

Lincoln Funds

Annual report

For the year ended 30 June 2023

This financial report covers the following Lincoln Funds:

Lincoln Australian Growth Fund

ARSN 111 734 279

Lincoln Australian Income Fund

ARSN 155 355 301

Lincoln Funds

Annual report

For the year ended 30 June 2023

Contents

Directors' report
Auditor's independence declaration
Statements of comprehensive income
Statements of financial position
Statements of changes in equity
Statements of cash flows
Notes to the financial statements
Directors' declaration
Independent auditor's report to the unit holders of Lincoln Funds

This annual report covers the following Funds as individual entities:

Lincoln Australian Growth Fund
Lincoln Australian Income Fund

The Responsible Entity of the Lincoln Funds is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:
Level 1, 575 Bourke Street
Melbourne, VIC 3000.

Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of The Lincoln Funds (the "Funds"), present their report together with the financial statements of the Funds for the year ended 30 June 2023:

Lincoln Australian Growth Fund

Lincoln Australian Income Fund

The Funds are collectively known as "The Lincoln Funds."

Principal activities

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the respective Fund's current Product Disclosure Statement and its Constitution.

The Funds did not have any employees during the year.

There were no significant changes in the nature of the Funds' activities during the year.

The various service providers for the Funds are detailed below:

| Service | Provider |
|-----------------------------|----------------------------|
| Responsible Entity | Equity Trustees Limited |
| Investment Manager | Lincoln Indicators Pty Ltd |
| Custodian and Administrator | JPMorgan Chase Bank, N.A. |
| Statutory Auditor | Deloitte Touche Tohmatsu |

Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the year and up to the date of this report:

| | |
|-------------------|--------------------------|
| Philip D Gentry | Chairman |
| Michael J O'Brien | |
| Russell W Beasley | |
| Mary A O'Connor | |
| David B Warren | (appointed 6 March 2023) |

Review and results of operations

During the year, the Funds continued to invest their funds in accordance with the Funds' Product Disclosure Statement and the provisions of the Funds' Constitution.

The Funds' performance is calculated based on the percentage change in the Redemption Price in the each of the Funds over the period (With any distributions paid during the period reinvested). Returns are disclosed after fees and expenses but before taxes.

The Funds' performance and the Funds' benchmark returns for the year ended 30 June 2023 were as follows:

| Fund Name | Benchmark | Return (net of fees) | Benchmark return |
|--|--|---------------------------------|-------------------------|
| Lincoln Wholesale Australian Growth Fund | All Ordinaries Accumulation Index | 17.78% | 14.75% |
| Lincoln Retail Australian Growth Fund | All Ordinaries Accumulation Index | 16.98% | 14.75% |
| Lincoln Wholesale Australian Income Fund | S&P/ASX 200 Accumulation Index (Grossed up for franking credits) | 14.12% | 16.61% |
| Lincoln Retail Australian Income Fund | S&P/ASX 200 Accumulation Index (Grossed up for franking credits) | 13.23% | 16.61% |

Directors' report (continued)

Review and results of operations (continued)

The performance of each Fund, as represented by the results of their operations, was as follows:

| | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
|---|---|-------------------------|---|-------------------------|
| | Year ended | | Year ended | |
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| Profit/(loss) before finance costs attributable to unit holders for the year (\$'000) | 43,272 | (85,686) | 45,576 | (51,541) |
| Distributions - Wholesale class | | | | |
| Distributions paid and payable (\$'000) | 5,862 | 25,547 | 27,908 | 31,662 |
| Distributions (cents per unit) | 3.4123 | 15.451 | 6.5993 | 7.944 |
| Distributions - Retail class | | | | |
| Distributions paid and payable (\$'000) | 268 | 1,555 | 1,703 | 2,027 |
| Distributions (cents per unit) | 1.7076 | 10.083 | 6.1469 | 7.456 |

Significant changes in the state of affairs

David B Warren was appointed as a director of Equity Trustees Limited on 6 March 2023.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Funds that occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may have a significant effect on:

- (i) the operations of the Funds in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Funds in future financial years.

Likely developments and expected results of operations

The Funds will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Funds' Constitution.

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Funds in regards to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Funds' Constitution and the Law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds.

Indemnification of auditor

The auditor of the Funds is in no way indemnified out of the assets of the Funds.

Directors' report (continued)

Fees paid and interests held in the Funds by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Funds' property during the year are disclosed in Note 13 to the financial statements.

No fees were paid out of Funds' property to the directors of the Responsible Entity during the year.

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial year are also disclosed in Note 13 to the financial statements.

Interests in the Funds

The movement in units on issue in the Funds during the year is disclosed in Note 6 to the financial statements.

The value of the Funds' assets and liabilities is disclosed in the statements of financial position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

The operations of the Funds are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Financial statements presentation

The Funds are entities of the kind referred to by *ASIC Corporations (related Scheme Reports) Instrument 2015/839* and in accordance with that Instrument, Funds with a common Responsible Entity (or related Responsible Entities) can include their financial statements in adjacent columns in a single set of financial reports.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry
Chairman

Melbourne
21 September 2023

21 September 2023

The Board of Directors
Equity Trustees Limited
Level 1, 575 Bourke Street
MELBOURNE VIC 3000

Dear Board Members,

Independence Declaration – Lincoln Funds

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Equity Trustees Limited, the Responsible Entity, regarding the financial reports of Lincoln Australian Growth Fund and Lincoln Australian Income Fund (collectively the “Lincoln Funds” or the “Funds”).

As lead audit partner for the audits of the financial statements of the Funds for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Jonathon Corbett
Partner
Chartered Accountants

Statements of comprehensive income

| | Note | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
|---|------|--------------------------------|-----------------|--------------------------------|-----------------|
| | | Year ended | | Year ended | |
| | | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Investment income | | | | | |
| Interest income from financial assets at fair value through profit or loss | | - | - | 1,581 | - |
| Interest income from financial assets at amortised cost | | 157 | - | 137 | - |
| Dividend income | | 8,025 | 8,183 | 24,222 | 29,042 |
| Distribution income | | - | - | 2,859 | 4,628 |
| Net foreign exchange gain/(loss) | | - | (1) | - | - |
| Net gains/(losses) on financial instruments at fair value through profit or loss | | 37,810 | (89,959) | 21,781 | (79,972) |
| Other income | | - | 81 | - | 81 |
| Total investment income/(loss) | | 45,992 | (81,696) | 50,580 | (46,221) |
| Expenses | | | | | |
| Management fees and costs | 13 | 2,194 | 2,758 | 4,269 | 4,622 |
| Transaction costs | | 520 | 1,218 | 726 | 684 |
| Other expenses | | 6 | 14 | 9 | 14 |
| Total expenses | | 2,720 | 3,990 | 5,004 | 5,320 |
| Profit/(loss) before finance costs attributable to unit holders for the year | | 43,272 | (85,686) | 45,576 | (51,541) |
| Finance costs attributable to unit holders | | | | | |
| Distributions to unit holders | 7 | (6,130) | (27,102) | (29,611) | (33,689) |
| (Increase)/decrease in net assets attributable to unit holders | 6 | (37,142) | 112,788 | (15,965) | 85,230 |
| Profit/(loss) for the year | | - | - | - | - |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | - | - | - | - |

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Statements of financial position

| | Note | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
|--|------|--------------------------------|----------------|--------------------------------|----------------|
| | | As at | | As at | |
| | | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | |
| Cash and cash equivalents | 8 | 69,243 | 4,706 | 15,494 | 10,839 |
| Receivables | 10 | 830 | 1,787 | 4,868 | 3,689 |
| Financial assets at fair value through profit or loss | 5 | 200,130 | 247,961 | 405,772 | 394,062 |
| Total assets | | <u>270,203</u> | <u>254,454</u> | <u>426,134</u> | <u>408,590</u> |
| Liabilities | | | | | |
| Distributions payable | 7 | 1,774 | 23,807 | 4,600 | 6,203 |
| Payables | 11 | 515 | 329 | 597 | 819 |
| Total liabilities (excluding net assets attributable to unit holders) | | <u>2,289</u> | <u>24,136</u> | <u>5,197</u> | <u>7,022</u> |
| Net assets attributable to unit holders - liability | 6 | <u>267,914</u> | <u>230,318</u> | <u>420,937</u> | <u>401,568</u> |

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of changes in equity

| | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
|--|---|------------------------------------|---|------------------------------------|
| | Year ended | | Year ended | |
| | 30 June 2023 \$'000 | 30 June 2022 \$'000 | 30 June 2023 \$'000 | 30 June 2022 \$'000 |
| Total equity at the beginning of the financial year | - | - | - | - |
| Profit/(loss) for the year | - | - | - | - |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Transactions with owners in their capacity as owners | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total equity at the end of the financial year* | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

* Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the financial year.

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows

| | Note | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
|---|------|--------------------------------|-----------------|--------------------------------|-----------------|
| | | Year ended | | Year ended | |
| | | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash flows from operating activities | | | | | |
| Proceeds from sale of financial instruments at fair value through profit or loss | | 233,120 | 611,579 | 314,109 | 237,683 |
| Payments for purchase of financial instruments at fair value through profit or loss | | (147,479) | (644,504) | (304,038) | (314,968) |
| Transaction costs paid | | (521) | (1,218) | (726) | (684) |
| Interest income from financial assets at fair value through profit or loss | | - | - | 605 | - |
| Interest income from financial assets at amortised cost | | 157 | - | 137 | - |
| Dividends and distributions received | | 8,166 | 7,735 | 27,709 | 34,252 |
| Other income received | | 839 | 411 | 85 | - |
| Management fees and costs paid | | (2,176) | (2,835) | (4,239) | (4,663) |
| Other expenses paid | | (1) | (627) | (8) | (16) |
| Net cash inflow/(outflow) from operating activities | 9(a) | 92,105 | (29,459) | 33,634 | (48,396) |
| Cash flows from financing activities | | | | | |
| Proceeds from applications by unit holders | | 10,678 | 25,616 | 27,444 | 84,455 |
| Payments for redemptions by unit holders | | (29,253) | (35,142) | (35,614) | (49,558) |
| Distributions paid to unit holders | | (8,994) | (1,845) | (20,809) | (20,623) |
| Net cash inflow/(outflow) from financing activities | | (27,569) | (11,371) | (28,979) | 14,274 |
| Net increase/(decrease) in cash and cash equivalents | | 64,536 | (40,830) | 4,655 | (34,122) |
| Cash and cash equivalents at the beginning of the year | | 4,706 | 45,537 | 10,839 | 44,961 |
| Effects of foreign currency exchange rate changes on cash and cash equivalents | | 1 | (1) | - | - |
| Cash and cash equivalents at the end of the year | 8 | 69,243 | 4,706 | 15,494 | 10,839 |
| Non-cash operating and financing activities | 9(b) | 19,169 | 3,924 | 10,405 | 10,993 |

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Contents

1. General information
2. Summary of significant accounting policies
3. Financial risk management
4. Fair value measurement
5. Financial assets at fair value through profit or loss
6. Net assets attributable to unit holders - liability
7. Distributions to unit holders
8. Cash and cash equivalents
9. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities
10. Receivables
11. Payables
12. Remuneration of auditors
13. Related party transactions
14. Events occurring after the reporting period
15. Contingent assets and liabilities and commitments

1. General information

These financial statements cover the below Funds (the "Funds") as individual entities. The Funds are Australian registered managed investment schemes which were constituted on the dates mentioned below and will terminate in accordance with the provisions of the Funds' Constitution or by Law.

| | |
|--------------------------------|-----------------|
| Lincoln Australian Growth Fund | 8 November 2004 |
| Lincoln Australian Income Fund | 25 January 2012 |

The Responsible Entity of the Funds is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the respective Funds' current Product Disclosure Statement and its Constitution.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Funds are for-profit entities for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The statements of financial position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

The Funds manage financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount that cannot be determined as at reporting date.

In the case of net assets attributable to unit holders' the units are redeemable on demand at the unit holders' option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Funds also comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Funds

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(iii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Funds.

2. Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

- Financial assets

The Funds classify its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Funds classify its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Funds' portfolio of financial assets are managed and their performance is evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Funds' policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities, derivatives and unit trusts, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds' business objective. Consequently, the debt securities are measured at fair value through profit or loss.

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows. The contractual terms of these assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (redemptions payable, management fees and costs payable and other payables).

(ii) Recognition and derecognition

The Funds recognise financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Funds have transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

(iii) Measurement

- Financial instruments at fair value through profit or loss

At initial recognition, the Funds measure a financial asset and a financial liability at its fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in the statements of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statements of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

For further details on how the fair value of financial instruments is determined please see Note 4 to the financial statements.

2. Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement (continued)

- Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents and receivables are carried at amortised cost.

(iv) Impairment

At each reporting date, the Funds shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents, due from brokers and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The expected credit loss (ECL) approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Funds expect to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The amount of the impairment loss is recognised in the statements of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statements of comprehensive income.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Funds have a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statements of financial position.

(c) Net assets attributable to unit holders

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders.

The units are classified as financial liabilities as the Funds are required to distribute their distributable income in accordance with the Funds' Constitution.

The units can be put back to the Funds' at any time for cash based on the redemption price, which is equal to a proportionate share of the Funds' net asset value attributable to the unit holders.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Funds.

(d) Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represents the Funds' main income generating activity.

2. Summary of significant accounting policies (continued)

(e) Investment income

(i) Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Funds estimate cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

(ii) Dividends and distributions

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statements of comprehensive income.

Trust distributions are recognised on an entitlements basis.

(f) Expenses

All expenses are recognised in the statements of comprehensive income on an accruals basis.

Management fees and costs covers certain ordinary expenses such as Responsible Entity fees, investment management fees, custodian fees, and administration and audit fees and other operating expense.

(g) Income tax

Under current legislation, the Funds are not subject to income tax provided it distributes the entirety of its taxable income to its unit holders on present entitlement basis.

The Funds currently incur withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statements of comprehensive income. Withholding taxes are included in the statements of comprehensive income as an expense.

(h) Distributions

The Funds distribute their distributable income, in accordance with the Funds' Constitution, to the unit holders by cash or reinvestment. The distributions are recognised in the statements of comprehensive income as finance costs attributable to the unit holders.

(i) Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. As the Funds' units are classified as financial liabilities, movements in net assets attributable to unit holders are recognised in the statements of comprehensive income as finance costs.

2. Summary of significant accounting policies (continued)

(j) Foreign currency translation

(i) Functional and presentation currency

Balances included in the Funds' financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Funds' compete for funds and is regulated. The Australian dollar is also the Funds' presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The Funds do not isolate that portion of unrealised gains or losses on financial instruments at fair value through profit or loss which is due to changes in foreign exchange rates. Such fluctuations are included in the net gains/(losses) on financial instruments at fair value through profit or loss.

(k) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and is recognised initially at fair value and subsequently measured at amortised cost.

(l) Receivables

Receivables may include amounts for interest, dividends and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

(m) Payables

Payables include liabilities and accrued expenses owed by the Funds which are unpaid as at the end of the reporting period.

A separate distribution payable is recognised in the statements of financial position.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

(n) Applications and redemptions

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of units redeemed.

(o) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as management, administration and custodian services, where applicable, have been passed on to the Funds. The Funds qualify for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statements of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statements of financial position. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

2. Summary of significant accounting policies (continued)

(p) Use of estimates and judgements

The Funds make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations, require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Funds estimate that the resultant expected credit loss (ECL) derived from using impairment model, has not materially impacted the Funds. Please see Note 3 for more information on credit risk.

For more information on how fair value is calculated refer to Note 4 to the financial statements.

(q) Rounding of amounts

The Funds are entities of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

(r) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Financial risk management

The Funds' activities expose them to a variety of financial risks including market risk (which incorporates price risk and interest rate risk), credit risk and liquidity risk.

The Funds' overall risk management programme focuses on ensuring compliance with the Funds' Product Disclosure Statement and the investment guidelines of the Funds. They also seek to maximise the returns derived for the level of risk to which the Funds are exposed and seek to minimise potential adverse effects on the Funds' financial performance. The Funds' policy allows them to use derivative financial instruments in managing their financial risks.

All investments present a risk of loss of capital. The maximum loss of capital on long equity and debt securities is limited to the fair value of those positions.

The investments of the Funds, and associated risks, are managed by a specialist Investment Manager, Lincoln Indicators Pty Ltd, under an Investment Management Agreement ('IMA') approved by the Responsible Entity and containing the investment strategy and guidelines of the Funds, consistent with those stated in the Product Disclosure Statement.

The Funds use different methods to measure different types of risk to which they are exposed. These methods are explained below.

(a) Market risk

(i) Price risk

The Funds are exposed to price risk on equity securities listed or quoted on recognised securities exchanges and debt securities measured at fair value. Price risk arises from investments held by the Funds for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

Price risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy, and within approved limits. Price risk analysis is conducted regularly on a total portfolio basis.

3. Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

The table at Note 3(b) summarises the sensitivities of the Funds assets and liabilities to price risk. The analysis is based on the reasonably possible shift that the investment portfolio in which the Funds invest moves by +/-20% (2022: +/-20%).

(ii) Interest rate risk

The Funds are exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Funds to fair value interest rate risk.

The Funds' interest bearing financial instruments expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. The impact of the interest rate risk on profit and net assets attributable to unit holders is considered immaterial to the Funds.

The table below summarises the Funds' exposure to interest rate risk at the end of the reporting period.

Lincoln Australian Growth Fund

| | Floating interest rate \$'000 | Fixed interest rate \$'000 | Non-interest bearing \$'000 | Total \$'000 |
|---|-------------------------------------|----------------------------------|-----------------------------------|-----------------|
| As at 30 June 2023 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 69,243 | - | - | 69,243 |
| Receivables | - | - | 830 | 830 |
| Financial assets at fair value through profit or loss | - | - | 200,130 | 200,130 |
| Total financial assets | 69,243 | - | 200,960 | 270,203 |
| Financial liabilities | | | | |
| Distributions payable | - | - | 1,774 | 1,774 |
| Payables | - | - | 515 | 515 |
| Total financial liabilities | - | - | 2,289 | 2,289 |
| Net exposure | 69,243 | - | 198,671 | 267,914 |
| As at 30 June 2022 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 4,706 | - | - | 4,706 |
| Receivables | - | - | 1,787 | 1,787 |
| Financial assets at fair value through profit or loss | - | - | 247,961 | 247,961 |
| Total financial assets | 4,706 | - | 249,748 | 254,454 |
| Financial liabilities | | | | |
| Distributions payable | - | - | 23,807 | 23,807 |
| Payables | - | - | 329 | 329 |
| Total financial liabilities | - | - | 24,136 | 24,136 |
| Net exposure | 4,706 | - | 225,612 | 230,318 |

3. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Lincoln Australian Income Fund

| | Floating interest rate \$'000 | Fixed interest rate \$'000 | Non-interest bearing \$'000 | Total \$'000 |
|---|-------------------------------------|----------------------------------|-----------------------------------|-----------------|
| As at 30 June 2023 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 15,494 | - | - | 15,494 |
| Receivables | - | - | 4,868 | 4,868 |
| Financial assets at fair value through profit or loss | <u>94,098</u> | <u>4,940</u> | <u>306,734</u> | <u>405,772</u> |
| Total financial assets | <u>109,592</u> | <u>4,940</u> | <u>311,602</u> | <u>426,134</u> |
| Financial liabilities | | | | |
| Distributions payable | - | - | 4,600 | 4,600 |
| Payables | - | - | <u>597</u> | <u>597</u> |
| Total financial liabilities | <u>-</u> | <u>-</u> | <u>5,197</u> | <u>5,197</u> |
| Net exposure | <u>109,592</u> | <u>4,940</u> | <u>306,405</u> | <u>420,937</u> |
| As at 30 June 2022 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 10,839 | - | - | 10,839 |
| Receivables | - | - | 3,689 | 3,689 |
| Financial assets at fair value through profit or loss | <u>-</u> | <u>-</u> | <u>394,062</u> | <u>394,062</u> |
| Total financial assets | <u>10,839</u> | <u>-</u> | <u>397,751</u> | <u>408,590</u> |
| Financial liabilities | | | | |
| Distributions payable | - | - | 6,203 | 6,203 |
| Payables | - | - | <u>819</u> | <u>819</u> |
| Total financial liabilities | <u>-</u> | <u>-</u> | <u>7,022</u> | <u>7,022</u> |
| Net exposure | <u>10,839</u> | <u>-</u> | <u>390,729</u> | <u>401,568</u> |

The table at Note 3(b) summarises the impact of an increase/decrease of interest rates on the Funds' operating profit and net assets attributable to unit holders through changes in fair value of changes in future cash flows. The analysis is based on the reasonably possible shift that the interest rates changed by +/- 300 basis points (2022: +/- 300 basis points) from the year end rates with all other variables held constant.

3. Financial risk management (continued)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Funds' operating profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Funds' investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Funds invest. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

| Impact on operating profit/net assets attributable to unit holders | | | | |
|---|---------------------------------------|-----------------|---------------------------------------|-----------------|
| | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
| Price risk | +20% | -20% | +20% | -20% |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| As at 30 June 2023 | 40,026 | (40,026) | 61,347 | (61,347) |
| | +20% | -20% | +20% | -20% |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| As at 30 June 2022 | 49,592 | (49,592) | 78,812 | (78,812) |

| Impact on operating profit/net assets attributable to unit holders | | | | |
|---|---------------------------------------|----------------|---------------------------------------|----------------|
| | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
| Interest rate risk | +300bps | -300bps | +300bps | -300bps |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| As at 30 June 2023 | 2,077 | (2,077) | 3,288 | (3,288) |
| | +300bps | -300bps | +300bps | -300bps |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| As at 30 June 2022 | 141 | (141) | 325 | (325) |

(c) Credit risk

The Funds are exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Funds.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in debt securities. The Fund is also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due to from brokers and other receivables.

The Funds determine credit risk and measure expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2023 and 30 June 2022, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher and are either callable on demand or due to be settled within 1 week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds.

3. Financial risk management (continued)

(c) Credit risk (continued)

| Rating | Lincoln Australian Income Fund | |
|--------------|--------------------------------|---------------------------|
| | 30 June 2023 \$'000 | 30 June 2022 \$'000 |
| BBB+ | 56,018 | - |
| BBB | 23,786 | - |
| BBB- | <u>19,234</u> | <u>-</u> |
| Total | <u>99,038</u> | <u>-</u> |

(d) Liquidity risk

Liquidity risk is the risk that the Funds may not be able to generate sufficient cash resources to settle their obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Exposure to liquidity risk for the Funds may arise from the requirement to meet daily unit holder redemption requests, margin calls on derivative transactions.

Liquidity risk is managed by investing the majority of its assets in investments that are traded in an active market and can be readily disposed of.

In order to manage the Funds' overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders. The Funds did not reject or withhold any redemptions during 2023 and 2022.

(i) Maturities of non-derivative financial liabilities

All non-derivative financial liabilities of the Funds in the current period have maturities of less than 1 month .

4. Fair value measurement

The Funds measure and recognise financial assets and liabilities at fair value through profit or loss on a recurring basis.

- Financial assets at fair value through profit or loss (see Note 5)

The Funds have no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Funds value their investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of their investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

4. Fair value measurement (continued)

(a) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Funds is the current bid price; the quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

(c) Recognised fair value measurements

The table below presents the Funds' financial assets and liabilities measured and recognised at fair value as at 30 June 2023.

Lincoln Australian Growth Fund

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|-------------------------------|-------------------|-------------------|-------------------|-----------------|
| As at 30 June 2023 | | | | |
| Financial assets | | | | |
| Listed equity securities | <u>200,130</u> | - | - | <u>200,130</u> |
| Total financial assets | <u>200,130</u> | - | - | <u>200,130</u> |

As at 30 June 2022

| | | | | |
|--------------------------|----------------|---|---|----------------|
| Financial assets | | | | |
| Listed equity securities | <u>247,961</u> | - | - | <u>247,961</u> |
| Total financial assets | <u>247,961</u> | - | - | <u>247,961</u> |

Lincoln Australian Income Fund

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|-------------------------------|-------------------|-------------------|-------------------|-----------------|
| As at 30 June 2023 | | | | |
| Financial assets | | | | |
| Listed equity securities | 260,039 | - | - | 260,039 |
| Listed unit trusts | 46,695 | - | - | 46,695 |
| Interest bearing securities | - | <u>99,038</u> | - | <u>99,038</u> |
| Total financial assets | <u>306,734</u> | <u>99,038</u> | - | <u>405,772</u> |

4. Fair value measurement (continued)

(c) Recognised fair value measurements (continued)

Lincoln Australian Income Fund

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--------------------------|-------------------|-------------------|-------------------|-----------------|
| As at 30 June 2022 | | | | |
| Financial assets | | | | |
| Listed equity securities | 319,453 | - | - | 319,453 |
| Listed unit trusts | <u>74,609</u> | <u>-</u> | <u>-</u> | <u>74,609</u> |
| Total financial assets | <u>394,062</u> | <u>-</u> | <u>-</u> | <u>394,062</u> |

(d) Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

(e) Financial instruments not carried at fair value

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

Net assets attributable to unit holders' carrying value differ from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior year.

The financial instruments not measured at FVTPL include:

- i. Cash and cash equivalents and receivables/payables under sale and repurchase agreements. These are short-term financial assets and financial liabilities whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties; and
- ii. Net assets attributable to unit holders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value.

5. Financial assets at fair value through profit or loss

| | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
|--|-----------------------------------|---------------------------|-----------------------------------|---------------------------|
| | As at | | As at | |
| | 30 June 2023 \$'000 | 30 June 2022 \$'000 | 30 June 2023 \$'000 | 30 June 2022 \$'000 |
| Listed equity securities | 200,130 | 247,961 | 260,039 | 319,453 |
| Interest bearing securities | - | - | 99,038 | - |
| Listed unit trusts | <u>-</u> | <u>-</u> | <u>46,695</u> | <u>74,609</u> |
| Total financial assets at fair value through profit or loss | <u>200,130</u> | <u>247,961</u> | <u>405,772</u> | <u>394,062</u> |

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and Note 4 to the financial statements.

6. Net assets attributable to unit holders - liability

The Funds' units are classified as a liability as they do not meet the definition of a financial liability to be classified as equity.

Movements in the number of units and net assets attributable to unit holders during the year were as follows:

Lincoln Australian Growth Fund

| | Year ended | | Year ended | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 30 June 2023 | 30 June 2023 | 30 June 2022 | 30 June 2022 |
| | Units '000 | \$'000 | Units '000 | \$'000 |
| Wholesale class | | | | |
| Opening balance | 165,001 | 216,080 | 168,485 | 328,120 |
| Applications | 6,480 | 9,563 | 11,973 | 21,866 |
| Redemptions | (18,474) | (27,343) | (17,597) | (32,342) |
| Reinvestment of distributions | 13,565 | 18,023 | 1,903 | 3,767 |
| Increase/(decrease) in net assets attributable to unit holders | - | 34,758 | - | (105,737) |
| Transfer in/(out) | 394 | 594 | 237 | 406 |
| Closing balance | 166,966 | 251,675 | 165,001 | 216,080 |
| Retail class | | | | |
| Opening balance | 15,381 | 14,238 | 15,542 | 21,402 |
| Applications | 1,075 | 1,138 | 2,188 | 2,940 |
| Redemptions | (1,953) | (2,073) | (2,102) | (2,804) |
| Reinvestment of distributions | 1,217 | 1,146 | 112 | 157 |
| Increase/(decrease) in net assets attributable to unit holders | - | 2,384 | - | (7,051) |
| Transfer in/(out) | (556) | (594) | (359) | (406) |
| Closing balance | 15,164 | 16,239 | 15,381 | 14,238 |
| Closing balance | | 267,914 | | 230,318 |

6. Net assets attributable to unit holders - liability (continued)

Lincoln Australian Income Fund

| | Year ended | | Year ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 30 June 2023 | 30 June 2023 | 30 June 2022 | 30 June 2022 |
| | Units '000 | \$'000 | Units '000 | \$'000 |
| Wholesale class | | | | |
| Opening balance | 416,964 | 378,297 | 376,346 | 413,863 |
| Applications | 27,615 | 26,314 | 64,567 | 69,820 |
| Redemptions | (34,690) | (33,154) | (34,316) | (36,763) |
| Reinvestment of distributions | 10,735 | 9,798 | 9,375 | 10,347 |
| Increase/(decrease) in net assets attributable to unit holders | - | 15,185 | - | (80,024) |
| Transfer in/(out) | <u>1,501</u> | <u>1,444</u> | <u>992</u> | <u>1,054</u> |
| Closing balance | <u>422,125</u> | <u>397,884</u> | <u>416,964</u> | <u>378,297</u> |
| Retail class | | | | |
| Opening balance | 27,432 | 23,271 | 27,006 | 28,000 |
| Applications | 2,285 | 2,046 | 4,515 | 4,609 |
| Redemptions | (2,469) | (2,207) | (3,655) | (3,724) |
| Reinvestment of distributions | 713 | 607 | 622 | 646 |
| Increase/(decrease) in net assets attributable to unit holders | - | 780 | - | (5,206) |
| Transfer in/(out) | <u>(1,612)</u> | <u>(1,444)</u> | <u>(1,056)</u> | <u>(1,054)</u> |
| Closing balance | <u>26,349</u> | <u>23,053</u> | <u>27,432</u> | <u>23,271</u> |
| Closing balance | | <u>420,937</u> | | <u>401,568</u> |

As stipulated within the Funds' Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Funds.

There are two separate classes of units. Each unit within the same class has the same rights as with all other units within that class. Except for different management fee rates, the two classes have the same rights.

Units are redeemed on demand at the unit holders' option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Capital risk management

The Funds consider their net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Funds are subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders.

7. Distributions to unit holders

The distributions declared during the year were as follows:

Lincoln Australian Growth Fund

| | Year ended 30 June 2023 | | Year ended 30 June 2022 | |
|----------------------------|-------------------------------|---------------|-------------------------------|---------------|
| | \$'000 | CPU | \$'000 | CPU |
| Wholesale class | | | | |
| December | 4,145 | 2.3837 | 3,155 | 1.880 |
| June (payable) | <u>1,717</u> | <u>1.0286</u> | <u>22,392</u> | <u>13.571</u> |
| | <u>5,862</u> | <u>3.4123</u> | <u>25,547</u> | <u>15.451</u> |
| Retail class | | | | |
| December | 211 | 1.3320 | 140 | 0.881 |
| June (payable) | <u>57</u> | <u>0.3756</u> | <u>1,415</u> | <u>9.202</u> |
| | <u>268</u> | <u>1.7076</u> | <u>1,555</u> | <u>10.083</u> |
| Total distributions | <u>6,130</u> | | <u>27,102</u> | |

Lincoln Australian Income Fund

| | Year ended 30 June 2023 | | Year ended 30 June 2022 | |
|----------------------------|-------------------------------|---------------|-------------------------------|--------------|
| | \$'000 | CPU | \$'000 | CPU |
| Wholesale class | | | | |
| September | 9,149 | 2.1823 | 7,197 | 1.898 |
| December | 7,603 | 1.7846 | 6,413 | 1.640 |
| March | 6,808 | 1.6024 | 12,209 | 3.005 |
| June (payable) | <u>4,348</u> | <u>1.0300</u> | <u>5,843</u> | <u>1.401</u> |
| | <u>27,908</u> | <u>6.5993</u> | <u>31,662</u> | <u>7.944</u> |
| Retail class | | | | |
| September | 573 | 2.0375 | 482 | 1.787 |
| December | 468 | 1.6629 | 418 | 1.541 |
| March | 410 | 1.4904 | 767 | 2.817 |
| June (payable) | <u>252</u> | <u>0.9561</u> | <u>360</u> | <u>1.311</u> |
| | <u>1,703</u> | <u>6.1469</u> | <u>2,027</u> | <u>7.456</u> |
| Total distributions | <u>29,611</u> | | <u>33,689</u> | |

8. Cash and cash equivalents

Lincoln Australian Growth Fund

| | As at | |
|--|----------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | \$'000 | \$'000 |
| Cash at bank | <u>69,243</u> | <u>4,706</u> |
| Total cash and cash equivalents | <u>69,243</u> | <u>4,706</u> |

Lincoln Australian Income Fund

| | As at | |
|--|----------------------|----------------------|
| | 30 June 2023 | 30 June 2022 |
| | \$'000 | \$'000 |
| Cash at bank | <u>15,494</u> | <u>10,839</u> |
| Total cash and cash equivalents | <u>15,494</u> | <u>10,839</u> |

9. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

| | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
|--|-----------------------------------|------------------------|-----------------------------------|------------------------|
| | Year ended | | Year ended | |
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities | | | | |
| Increase/(decrease) in net assets attributable to unit holders | 37,142 | (112,788) | 15,965 | (85,230) |
| Distributions to unit holders | 6,130 | 27,102 | 29,611 | 33,689 |
| Proceeds from sale of financial instruments at fair value through profit or loss | 233,120 | 611,579 | 314,109 | 237,683 |
| Payments for purchase of financial instruments at fair value through profit or loss | (147,479) | (644,504) | (304,038) | (314,968) |
| Net foreign exchange (gain)/loss | - | 1 | - | - |
| Net (gains)/losses on financial instruments at fair value through profit or loss | (37,810) | 89,959 | (21,781) | 79,972 |
| Net change in receivables and other assets | 980 | (118) | (263) | 493 |
| Net change in payables | <u>22</u> | <u>(690)</u> | <u>31</u> | <u>(35)</u> |
| Net cash inflow/(outflow) from operating activities | <u>92,105</u> | <u>(29,459)</u> | <u>33,634</u> | <u>(48,396)</u> |
| (b) Non-cash operating and financing activities | | | | |
| The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plans | <u>19,169</u> | <u>3,924</u> | <u>10,405</u> | <u>10,993</u> |
| Total non-cash operating and financing activities | <u>19,169</u> | <u>3,924</u> | <u>10,405</u> | <u>10,993</u> |

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

10. Receivables

| | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
|--------------------------|-----------------------------------|-----------------|-----------------------------------|-----------------|
| | As at | | As at | |
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Applications receivable | 55 | 32 | 1,512 | 596 |
| Interest receivable | - | - | 976 | - |
| Dividends receivable | 537 | 685 | 1,307 | 1,770 |
| Distributions receivable | - | - | 839 | 1,004 |
| Tax reclaim receivable | 88 | 81 | 4 | 4 |
| GST receivable | 150 | 989 | 230 | 315 |
| Total receivables | 830 | 1,787 | 4,868 | 3,689 |

11. Payables

| | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
|-----------------------------------|-----------------------------------|-----------------|-----------------------------------|-----------------|
| | As at | | As at | |
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Management fees and costs payable | 273 | 255 | 487 | 457 |
| Redemptions payable | 202 | 39 | 74 | 327 |
| Other payables | 40 | 35 | 36 | 35 |
| Total payables | 515 | 329 | 597 | 819 |

12. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditors of the Funds:

| | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
|---|-----------------------------------|-----------------|-----------------------------------|-----------------|
| | Year ended | | Year ended | |
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$ | \$ | \$ | \$ |
| Deloitte Touche Tohmatsu | | | | |
| <i>Audit and other assurance services</i> | | | | |
| Audit and review of the financial statements | 19,462 | 17,422 | 18,901 | 16,781 |
| Total auditor remuneration and other assurance services | 19,462 | 17,422 | 18,901 | 16,781 |
| <i>Taxation services</i> | | | | |
| Tax compliance services | 12,150 | 9,354 | 12,150 | 9,354 |
| Total remuneration for taxation services | 12,150 | 9,354 | 12,150 | 9,354 |
| Total remuneration of Deloitte Touche Tohmatsu | 31,612 | 26,776 | 31,051 | 26,135 |

12. Remuneration of auditors (continued)

| | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
|---|--------------------------------|--------------|--------------------------------|--------------|
| | Year ended | | Year ended | |
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$ | \$ | \$ | \$ |
| PricewaterhouseCoopers | | | | |
| <i>Audit and other assurance services</i> | | | | |
| Audit of compliance plan | <u>2,346</u> | <u>2,346</u> | <u>2,346</u> | <u>2,346</u> |
| Total auditor remuneration and other assurance services | <u>2,346</u> | <u>2,346</u> | <u>2,346</u> | <u>2,346</u> |
| Total remuneration of PricewaterhouseCoopers | <u>2,346</u> | <u>2,346</u> | <u>2,346</u> | <u>2,346</u> |

The auditors' remuneration is borne by the Investment Manager. Fees are stated exclusive of GST.

13. Related party transactions

Responsible Entity

The Responsible Entity of Lincoln Funds is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Lincoln Indicators Pty Ltd, to act as Investment Manager for the Funds and JPMorgan Chase Bank, N.A. to act as Custodian and Administrator for the Funds. The contracts are on normal terms and conditions.

(a) Key management personnel

(i) Directors

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of the financial year and up to the date of this report.

| | |
|-------------------|--------------------------|
| Philip D Gentry | Chairman |
| Michael J O'Brien | |
| Russell W Beasley | |
| Mary A O'Connor | |
| David B Warren | (appointed 6 March 2023) |

(ii) Responsible Entity

Other than fees paid to the Responsible Entity, there were no other transactions.

(iii) Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Funds, directly or indirectly during the financial year.

(b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

13. Related party transactions (continued)

(c) Key management personnel unit holdings

Key management personnel did not hold units in the Funds as at 30 June 2023 (30 June 2022: Nil).

(d) Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Funds to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

(e) Key management personnel loans

The Funds have not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally related entities at any time during the reporting period.

(f) Other transactions within the Funds

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Funds during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

(g) Responsible Entity fees, Investment Manager's fees and other transactions

The transactions during the year and amounts payable at year end between the Funds, the Responsible Entity and the Investment Manager were as follows:

| | Lincoln Australian Growth Fund | | Lincoln Australian Income Fund | |
|---|---|-------------------------|---|-------------------------|
| | Year ended | | Year ended | |
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$ | \$ | \$ | \$ |
| Responsible Entity fees for the year | 254,513 | 286,795 | 399,822 | 392,027 |
| Management fees for the year | 1,939,484 | 2,288,270 | 3,869,214 | 4,045,976 |
| Responsible Entity fees payable at year end | 119,206 | 103,943 | 179,401 | 151,700 |
| Management fees payable at year end | 154,510 | 141,714 | 307,355 | 290,405 |

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, management fees and costs includes responsible entity fees paid to the Responsible Entity, management fees paid to the Investment manager and other costs (such as custody, administration and audit fees) paid to other unrelated parties. For information on how management fees and costs are calculated, please refer to the Fund's Product Disclosure Statement.

(h) Related party unit holdings

A percentage of the units of the fund are held by the clients, for which Equity Trustees Limited or its affiliates act as trustee (30 June 2022: nil).

(i) Investments

The Funds do not hold any investments in Equity Trustees Limited or its related parties during the year (2022: nil).

14. Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Funds as disclosed in the statements of financial position as at 30 June 2023 or on the results and cash flows of the Funds for the year ended on that date.

15. Contingent assets and liabilities and commitments

There were no outstanding contingent assets and liabilities or commitments as at 30 June 2023 and 30 June 2022.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 30 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Funds' financial positions as at 30 June 2023 and of their performance for the financial year ended on that date;
- (b) There are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable; and
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry
Chairman

Melbourne

21 September 2023

Independent Auditor's Report to the Unitholders of Lincoln Funds

Opinion

We have audited the financial reports of Lincoln Australian Growth Fund and Lincoln Australian Income Fund (collectively the "Lincoln Funds" or the "Funds") which comprise the statements of financial position as at 30 June 2023, the statements of comprehensive income, the statements of cash flows and the statements of changes in equity for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

In our opinion, the accompanying financial reports of the Funds are in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity of the Funds (the "Directors"), would be in the same terms if given to Directors as at the time of this auditor's report.

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

Other Information

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

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

In connection with our audits of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audits, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Reports

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

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

Auditor's Responsibilities for the Audits of the Financial Reports

Our objectives are to obtain reasonable assurance about whether the financial reports 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial reports.

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

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



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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Jonathon Corbett".

Jonathon Corbett
Partner
Chartered Accountants

Melbourne, 21 September 2023