	4	207		8	
Expenses	5	(138)		12	
Interest payable and similar charges	7	(1)		(7)	
Net revenue before taxation		68		13	
Taxation	6	–		–	
Net revenue after taxation			68		13
Total return before distributions			(42,811)		(22,782)
Distributions	8		(206)		(2)
Change in net assets attributable to shareholders from investment activities			(43,017)		(22,784)

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**

for the year ended 31 March 2023

	£'000	31.03.23 £'000	£'000	31.03.22 £'000
Opening net assets attributable to shareholders		97,270		120,052
Change in net assets attributable to shareholders from investment activities		(43,017)		(22,784)
De-minimis reinvestment		206		2
Capital distribution <sup>1</sup>		(20,001)		–
Closing net assets attributable to shareholders		34,458		97,270

<sup>1</sup> As part of the Fund's winding up, capital distribution was made on 11 November 2022.

**LF EQUITY INCOME FUND**  
**FINANCIAL STATEMENTS** *continued*  
**BALANCE SHEET**  
as at 31 March 2023

	Notes	31.03.23 £'000	31.03.22 £'000
<b>ASSETS</b>			
Current assets			
Investments	1(A)	34,726	93,550
Debtors	9	–	4,227
Cash and bank balances	10	<u>20</u>	<u>75</u>
<b>Total assets</b>		<u>34,746</u>	<u>97,852</u>
<b>LIABILITIES</b>			
Creditors			
Other creditors	11	<u>(288)</u>	<u>(582)</u>
<b>Total liabilities</b>		<u>(288)</u>	<u>(582)</u>
<b>Net assets attributable to shareholders</b>		<u>34,458</u>	<u>97,270</u>

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 1. Accounting Policies

The principal accounting policies, which have been applied in the current and prior year, are set out below.

#### (A) BASIS OF ACCOUNTING

The financial statements have been prepared under the break-up basis, as modified by the revaluation of investments and in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice ('SORP') for Financial Statements of UK Authorised Funds issued by the Investment Association ('IA') in May 2014, as amended.

Due to the winding up of the Company and the termination of its sub-fund starting on 18 January 2020, the financial statements have been prepared on a break-up basis. Under this basis assets have been recorded at their net realisable value and all currently known liabilities payable by the Fund have been recorded at their expected settlement value. No other adjustments were necessary except for reclassifying fixed assets as current assets.

#### (B) RECOGNITION OF REVENUE

Revenue from quoted equities and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend.

Overseas revenue received after the deduction of withholding tax is shown gross of taxation, with the taxation consequences shown within the taxation charge.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment in the scheme and does not form part of the distributable revenue.

Revenue from unquoted equity investments is recognised when the dividend is declared.

Revenue on debt securities is accounted for on an effective yield basis.

Interest on bank and other cash deposits is recognised on an accruals basis.

All other revenue is recognised on an accruals basis.

#### (C) TREATMENT OF EXPENSES

All expenses, except for those relating to the purchase and sale of investments are charged initially against revenue.

#### (D) ALLOCATION OF REVENUE AND EXPENSES TO MULTIPLE SHARE CLASSES

Any revenue or expense not directly attributable to a particular share class will normally be allocated pro-rata to the net assets of the relevant share classes unless a different allocation method is more appropriate.

All share classes are ranked pari passu and have no particular rights or terms attached, including rights on winding up.

#### (E) TAXATION

Corporation tax is provided at 20% on taxable revenue, after deduction of allowable expenses.

Where overseas tax has been deducted from overseas revenue that tax can, in some instances, be set off against the corporation tax payable by way of double tax relief and where this is the case the offset is reflected in the tax charge.



## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 1. Accounting Policies *continued*

##### (E) TAXATION *continued*

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

##### (F) VALUATION OF INVESTMENTS

The valuation of assets as at 31 March 2023 can be categorised into two groupings:

1. Quoted assets; and
2. Unquoted assets

In determining the valuation of the assets within each group the below should be read in conjunction with Note 1 (G) Significant Judgement and Estimations.

**Quoted assets** are valued by reference to the closing exchange bid price on 31 March 2023 (being the last business day of the financial period). If there is no active market, or the level of market activity is not considered to be representative of what would be an active market relative to the shares in issue for any asset, it will be treated, for valuation purposes, as an Unquoted asset.

**Unquoted assets** are valued in accordance with the Unquoted valuation process described below.

**Unquoted valuation process** - Investments in the shares of companies that are not quoted on any Stock Exchange (unquoted investments) continue to be a significant portion of the Fund's assets. Such investments are valued in accordance with the ACD's Fair Value Policy. In order to determine the net realisable value of the Unquoted assets held by the Fund, the ACD is required to exercise significant judgment, based on certain information and assumptions about the relevant companies. Whilst there is a robust and consistent valuation process undertaken by the ACD, it is recognised that there is a significant element of uncertainty as regards the estimated net realisable value of each Unquoted asset. For example, as part of estimating the net realisable value of an asset, the ACD assumes that the relevant company will continue to perform in line with their stated business plan and projections. However, should the company fail to perform in accordance with their business plan and projections, this could result in a material difference between the net realisable value price at which the asset is held and the price at which the asset can be sold to a third party.

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 1. Accounting Policies *continued*

##### (F) VALUATION OF INVESTMENTS *continued*

The ACD does not believe that the decision to wind-up the Fund had, in itself, a material impact on the business and operations of the Fund's investee companies, and, therefore, the fair valuation of those companies. However, the successful disposals since the commencement of the winding up of the Fund and the indications of interest received in relation to the remaining Unquoted investments indicate that in order to conclude the realisation process in an orderly and efficient manner, the ACD may be required to sell certain of the Unquoted assets at a price which is less than the price at which those assets have been held previously. Therefore, the ACD has decided to apply a liquidity adjustment to the net realisable value price of the Fund's remaining assets. In determining the relevant adjustment, the ACD has taken account of the price and terms of any offers made by third parties for that asset, and has carefully considered the need to balance maximising the returns to investors against ensuring that the winding up process can be completed in an appropriate time frame. In line with the ACD's Fair Value Policy for reviewing investment valuations, the assumptions and estimates made in determining the net realisable value of each unquoted investment are considered at least every six months, or sooner if there is a triggering event. Examples of triggering events are: (i) the failure of a drug under development to meet an anticipated outcome of its trial; (ii) under performance of a company against tangible development milestones; or (iii) where the company seeks additional funding. The ACD's Fair Value Pricing Committee will determine and document the net realisable value of each investee company utilising an independent valuation assessment completed by IHSMarkit from publicly available information and information supplied by the investee companies, along with any valuation adjustment it may determine as appropriate (including an estimate to recognise the limited liquidity available in the market and the fact that the accounts of the Fund are prepared on a net realisable basis, see Note 1(A)).

The ACD's estimations of net realisable value are considered on an ongoing basis, including with regard to the impact of events in the wider market. Appropriate care is taken to consider the nature and inherent uncertainties of market events and their impact on the net realisable value of Unquoted assets. A specific example of this was the consideration given by the ACD in March 2020 and onwards, to the International Private Equity and Venture Capital ('IPEV') Special Valuation Guidelines ('SVG') issued on 31 March 2020 which set out, given the magnitude of the COVID-19 pandemic and the significant uncertainty this created, information asset valuers may consider when applying the International Private Equity and Venture Capital Valuation Guidelines ('the Guidelines'). The Guidelines were revised in December 2022 and became effective from 1 January 2023 and were adopted at that time by the ACD. The key enhancements in the revised Guidelines is the incorporation of the matters considered in the SVG, clarification that fair value is based on known and knowable information on the measurement date, clarity with respect to price of a recent investment, and clarity with respect to multiples and metrics.

In determining the net realisable value of the unquoted investments, the ACD has adhered to the principles set out below (which are consistent with the Guidelines). The following factors may be considered in determining the net realisable value of an asset:

- i. the price of a recent investment, whilst an indicator of net realisable value, is not a default that would preclude re-estimating the valuation at the valuation date. However, if the price of recent investment is determined to be net realisable value then it is used to calibrate inputs to the valuation model(s); or
- ii. where a value is indicated by a recent material arms-length transaction by an independent third party in the shares of a company, and after it is established that this is net realisable value then this value will be used, unless the rights attributable to the shares impact the overall capital structure and rights of existing investors; or

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 1. Accounting Policies *continued*

##### (F) VALUATION OF INVESTMENTS *continued*

- iii. in the absence of (i) and (ii), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to an earnings multiple basis or, if appropriate, other valuation models such as:
  - a. Probability-weighted expected return method (PWERM), which considers on a probability weighted basis the future outcomes for the investment;
  - b. Option priced modelling (OPM) is used to value early stage companies where outcomes are uncertain;
  - c. Adjusted recent transaction prices (which consider the company's performance against key milestones and the complexity of the capital structure) are also used; or
  - d. Discounted cash flow model which values a business based on estimates of future cash-flows with an appropriate discount rate.
- iv. if the investment is in a fund then the valuation will be based on the Net Asset Value of the fund (which is invariably comprised of early-stage unquoted investments), or on an adjusted basis to recognise the underlying performance of the investments.

Where models are used in valuing an investment, significant judgements are made in estimating the various inputs into the models and recognising the sensitivity of such estimates, especially in early-stage pre-revenue enterprises. Examples of the factors where significant judgement is made include, but are not limited to – the probability assigned to the relative success or failure of an enterprise; the probable future outcome paths; discount rates; growth rates; terminal value; selection of appropriate market comparable companies, the reliability of future revenue and growth forecasts and the likely exit scenarios for the investee company, for example, IPO or trade sale. In making judgements in regard to the probability of an investee outcome, it must be noted that due to the nature of the investee company's activity, its future outcome may, to a greater or lesser extent, be binary, for example, if an investee company is developing one particular drug and that fails its required trials then the outcome may be terminal for that enterprise. It should be noted that the most significant events that will drive valuation change in investee companies are company-specific events that would give rise to a valuation inflexion point (known also as a 'triggering event'). An example of a material inflexion point in a bio-pharma company would be the successful completion of a drug trial or its approval by a regulatory authority.

These valuation methods may lead to a company being valued on a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified when compared to the market sector (which the investment would reside in were it listed) including, inter alia, a lack of marketability).

At 31 March 2023, 90.79% (31 March 2022: 80.52%) of the NAV is valued as unquoted assets, of which 100% (31 March 2022: 100.00%) is valued in accordance with the Unquoted valuation process.

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 1. Accounting Policies *continued*

##### (G) SIGNIFICANT JUDGEMENTS, ESTIMATIONS AND UNCERTAINTY

###### Judgement

The ACD has considered that in preparing the accounts, and, in its judgement, the application of the Fair Valuation Policy is a significant accounting policy that has a significant effect on the amounts recognised in the accounts and in particular the values ascribed to the held investments.

###### Estimations

In applying the Fair Value Policy a number of estimations are made when determining the net realisable value of each investment.

Where a Quoted asset is listed on an exchange and there is no active market in that asset and/or the market price is not considered reliable, then it is treated as an Unquoted asset for valuation purposes.

In respect of Unquoted assets, the significant estimations in determining the fair valuation are:

- i. the ACD does not believe that the decision to wind-up the Fund had, in itself, a material impact on the business and operations of the Fund's investee companies, and, therefore, the fair valuation of those companies.
- ii. the determination of the initial net realisable value makes certain estimations on each investee company, namely
  - a. progress or not against its business plan and the probability of success or failure;
  - b. the reliability of future financial projections and the determination of appropriate discount rates; growth rates and terminal value to be applied; and
  - c. the application of an appropriate pricing model.
- iii. the initial net realisable value is, for certain Unquoted assets, then adjusted to recognise a liquidity adjustment. The liquidity adjustment is based on an estimation derived from:
  - a. the price at which disposals of unquoted companies have been made compared to the initial net realisable value;
  - b. the price at which expressions of interest have been received from interested third parties and their substance; and
  - c. the price at which the ACD is willing to sell at, whilst maintaining investor value and the efficiency of the orderly realisation process;

##### (H) EXCHANGE RATES

The base and functional currency of the Fund is pounds sterling. Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing as at close of business on 19 July 2023.

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 1. Accounting Policies *continued*

##### (I) DILUTION ADJUSTMENTS

The ACD, prior to the Fund's suspension, may have required a dilution adjustment on the purchase and redemption of shares if, in its opinion, the existing shareholders (for purchases) or remaining shareholders (for redemptions) might otherwise be adversely affected. For example, the dilution adjustment may be charged in the following circumstances: where the Fund is expanding or contracting; where the Fund is experiencing a large net subscription position or a large net redemption position relative to its size on any Dealing Day; and in any case where the ACD is of the opinion that the interests of shareholders requires the imposition of a dilution adjustment.

The ACD reserved the right to make a dilution adjustment every Dealing Day. The dilution adjustment is calculated using the estimated dealing costs of the Fund's underlying investments and taking into consideration any dealing spreads, commission and transfer taxes.

##### (J) DIRECT TRANSACTION COSTS

Direct transaction costs may consist of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The average portfolio dealing spread is the difference between the bid and offer prices of investments at the balance sheet date, including the effect of foreign exchange expressed as a percentage of the value determined by reference to the offer price.

#### 2. Distribution Policies

Surplus revenue after expenses and taxation, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to shareholders. Any deficit of revenue is deducted from capital.

Interim distributions may be made at the ACD's discretion and the balance of revenue is distributed in accordance with the COLL Sourcebook.

All expenses are transferred to capital for distribution purposes in line with the Fund's investment objective. This will increase the amount of revenue available for distribution; however, will erode capital and may constrain capital growth.

In calculating the amount of distribution, tax relief on expenses charged to capital is applied and transferred between the revenue and capital property of the Fund. In calculating how much tax relief should be allocated, revenue expenses are matched first against taxable income arising in revenue, and tax deductible capital expenses are matched first against taxable income arising in capital.

The ordinary element of stock dividends is treated as revenue and forms part of the distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

On the 17 January 2020 the ACD announced the payment of a special revenue distribution, payable on the 17 March 2020. This special revenue distribution represented the income earned by the Fund in the period from 1 January 2020 to 17 January 2020.

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 2. Distribution Policies *continued*

Revenue received post that distribution has, in agreement with the Depositary, been deemed to be effectively deminimis in the hands of the ultimate investor in the Fund, and that such revenue is now treated as capital. It is expected that this treatment will apply to all future revenue received by the Fund.

Distributions which have remained unclaimed by shareholders for over six years are credited to the capital property of the Fund.

#### 3. Net Capital Losses

The net capital losses during the current or prior year comprise:

	31.03.23 £'000	31.03.22 £'000
Non-derivative securities <sup>1</sup>	(47,118)	(22,779)
Currency gains/(losses) <sup>2</sup>	4,239	(16)
Net capital losses	(42,879)	(22,795)

<sup>1</sup> Including realised losses of £45,964,854 (31.03.22: £23,524,292 losses) and unrealised losses of £187,108,362 (31.03.22: £185,955,976 losses).

<sup>2</sup> Including realised gains of £4,238,712 (31.03.22: £15,966 losses).

#### 4. Revenue

	31.03.23 £'000	31.03.22 £'000
Bank interest	3	–
Offshore CIS interest revenue	204	8
Total revenue	207	8

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 5. Expenses

	31.03.23 £'000	31.03.22 £'000
Other expenses:		
Audit fees <sup>1</sup>	138	–
Legal fees	–	(12)
Total expenses	<u>138</u>	<u>(12)</u>

Fee payable to the auditor for the audit of the Company's financial statements for the year ended 31 March 2023 is £78,000 (£65,000 + VAT) (31.03.22: £90,000 (£75,000 + VAT)).

<sup>1</sup> This amount includes audit provision for the year ended 31 March 2024. See Accounting Policies note 1 (A).

#### 6. Taxation

	31.03.23 £'000	31.03.22 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Total taxation (note 6b)	<u>–</u>	<u>–</u>

b) Factors affecting the tax charge for the current or prior year.

The tax assessed for the period differs from the standard rate of corporation tax in the UK for an authorised fund (20%). The difference is explained below:

	31.03.23 £'000	31.03.22 £'000
Net revenue before tax	<u>68</u>	<u>13</u>
Corporation tax at 20%	14	3
Effects of:		
Utilised excess management expenses	(14)	(3)
Non-taxable dividends	–	–
Total tax charge (note 6a)	<u>–</u>	<u>–</u>

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 6. Taxation *continued*

##### c) Deferred tax

At the year end, there is a potential deferred tax asset of £31,657,000 (31.03.22: £31,671,000) in relation to unutilised management expenses and £43,000 (31.03.22: £43,000) in relation to unutilised non trade loan relationships. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

#### 7. Interest Payable and Similar Charges

	31.03.23 £'000	31.03.22 £'000
Interest	1	7
Interest payable and similar charges	1	7

#### 8. Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the redemption of shares and comprise:

	31.03.23 £'000	31.03.22 £'000
De-minimis Distribution reinvested <sup>1</sup>	206	2
	206	2
Add: Revenue deducted on redemption of shares	–	–
Deduct: Revenue received on shares issued	–	–
Net distribution for the year	206	2

Details of the distributions per share are set out in the Distribution Table on page 47.

	31.03.23 '000	31.03.22 '000
Distributions represented by:		
Net revenue after taxation	68	13
Add: Expenses charged to capital	138	(11)
Deduct: Revenue brought forward	–	–
Net distribution for the year	206	2

<sup>1</sup> The remaining revenue will be paid out to investors in future capital distributions.



## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 9. Debtors

	31.03.23 £'000	31.03.22 £'000
Sales awaiting settlement	–	4,227
Total debtors	–	4,227

#### 10. Cash and Bank Balances

	31.03.23 £'000	31.03.22 £'000
Bank balances	20	75
Total cash and bank balances	20	75

#### 11. Other Creditors

	31.03.23 £'000	31.03.22 £'000
Other expenses:		
Audit fees	156	108
Legal fees	132	474
Total other creditors	288	582

#### 12. Related Party Transactions

Annual Management Charge payable to Link Fund Solutions Limited ('the ACD') is disclosed in note 5 and amounts due at the year end are disclosed in note 11.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 28. There were no amounts receivable through issue of shares at the year end or prior. There were no amounts payable through redemption of shares at the year end.

A shareholder may be able to exercise significant influence over the financial and operating policies of the Fund and as such is deemed to be a related party. At the balance sheet date, the following shareholder held in excess of 20% of the shares in issue of the Fund:

Hargreaves Lansdown Asset Management Limited	29.73% (31.03.22: 29.86%)
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#### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.03.22: nil).

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 14. Contingent Assets

There are no contingent assets or unrecorded outstanding commitments (31.03.22: nil).

#### 15. Shares in Issue

	A Sterling Accumulation shares	A Sterling Income Shares	C Sterling Accumulation shares	C Sterling Income Shares
Annual Management Charge	1.00%	1.00%	0.75%	0.75%
Opening shares in issue	19,033,522	10,484,995	873,672,765	425,922,649
Issues	–	–	–	–
Redemptions	–	–	–	–
Closing shares in issue	19,033,522	10,484,995	873,672,765	425,922,649

	Z Sterling Accumulation Shares	Z Sterling Income Shares	X Sterling Accumulation Shares	X Sterling Income Shares
Annual Management Charge	0.65%	0.65%	1.50%	1.50%
Opening shares in issue	1,569,816,936	931,809,232	16,314,315	1,883,152
Issues	–	–	–	–
Redemptions	–	–	–	–
Closing shares in issue	1,569,816,936	931,809,232	16,314,315	1,883,152

	F Sterling Accumulation Shares
Annual Management Charge	0.00%
Opening shares in issue	4,381,590
Issues	–
Redemptions	–
Closing shares in issue	4,381,590

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 16. Risk Management Policies

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for Efficient Portfolio Management (including hedging) and Investment Purposes.

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives.

##### (A) CREDIT RISK

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Investment Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

##### (B) INTEREST RATE RISK

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes may expose the Fund to indirect interest rate risk to the extent that they may invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

As the Fund seeks to obtain its return from investing mainly in equities and has no significant exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

##### (C) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the Sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than Sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the Sterling equivalent value. Forward currency contracts are employed by the Investment Manager, where deemed appropriate, to mitigate the foreign exchange risk. Subsequent to the commencement of the wind-up of the fund, forward currency contracts are no longer employed by the Investment Manager.

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 16. Risk Management Policies *continued*

##### (C) FOREIGN CURRENCY RISK *continued*

The table below shows the direct foreign currency risk profile:

31.03.23 Currency	Forward Contracts £'000	Non Monetary exposures £'000	Monetary exposures £'000	Total £'000
Euro	–	9,500	–	9,500
Sterling	–	24,933	(269)	24,664
US Dollar	–	293	1	294
	–	34,726	(268)	34,458

31.03.22 Currency	Forward Contracts £'000	Non Monetary exposures £'000	Monetary exposures £'000	Total £'000
Euro	–	–	4,263	4,263
Sterling	–	92,482	(543)	91,939
US Dollar	–	1,068	–	1,068
	–	93,550	3,720	97,270

A 5% change in the pounds sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £490,000 on the net assets of the Fund (31.03.22: £267,000).

##### (D) LIQUIDITY RISK

The main liability of the Fund is the repayment of capital to investors from the sale of the remaining investments within the Fund, which will be sold as and when the opportunity arises. As the sales process is being undertaken on an orderly realisation basis, the sale of the Fund's remaining assets is dependent on establishing a credible buyer and then balancing the need to achieve a fair value for those assets and the desire to return shareholders capital (through Capital Distributions) within a reasonable time horizon. When there is sufficient capital realised, from those sales and after allowing for required current and future expenses, further capital distributions will be made to investors. It is anticipated that the final capital distribution will not be made until mid-2023.

All financial liabilities are payable in one year or less, or on demand.

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 16. Risk Management Policies *continued*

##### (E) MARKET PRICE RISK

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £1,736,000 (31.03.22: £4,677,000). A 5% decrease would have an equal and opposite effect.

##### (F) FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their net realisable value.

##### (G) DERIVATIVE RISK

There were no derivatives held by the Fund during the current or prior year.

##### (H) LEVERAGE

The Fund did not employ any significant leverage in the current or prior year.

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 17. Portfolio Transaction Costs

31.03.23	Purchase/ Sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	750	–	–	750
Purchases total	750	–	–	750
Transaction cost % of purchases total		–	–	
Transaction cost % of average NAV		–	–	
Ordinary shares	4,813	(4)	–	4,809
Sales total	4,813	(4)	–	4,809
Transaction cost % of sales total		0.08	–	
Transaction cost % of average NAV		–	–	

In addition to the above, BlackRock ICS Sterling Liquidity Fund purchases and sales totaling £9,555,000 and £21,337,000 (31.03.22: £6,354,000 and £2,000,000) were made in short term investment during the year.

31.03.22	Purchase/ Sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	2,432	–	–	2,432
Purchases total	2,432	–	–	2,432
Transaction cost % of purchases total		–	–	
Transaction cost % of average NAV		–	–	
Ordinary shares	4,091	–	–	4,091
Sales total	4,091	–	–	4,091
Transaction cost % of sales total		–	–	
Transaction cost % of average NAV		–	–	

Average portfolio dealing spread at 31 March 2023 is nil (31.03.22: nil).

**LF EQUITY INCOME FUND****FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 March 2023

**18. Fair Value Hierarchy**

Investments are categorised into the following levels based on their fair value measurement:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within Level 1;

**Level 3:** Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>31.03.23</b>				
Investment assets	–	3,443	31,283	34,726
	–	3,443	31,283	34,726

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>31.03.22</b>				
Investment assets	–	15,225	78,325	93,550
	–	15,225	78,325	93,550

**19. Subsequent Events**

On 5 April 2023, BenevolentAI announced the top-line Phase IIa results for its topical pan-Trk inhibitor BEN-2293 (1% in mild-to-moderate atopic dermatitis). Whilst it successfully met primary endpoint with BEN-2293 found to be safe and well tolerated, its secondary efficacy endpoints, to reduce itch and inflammation, were not achieved. This was a significant setback for the development of the company. On 25 May 2023, BenevolentAI unveiled its strategic plan to position the Company for a new era in AI. The new strategic plan seeks to maximise the impact of BenevolentAI's innovative technology platform for commercial deployment through new revenue-generating products, collaborations and partnerships; prioritises the Company's most advanced and high-potential clinical and pre-clinical assets, progressing them to their value inflection points; reduces spending and frees up £45 million of net cash to increase the Company's financial flexibility, extending the cash runway to at least July 2025 (without accounting for any new revenue); and aligns organisational structure to the new strategic direction. Following this announcement the share price continued its downward trajectory, and on the 19 July 2023 the share price was €1.20.

## LF EQUITY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2023

#### 19. Subsequent Events *continued*

On 20 April 2023, Link Group announced the sale of the Fund Solutions Business ('FS Business') and that certain subsidiaries of Link Group, including Link Fund Solutions Limited ('LFSL'), entered into sale agreements with entities within the Waystone Group pursuant to which Link Group companies have agreed to sell to the Waystone Group: (i) the business and certain assets of LFSL; (ii) the business and certain assets of Link Fund Manager Solutions (Ireland) Limited (LFMS(I)L); and (iii) the entire issued share capital of certain other subsidiaries of Link Group, which together with the business of LFSL and LFMS(I)L comprise the FS Business (other than its Luxembourg and Swiss entities), but excluding Woodford related liabilities and, subject to normalised working capital adjustments, on a debt and cash free basis. The Sale is conditional on various matters, including receipt of certain regulatory approvals, notices and consents from the FCA and the Central Bank of Ireland, anti-trust approval from the Competition and Consumer Protection Commission of Ireland and no in-depth investigation of the Sale by the UK Competition and Markets Authority. It is possible that Irish foreign investment approval may also be needed depending on whether a foreign investment regime is introduced in Ireland before completion of the Sale and the parties agree a filing is required. The Sale is also conditional on contracts representing a significant majority of revenue in respect of LFSL's ACD business and LFMS(I)L's business being transferred to the Waystone Group and consent having been received from certain third parties in respect of the transfer of their business to the Waystone Group. The Waystone Group, LFSL and LFMS(I)L have agreed to work to achieve those and other conditions. The Sale is not contingent on the Scheme or the Settlement becoming unconditional. The sale is targeted to complete by October 2023.

Since the balance sheet date, the price of each of the Fund's share class has moved as follows:

Share Class	31.03.23	25.07.23	% Movement
A Sterling Accumulation shares	1.17	0.95	(18.80)
A Sterling Income shares	0.96	0.78	(18.75)
C Sterling Accumulation shares	1.19	0.96	(19.33)
C Sterling Income shares	0.98	0.79	(19.39)
Z Sterling Accumulation shares	1.19	0.97	(18.49)
Z Sterling Income shares	0.98	0.79	(19.39)
X Sterling Accumulation shares	1.14	0.92	(19.30)
X Sterling Income shares	0.94	0.76	(19.15)
F Sterling Accumulation shares	0.94	0.76	(19.15)

The decrease in the prices is primarily due to unfavourable market conditions. These accounts were approved on 28 July 2023.



**LF EQUITY INCOME FUND**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLES**  
for the year ended 31 March 2023

There were no income distributions in the current or prior year.

## GENERAL INFORMATION

### Share Capital

The minimum share capital of the Company is £1 and the maximum is £100,000,000,000.

### Structure of the Company

The Company is structured as an umbrella Company, in that different sub-funds may be established from time to time by the ACD with the approval of the FCA and the agreement of the Depositary.

The assets of each sub-fund will be treated as separate from those of every other sub-fund and will be invested in accordance with the investment objective and investment policy applicable to that sub-fund.

It is not the intention of the ACD to launch any further sub-funds.

On 18 January 2020, the Financial Conduct Authority granted permission to wind-up the Company and its sub-fund.

### Buying and Selling Shares

As the Company is being wound up on an orderly realisation basis dealing instructions are currently not being accepted.

### Other Information

The Instrument of Incorporation, Prospectus, Key Investor Information Documents and the most recent interim and annual reports may be inspected at the office of the ACD which is also the Head Office. Copies of these may be obtained upon application and, excepting the Instrument of Incorporation, can be found on the ACD's website, [www.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk).

Shareholders who have any complaints about the operation of the Fund should contact the Administrator in writing. In the event that a shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR.

### Data Protection Act

Shareholders who do not want to receive such details should write to the ACD requesting their removal from any such mailing list. Shareholders' names will be added to a mailing list which may be used by the ACD, its associates or third parties to inform investors of other products by sending details of such products.

### Risk Warning

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not necessarily a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

# LINKGroup



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