



17 August 2018

ASX ANNOUNCEMENT

Market Announcements Office
ASX Limited
20 Bridge St
SYDNEY NSW 2000

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

The Directors of Link Administration Holdings Limited (**Company**) (ASX: LNK) present the results of Link Group (Link Administration Holdings Limited and its controlled entities) for the financial year ended 30 June 2018 as follows:

			30 June 2018 \$'000	30 June 2017 \$'000
Results for announcement to the market				
Revenue from ordinary activities	Up	54%	1,198,416	779,976
Profit from ordinary activities after tax	Up	68%	143,226	85,168
Profit for the period attributable to owners of the Company	Up	67%	141,660	84,632
Earnings per share				
Basic earnings (cents per share)			28.56	22.59
Diluted earnings (cents per share)			28.48	22.56
Net tangible assets				
Net tangible assets per security (cents per share)			(94)	(61)

Link Group defines net tangible assets as net assets less intangible assets. A large proportion of Link Group's assets are classified as intangible assets including goodwill, client lists, software and deferred tax assets (net of deferred tax liabilities). Intangible assets have been excluded from the calculation of net tangible assets, resulting in a negative net tangible asset per security.

Dividends

Dividends paid by the Company during the financial year ended 30 June 2018 were:

	Cents per share	Total amount	Franked/ Unfranked	Record date	Payment date
Final 2017	8.0	\$39,250,933	Franked at 100%	21 September 2017	18 October 2017
Interim 2018	7.0	\$34,478,217	Franked at 100%	28 March 2018	30 April 2018

A 100% franked final dividend of \$71,488,284, which equates to 13.5 cents per share, in respect of the financial year ended 30 June 2018 was declared by the Directors of the Company on 17 August 2018 (**Final Dividend**). A provision has not been recognised in the financial statements for the financial year ended 30 June 2018 as the dividend declaration is considered a subsequent event. The record date for determining entitlements to the dividend is 23 August 2018. Payment of the Final Dividend will occur on 10 October 2018.

The Link Group Dividend Reinvestment Plan (DRP) will operate in respect of the 2018 final dividend. The DRP election deadline is 24 August 2018.

Commentary on results for the period

Commentary in relation to operating performance, earnings per share, segment results, returns to shareholders and trends in performance can be found in the attached Annual Report, which includes the Directors' Report (predominantly the Operating and Financial Review section) and audited financial statements.

Additional commentary on results for the period can be found in the Media Release also announced to ASX today (17 August 2018).

Other information

The information in this Appendix 4E should be read in conjunction with the Link Group Annual Report for the financial year ended 30 June 2018, which includes the financial statements. The financial statements have been audited by KPMG.

Link Asset Services

On 3 November 2017, Link Group acquired 100% of the Link Asset Services (LAS, formerly Capita Asset Services) business from Capita plc. LAS provides Link Group with established market positions in the UK, Jersey, Ireland and a growth platform in Europe in business segments that extend the reach of Link Group's current services with Fund Solutions, Link Market Services, Corporate Services & Private Clients and Banking & Credit Management. The impact on Link Group's results is disclosed in Notes 3 and 23 of the financial statements for the financial year ended 30 June 2018.

Other acquisitions

On 9 January 2018, Link Group acquired 100% of Novalink B.V., a Dutch company. On 31 March 2018, Link Group acquired 100% of Sharex Dynamic (India) Private Ltd, an Indian company. The Novalink B.V. and Sharex Dynamic (India) Private Ltd acquisitions were not individually material to Link Group's assets or results.

Capital raisings

Link Group successfully completed an institutional and retail entitlement offer in July 2017, issuing a further 130,839,343 ordinary shares raising \$883.2 million. The proceeds of this capital raising, together with a new GBP debt facility were used to fund the acquisition of LAS.

Link Group also successfully completed an institutional placement in April 2018 and related share purchase plan in May 2018, issuing a further 35,294,118 and 136,587 ordinary shares respectively. The \$301.2 million proceeds were used to repay debt and provide flexibility to continue to pursue strategic opportunities in future.

Further information about the results is included in the Full Year Results Presentation and can be obtained via the ASX website or by visiting the Link Group website at www.linkgroup.com.



Annual Financial Report

ACN 120 964 098

**Link Administration Holdings Limited
and its controlled entities**

30 June 2018



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Section 1

Directors' Report

1. Directors' Report

Directors and Company Secretaries




Directors

The Directors present their report together with the consolidated financial statements of Link Group, being Link Administration Holdings Limited ("the Company") and its Controlled Entities, for the financial year ended 30 June 2018 and the auditor's report thereon.







Link Group Board (from left): John McMurtrie, Peeyush Gupta, Sally Pitkin, Anne McDonald, Andy Green, Michael Carapiet, Glen Boreham and Fiona Trafford-Walker.

The Directors of the Company at any time during or since the end of the financial year are:

Director	Experience and background
 <p>Michael Carapiet Independent Chair and Non-Executive Director</p> <p>Appointed 26.02.2015</p>	<p>Michael Carapiet was appointed as a Director and Chair of the Company in 2015.</p> <p>Michael is a member of the Human Resources & Remuneration Committee and Technology & Innovation Committee.</p> <p>Michael is Chair of Insurance & Care NSW (icare) and was previously Chair of SAS Trustee Corporation, the trustee entity for NSW State Super.</p> <p>Michael is the Chair of Smartgroup Corporation Limited and Adexum Capital Limited.</p> <p>Michael was previously a Director of Southern Cross Media Group Limited.</p> <p>Michael has also served on Commonwealth Government boards including Infrastructure Australia, Clean Energy Finance Corporation and Export Finance Insurance Corporation.</p> <p>Michael has over 30 years of experience in banking and financial services and holds a Master of Business Administration from Macquarie University, Sydney.</p>
 <p>John McMurtrie Executive Director and Managing Director</p> <p>Appointed 16.02.2007</p>	<p>John McMurtrie joined Link Group in 2002 as Managing Director.</p> <p>John's previous senior appointments include Executive General Manager of ASX's Investors and Companies division and Chief Executive Officer of UBS Australia.</p> <p>John was previously Chair of Sydney Water Corporation and was the inaugural Chair of the National Electricity Code Administrator (NECA).</p> <p>John has over 40 years of business experience, more than 35 of which have been in the financial services industry, covering both the public and private sectors.</p> <p>John holds a Master of Economics and Bachelor of Economics (Hons) from the University of Adelaide.</p>
 <p>Glen Boreham, AM Independent Non-Executive Director</p> <p>Appointed 23.09.2015</p>	<p>Glen Boreham was appointed a Non-Executive Director of the Company in 2015.</p> <p>Glen is Chair of the Technology & Innovation Committee and a member of the Human Resources & Remuneration Committee.</p> <p>Glen is a Director of Cochlear Limited and Southern Cross Media Group Limited and Chair of the Advisory Board of IXUP Limited.</p> <p>Previously, Glen was the Managing Director of IBM Australia and New Zealand. He has also previously served as Chair of Screen Australia, Advance and the Industry Advisory Board for the University of Technology, Sydney, as well as Deputy Chair of the Australian Information Industry Association and as a Director of the Australian Chamber Orchestra.</p> <p>Glen holds a Bachelor of Economics from the University of Sydney and an Honorary Doctorate from the University of Technology Sydney. In January 2012, he was awarded a Member of the Order of Australia for services to business and the arts.</p>


1. Directors' Report (continued)

Directors and Company Secretaries (continued)

Director	Experience and background
 <p>Andrew (Andy) Green Independent Non-Executive Director</p> <p>Appointed 09.03.2018</p>	<p>Andy Green was appointed a Non-Executive Director of the Company in March 2018.</p> <p>Andy is Chair of the LAS Advisory Forum.</p> <p>Andy is currently Chairman of IG Group plc, a FTSE-listed global leader in online trading, and Digital Catapult, a UK-based technology innovation centre.</p> <p>Andy is also Senior Independent Non-Executive Director of Avanti Communications Group plc, a listed global broadband satellite operator.</p> <p>Andy is President of UK Space, serves on the President's Committee of the Confederation of British Industry and is a Commissioner at the UK's National Infrastructure Commission.</p> <p>Andy's earlier career at BT Group (formerly British Telecom) spanned more than 20 years, including as CEO of Global Services. He also previously served as Group Chief Executive of IT and management consultancy company Logica plc, and as Senior Independent Director at ARM Holdings plc.</p> <p>Andy holds a Bachelor of Science in Chemical Engineering with first class honours from Leeds University.</p>
 <p>Peeyush Gupta Independent Non-Executive Director</p> <p>Appointed 18.11.2016</p>	<p>Peeyush Gupta was appointed Non-Executive Director of the Company in 2016.</p> <p>Peeyush is a member of the Risk & Audit Committee.</p> <p>With over 30 years of experience in the wealth management industry, Peeyush was previously co-founder and the inaugural CEO of IPAC Securities Limited, a wealth management firm spanning financial advice and institutional portfolio management.</p> <p>Peeyush has extensive corporate governance experience, having served as a Director on listed corporate, not-for-profit, trustee and responsible entity boards since the 1990s.</p> <p>Peeyush is currently the Chair of Charter Hall Direct Property Management Limited and Long Wale REIT and a Non-Executive Director of National Australia Bank, Insurance & Care NSW (icare), SBS and Quintessence Labs Pty Ltd.</p> <p>Peeyush is also Governor, Western Sydney University.</p> <p>Peeyush holds a Masters of Business Administration (Finance) from the Australian Graduate School of Management and has completed the Advanced Management Program at Harvard Business School. He is a Fellow of the Australian Institute of Company Directors.</p>
 <p>Anne McDonald Independent Non-Executive Director</p> <p>Appointed 15.07.2016</p>	<p>Anne McDonald was appointed a Non-Executive Director of the Company in 2016.</p> <p>Anne is a member of the Risk & Audit Committee.</p> <p>Previously a partner at Ernst & Young for 15 years, Anne has over 35 years of business experience in finance accounting, auditing, risk management and governance. Anne is an experienced director and has pursued a fulltime career as a Non-Executive Director since 2006.</p> <p>Anne is the Chair of Specialty Fashion Group and Water New South Wales. She is a Non-Executive Director of Spark Infrastructure Group and St Vincent's Health Australia Limited, and was previously a Non-Executive Director of GPT Group and a number of other businesses.</p> <p>Anne is a Chartered Accountant, a graduate of the Australian Institute of Company Directors and holds a Bachelor of Economics from the University of Sydney.</p>
 <p>Sally Pitkin Independent Non-Executive Director</p> <p>Appointed 23.09.2015</p>	<p>Dr Sally Pitkin was appointed a Non-Executive Director of the Company in 2015.</p> <p>Sally is Chair of the Human Resources & Remuneration Committee and a member of the Risk & Audit Committee.</p> <p>Sally has 20 years of experience as a Non-Executive Director and board member across a wide range of industries in both private and public sectors, including listed companies, highly regulated industries, professional services and commercialisation of new technology.</p> <p>Sally is Chair of Super Retail Group Limited and a Non-Executive Director of The Star Entertainment Group Limited.</p> <p>Sally is a Director of the Australian Institute of Company Directors and a Member of the Senate of the University of Queensland.</p> <p>Formerly a senior corporate partner at a national legal firm, Sally has extensive corporate and banking law experience. She holds a PhD in Governance from the University of Queensland and a Master and Bachelor of Laws from the Queensland University of Technology.</p>

1. Directors' Report (continued)

Directors and Company Secretaries (continued)

Director	Experience and background
 <p>Fiona Trafford-Walker Independent Non-Executive Director</p> <p>Appointed 23.09.2015</p>	<p>Fiona Trafford-Walker was appointed a Non-Executive Director of the Company in 2015. Fiona is Chair of the Risk & Audit Committee and a member of the Technology & Innovation Committee.</p> <p>Fiona is an Investment Director at Frontier Advisors, heads the firm's Governance Advisory team and is a member of the Investment Committee.</p> <p>Fiona was the inaugural Managing Director at Frontier Advisors and played a critical role in growing the firm.</p> <p>Fiona has over 25 years' experience in advising institutional investors on investment and governance-related issues.</p> <p>Fiona is a Director of Prosopa Advance Pty Ltd, and Chair of its Audit and Risk committee. Fiona will also be appointed as a Director of Victorian Funds Management Corporation, with effect from 26 August 2018.</p> <p>Fiona holds a Master of Finance from RMIT University and a Bachelor of Economics from James Cook University. Fiona is also a Graduate of the Australian Institute of Company Directors.</p>

Company Secretaries

Janine Rolfe was appointed General Counsel and Company Secretary on 1 May 2017. In 2006, Janine established Company Matters Pty Limited, a wholly-owned subsidiary of Link Group, which specialises in the provision of outsourced company secretarial services to clients. Prior to this, Janine was a company secretary and legal counsel at Qantas Airways Limited and before that a solicitor at Mallesons Stephen Jaques (now King & Wood Mallesons). Janine holds a Bachelor of Economics and a Bachelor of Laws (Hons) from the University of Sydney.

Cassandra Hamlin was appointed Company Secretary on 9 March 2018. Cassandra has more than 10 years' corporate governance experience, having previously been Group Company Secretary of Qantas Airways Limited and a Senior Company Secretary at AMP Limited. Cassandra's prior Qantas roles included General Manager Investor Relations and Financial Reporting Manager. Cassandra holds a Bachelor of Commerce from the University of Wollongong, is a Fellow of the Governance Institute of Australia and is a Chartered Accountant.

John Hawkins was appointed Company Secretary on 23 September 2015 and retired as Company Secretary on 9 March 2018. Details about John's qualifications and experience are set out in the Executive KMP section on page 7 of this report.

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

	Board		Risk and Audit Committee		Human Resources and Remuneration Committee		Technology and Innovation Committee		Nomination Committee	
	H	A	H	A	H	A	H	A	H	A
M Carapiet	9	9	-	3*	5	5	3	3	3	3
J McMurtrie	9	9	-	3*	-	5*	-	3*	3	3
G Boreham	9	9	-	-	5	5	3	3	3	3
A Green	3	3	-	-	-	2*	-	2*	-	-
P Gupta	9	8	4	3	-	-	-	2*	3	2
A McDonald	9	9	4	4	-	4*	-	2*	3	3
S Pitkin	9	9	4	4	5	5	-	3*	3	3
F Trafford-Walker	9	9	4	4	-	5*	3	3	3	3

H: number of meetings held during the period in which the Director or Committee Member was appointed to the Board or Committee. All Directors are entitled to attend Committee meetings in an ex-officio capacity and attendance in an ex-officio capacity has been noted with an asterisk (*).





A: number of meetings attended by the Director.

The Managing Director, John McMurtrie is a Member of the Nomination Committee but is not a Member of any other Committee given he is an Executive Director.

1. Directors' Report (continued)

Executive Key Management Personnel (KMP)

The Executive KMP of the Company at any time during or since the end of the financial year are:

Executive KMP	Experience and background
 <p>John McMurtrie Executive Director and Managing Director</p>	<p>See Directors section for more detail.</p>
 <p>John Hawkins Chief Financial Officer</p>	<p>John Hawkins joined Link Group as Chief Financial Officer in 2001.</p> <p>John has extensive commercial, accounting and financial experience from various roles with Optus, Perpetual and KPMG (Australia and the United Kingdom).</p> <p>John has over 30 years' professional experience, with over 15 years in financial services.</p> <p>John is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Science (Computer Science) and a Bachelor of Commerce from The University of Queensland.</p>
 <p>Paul Gardiner Chief Executive Officer, Corporate Markets Chief Executive Officer, Technology & Innovation</p>	<p>Paul Gardiner was appointed Chief Executive Officer of Technology & Innovation in 2015, and Chief Executive Officer of Corporate Markets in 2016.</p> <p>Paul joined Link Group in 2006 when Orient Capital, which he joined in 2001, was acquired by Link Group from ASX Limited.</p> <p>Paul has over 15 years of experience in operations, data analytics and digital technology.</p> <p>Paul holds a Bachelor of Commerce and a Higher Diploma in Marketing Practice from the National University of Ireland, Galway.</p> <p>Paul holds a Masters of Business Studies (Management Information Systems) from University College, Dublin.</p>
 <p>Anthony O'Keeffe Chief Executive Officer, Link Asset Services</p>	<p>Anthony O'Keeffe is the Chief Executive Officer of Link Asset Services.</p> <p>Anthony joined Link Group in November 2017 when Capita Asset Services was acquired by Link Group from Capita plc.</p> <p>Anthony has over 25 years' experience in the financial services industry via his previous employment with Royal & Sun Alliance and subsequently Capita. He previously sat on the Capita Plc Executive Board as Executive Officer of Capita Asset Services.</p> <p>Anthony holds a BA (Hons) Degree in Business Studies and is professionally qualified as a member of the Institute of Internal Auditors.</p>

The Executive KMP of the Company that ceased employment since the end of the financial year are:

Executive KMP	Experience and background
<p>Suzanne Holden Chief Executive Officer, Fund Administration</p>	<ul style="list-style-type: none"> • 25 years of management experience. • Appointed CEO Fund Administration 1 January 2015. • Ceased employment 2 August 2018.

1. Directors' Report (continued)

Principal Activities

The principal activity of Link Group during the course of the financial year was that of a market leading provider of technology-enabled administration solutions. Link Group's core businesses of fund administration and securities registration are complemented by expertise in digital solutions and data analytics. Link Group provides technology solutions customised to the unique requirements of each and every client.

On 3 November 2017, Link Group acquired 100% of Link Asset Services (LAS, formerly Capita Asset Services) from Capita plc. LAS provides Link Group with established market positions in the UK, Jersey and Ireland, and a growth platform in Europe across its various business segments including Link Market Services, Link Fund Solutions, Corporate & Private Client Services and Banking & Credit Management.

There were no other significant changes in the nature of the activities of Link Group during the year.

Dividends

Dividends paid by the Company during the financial year were:

	Cents per share	Total amount	Franked/Unfranked	Date of payment
Final 2017	8.0	\$39,250,933	100% franked	18.10.2017
Interim 2018	7.0	\$34,478,217	100% franked	30.04.2018

In addition, dividends declared or paid by the Company since the end of the financial year were \$71,488,284, which equates to 13.5 cents per share, 100% franked (2017: \$39,250,933). The record date for determining entitlements to the final dividend is 23 August 2018. Payment of the final dividend will occur on 10 October 2018.

Link Group's Dividend Reinvestment Plan (DRP) will operate in respect of the 2018 financial year final dividend. The DRP election deadline is 24 August 2018.

Review of Operations

The net profit of Link Group for the financial year was \$143.2 million (2017: \$85.2 million). This result includes 8 months of contribution from the acquisition of LAS on 3 November 2017.

Total Operating EBITDA, which excludes certain significant items for the financial year ended 30 June 2018 was \$335.3 million (2017: \$219.0 million). A reconciliation of Operating EBITDA to the net profit of Link Group is included in Note 3 to the financial statements and further explanation of the results is included in the Operating and Financial Review section within this report.

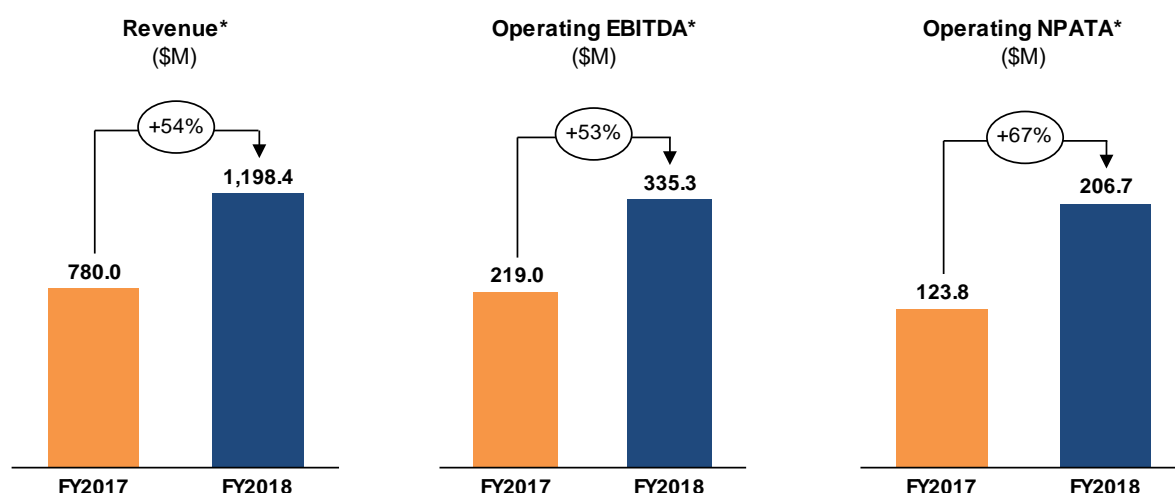
1. Directors' Report (continued)

Operating and Financial Review

1. Highlights

Link Group's financial results include the following key highlights:

- Revenue of \$1,198.4 million;
- Operating EBITDA of \$335.3 million;
- Operating NPATA of \$206.7 million;
- Statutory NPAT of \$143.2 million; and
- Earnings per share of 28.6 cents.



* Includes 8 months of contribution from LAS.

2. Basis of preparation

This Operating and Financial Review¹ (OFR) is designed to assist shareholders' understanding of Link Group's business performance and the factors underlying our financial results and financial position. It complements the financial disclosures in the audited Financial Statements. The OFR covers the period from 1 July 2017 to 30 June 2018 (FY2018), including a comparative prior year (FY2017). A full reconciliation of the adjustments made to the statutory results is disclosed in more detail in Section 5.2.

Consistent with previous disclosures, Link Group uses certain measures to manage and report on the business that are not recognised under Australian Accounting Standards or International Financial Reporting Standards (IFRS), collectively referred to as 'non-IFRS financial measures'. These non-IFRS financial measures are summarised in Appendix 1 of this OFR.

Given the extent of Significant items in the current and prior year statutory results, the Directors believe it will assist the readers' understanding of performance to compare year-on-year results on an Operating before Significant items basis (Operating basis). Therefore, unless otherwise stated, all of the analysis is presented on an Operating basis, with reconciliation back to statutory results provided in Section 5.2.

¹ All financial amounts contained in this OFR are expressed in Australian Dollars and rounded to the nearest \$0.1 million, unless otherwise stated. Some numerical figures included have been subject to rounding adjustments. Any discrepancies between totals and sums of components in figures or tables contained in this OFR are due to rounding.

1. Directors' Report (continued)

Operating and Financial Review

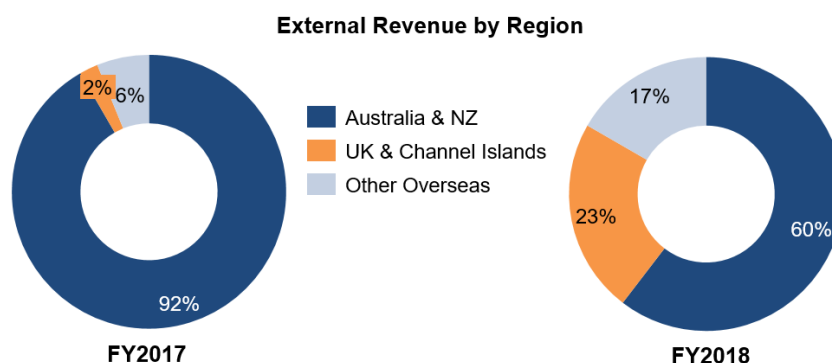
3. Overview of results

The net profit of Link Group for FY2018 was \$143.2 million, which was up 68% on FY2017's net profit of \$85.2 million.

During FY2018, we significantly expanded our global operations with the acquisition of Link Asset Services (LAS) on 3 November 2017. This transformational acquisition provided immediate scale, a leadership position in the UK market and a growth platform for further expansion into Europe. LAS is a strong strategic fit with the existing Link Group businesses and its management team has overseen a positive track record of revenue and earnings growth.

Link Group's revenue by geographic region (as illustrated below in Figure 1) reflects our evolution into a more diversified global business with revenue derived from outside ANZ increasing from 8% in FY2017 to 40% in FY2018. This will increase further in FY2019 with a full-year contribution from LAS.

Figure 1: Revenue by region



Link Group continued to execute on other elements of our growth strategy in FY2018 as follows:

- Increased sales of products and services to existing clients across all business units helping to mitigate the impact of the rebased Superpartners contracts in Fund Administration and competitive pressures in Corporate Markets.
- New investment in technology platforms and innovative products and services with capital expenditure increasing by 84% to \$66 million during the year.
- An expansion of our global footprint into new markets including Italy and the Netherlands (Banking & Credit Management (BCM)), Luxembourg (Link Fund Solutions) and Hong Kong (Corporate Markets – share registry).
- Integration benefits continued to be realised and are on track to achieve forecast operating cost reductions by FY2020.
- We increased our investment in Property Exchange Australia Limited (PEXA) and subsequent to year end made an investment in Leveris, a European based supplier of 'next generation' core banking platform software.

We completed a \$300 million institutional equity raising in April 2018 to strengthen the balance sheet and provide flexibility to pursue future growth opportunities. With our balance sheet strength and solid free cash flows, Link Group has considerable flexibility to continue to pursue organic growth opportunities both domestically and internationally. With pro forma leverage² of circa 1.5 times (the bottom of our guidance range), we are also well positioned to take advantage of future acquisition opportunities.

4. Growth strategy

Link Group is focused on working with our clients and all our stakeholders to achieve success. To do this, we are committed to growing the business by creating secure, simple to use products and services specifically designed to help our clients achieve their goals.

² Pro forma leverage is calculated as Net Debt/operating EBITDA (including 12 months of LAS results).

1. Directors' Report (continued)

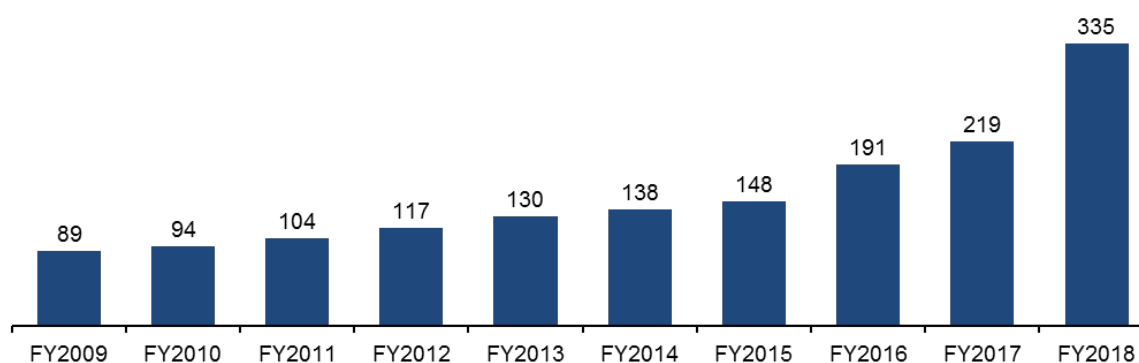
Operating and Financial Review

Link Group's growth strategy remains focused on five major drivers:

1. Growing with our clients in attractive markets.
2. Product and service innovation.
3. Client, product and regional expansion.
4. Integration and efficiency benefits.
5. Identifying adjacent market opportunities.

Our track record of growth across multiple economic cycles demonstrates the success of our strategy. As illustrated in Figure 2, Link Group has achieved uninterrupted Operating EBITDA growth since FY2009, with a Compound Annual Growth Rate (CAGR) of 16% between FY2009 and FY2018. **Operating EBITDA growth in the last financial year was \$116 million, which is broadly equivalent to our total operating EBITDA for the year ended 30 June 2012.**

Figure 2: Link Group Operating EBITDA (FY2009-2018)



4.1 Overview of growth strategy

Growing with our clients in attractive markets

Fund Administration	<p>The Fund Administration business operates in Australia and New Zealand, where we are the leading administrator in the fourth largest pension pool globally. The combined ANZ market size based on funds under management is around \$2.7 trillion and has grown at circa 6% per annum over the last 10 years.</p> <p>As seen over the last year, the market is experiencing increasing regulatory complexity coupled with an increased focus on data security. As an example, the recent May 2018 Federal Budget announced some significant changes to superannuation, in particular the treatment of low balance member accounts where there have been no contributions for 13 months or more. Whilst these changes may result in short term adverse impacts on our clients' member numbers and our revenue in turn, over the medium to longer term, Link Group remains well placed to recover any revenue decline through underlying member growth across our client base. We also stand ready to assist our clients to manage the impact of these changes whilst ensuring that they meet implementation timeframes if legislation is passed.</p> <p>We continue to see many opportunities to work with our existing clients to support their growth ambitions and offer our range of competitive products and services to prospective new clients including those who currently insource administration activities.</p> <p>Our clients enable our Fund Administration business to grow its market position through:</p> <ul style="list-style-type: none">• underlying member growth; and• increasing demand for value-added products and services to support their growth aspirations including the provision of value-added projects and innovative products delivered by our Technology & Innovation division.
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1. Directors' Report (continued)

Operating and Financial Review

	<p>Additionally, annual indexation-linked price increases and volume protection clauses around member losses support ongoing Recurring Revenue. In FY2018, overall client member growth³ was 2.4%, whilst our top 5 clients' (representing 78% of total members) member growth was 3.7%, which was ahead of overall employment growth for the year. We also successfully migrated a new client, Retirement Benefits Fund (RBF) onto our platform in February 2018 and announced new business win, Energy Super, who will migrate in first half FY2019.</p> <p>Together, the increased revenue from value added services, member growth and indexation helped offset the scheduled impact on Recurring Revenue from the full-year impact of the rebased Superpartners' contracts coupled with some client exits and fund mergers.</p>
Corporate Markets	<p>Corporate Markets operates in 11 jurisdictions around the world and provides an integrated service offering to more than 1,800 corporate clients and over 35 million individual shareholders. Over the past 15 years we have built strong market positions in the markets we operate in, and grow with our clients by:</p> <ul style="list-style-type: none"> • supporting our clients as they grow with provision of new products and services (including support for various capital markets activities); and • winning new business in existing jurisdictions. <p>Link Group's ability to cross-sell the products and services in its Corporate Markets offering is a key driver of further market penetration in the geographies in which it operates. We were able to increase the penetration of our products to the existing client base during the period by successfully cross-selling two or more products or services to 47% of new clients⁴ in Australia during FY2018. This helped mitigate the ongoing competitive pricing pressure in both the local and overseas markets in which we operate. These markets are also demanding from a technology and service perspective and we have invested in refreshing our customer facing platforms and portals over the last year to remain a leader in innovation and service delivery.</p> <p>In FY2018, Link Group added 226 net new clients⁵ across its existing jurisdictions and increased the average products per client in Australia from 1.4 to 1.6. We won new business with Domain Holdings and REA Group in Australia and Lupin and Castrol in India, and benefited from the full year contribution of Link Fund Solutions (acquired in December 2016). We also supported corporate actions activities across our various jurisdictions; most notably in South Africa where we helped our client, Old Mutual, successfully complete a de-merger in June 2018.</p>
Technology & Innovation	<p>Our Technology & Innovation business is the technology and innovation hub for the Group, providing the proprietary technology platforms that support Link Group's other divisions and services directly to external clients.</p> <p>Technology & Innovation is able to grow with its clients through:</p> <ul style="list-style-type: none"> • partnering with Fund Administration and Corporate Markets to support the delivery of various projects; • sales of new innovative products to existing clients; and • winning new business across value added services including digital and print communications, software implementation and licensing and digital solutions. <p>In FY2018, Technology & Innovation was successful in selling new products and services to existing clients as demonstrated by sales of new products and services into the Fund Administration and Corporate Markets' client bases. In addition, new client wins were achieved across a range of its value added services (including digital and print communications, software implementation and licensing) helping to mitigate some client losses in data analytics.</p>

³ Member growth defined as growth in total billable members excluding redundancy trusts, eligible rollover funds and lost clients.

⁴ New clients is defined as new share registry wins from competitors and new IPO wins (which raised >\$50 million).

⁵ Net new clients is defined as net growth in recurring clients and is measured across all jurisdictions.

1. Directors' Report (continued)

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	<p>This resulted in year-on-year growth in external revenue of 10% and an increase in external revenue as a % of overall revenue from 32% to 33%. Growth in external revenue remains a key focus area for us and we see further opportunities to increase sales of products and services through continued investment and identification of appropriate new business targets.</p>
Link Asset Services	<p>Link Asset Services (LAS) is a leading asset servicer operating across 10 highly regulated European jurisdictions. It has market leading positions across its 4 business lines and services more than 7,000 customers including some of the world's largest corporations. We administer and safeguard over £600 million (\$1.0 billion) of assets and operate in very large markets with significant growth opportunities.</p> <p>LAS' clients include asset managers, asset owners, corporates and investors and we grow with these clients via the breadth, quality and flexibility of services we offer including:</p> <ul style="list-style-type: none">• increasing the penetration of products and services provided to existing clients; and• winning new business in existing jurisdictions. <p>In FY2018, LAS was successful in selling new products and services to existing and new customers including introducing collective pension vehicles to UK local government authorities, winning large bank outsourcing contracts and entering into new territories (e.g. Italy and the Netherlands) with key client relationships in order to support the expansion of client activity.</p> <p>As a result, LAS Recurring Revenue growth for the 12 month period ended 30 June 2018 (including eight months under Link ownership) compared to the previous 12 month period was 5.7%.</p>

Product and service innovation

Technological change is a significant underlying feature of all of the markets in which Link Group operates. Our clients' needs are constantly adapting to the significant change heralded by technology and to be successful on a sustainable basis, all market participants need to invest in innovative products and services. Ultimately, technology harnessed through innovative products and services is about making it easier for our clients and their customers to achieve their goals.

Product and service innovation is a core capability of Link Group and is designed to help customers to build stronger relationships with their target markets and differentiate themselves from their competitors. FY2018 saw Link Group roll out, further develop, and receive recognition for a wide range of technologies that assisted customers across Corporate Markets, Fund Administration and LAS.

Revenues from Link Group's existing clients increase with the number and complexity of the services that we provide. In Fund Administration, increasing competition between superannuation funds to attract and engage with members is driving increased demand for the value-added services and product enhancements we offer. In Corporate Markets, the strength of our fully integrated product suite resulted in sales growth in employee share plans and company secretarial services. Technology & Innovation is focused on providing value-added products and services for Link Group and in FY2018 this was demonstrated by the growth in revenue from the sale of value added products and services.

Link Group, primarily through Technology & Innovation, has invested more than \$300 million in our systems, infrastructure and innovation over the last 10 years. This reinvestment is a core feature of our business model and it continues to boost client engagement and enrich client partnerships. With the addition of LAS, Link Group now earmarks more than \$200 million per annum for technology, including both IT operating costs and capital expenditure. During FY2018, we also migrated the remaining Fund Administration clients administered on third party systems to our proprietary technology, such that as at 30 June 2018 all these clients are administered on Link Group proprietary systems.

Client, product and regional expansion

A core competency of Link Group is the successful execution of business combinations. These have delivered important incremental growth through client, product and regional expansion. Our scalable operating model provides a platform for extracting synergies from many business combinations. Our approach has allowed us to expand the revenue and earnings growth from business combinations through cross-selling and product expansion. Link Group has successfully completed over 40 business combinations in the last 15 years.

1. Directors' Report (continued)

Operating and Financial Review

During FY2018, we added immediate scale and leadership in the UK through the acquisition of LAS. LAS provides a significant opportunity for Link Group to achieve further growth, particularly in Europe where it is already represented in seven countries including most recently a 'greenfield' expansion into Italy for the BCM business. This augments an expansion into the Netherlands for this business via the acquisition of Novalink in January 2018 and prior to that, the entry of the Link Fund Solutions business into the attractive Luxembourg market.

In addition, we launched our share registry business in Hong Kong on 8 August 2018, building on our existing shareholder management, analytics and stakeholder engagement presence in that market. In India, a further consolidation of the market was achieved through the acquisition of TSR Darashaw (a share registry business based in Mumbai, India) which is pending regulatory approval at the date of this OFR and expected to complete in first half FY2019. This acquisition builds on the earlier Indian acquisition of Sharex (a small share registry business based in Mumbai), which was completed in March 2018. We continue to seek to identify further acquisition and organic expansion opportunities to expand our global reach.

Integration and efficiency benefits

Link Group has a long history of acquiring, integrating (including the migration of clients onto our platforms) and transforming businesses through the implementation of various efficiency programs. During FY2018, we continued to realise post-migration synergies relating to the Superpartners business combination by completing an archiving program and significantly progressing a decommissioning program. This included the archiving of all legacy data to a proprietary archive system, the decommissioning of many separate legacy IT systems, the closure of a data centre and related IT infrastructure and consolidation of vendor contracts to deliver savings.

Synergies are progressively being realised in both Fund Administration and Technology & Innovation, reflected in the margin improvements achieved in FY2018. Link Group estimates that the value of remaining annual synergies to be realised by FY2020 is approximately \$19.3 million after realising \$25.7 million in FY2018. This includes substantial savings from the archiving and decommissioning project (discussed above) together with further savings from post-migration operational efficiencies and vendor consolidation initiatives.

Link Group estimates that the value of efficiency benefits achieved through the acquisition of LAS to be realised over the medium term is approximately £15 million per annum, with estimated costs to achieve these savings totalling approximately £23 million. Detailed plans exist across a number of initiatives covering significant components of the cost base and are being progressively executed. In FY2018, efficiency benefits of £0.5 million were achieved with an associated one-off cost of £6.1 million. Whilst the LAS integration and transformation program is still in its initial phase, benefits achieved to date are in line with expectations.

Identifying adjacent market opportunities

Link Group has a history of identifying and executing opportunities in adjacent markets that match our core competencies. Characteristics of adjacent market opportunities that we target include strong market position in an industry with attractive fundamentals and compatibility with our core competencies in data management, technology leadership and process design.

The acquisition of LAS added a new product line to Link Group's suite of services, BCM, which provides loan administration and asset management services to banks and debt investors across various European jurisdictions. During FY2018, this business expanded into Italy to take advantage of an attractive client opportunity in that market and has additional future growth opportunities in both European and other international markets. Post balance date, Link Group made an investment in Leveris, a European supplier of banking software already being used in our BCM business, for which we see significant opportunities in the challenger banking market in Europe.

Link Group also increased our investment in PEXA in FY2018 by \$4.4 million to \$132.3 million in September 2017. In 2018, PEXA commenced a dual track trade sale/IPO process, which was in progress at the date of this report. Link Group, as a 19.8% shareholder in PEXA, is well placed to hold, deepen or reduce our position in PEXA as a result of this process.

With our strong balance sheet and pro forma leverage⁶ of circa 1.5 times, we are well positioned to explore and take advantage of future potential adjacent market opportunities.

⁶ Pro forma leverage is calculated as Net Debt / Operating EBITDA (including 12 months of LAS results).

1. Directors' Report (continued)

Operating and Financial Review

5. Solid financial results and platform for further growth

Link Group has delivered solid financial results for FY2018, with growth in revenue, Operating EBITDA, Operating NPATA and Earnings per Share. These results are underpinned by a focus on maintaining cost discipline across the business and in particular realising synergies from the Superpartners and LAS business combinations.

Complementing the strong earnings performance was the maintenance of a prudent financial position. The financial year ended with comfortable leverage and high levels of cash-flow generation. Consistent with our stated objectives and the needs of the market and client base, Link Group continued to invest in our technology platforms and product and service innovation during FY2018. Table 1 below contains an overview of Link Group's financial results.

Table 1: Statutory & Operating financial results

	IN \$M	FY2018	FY2017	Variance (%)
Statutory Results	Revenue	1,198.4	780.0	54%
	Profit before tax	192.1	123.5	56%
	Statutory NPAT	143.2	85.2	68%
	Earnings per share (cents)	28.6	22.6	26%
Operating Results	Operating EBITDA	335.3	219.0	53%
	EBITDA after significant items	290.3	190.6	52%
	NPATA	176.1	101.7	73%
	Operating NPATA	206.7	123.8	67%

5.1 Statutory NPAT

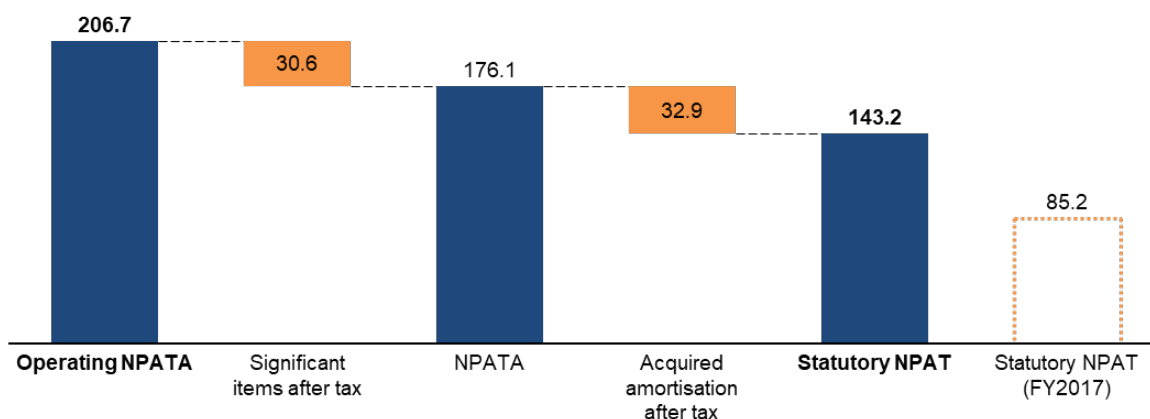
Statutory Net Profit after Tax (Statutory NPAT) was \$143.2 million compared to a prior year Statutory NPAT result of \$85.2 million. The stronger Statutory NPAT result in FY2018 reflects:

- the first-time contribution from LAS;
- continued realisation of synergies from the Superpartners business combination; and
- increases in revenue from organic growth, offset by cost growth.

5.2 Operating NPATA

Link Group considers Operating NPATA to be a meaningful measure of after-tax profit as it excludes the impact of Significant items and the large amount of non-cash amortisation of acquired intangibles reflected in NPAT. The measure includes the tax-effected depreciation and amortisation expense relating to all capital expenditure and the original cost of acquired software that is integral to the ongoing operating performance of the business.

Figure 3: Reconciliation of Operating NPATA to Statutory NPAT



1. Directors' Report (continued)

Operating and Financial Review

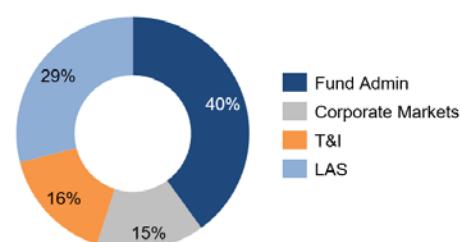
5.3 Financial Performance by Division

Link Group's Operating EBITDA result was \$335.3 million, which was up 53% on the prior year result of \$219.0 million. This performance reflects an initial, eight-month contribution from LAS of \$93.8 million combined with double-digit growth from existing business units of \$22.5 million. **Operating EBITDA margins held relatively steady at 28.0% compared to 28.1% in FY2017 reflecting the margin dilutive impact of consolidating the lower margin LAS results since acquisition.**

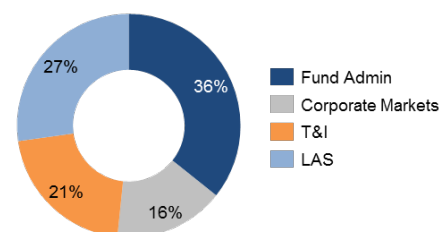
Table 2: FY2018 Revenue and Operating EBITDA by reporting segment

IN \$M	FY2018	FY2017	Variance (%)
Revenue			
Fund Administration	560.0	562.3	-
Corporate Markets	214.8	198.4	8%
Technology & Innovation	230.7	215.9	7%
Link Asset Services	404.9	-	nmf
Gross Revenue	1,410.4	976.7	44%
Eliminations	(211.9)	(196.7)	(8%)
Total Revenue	1,198.4	780.0	54%
Recurring Revenue %	80%	90%	
Operating EBITDA			
Fund Administration	123.1	118.1	4%
Corporate Markets	54.9	50.7	8%
Technology & Innovation	72.9	55.0	32%
Link Asset Services	93.8	-	nmf
Head Office	(9.3)	(4.8)	(94%)
Total Operating EBITDA	335.3	219.0	53%
Operating EBITDA margin %	28%	28%	

% of Gross Revenue



% of Operating EBITDA*



*Excludes Group Costs and Intercompany eliminations.

In addition to the LAS contribution, Operating EBITDA growth in FY2018 reflects the benefits of scale, as synergies continue to be realised from the integration of the Superpartners business across both the Fund Administration and Technology & Innovation divisions. These synergies include savings achieved across all operating cost categories as efficiency benefits are realised from the rationalisation and standardisation of systems and processes together with savings from archiving, decommissioning, and premises and vendor consolidation activities.

1. Directors' Report (continued)

Operating and Financial Review

5.3.1 Fund Administration

As per our guidance, Fund Administration revenue remained largely flat year-on-year at \$560.0 million resulting from a reduction in Recurring Revenue, which was largely offset by strong growth in Non-recurring Revenue.

Notwithstanding some disappointing client losses that took effect or were announced during the year, overall client retention⁷ remained above 95%.

Table 3: Fund Administration Revenue and Operating EBITDA

IN \$M	FY2018	FY2017	Variance (%)
Revenue	560.0	562.3	-
Operating Expenses	(436.9)	(444.2)	2%
Operating EBITDA	123.1	118.1	4%
Recurring Revenue %	89%	92%	
Operating EBITDA margin %	22%	21%	

Recurring Revenue of \$498.3 million (or 89% of the total Fund Administration revenue) was down \$18.1 million or 4% on the prior year.

Key contributing factors in FY2018 include:

- indexation-linked price increases;
- growth in overall member numbers of 2.4%⁸ and an increase in our top five clients' members (who represented approximately 78% of the total) of 3.7%;
- full-year impact of rebased contracts for the five former shareholders of Superpartners;
- part-year impact of some client exits and mergers with non-Link Group administered funds; and
- insourcing of various functions by some clients (such as financial advice and IT support services) and reduction in volumes of print and mail (largely offset by lower print and mail costs).

Non-recurring Revenue of \$61.7 million represents 11% of total Fund Administration revenue and grew by 34% compared to the prior year. The growth achieved in FY2018 comes on top of growth in the prior year of 56%, which means over the last 2 years, Non-recurring Revenue has more than doubled, reflecting strong demand for value added products and services.

Funds regularly work with Link Group to enhance their product offering and boost engagement with members or to meet regulatory and compliance objectives. These activities are referred to as fee-for-service projects and represent the bulk of Non-recurring Revenue in Fund Administration.

Fee-for-service revenue projects completed during FY2018 included significant regulatory and legislative change programs, unitisation, insurance changes and redesign and digital programs.

Fund Administration Operating EBITDA grew to \$123.1 million, which was \$5.0 million or 4% higher than the prior year. The growth on the prior year reflects the full-year impact of cost savings from synergies achieved in the prior year and the part-year impact of cost outs made during FY2018. Synergy benefits realised in FY2018 included savings in staff costs from the application of technology – such as productivity software and smart automation – coupled with additional cross-skilling and straight-through processing capability in operational units. The full-year benefit of premises consolidation activity completed during FY2017 was also realised in FY2018. These efficiency benefits helped offset reductions to recurring revenue (as discussed above).

⁷ Client retention represents the proportion of annual revenue from clients that have not been lost in the last 12 months.

⁸ Based on growth in total billable members excluding lost clients, eligible rollover funds and redundancy trusts from 1 July 2017 to 30 June 2018.

1. Directors' Report (continued)

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5.3.2 Corporate Markets

The Corporate Markets revenue model is centred on providing an integrated suite of products and services to Corporate Markets clients across the various jurisdictions where Link Group has a presence, with overseas jurisdictions accounting for approximately 34% of total Corporate Markets revenue in FY2018 (FY2017: 33%).

Table 4: Corporate Markets Revenue and Operating EBITDA

IN \$M	FY2018	FY2017	Variance (%)
Revenue	214.8	198.4	8%
Operating Expenses	(159.9)	(147.7)	(8%)
Operating EBITDA	54.9	50.7	8%
Recurring Revenue %	81%	86%	
Operating EBITDA margin %	26%	26%	

During FY2018, Corporate Markets revenue was \$214.8 million. That was 8% higher than the prior year reflecting modest growth in organic and acquired Recurring Revenue combined with an increase in Non-recurring Revenue from capital markets activity in some jurisdictions.

Recurring Revenue of \$173.6 million was up 2% on the previous year and as a proportion of Total Revenue it decreased to 81% from 86% in FY2017. Recurring Revenue growth can be attributed mainly to the following factors:

- first full-year contribution from Link Fund Solutions (previously White Outsourcing Pty Limited);
- robust net client growth of 226 across all jurisdictions;
- strong client retention of >95%; and
- impact of continuing price pressure across several markets.

Corporate Markets services approximately 4,000 clients across all of its jurisdictions as at 30 June 2018. In Australia, Corporate Markets won 83 net new clients from both competitors and from new IPOs. In particular, Link Group secured new clients (REA Group and Domain Holdings), migrated the share register of Woolworths Limited (building on the existing employee share plans business), and won 27 out of 38 IPOs that raised more than \$50 million. In India, we were successful in winning 53 net new clients and now service over 1,277 clients, representing more than 23.7 million shareholders. In New Zealand, we continued to roll out our innovative virtual AGM product to now service 10 clients.

Non-recurring Revenue of \$41.2 million increased by \$13.6 million or 49% on the previous year, driven by:

- activity relating to the managed separation of Old Mutual plc in South Africa; and
- an uplift in proxy activity in both Australia and the UK.

Operating EBITDA increased to \$54.9 million, which was \$4.2 million or 8% up on the previous year, driven by the Recurring and Non-recurring Revenue movements described above, partly offset by higher staff and IT costs from the first full year of operations by the Link Fund Solutions business and other volume related increases. Operating EBITDA margins of 26% were flat on the previous year.

1. Directors' Report (continued)

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5.3.3 Technology & Innovation

Technology & Innovation revenue of \$230.7 million comprises internal revenue (from IT recharges to Fund Administration and Corporate Markets) of \$155.5 million and external revenue of \$75.2 million from value-added services (including data analytics, digital solutions and digital communications) and licensing in-house administration software.

Table 5: Technology & Innovation Revenue and Operating EBITDA

IN \$M	FY2018	FY2017	Variance (%)
Revenue	230.7	215.9	7%
Operating Expenses	(157.8)	(160.9)	2%
Operating EBITDA	72.9	55.0	32%
External Revenue %	33%	32%	
Operating EBITDA margin %	32%	25%	

Technology & Innovation total revenue grew to \$230.7 million which was 7% higher than the previous year. The growth on the prior year is due to a combination of internal revenue growth and growth in external revenue from increased sales of products and services to both existing and new customers across its various business lines, including:

- increase in fee-for-service project-related work especially in the NZ market;
- increased volumes of both new e-communications and traditional print services coupled with new business wins; and
- a full-year revenue contribution from the acquisition of Adviser Network in June 2017.

As a percentage of overall Technology & Innovation revenue, external revenue increased by 1% to 33%.

Technology & Innovation Operating EBITDA grew to \$72.9 million, which was \$17.9 million or 32% higher than the prior year. The increase in Operating EBITDA compared to the prior year reflects the synergy benefits of cost-out initiatives arising from the Superpartners integration coupled with the margin benefits derived from external revenue growth of 10%. Synergy benefits realised in FY2018 included decommissioning legacy systems and vendor consolidation and sourcing initiatives coupled with additional staff cost savings from further restructuring and consolidation of IT functions.

Operating EBITDA margins of 32% are up on FY2017 margins of 25%, reflecting the impact of the above factors.

5.3.4 Link Asset Services

LAS' results reflect eight months of trading since acquisition on 3 November 2017.

Table 6: Link Asset Services Revenue and Operating EBITDA

IN \$M	FY2018	FY2017	Variance (%)
Revenue	404.9	-	nmf
Operating Expenses	(311.1)	-	nmf
Operating EBITDA	93.8	-	nmf
Operating EBITDA margin %	23%	-	nmf

Revenue for the eight-month period of \$404.9 million represents strong contributions from all four business lines including:

- Link Market Services (LMS) which provides share registration, share dealing, employee share plans and treasury management activities. During the period, LMS was successful in winning 34 new corporate clients and retaining a further 29 clients.

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- Link Fund Solutions (LFS) which provides governance, administration and transfer agency services to investment fund managers in the UK and Ireland. During the period, LFS earned revenue from 8 new fund launches and won future new operator service business with Wales Pension Partnership and ACCESS (Local Government Pension Schemes). Assets under management as at 30 June 2018 amounted to £76.4 billion and reflect LFS's position as the leading independent authorised fund manager in the UK. LFS also recently opened an office in Luxembourg to service this large and growing fund management market.
- Corporate & Private Client Services (CPCS) which provides corporate and regulatory services, accounting and tax and company secretarial services to 5,314 individual entity structures. During the period, CPCS won 671 new business mandates across the seven UK and European markets in which it operates. Average revenue per entity amounted to £14,685.
- Banking and Credit Management (BCM) which provides debt servicing activities in the UK and Ireland. During the period, BCM expanded into attractive new markets in the Netherlands (assisted by the acquisition of Novalink in January 2018) and Italy where we opened a new office in May 2018. New business wins included a major bank in Ireland and 2 service contract wins in Italy. Average assets under administration amounted to £81.5 billion.
- LAS' operating EBITDA for the period was \$93.8 million which represented a margin of 23%, which was 1% above the margin achieved in the calendar year ended 31 December 2017. Included in operating costs are additional 'stand-alone' costs of insurance, some head office functions, and accruals for staff bonuses and annual leave (not accounted for under previous ownership).

5.4 Significant items

Total Significant items expense of \$37.6 million was 41% higher than the prior year of \$26.7 million.

Table 7: Summary of Significant items

IN \$M	FY2018	FY2017	Variance (%)
Significant Items			
Business Combinations Costs	16.9	16.0	(5%)
LAS Integration Costs	10.9	-	nmf
Other Integration Costs	2.2	4.7	54%
Client Migration Costs	15.1	7.7	(95%)
Total Significant Items (impacting EBITDA)	45.0	28.5	(58%)
Gain on Assets Held at Fair Value	(7.4)	(5.1)	47%
Discount on Provision Unwind	-	3.3	nmf
Total Significant Items	37.6	26.7	(41%)

The increase in Significant items was largely due to LAS integration costs incurred in FY2018 and costs associated with migrating clients onto Link Group's proprietary platforms, partially offset by lower non-LAS integration costs reflecting staff cost reductions achieved through natural attrition.

The gain on assets held at fair value of \$7.4 million reflects the net realised gain on a forward foreign exchange hedge related to the acquisition of LAS, which was closed out once the acquisition was completed in November 2017.

5.5 Other expenses below EBITDA

Depreciation and Amortisation

Depreciation and amortisation expense increased by 35% to \$47.2 million compared with the prior year largely due to the impact of the LAS acquisition, which brought with it associated depreciation and amortisation. This is partly offset by assets reaching the end of their useful lives such as Superpartners legacy systems that were retired during both the current year and prior year.

1. Directors' Report (continued)

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Acquired amortisation reflects the amortisation of client lists and the revaluation impact of acquired intangible assets resulting from business combinations. Acquired amortisation increased by 77% to \$41.9 million compared with the prior year. This reflected the impact of additions to acquired intangibles (including software and client lists) arising from the LAS acquisition, partly offset by other assets from previous acquisitions reaching the end of their useful lives in FY2017 and FY2018.

Net finance expense

Net finance expense of \$16.5 million is up \$5.7 million on the previous year's net finance expense due to higher average net debt following the settlement of the LAS acquisition, which was partly funded by a new £485 million debt facility.

Tax expense

Tax expense of \$48.9 million is 27% higher than the prior year's tax expense reflecting an increase in profit before tax of 56%, coupled with a larger number of non-deductible LAS acquisition-related costs, partially offset by lower applicable tax rates for European earnings and utilisation of unrecognised tax losses. The effective tax rate of 25% is lower than the prior year reflecting the part-year impact of lower tax rates applying to income generated in European jurisdictions.

Table 8: Other expenses below EBITDA

IN \$M	FY2018	FY2017	Variance (%)
EBITDA after Significant Items	290.3	190.6	52%
Depreciation and Amortisation	(47.2)	(34.9)	(35%)
EBITA	243.1	155.7	56%
Acquired Amortisation	(41.9)	(23.7)	(77%)
EBIT	201.3	132.0	52%
Net Finance Expense	(16.5)	(10.8)	(53%)
Discount on Provision Unwind	-	(3.3)	nmf
Gain on Assets Held at Fair Value	7.3	5.6	32%
NPBT	192.1	123.5	56%
Tax Expense	(48.9)	(38.3)	(27%)
NPAT	143.2	85.2	68%
Add Back: Acquired Amortisation After Tax	32.9	16.5	100%
NPATA	176.1	101.7	73%
Add Back Significant Items After Tax	30.6	22.1	38%
Operating NPATA	206.7	123.8	67%

6. Strong balance sheet and cash flow conversion

Link Group maintained a strong balance sheet in FY2018 with a low level of gearing providing significant flexibility for future growth opportunities.

We successfully completed an \$883 million equity raising in July 2017 and drew down GBP and AUD denominated debt in November 2017 to fund the acquisition of LAS. In April 2018, we undertook a \$300 million equity raising, with the proceeds partly used to repay Australian Dollar denominated debt and the balance remaining in cash to provide flexibility to support organic growth as well as future acquisitions.

The business generates high levels of cash while also maintaining a substantial ongoing investment in enhancing our proprietary systems and in new products and services.

1. Directors' Report (continued)

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6.1 Balance Sheet

The cash balance of \$265.5 million as at 30 June 2018 has increased from the 30 June 2017 position largely due to the capital raising in April 2018, part of which remains in cash deposits. This was supplemented by cash held by LAS. In addition, cash is retained to cover short-term investment management payables related to the Link Fund Solutions business in LAS.

Table 9: Summary Balance Sheet

As at 30 June		
IN \$M	FY2018	FY2017
Assets		
Cash	265.5	18.2
Trade & Other Receivables	302.3	98.7
Other Current Assets	618.7	19.7
Total Current Assets	1,186.5	136.5
Deferred Tax Asset	52.7	42.4
Other Non-Current Assets	2,693.4	1,055.0
Total Non-Current Assets	2,746.1	1,097.4
TOTAL ASSETS	3,932.6	1,233.9
Liabilities		
Trade & Other Payables	284.1	101.1
Interest Bearing Liabilities	0.5	0.2
Other Current Liabilities	687.3	83.3
Total Current Liabilities	972.0	184.6
Interest Bearing Liabilities	821.9	312.9
Deferred Tax Liability	111.4	56.4
Other Non-Current Liabilities	127.3	62.7
Total Non-Current Liabilities	1,060.6	432.0
TOTAL LIABILITIES	2,032.6	616.6
NET ASSETS	1,900.0	617.4
Equity		
Contributed Equity	1,875.5	689.4
Reserves	17.4	(77.8)
Retained Earnings	5.0	5.0
Non-Controlling Interest	2.0	0.8
TOTAL EQUITY	1,900.0	617.4

1. Directors' Report (continued)

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Net working capital (trade and other receivables less trade and other payables) as at 30 June 2018 was \$18.2 million. This reflects both organic growth and the acquisition of Link Asset Services.

Other current assets and other current liabilities have grown significantly compared to the previous year. This reflects the impact of recognising gross funds receivable and funds payable relating to the LAS Link Fund Solutions business where it acts on behalf of instructions from investors to buy and sell units in funds that it manages.

Other non-current assets have increased by \$1,638.4 million compared with the prior year. This largely reflects the acquisition of assets at net book value and recognition of goodwill, client relationships and software upon acquisition of LAS, partially offset by amortisation.

Interest-bearing liabilities have increased by \$509.3 million compared with the prior year. This reflects increases in debt drawn to fund the acquisition of LAS, partially offset by voluntary repayments of debt over the period. All Australian Dollar denominated debt was repaid in FY2018 with the only drawn debt at 30 June 2018 denominated in British Pounds.

Total equity increased to \$1,900.0 million from \$617.4 million in the prior year largely related to equity raisings in July 2017 and April 2018 used to partially fund the acquisition of LAS and to reduce debt.

6.2 Cash flow

Cash flow conversion continues to be a key focus of the business and Link Group achieved an operating cash conversion rate of 96%, slightly down on the previous year. Working capital consumption of \$32.7 million in FY2018 reflects the following:

- higher receivables owing to longer billing cycles in some parts of the LAS business;
- higher fee for service project billings in Fund Administration and higher corporate actions billings in Corporate Markets driving a higher receivables balance;
- increase in prepayments due to new multi-year IT maintenance agreements and higher insurance costs; and
- increase in the net creditor position of investment management balances in LAS.

Capital expenditure is a key driver of future productivity, product growth and cost efficiency. The business uses a benchmark of 3-5% of Link Group revenue to guide capital expenditure initiatives. In FY2018, capital expenditure was \$66.3 million, representing 5.5% of revenue and slightly above our benchmark guidance. The main reasons for the increase in capital expenditure relate to the following:

- acquisition of LAS;
- increased scope and complexity of enhancements to proprietary systems to on-board new clients in Fund Administration;
- development of the Corporate Markets proprietary registry system to facilitate entry into the Hong Kong market; and
- investment in miracle and investor centre platform refresh programs to ensure that they remain current.

1. Directors' Report (continued)

Operating and Financial Review

Table 10: Summary Pro forma cash flow

IN \$M	FY2018	FY2017	Variance (%)
Operating EBITDA	335.3	219.0	53%
Non-Cash Items in Operating EBITDA	2.6	7.4	(65%)
Changes in Fund Assets & Liabilities	15.1	-	nmf
Changes in Working Capital	(32.8)	(10.0)	nmf
Net Operating Cash Flow	320.3	216.5	48%
Cash Impact of Significant Items	(58.8)	(55.6)	(6%)
Net Free Cash Flow after Significant Items	261.6	160.9	63%
Tax	(40.5)	(2.4)	nmf
Interest	(12.9)	(10.2)	(27%)
Net Cash Provided by Operating Activities	208.1	148.3	40%
Capital Expenditure	(66.3)	(36.1)	(84%)
Other Investing Cash flow	(1,470.9)	(92.9)	nmf
Dividends Paid	(46.9)	(50.6)	7%
Net Cash Flow Before Other Financing Activities	(1,376.0)	(31.3)	nmf
Net Cash Used in Other Financing Activities	1,640.1	20.3	nmf
Net (decrease) / Increase in Cash	264.1	(11.0)	nmf
Net Operating Free Cash Flow	254.0	180.4	41%
Net Operating Cash flow Conversion	96%	99%	
Net Operating Free Cash flow Conversion	76%	82%	

6.3 Net debt

The pro forma Net Debt/Operating EBITDA ratio has increased slightly to 1.52 times⁹. This reflects an increase in net debt required for the acquisition of LAS offset by improved Operating EBITDA performance. The Operating EBITDA/net interest cost ratio has decreased to 15.88 times, reflecting higher net interest costs offsetting higher Operating EBITDA performance.

Link Group has total committed and available facilities of \$1,440.8 million with a further \$250.0 million as an uncommitted accordion facility. This level of available facilities provides significant capacity for future potential acquisitions.

Table 11: Summary of net debt

IN \$M	FY2018	FY2017
Cash and Cash Equivalents	(265.5)	(18.2)
Total Debt	822.4	313.1
Net Debt	556.9	295.0
Pro forma debt ratios		
Net Debt / Operating EBITDA ⁹	1.52	1.35
Operating EBITDA / Net Interest Costs	15.88	20.34

⁹ Net Debt/Operating EBITDA is stated on a pro forma basis (i.e. including 12 months of LAS results). On a debt covenant calculation basis, this figure was 1.50 times.

1. Directors' Report (continued)

Operating and Financial Review

7. Pro-active management of risks

Link Group continually strives to improve our risk culture, systems and practices. Our risk management system is specifically designed to identify and effectively respond to the effects of uncertainty on Link Group's objectives.

By way of example, since listing on the ASX, Link Group has reported client concentration as a key risk. As an outcome of Link Group's maturing risk profile and the execution of our growth strategy, Link Group has been able to address the concentration risk and achieve transformational growth/change. The acquisition of LAS, which is based in the United Kingdom and Europe in FY2018, has reduced Link Group's concentration risk by providing diversification of clients, revenue, industries, currency and geography. However, the acquisition also had the effect of increasing Link Group's principal risk and the number of regulatory stakeholders. This provides a good illustration of the continuously evolving nature of Link Group's risk profile and the importance of proactively managing risks.

Risk Management Framework

The Link Group risk management framework is aligned to international risk management guidelines (ISO 31000:2018). The framework promotes the achievement of Link Group's objectives by integrating policies, processes, procedures and systems with our structures and people. The Board's Risk and Audit Committee oversees, reviews and supervises the framework, as well as promoting a risk management culture.

The framework provides a consistent approach for identifying, analysing, evaluating, treating and monitoring risks at all levels of the organisation. It fosters an open and transparent culture, where risk discussion and awareness are supported. It also provides a necessary appreciation of the risk environment within which Link Group operates. The application of the framework enables, and assures, that critical risks are systematically identified and effectively managed within approved risk tolerances. These expectations and risk outcomes are embedded into key performance indicators.

The '3 Lines of Defence'

Link Group employs the '3 Lines of Defence' model to manage risk:

Line	1 (First Line)	2 (Second Line)	3 (Third Line)
Responsibility	Manage Risk	Oversight and Support	Independent Assurance
Role	Identify, analyse, assess, record, prioritise, treat and monitor risks, in line with risk tolerances defined in the Risk Appetite Statement.	Provide the risk and compliance management frameworks, tools, systems and expertise to support effective management of risk and internal control.	Provide assurance to the Link Group Board and Management on the effectiveness business process, governance, risk management and internal controls.
Accountability	Business Management	Group Risk & Compliance	Internal / External Audit

Key Elements of the Risk Management Framework

- **Oversight and Governance** – The risk management framework is overseen by the Risk and Audit Committee of the Board. Senior Executives drive execution of the framework and the management of risk. Various management and corporate governance forums promote a risk culture, enable responsible decision-making, provide executive oversight and require accountability for achieving organisational objectives and risk outcomes. A further description of risk governance at Link Group is set out in the Corporate Governance Statement.
- **Risk Appetite Statement (RAS)** – The Board-approved RAS sets out the nature and amount of risk that Link Group is willing to accept in the pursuit of our strategic and business objectives. The Board has identified risk tolerances for each category of risk. The RAS guides/limits Management decision-making and drives appropriate action to reduce risk exposure to within the set tolerances. Regular reporting of key risk indicators enables both Management and the Board, to each monitor risk exposure compared to the RAS.
- **Ownership and Accountability** – Management are responsible for identifying and managing the risks and opportunities within their business, supported by the Line 2 Risk & Compliance functions. Residual risks are monitored so that any potential exposures are within the expectations and limits of the Board-approved RAS. The Line 2 Risk & Compliance functions provide appropriate management challenge so that risks are owned and managed. Both Line 1 and Line 2 functions are held accountable through embedded key performance indicators and governance oversight.

1. Directors' Report (continued)

Operating and Financial Review

- **Process and Tools** – The Risk & Compliance function supports Management to manage risk and achieve business objectives. This is achieved through the provision of education, training and tools that enable risks to be identified, analysed, assessed, recorded and reported. The tools and processes also enable independent oversight and timely reporting of relevant risk information, to enhance informed decision-making.

Changes to the Risk Profile from previous year

As noted in prior sections, FY2018 was a year of transformational change for Link Group, primarily resulting from the acquisition of LAS. While this acquisition has reduced client concentration risk, when coupled with changes in the regulatory landscape, it has altered Link Group's risk profile.


Historically, Link Group had modest principal risk. LAS acts in a principal capacity with additional fiduciary responsibilities and duty of care across a number of its businesses, which has increased the Group's principal risk exposure.

In addition, the introduction of the General Data Protection Regulation (GDPR) requires enhanced data privacy protection of subjects domiciled in the United Kingdom and Europe. Furthermore, the frequency and sophistication of financial crimes continues to increase globally.

Link Group has responded to these challenges through additional controls, governance and oversight. Plans to mitigate these risks are monitored, regularly reviewed and re-assessed.


Key Risks

There are inherent risks that all businesses face (for example - business resilience, financial crime, operational errors/omissions). Link Group considers these risks when designing and operating our frameworks. Some of the more significant risks faced by Link Group and how they are being managed are outlined below. This is not a comprehensive list of the risks or mitigating actions.

RISK CATEGORY	DESCRIPTION OF THE RISK AND ITS IMPACT	HOW WE RESPOND
Information security 	<p>Description</p> <p>Link Group's core products and services inherently involve appropriate management of information.</p> <p>Link Group's ability to ensure the availability, integrity and security of information that it holds, may provide a competitive advantage or may be detrimental to Link Group, as it attempts to enable efficient and secure businesses.</p> <p>Impact</p> <p>Clients expect Link Group to securely store and make use of accurate information. Failure to meet these expectations may result in breach of confidence, contract or regulation, which may have a negative impact on Link Group's reputation, financial performance and ability to achieve our strategic objectives.</p>	<p>Link Group has in place an information security management system aligned to the international best practice standard ISO27001, certified in Australia. Some key controls include:</p> <ul style="list-style-type: none"> • mandatory privacy and information security training to all staff at least annually; • employing 'privacy by design' principles in the design, development and deployment of policies, processes, procedures, systems, infrastructure, products and services; • proactive management of identified vulnerabilities, with controls in place to prevent, detect, mitigate and report breaches, including privacy and data breach response plans and regulatory reporting mechanisms; • monitoring of internal and external system traffic; • regular external penetration testing; and • user access controls to restrict access to premises, information and systems. <p>Link Group maintains close ties with the information security community and government authorities.</p>



1. Directors' Report (continued)

Operating and Financial Review

RISK CATEGORY	DESCRIPTION OF THE RISK AND ITS IMPACT	HOW WE RESPOND
Political and regulatory environment 	<p>Description</p> <p>Link Group's business is influenced and affected by laws, regulatory compliance and government policy in each of the jurisdictions in which it operates.</p> <p>Political and/or regulatory change, and Link Group's ability to comply with regulations, could enable or inhibit our business objectives.</p> <p>Impact</p> <p>Changes could affect the ability to achieve business objectives and financial performance.</p> <p>For example, by:</p> <ul style="list-style-type: none"> • limiting or removing authority to operate; • changing how a business operates; or • altering resource requirements, operating efficiency and profitability. <p>For example:</p> <ol style="list-style-type: none"> 1. Brexit - the uncertainty of impacts arising as a result of the United Kingdom's decision to exit the European Union. 2. Legislation change in Superannuation - in the May 2018 Federal Budget, the Australian Government proposed changes relating to the treatment of inactive superannuation accounts (i.e. from 1 July 2019, Member accounts with balances less than \$6,000 and no contribution in the past 13 months, will have their balance transferred to the Australian Tax Office, and their account closed). In its current form, the proposal may have a material impact on the number of members administered by Link Group and therefore negatively impact future revenue expectations of the Fund Administration division. 	<p>Link Group:</p> <ul style="list-style-type: none"> • engages with government, regulatory authorities and peak industry bodies; • actively monitors, assesses and manages the impacts of changes to laws, regulation and government policy; • designs processes, procedures and systems consistent with the stated policy principles within each jurisdiction; • works with clients to assist in preparation for, and mitigation of, the impact of change; and • has a diversified geographic and jurisdictional presence. <p>Link Group's businesses are supported by specialist Risk & Compliance professionals, internal and external legal counsel and expert third party advisors, as required.</p> <p>For example:</p> <ol style="list-style-type: none"> 1. Brexit - Link Group has presence in other jurisdictions within the European Union to facilitate continuity of service provisioning to our clients. 2. Legislative change in Superannuation - <ul style="list-style-type: none"> • collaborating with clients to increase engagement with their members and optimise opt-in processes for life insurance, which may materially reduce the number of impacted accounts; and • commercial contractual protections (i.e. Volume clauses). <p>Well-established divisional regulatory change processes that closely monitor changes to the regulatory environment, impacts on Link Group (and its stakeholders) and supports clients to prepare for and mitigate the impact of proposed change.</p>



1. Directors' Report (continued)

Operating and Financial Review

RISK CATEGORY	DESCRIPTION OF THE RISK AND ITS IMPACT	HOW WE RESPOND
Client base, retention and arrangements 	<p>Description</p> <p>Link Group may experience greater or less success in attracting new clients and retaining existing clients on commercial terms than expected/desired.</p> <p>Some factors may include:</p> <ul style="list-style-type: none"> • scope and quality of service; • increased competition; • business and regulatory environment; • strength of relationships; • perception, bias and preference; and • technological disruption and innovation. <p>Impact</p> <p>The key industries that Link Group operates in are all competitive markets and are expected to remain competitive. This may affect organic growth capability and the scope and quality of products and services. It may also influence resourcing, margins and financial performance.</p>	<p>Link Group manages this risk through:</p> <ul style="list-style-type: none"> • dedicated client relationship managers; • management of contracted service delivery, including prompt rectification of issues; • development of long-term relationships premised on strategic partnership; • commercial contractual protections; • competitive, diversified and integrated product and service offerings; • market and product benchmarking and evaluations; and • reputation and brand equity. <p>Link Group actively monitors and invests in innovation and new technologies. It has invested over \$300M in delivering technology-driven solutions for our clients and continues to partner with industry leaders to expand the range of value-added services for clients to further enhance competitive advantage.</p>
Principal risk 	<p>Description</p> <p>Link Group's ability to comply with relevant obligations may result in regulatory and consumer exposures, contrary to our objectives to operate profitable, risk managed, compliant businesses.</p> <p>Impact</p> <p>Link Group primarily provides services to/for clients as an agent (indirectly accountable), but also provides primary services to customers as principal (directly liable). LAS increases the level of principal risk. This risk provides a high barrier to entry, which could be a competitive advantage for Link Group. However, material failure by Link Group to discharge our principal obligations may negatively affect financial performance (compensation, pecuniary penalties, lost earnings) and reputation. It may also give rise to regulatory penalties or removal of authority to operate the relevant business.</p>	<p>Link Group mitigates this risk through:</p> <ul style="list-style-type: none"> • compliance management framework; • risk management framework; • skilled and qualified staff; • documented processes and procedures; • assurance programs and Internal Audit function; • professional lines of insurance; • engagement with regulators; • in the case of LAS, governance mechanisms and processes are in place to assess the performance of the Investment Managers and monitor the fulfilment of the fiduciary obligations; • at least annual compliance training for impacted staff; and • internal complaints mechanism and dispute resolution systems to identify consumer concerns.



1. Directors' Report (continued)

Operating and Financial Review

RISK CATEGORY	DESCRIPTION OF THE RISK AND ITS IMPACT	HOW WE RESPOND
Growth 	<p>Description</p> <p>There are a number of factors that may impede or enhance Link Group's ability to identify and execute opportunities to continue to grow and strengthen the organisation and our businesses.</p> <p>Examples of some factors may include:</p> <ul style="list-style-type: none"> • capacity limitations; • adverse market conditions; • lack of available/appropriate opportunities; • regulatory constraints; and • opportunity cost (of pursuing one opportunity over another). <p>Impact</p> <p>This risk significantly affects the likelihood of achieving Link Group's strategic objectives.</p>	<p>Link Group adopts a diversified growth strategy:</p> <ul style="list-style-type: none"> • growth with our clients in attractive markets; • product and service innovation; • client product and regional expansion; • integration and efficiency benefits; and • identifying and exploiting adjacent market opportunities. <p>Link Group manages issues within our control. For example, we aim to optimise each specific opportunity by closely monitoring relevant business environments, working collaboratively with industry and regulators, partnering with organisations and employing people with appropriate skills, expertise, and experience.</p>
Acquisition, Integration and transformation 	<p>Description</p> <p>The benefits from an acquisition, integration or transformation could be less than or greater than expected.</p> <p>Some factors may include:</p> <ul style="list-style-type: none"> • appropriateness of each plan; • accuracy of the calculation of expected benefits; • quality and efficiency of execution; • market conditions; and • unexpected intervening events. <p>Impact</p> <p>The extent to which expected synergies and other benefits are realised can affect Link Group's financial performance, organisational efficiency, allocation of resources and strategic plans.</p>	<p>Having successfully executed and integrated more than 40 business combinations over the past 15 years, Link Group has significant experience delivering on the expected benefits.</p> <p>This is achieved principally through:</p> <ul style="list-style-type: none"> • established and robust processes encapsulating people, systems, products and clients; • partnering with organisations and employing people with appropriate skills, expertise, and experience to optimise each specific opportunity; • disciplined project governance controls; • initial strategic and financial analysis; • contingency factoring; • sound due diligence practices; and • contractual protections.




1. Directors' Report (continued)

Operating and Financial Review

RISK CATEGORY	DESCRIPTION OF THE RISK AND ITS IMPACT	HOW WE RESPOND
Systems and Technology 	<p>Description</p> <p>The performance of systems and technology that Link Group provides may exceed or fall short of expectations to provide contracted services.</p> <p>Impact</p> <p>Technology is the key enabler of Link Group's services. Link Group and our clients depend on the effective performance, reliability and availability of Link Group's technology platforms, software, third-party data centres and communications systems.</p>	<p>Link Group seeks to:</p> <ul style="list-style-type: none"> • utilise best-in-class infrastructure and IT vendors; • house infrastructure owned and licensed by Link Group in data centres; • develop proprietary applications using industry standards and methodology, which conform to standard multi-tier architecture conventions; • regularly monitor and optimise performance; and • maintain current and reliable infrastructure assets. <p>In addition, Link Group has:</p> <ul style="list-style-type: none"> • robust project initiation control; • an enterprise project management office; and • change management and change control processes.
Counter-party risk 	<p>Description</p> <p>Link Group relies on the strength and sound performance of key third party providers to avoid financial loss, to maintain reputation and to achieve our objectives.</p> <p>For example:</p> <ul style="list-style-type: none"> • third-party suppliers of material products, systems, hardware and software that Link Group requires to operate our businesses; • sub-contractors of Link Group, for whose services Link Group may be liable for; and • financial institutions that have custody of corporate and client assets. <p>Impact</p> <p>Any failure of a key counter-party has the potential to negatively affect Link Group's provision of services, relationship with clients and customers. It may also have a negative impact on Link Group's reputation, performance and strategic objectives.</p>	<p>Link Group mitigates this risk through:</p> <ul style="list-style-type: none"> • corporate governance; • contingency planning; • diversification and multiple preferred suppliers; • relationship and contract management; • insurance arrangements; • vendor management; • conflict of interest policies; • due diligence in tender and requests for proposal processes; • sourcing and procurement functions; and • assurance programs and Internal Audit function.

1. Directors' Report (continued)

Operating and Financial Review

RISK CATEGORY	DESCRIPTION OF THE RISK AND ITS IMPACT	HOW WE RESPOND
Access to finance on commercial terms 	<p>Description</p> <p>Prevailing market conditions and Link Group's relative standing (perception, performance and credit rating) could increase, reduce or limit access to funding on more or less favourable terms than expected, as and when required.</p> <p>Impact</p> <p>Link Group operates in competitive markets. The terms on which Link Group is able to access funding can affect our financial performance, equity value and capacity to pursue strategic growth objectives.</p>	<p>Link Group mitigates this broad risk through:</p> <ul style="list-style-type: none"> • tightly monitoring our balance sheet; • staggered debt maturity profile; • prudent leverage ratios; • compliance with all debt covenants; • engagement with the investor communities; • building strong long-term relationships with a range of financiers globally; and • compliance with the ASX corporate governance principles and continuous disclosure obligations.
Foreign currency 	<p>Description</p> <p>Link Group operates in jurisdictions across Europe, Africa and the Asia-Pacific, with each operation trading in their local currency.</p> <p>Prevailing exchange rates could positively or negatively affect Link Group's financial performance.</p> <p>Impact</p> <p>Link Group's largest currency exposure is British Pounds as a result of the LAS acquisition. Unmanaged large exposures to exchange rates could materially affect Link Group's AUD earnings and net asset position.</p>	<p>Link Group:</p> <ul style="list-style-type: none"> • proactively secured a debt facility in British pounds, to partially fund the acquisition of LAS. This results in a 'natural hedge' for the investment in LAS, as foreign exchange movements in debt balances offset those related to the net investment; • uses the foreign currency translation reserve to capture exchange differences recognised on consolidation of foreign operations; and • regularly repatriates foreign earnings after tax to mitigate the risk of exchange rate fluctuations on earnings from overseas operations.
Ability to attract and retain key personnel 	<p>Description</p> <p>Link Group may experience greater or less success than expected in attracting, retaining and developing the most appropriate personnel needed to achieve organisational objectives.</p> <p>Impact</p> <p>Although Link Group is a technology-enabled organisation, it is ultimately a provider of services. Therefore, people are critical to our success.</p> <p>This risk may affect Link Group's efficiency, performance and capacity to pursue and achieve its strategic objectives. It may also affect the quality and availability of future leadership of the Group, which in turn may have a negative impact on reputation and performance.</p>	<p>Link Group continues to invest in the development of our people and culture.</p> <p>We do this through:</p> <ul style="list-style-type: none"> • an open management style; • development of an effective corporate culture and values; • ongoing investment in modern, state of the art office environments; • investment in innovation and new technology; • providing tools to manage the deployment, productivity and performance of our people; • competitive market remuneration coupled with appropriate performance targeted financial incentives; and • providing staff benefits such as career development support, leave policies, health and wellness programmes and related benefits.

1. Directors' Report (continued)

Operating and Financial Review

8. FY2019 outlook

Operations

- Good organic pipeline of opportunities across the business combining with good momentum already from a number of client wins in FY2018 (particularly in LAS).
- Continued focus on supporting Fund Administration clients through this period of heightened regulatory focus. The unmitigated negative revenue impact from the announced budget changes is estimated at ~\$55 million as at 30 June 2018.
- REST contract continues to roll on a monthly basis – long term contract remains in advanced stages of negotiation.
- Continued earnings momentum through ongoing disciplined cost management.

Integration activities

- Integration activities in Australia are progressing well and remain on track to achieve targeted efficiencies.
- Integration activities in UK have ramped up with the immediate focus on transitioning the business onto Link Group platforms.
- Steps are already being taken to refocus the LAS business to accommodate a shared services model and introduce uniform technologies to increase group efficiency.
- Benefits from the LAS integration expected to start flowing in FY2019.

Capital Management

- Pro forma leverage of ~1.5 times net debt / Pro forma Operating EBITDA – at the bottom of the guidance range, providing flexibility for further growth.
- Dividend reinvestment plan remains in place for shareholders.
- Continue to assess a range of opportunities to complement existing operations.

1. Directors' Report (continued)

Operating and Financial Review

Appendix 1 – non IFRS definitions

Link Group uses a number of non-IFRS financial measures in this OFR to evaluate the performance and profitability of the overall business. The principal non-IFRS financial measures that are referred to in this OFR are as follows:

FY	is financial year ended 30 June (in the applicable year).
Recurring Revenue	is revenue arising from contracted core administration servicing and registration services, corporate and trustee services, transfer agency, stakeholder engagement services, share registry services and shareholder management and analytics services that are unrelated to corporate actions. Recurring Revenue is expressed as a percentage of total revenue. Recurring Revenue is revenue the business expects to generate with a high level of consistency and certainty year-on-year. Recurring Revenue includes contracted revenue which is based on fixed fees per member, per client or per shareholder. Clients are typically not committed to a certain total level of expenditure and as a result, fluctuations for each client can occur year-on-year depending on various factors, including number of member accounts in individual funds or the number of shareholders of corporate market clients.
Non-recurring Revenue	is revenue the business expects will not be earned on a consistent basis each year. Typically, this revenue is project related and can also be adhoc in nature. Non-recurring Revenue includes corporate actions (including print and mail), call centre, capital markets investor relations analytics, investor relations web design, extraordinary general meetings, share sale fees, off-market transfers, employee share plan commissions and margin income revenue. Additionally, Non-recurring Revenue includes fee for service (FFS) project revenue, product revenue, revenue for client funded FTE, share sale fees, share dealing fees, one-off and other variable fees.
Gross Revenue	is the aggregate segment revenue before elimination of intercompany revenue and recharges such as Technology and Innovation recharges for IT support, client-related project development and communications services on-charged by Fund Administration or Corporate Markets to their clients. Link Group management considers segmental Gross Revenue to be a useful measure of the activity of each segment.
Operating EBITDA	is earnings before interest, tax, depreciation and amortisation and Significant items. Management uses Operating EBITDA to evaluate the operating performance of the business and each operating segment prior to the impact of Significant items, the non-cash impact of depreciation and amortisation and interest and tax charges, which are significantly impacted by the historical capital structure and historical tax position of Link Group. Link Group also presents an Operating EBITDA margin which is Operating EBITDA divided by revenue, expressed as a percentage. Operating EBITDA margin for business segments is calculated as Operating EBITDA divided by segmental Gross Revenue, while Link Group Operating EBITDA margin is calculated as Operating EBITDA divided by revenue. Management uses Operating EBITDA to evaluate the cash generation potential of the business because it does not include Significant items or the non-cash charges for depreciation and amortisation. However, Link Group believes that it should not be considered in isolation or as an alternative to net operating free cash flow.
EBITDA	is earnings before interest, tax, depreciation and amortisation.
Operating NPATA	is net profit after tax and after adding back tax affected Significant items (including the discount expense on the un-winding of the Superpartners client migration provision) and acquired amortisation. Acquired amortisation comprises the amortisation of client lists and the revaluation impact of acquired intangibles such as software assets, which were acquired as part of business combinations. Link Group management considers Operating NPATA to be a meaningful measure of after-tax profit as it excludes the impact of Significant items and the large amount of non-cash amortisation of acquired intangibles reflected in NPAT. This measure includes the tax effected amortisation expense relating to acquired software which is integral to the ongoing operating performance of the business.

1. Directors' Report (continued)

Operating and Financial Review

Significant items	refer to revenue or expense items which are considered to be material to NPAT and not part of the normal operations of the Group. These items typically relate to events that are considered to be 'one-off' and are not expected to re-occur. Significant items are used in both profit and loss and cash flow presentation. Significant items are broken down into; business combination costs, integration costs, client migration costs (all above EBITDA) and gain on assets held at fair value and some finance charges (below EBITDA).
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Although Link Group believes that these measures provide useful information about the financial performance of Link Group, they should be considered as supplementary to the information presented in accordance with Australian Accounting Standards and not as a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way Link Group calculated these measures may differ from similarly titled measures used by other companies.

1. Directors' Report (continued)

Remuneration Report

Introduction from the Chair of the Human Resources & Remuneration Committee

Dear Shareholder,

On behalf of the Board, I present the Remuneration Report for the year ended 30 June 2018. This Report has been prepared on a consistent basis to the previous year for ease of reference.

Our Remuneration Report received positive shareholder support at the 2017 AGM, with a vote in favour of 99.48%. We thank you for your support. Our aim is to align remuneration structures and decisions to sustainable shareholder value creation.

FY2018 was a transformational year for Link Group acquiring Link Asset Services (LAS), thereby significantly increasing the scale, complexity and geographical reach of our business.

In FY2018, Operating EBITDA was \$335.3 million, an increase of 53% on the prior year. This Operating EBITDA performance exceeded the Short Term Incentive (STI) target and therefore the gateway for STI payments was met. The stretch STI opportunity for achieving Operating EBITDA of at least 110% of target was not reached in FY2018. Performance against individual Key Performance Indicators (KPIs) of Executive KMP was also strong with individual outcomes at 90% of target STI opportunities.

In FY2018, the following key remuneration issues were addressed:

- Revised the STI Gateway Operating EBITDA target to account for the contribution from LAS towards the achievement of overall Operating EBITDA. Further information can be found in Section 3.
- Introduction of a requirement for Executive KMP to defer part of earned STI into share rights until their minimum shareholding requirement is met. Further details can be found in Section 3.
- As foreshadowed in the FY2017 Remuneration Report, the Total Shareholder Return (TSR) comparator group under the Omnibus Equity Plan was amended for FY2018 grants from the S&P/ASX200 (with exclusions) to the S&P/ASX100 (with exclusions) to reflect our growth and market position as a S&P/ASX100 company.
- The Board reviewed the Earnings per Share (EPS) targets in relation to unvested long-term incentive (LTI) awards following the LAS transaction and determined that no changes to existing targets should be made. The Board's decision is explained in Section 1.3.
- On completion of the acquisition of LAS, Anthony O'Keeffe was included as a Key Management Personnel (KMP).

The Board has reviewed remuneration for all Executive KMP as well as Board composition and fees for FY2019 in the context of the scale, complexity and geographic reach of Link Group, and against benchmark data. Proposed changes in remuneration for KMP are set out in Section 1.3.

We welcome your feedback on our Remuneration Report.

Yours sincerely,



Sally Pitkin

Human Resources & Remuneration Committee Chair

1. Directors' Report (continued)

Remuneration Report

About this Remuneration Report

The Remuneration Report (Report) summarises the remuneration of Link Group's KMP; namely Directors and Executive KMP that are named in this Report for the financial year ended 30 June 2018. This Report has been prepared in accordance with the requirements of section 300A of the Corporations Act 2001 and has been audited.

1. Overview of the Executive KMP remuneration approach

1.1 Remuneration principles & philosophy

Link Group follows the following principles when developing and implementing remuneration decisions. The decisions made about remuneration should:

- support competitive market pay;
- support the attraction and retention of capable and committed employees;
- align behaviours and outcomes to Link Group values and strategic imperatives;
- align remuneration with sustainable shareholder value creation and returns;
- align remuneration with prudent risk taking and Link Group's long term financial soundness;
- motivate individuals to pursue Link Group's long-term growth and success;
- demonstrate a clear relationship between Link Group's overall performance and the performance of individuals;
- support gender pay equity; and
- comply with all relevant legal, tax and regulatory provisions.

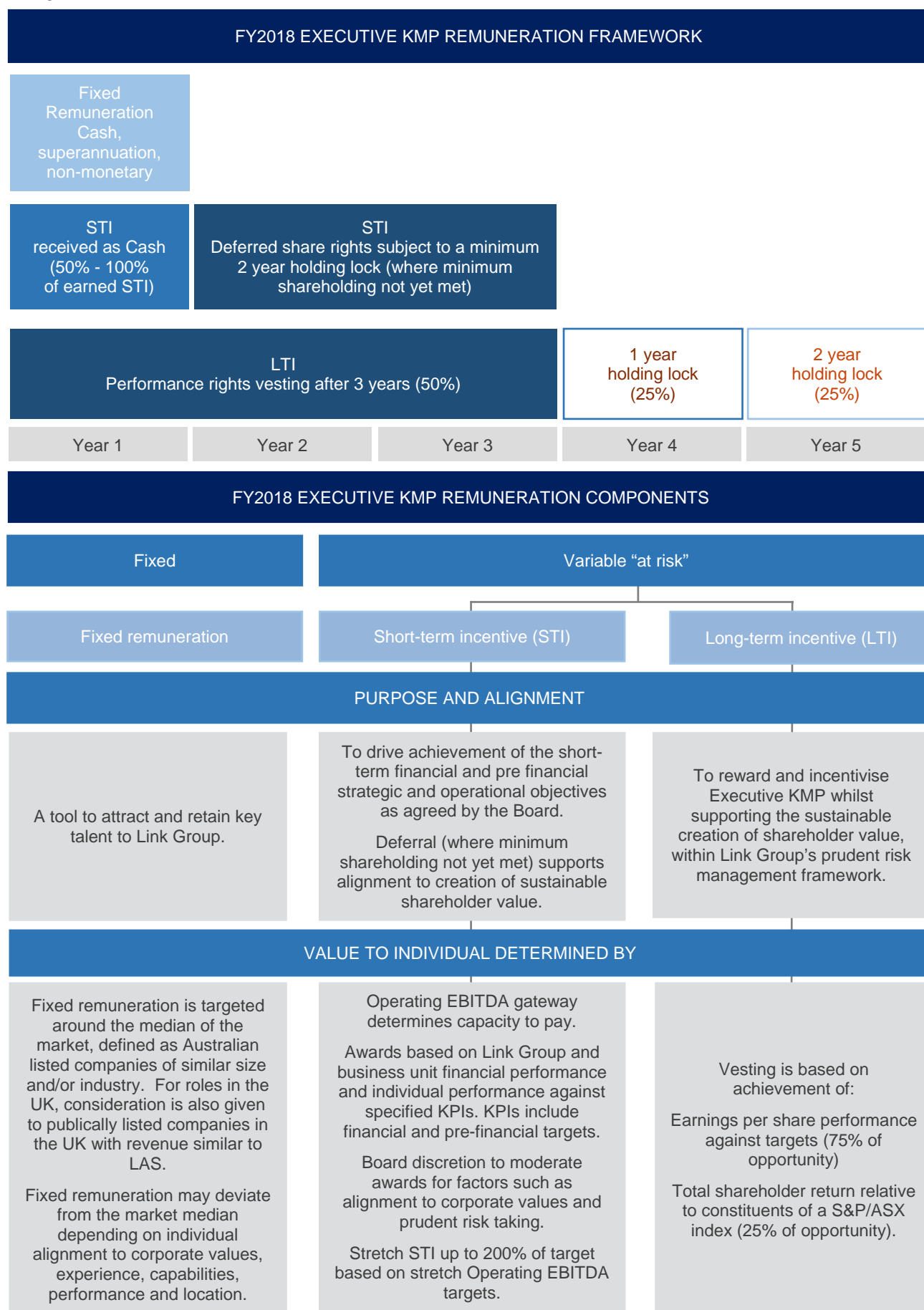
1.2 FY2018 remuneration framework

Link Group's remuneration framework is designed to reward Executive KMP for achievement of Link Group strategy and shareholder value creation. Figure 1 outlines the components of Executive KMP remuneration and their purpose.

1. Directors' Report (continued)

Remuneration Report

Figure 1: FY2018 Executive KMP remuneration framework



1. Directors' Report (continued)

Remuneration Report

1.3 Key questions about KMP remuneration

This section provides an overview of the key questions our shareholders may have in relation to our KMP remuneration arrangements.

Executive KMP remuneration in FY2018									
What changes to Executive KMP remuneration structures have been made in FY2018?	<p>In FY2018, the Board introduced the requirement for Australian-based Executive KMP to defer a portion of earned STI into equity until their minimum shareholding requirement is met. Deferred STI will be delivered in the form of deferred share rights which automatically convert to deferred shares soon after grant. These shares are subject to a holding lock for a minimum of 2 years following conversion. Further details can be found in Section 3 of this Report. This requirement will be extended to all Executive KMP in FY2019.</p> <p>As foreshadowed in the FY2017 Remuneration Report, the TSR comparator group under the Omnibus Equity Plan was amended for FY2018 grants from the S&P/ASX200 (with exclusions) to the S&P/ASX100 (with exclusions) to reflect our growth and market position as a S&P/ASX100 company.</p>								
Have there been any changes to the Executive KMP remuneration levels in FY2018?	<p>The Board reviewed Executive KMP remuneration levels and taking into consideration market remuneration levels, role responsibilities, and the LAS acquisition, the following changes to fixed remuneration were made from 1 October 2017:</p> <table> <tr> <td>John McMurtrie Managing Director</td><td>12.5% increase as part of a phased approach to lift fixed and total remuneration to the median of the benchmarking group, and in recognition of the international role responsibilities with the LAS acquisition.</td></tr> <tr> <td>John Hawkins Chief Financial Officer</td><td>3% increase in line with market remuneration levels, as identified through market benchmarking data.</td></tr> <tr> <td>Paul Gardiner CEO Corporate Markets, CEO Technology & Innovation</td><td>20% increase due to increase in role scope covering Corporate Markets following David Geddes' retirement, in addition to role as CEO Technology & Innovation and commensurate with market remuneration levels of Heads of similar-sized business units.</td></tr> <tr> <td>Suzanne Holden CEO Fund Administration</td><td>Unchanged.</td></tr> </table> <p>As STI and LTI opportunity is derived as a percentage of fixed remuneration, increases in those opportunities were commensurate with increases in fixed remuneration.</p>	John McMurtrie Managing Director	12.5% increase as part of a phased approach to lift fixed and total remuneration to the median of the benchmarking group, and in recognition of the international role responsibilities with the LAS acquisition.	John Hawkins Chief Financial Officer	3% increase in line with market remuneration levels, as identified through market benchmarking data.	Paul Gardiner CEO Corporate Markets, CEO Technology & Innovation	20% increase due to increase in role scope covering Corporate Markets following David Geddes' retirement, in addition to role as CEO Technology & Innovation and commensurate with market remuneration levels of Heads of similar-sized business units.	Suzanne Holden CEO Fund Administration	Unchanged.
John McMurtrie Managing Director	12.5% increase as part of a phased approach to lift fixed and total remuneration to the median of the benchmarking group, and in recognition of the international role responsibilities with the LAS acquisition.								
John Hawkins Chief Financial Officer	3% increase in line with market remuneration levels, as identified through market benchmarking data.								
Paul Gardiner CEO Corporate Markets, CEO Technology & Innovation	20% increase due to increase in role scope covering Corporate Markets following David Geddes' retirement, in addition to role as CEO Technology & Innovation and commensurate with market remuneration levels of Heads of similar-sized business units.								
Suzanne Holden CEO Fund Administration	Unchanged.								
How is Link Group's performance reflected in FY2018 remuneration outcomes?	<p>In FY2018 the Operating EBITDA gateway on the STI was achieved. Performance against individual KPIs for Executive KMP was strong with individual outcomes at 90% of target STI opportunities. The stretch STI opportunity was not available in FY2018 as the stretch target was not met.</p> <p>Further detail on STI outcomes is provided in Section 2.2.</p>								

1. Directors' Report (continued)

Remuneration Report

Executive KMP remuneration in FY2018	
<p>What are Anthony O'Keeffe's remuneration arrangements?</p>	<p>Anthony O'Keeffe is CEO of LAS and an Executive KMP. Mr O'Keeffe's remuneration as detailed in this Report includes:</p> <ul style="list-style-type: none"> • A short-term Incentive payment received in April 2018, awarded for meeting LAS financial performance targets for the period 1 January to 31 December 2017. As Mr O'Keeffe joined Link Group on 3 November 2017, the amount reported reflects the portion relevant to the period 3 November to 31 December 2017. • A payment received in April 2018 in relation to participation in a retention incentive arrangement, payable over three years until FY2020. The aim of the retention incentive is to reward Mr O'Keeffe's ongoing commitment to LAS and Link Group through the integration period. • Link Group has continued a tax equalisation arrangement that was in place prior to Link Group acquiring the business. The arrangement is designed to make tax a neutral factor for certain employees who are required to work cross-border. The arrangement means that Mr O'Keeffe is no better or worse off for having worked part of the year in the UK. • In FY2018, Mr O'Keeffe was eligible to participate in the Link Group STI Plan for the period 1 January to 30 June 2018. Further detail in relation to Mr O'Keeffe's STI outcomes is provided in Section 2.2. • A payment to be received in October 2018, following Mr O'Keeffe's agreement to reduce his STI opportunity from and including FY2018, which will assist to align the percentage of remuneration given as a short term incentive with other Executive KMP. The amount of the payment is the difference between the STI payment Mr O'Keeffe was contractually entitled to earn prior to the reduction and the reduced STI entitlement. Mr O'Keeffe is required to remain employed at Link Group until October 2018 to receive this payment. • Mr O'Keeffe was awarded a grant of Performance Share Rights (PSRs) under the Link Group LTI Plan in November 2017. Further detail in relation to Mr O'Keeffe's LTI grant is provided in Section 3.5.
<p>How is fixed remuneration determined? And how is it positioned relative to the market?</p>	<p>Fixed remuneration generally includes base salary, superannuation and may include non-monetary benefits.</p> <p>Fixed remuneration is targeted at the median of the market. The market is defined as Australian-listed companies of similar size and/or industry. Consideration is generally given to S&P/ASX200 companies with market capitalisation 50% to 200% of Link Group's 12-month average market capitalisation. This comparator group was chosen as most appropriate given the significant increase in Link Group's market capitalisation over the same 12-month period, and also includes entities which are comparable to Link Group. Where a role match was available, consideration was also given to specific peer companies. From FY2019, consideration will also be given to UK market data, being defined as publically listed companies in the UK with revenue similar to LAS' 12-month revenue.</p> <p>Fixed remuneration is generally reviewed against the market annually, however, there is no guaranteed annual increase.</p>
<p>What proportion of target remuneration is 'at risk' and why is it considered appropriate for the business?</p>	<p>Target total remuneration is positioned between the median and 75th percentile of the market, in line with market norms. The market is as defined in the above section on fixed remuneration.</p> <p>A significant portion of Executive KMP remuneration is 'at risk' subject to both short and long-term performance hurdles. The 'at risk' components directly align executive pay with our strategic imperatives and shareholder value creation.</p> <p>The proportion of total target remuneration 'at risk' for Executive KMP ranges from 60% to 71%.</p>

1. Directors' Report (continued)

Remuneration Report

Executive KMP remuneration in FY2018	
<p>What is the STI gateway?</p>	<p>An Operating EBITDA gateway must be met before any STI is paid. The Board determines an annual Operating EBITDA target, taking into consideration our longer-term growth strategy.</p> <p>Operating EBITDA is a key measure of success for our business and part of our growth strategy and is defined on page 33. Including Operating EBITDA as a gateway ensures affordability of the plan in a given year. Operating EBITDA excludes Significant items.</p>
<p>What are the performance measures for the STI plan? How do they align with business strategy?</p>	<p>Payments made under the STI plan are subject to the achievement of a balanced scorecard of relevant corporate, business unit (where relevant) and individual measures comprising a combination of Operating EBITDA, Operating NPATA and individual goals.</p> <p>Goals are aligned to our strategic imperatives. Goals vary by role and across financial years but broadly fall under the categories of strategic priorities, divisional finance targets, key divisional objectives, governance and risk, transition and integration of new business acquisitions, continuous improvement and people.</p> <p>Strategic goals align to our growth and innovation strategy and in FY2018 included objectives such as successful acquisition execution and integration, retention of existing clients, new client wins, developing and launching innovative new products and continuing to explore growth opportunities.</p> <p>60% of the STI is weighted towards achieving Operating EBITDA and Operating NPATA targets. The remaining 40% is weighted towards individual strategic goals which can include both financial and pre-financial metrics.</p> <p>The Board has discretion to moderate payment for factors such as alignment to corporate values and prudent risk taking.</p> <p>Further detail is included in Section 2.2.</p>
<p>What is the target and maximum STI opportunity each Executive KMP can earn under the STI plan? How is this determined?</p>	<p>Target opportunity: The target STI opportunity for Executive KMP represents an opportunity to earn around 30% of total target remuneration. Target STI ranges from 75% to 100% of fixed remuneration.</p> <p>Stretch opportunity: The on-target STI may be increased if Link Group achieves at least 110% of the Operating EBITDA target. In addition, an individual must have achieved at least 80% on their individual strategic goals to receive any stretch STI.</p> <p>Executive KMP have the opportunity to earn up to 200% of their target STI where the Operating EBITDA is 150% of target. This represents the maximum STI.</p> <p>A sliding scale applies between 110% and 150% achievement of the Operating EBITDA target.</p>
<p>In what circumstances is STI deferred?</p>	<p>In FY2018, the Board introduced the requirement to defer a portion of earned STI into equity for Australian-based Executive KMP in cases where the minimum shareholding requirement has not yet been achieved. Deferral is into share rights which automatically convert to deferred shares soon after grant. These shares are subject to a holding lock for a minimum period of two years after conversion.</p> <p>The Board also allows participants to voluntarily elect to sacrifice up to 100% of their STI outcomes, on a pre-tax basis, in return for a grant of deferred share rights to the equivalent value.</p> <p>From FY2019, deferral of a portion of earned STI into equity will be mandatory for all Executive KMPs in cases where the minimum shareholding requirement has not been achieved. Link Group is currently considering the design of this scheme taking into account local tax laws as applicable.</p>

1. Directors' Report (continued)

Remuneration Report

Executive KMP remuneration in FY2018	
What is the LTI performance period?	<p>The Omnibus Equity Plan measures performance over a three-year period. Awards lapse at the end of three years to the extent performance measures are not met. There is no retesting of awards.</p> <p>One-half of any vested award is available to the participant at the end of the performance period. A holding lock applies to the remaining 50%; one-half of which is then available after a further one and two years, respectively. The Board has determined that the combination of the three-year vesting period and subsequent two-year holding lock provides alignment between Executive KMP and Link Group's long-term growth strategy.</p>
What are the performance measures for the LTI plan? How do they align with business strategy?	<p>The Omnibus Equity Plan delivers performance rights to participants, subject to the achievement of EPS targets (75%) and relative TSR performance targets (25%) against a comparator group of companies. Both measures support the aim of the plan in supporting our growth and innovation strategies and drive the creation of sustainable shareholder value.</p> <p>Further detail is included in Section 3.</p>
Why does relative TSR have a lower weighting than EPS?	<p>Our key focus is on delivering long-term earnings growth to our shareholders. Link Group acknowledges that TSR performance relative to a basket of constituents is important to some investors.</p> <p>However, in the absence of a sizeable group of comparable industry peers, we also acknowledge that comparison to a broad S&P/ASX index constituents group can give arbitrary results that are not reflective of Link Group's performance, hence the lower weighting on TSR.</p>
What comparator group(s) are the LTI performance measures assessed against?	<p>The relative TSR component of the LTI for the FY2018 award is compared to the constituents of the S&P/ASX100, excluding materials, utilities, industrials and energy companies. This provides a base of 62 companies for the FY2018 grant, before any corporate actions are considered during the performance period.</p>
Was consideration given to LTI EPS targets in light of the LAS acquisition?	<p>The Board reviewed the EPS targets in relation to outstanding LTI awards (FY2017 and FY2018 awards) following the LAS transaction and determined that no changes to existing targets should be made.</p> <p>As a framework for the LAS and future transactions, the Board determined a number of principles against which to assess the impact of a transaction on the LTI:</p> <ol style="list-style-type: none"> 1. preserve the value of the awards held by employees; 2. reward for the success of the transaction; 3. maintain the level of stretch expected when the original targets were set; 4. be consistent with general market/shareholder expectations; and 5. maintain the integrity of each year's remuneration as awarded. <p>In applying these principles to the LAS acquisition, the Board considered:</p> <ul style="list-style-type: none"> • The strategic alignment of the LAS transaction to Link Group's strategy, with growth through acquisition one of the five key drivers of growth. • That FY2018, when the transaction occurred, is not a vesting year for any LTI awards. • That the capital raisings in July 2017 and April 2018 have operated to retain Link Group's conservative leverage profile post the LAS transaction, and limited any influence from debt leverage in assessing EPS outcomes.

1. Directors' Report (continued)

Remuneration Report

Executive KMP remuneration in FY2018					
	<ul style="list-style-type: none"> Participant entitlements were diluted by an estimated 4%. No adjustment to outstanding awards were made to address the dilution impact. <p>The Board is satisfied that, on balance, retaining the existing EPS targets is appropriate.</p> <p>The Board will further consider the impact of LAS on EPS plus other appropriate inputs to determine targets for future grants of LTI.</p>				
What are the minimum shareholding requirements for Executive KMP? Have Executive KMP met the requirements?	<p>Executive KMP are required to hold a minimum shareholding of one year's fixed remuneration within three years of the date they first become a participant in the Omnibus Equity Plan.</p> <p>All Executive KMP are in compliance with the minimum shareholding requirement, with the exception of Anthony O'Keeffe. As noted previously, Mr O'Keeffe joined Link Group and became a KMP in November 2017 and is required to meet the minimum shareholding by November 2020.</p> <p>See Table 12 for further detail.</p>				
Executive KMP remuneration in FY2019					
Are there any changes to Executive KMP remuneration proposed in FY2019?	<p>The Board has reviewed remuneration for the Executive KMP for FY2019 in the context of the scale, complexity and geographical reach of Link Group, and market benchmarking data. The following changes to fixed remuneration for the following Executive KMP will be made from 1 October 2018:</p> <table> <tr> <td>John McMurtrie Managing Director</td><td>22% increase as part of a continuing phased approach to position fixed remuneration at the median of the market (as defined previously).</td></tr> <tr> <td>Paul Gardiner CEO Corporate Markets, CEO Technology & Innovation</td><td>12% increase due to increase in role scope to include responsibility for LAS information technology.</td></tr> </table> <p>As STI and LTI opportunity is derived as a percentage of fixed remuneration, increases in those opportunities will be commensurate with increases in fixed remuneration.</p> <p>There will be no changes to remuneration for the other Executive KMP.</p>	John McMurtrie Managing Director	22% increase as part of a continuing phased approach to position fixed remuneration at the median of the market (as defined previously).	Paul Gardiner CEO Corporate Markets, CEO Technology & Innovation	12% increase due to increase in role scope to include responsibility for LAS information technology.
John McMurtrie Managing Director	22% increase as part of a continuing phased approach to position fixed remuneration at the median of the market (as defined previously).				
Paul Gardiner CEO Corporate Markets, CEO Technology & Innovation	12% increase due to increase in role scope to include responsibility for LAS information technology.				
Non-Executive Directors					
Were there any changes to Non-Executive Director remuneration in FY2018? Are there any proposed changes in FY2019?	<p>Non-Executive Director (NED) remuneration levels were adjusted in FY2018. NED base and committee fees were increased by 2.5% from 1 October 2017.</p> <p>In addition, the Chairman's fee was expressed as a single payment, with no additional fees paid for committee membership.</p> <p>The Board appointed Andy Green as a Non-Executive Director in March 2018. Mr Green is based in the UK and accordingly is remunerated in GBP. See Table 10 for further details.</p> <p>The Board has reviewed remuneration for NEDs for FY2019 in the context of benchmarking data and the changes in the scale, complexity and geographic reach of Link Group. As a result, NED base fees will increase 2.5% from 1 July 2018.</p> <p>There will be no changes to the NED fee pool in FY2019.</p>				

1. Directors' Report (continued)

Remuneration Report

Non-Executive Directors	
What are the minimum shareholding requirements for Non- Executive Directors? Have Non-Executive Directors met the requirements?	<p>NEDs are required to hold a minimum shareholding of one times the NED annual base fee (not including Committee membership or the higher fee for the Committee Chair) within three years after the date of their appointment.</p> <p>At the time of publication of this Report, all NEDs are in compliance with the minimum shareholding requirement, with the exception of Andy Green. As noted above, Andy Green joined the Board in March 2018 and is required to meet the minimum shareholding by March 2021.</p>

2. Summary information

2.1 Key Management Personnel

The names and titles of KMP are set out below. There have been no other changes to KMP following the end of the financial year.

Name	Position
Non-Executive Directors	
Michael Carapiet	Independent Chair and Non-Executive Director
Glen Boreham, AM	Independent Non-Executive Director
Andy Green	Independent Non-Executive Director (appointed 9 March 2018)
Peeyush Gupta	Independent Non-Executive Director
Anne McDonald	Independent Non-Executive Director
Sally Pitkin	Independent Non-Executive Director
Fiona Trafford-Walker	Independent Non-Executive Director
Executive KMPs	
John McMurtrie	Executive Director and Managing Director
John Hawkins	Chief Financial Officer
Paul Gardiner	Chief Executive Officer, Corporate Markets; Chief Executive Officer, Technology & Innovation
Anthony O'Keeffe	Chief Executive Officer, Link Asset Services (effective 3 November 2017)
Suzanne Holden	Chief Executive Officer, Fund Administration (ceased employment effective 2 August 2018)
David Geddes	Chief Executive Officer, Corporate Markets (retired 31 August 2017)

1. Directors' Report (continued)

Remuneration Report

2.2 FY2018 Overview – alignment between performance and Executive KMP remuneration

In FY2018, our Executive KMP remuneration consisted of fixed remuneration, cash-based short-term incentives and a grant of Performance Share Rights (PSRs) under the long-term incentive plan. The short and long-term incentive plans align remuneration outcomes to link Group's strategic objectives, and reward superior business performance and sustainable shareholder value creation. In addition to the above elements, the Executive KMP presently hold an estimated 3% of Link Group's share capital.

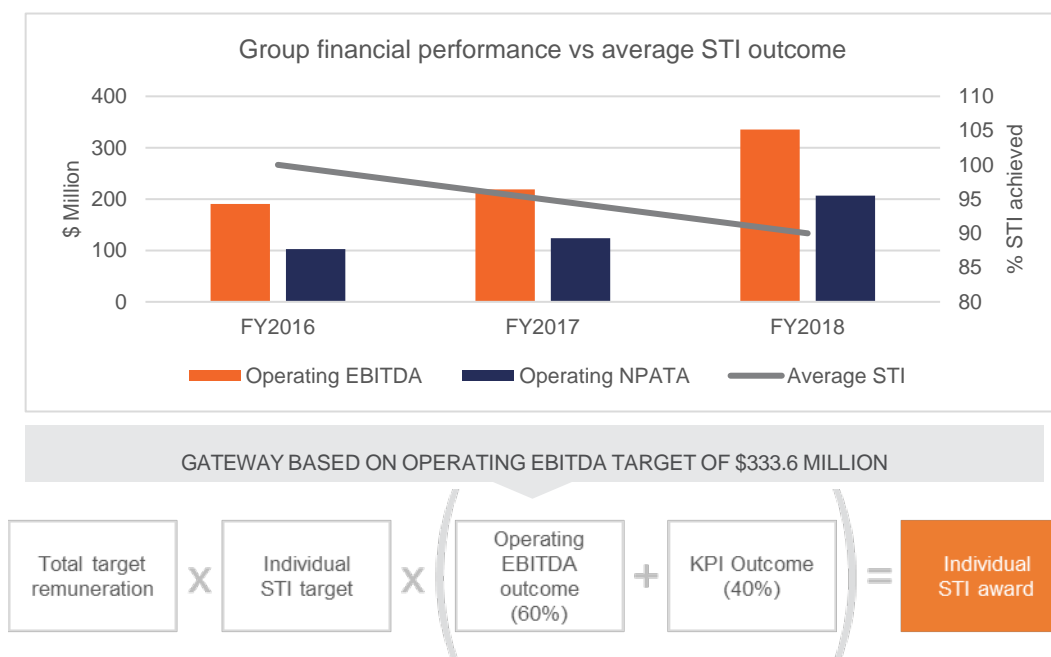
FY2018 was another successful year for Link Group as we consolidated our position as a listed company and grew our market capitalisation to position us in the S&P/ASX100. Operating EBITDA (which excludes the impact of Significant items), a key strategic measure for Link Group, was \$335.3 million and the gateway for STI payments was met.

The original Operating EBITDA target set by the Board excluded any contribution from LAS. Following completion of the LAS acquisition on 3 November 2017, the Operating EBITDA target was increased to \$333.6 million. This revised target applied to all Executive KMP, with the exception of Anthony O'Keeffe, whose STI target of £52.8 million appropriately reflected LAS' contribution to Link Group's performance for the eight months of trading since acquisition.

Operating EBITDA performance for the financial year ended 30 June 2018 of \$335.3 million, including LAS, exceeded the STI target of \$333.6 million. In addition, the Operating EBITDA performance for the financial year ended 30 June 2018, excluding LAS, was \$241.5 million, which was \$22.5 million or 10.3% higher than the Operating EBITDA performance for the prior financial year ended 30 June 2017 of \$219.0 million.

Figure 2 demonstrates our performance and the associated STI outcomes.

Figure 2. Group financial performance vs average STI outcome



1. Directors' Report (continued)

Remuneration Report

Tables 1, 2 and 3 outline further detail of our performance against our strategic goals in FY2018.

Table 1: FY2018 STI Outcomes

Executive KMP ¹⁰	Gateway Met		Strategic Goals				Total STI Achieved
	Operating EBITDA	Divisional Finance	Business Development and Innovation	Transition & Integration	Governance	People	
John McMurtrie	●	●	●	●	●	■	90%
John Hawkins	●	●	●	●	●	■	90%
Paul Gardiner	●	●	●	●	●	■	90%
Anthony O'Keeffe	●	●	●	●	●	■	90%

Table 2: KPI Performance of Executive KMP

Measure	Description
Company Financial Performance	Operating EBITDA and Operating NPATA performance continued our consistent growth trajectory in FY2018. Link Group reported Operating EBITDA was \$335.3 million in FY2018, up from \$219.0 million in FY2017. Operating NPATA was \$206.7 million in FY2018, up from \$123.8 million in FY2017.
Divisional Financial	<p>Divisional financial performances are key drivers in achieving Operating EBITDA and Operating NPATA.</p> <p>Corporate Markets Operating EBITDA grew from \$50.7 million in FY2017 to \$54.9 million in FY2018 due to increasing products and services provided to existing clients as well as winning new business in existing jurisdictions. Non-recurring Revenue growth of \$13.6 million or 49%, was a key driver of growth reflecting capital markets activities in overseas markets including South Africa and the UK.</p> <p>Technology & Innovation Operating EBITDA grew from \$55.0 million in FY2017 to \$72.9 million in FY2018, due to the synergy benefits of cost out initiatives arising from the Superpartners integration coupled with the margin benefits from external revenue growth.</p> <p>LAS Operating EBITDA for the period was £52.7 million (AUD \$93.8m¹¹) representing a margin of 23% which was 1 percentage point above the margin achieved in the calendar year ended 31 December 2017.</p>
Transition and Integration	<p>Due to our strategic focus on acquisitions and expansion, transition and integration performance measures have been included in the STI award metrics.</p> <p>These transition and integration performance measures included:</p> <ul style="list-style-type: none"> Continued integration of Superpartners to achieve synergies and cost reductions of \$25.7 million. During the year, all remaining Fund Administration clients administered on 3rd party systems were migrated onto Link Group platforms. Achieved appropriate regulatory approvals in relation to the LAS transaction. Completed development and application of LAS integration planning objectives including a transition of LAS from Capita plc to Link Group, implementing a people integration plan, transition into the Link Group culture and other integration objectives focused on alignment of the two businesses across policies, practices, systems and frameworks. Development of a LAS transformation plan to deliver efficiency savings over the mid-term.

¹⁰ Suzanne Holden ceased employment with Link Group effective 2 August 2018, prior to the Board assessing KPI performance and prior to when the Board approved payments of STI awards.

¹¹ GBP figures have been converted to AUD using the prevailing GBP/AUD exchange rates that were used to prepare the financial statements for FY2018.

1. Directors' Report (continued)

Remuneration Report

Measure	Description
Business Development and Innovation	<p>Business development through new clients, new services and acquisitions are key drivers of Link Group's growth strategy. Key highlights included:</p> <ul style="list-style-type: none"> • Corporate Markets: Link Group was successful in winning the registry business of REA Group and Domain Group, and won 27 out of 38 IPOs in Australia during FY2018. Business wins in overseas markets included winning 53 new clients in India, increased proxy activity in the UK and corporate actions activity related to the managed separation of Old Mutual plc in South Africa. • LAS: LAS was successful in selling new products and services to existing and new customers including introducing collective pension vehicles to the local government authorities; winning large bank outsourcing contracts and entering into new territories with key client relationships in order to support the expansion of client activity. • Technology & Innovation: Link Group was successful in selling new products and services into the Fund Administration and Corporate Markets' client bases. In addition, new client wins were achieved across a range of value added services (including digital and print communications, software implementation and licensing). • Fund Administration: An increased take-up in value-added products and services, such as unitisation, digital programs and support for regulatory change helped to offset some disappointing client losses. Link Group was also successful in winning a new Fund Administration client, Energy Super, and signed a new five-year contract with existing client, Intrust Super.
Governance	<p>Key governance objectives achieved in FY2018 included implementation of a governance regime for LAS, achievement of all required reporting deadlines including quarterly risk management reporting, and execution of the Link Group corporate governance framework to drive good corporate governance principles in how we operate to create sustainable value for all our stakeholders.</p>
People	<p>Link Group recognises its people are paramount to the ongoing success of the business. Key people objectives achieved during the year included:</p> <ul style="list-style-type: none"> • Mapping of key talent and development planning, and development of succession plans for core roles. • Progress on Diversity and Inclusion Targets by FY2019 including addressing gender pay gaps. • Undertaking our first whole of organisation Employee Engagement Survey, with project plans in place to address key areas of feedback.

Table 3: STI amounts awarded

Executive KMP	Short-Term Incentive Target (\$)	Short-Term Incentive achieved (% of target)	Short-Term Incentive forfeited (%)	Short-Term Incentive stretch component	Short-Term Incentive to be paid in cash (\$)
John McMurtrie	\$900,000	90%	10%	0%	\$810,000
John Hawkins	\$540,000	90%	10%	0%	\$486,000
Paul Gardiner	\$450,000	90%	10%	0%	\$405,000
Anthony O'Keeffe	\$267,593 ¹²	90%	10%	0%	\$240,834
Suzanne Holden ¹³	\$450,000	N/A	N/A	N/A	N/A

¹² Anthony O'Keeffe is based in Jersey and accordingly is remunerated in GBP. His STI target for the period 1 January to 30 June 2018 is £151,250, which has been converted to AUD using the prevailing GBP/AUD exchange rates that were used to prepare the financial statements for FY2018. This amount does not include the retention bonus or the one-off STI payment payable to Mr O'Keeffe as part of an agreement to align his STI percentage with the rest of Link Group.

¹³ Suzanne Holden ceased employment with Link Group effective 2 August 2018, prior to the Board assessing KPI performance and prior to when the Board approved payments of STI awards.

1. Directors' Report (continued)

Remuneration Report

Table 4 outlines the financial performance of Link Group.

Table 4: Five-year performance of Link Group

	2018	2017	2016	2015	2014
Operating EBITDA (\$millions)	335.3	219.0	190.6	150.5	140.0
Net Profit (loss) after tax (\$millions)	143.2	85.2	42.5	3.3	(25.2)
Change in share price to 30 June (\$)	(0.57)	0.03	1.80	N/A ¹⁴	N/A ¹⁴
Declared Dividends (cps)	20.5	14.0	8.0	N/A ¹⁴	N/A ¹⁴

2.3 Actual cash remuneration received

Table 5 shows the actual cash remuneration paid or payable to Executive KMP in FY2018 and FY2017. The information in Table 5 differs from the statutory information in Section 2.4 (which is based on the Australian Accounting Standards) as Table 5 includes the realised value of deferred STI (in FY2018, 25% of the FY2016 deferred STI was realised) and does not include the accounting value of equity that was expensed, but not realised, under the LTI.

Table 5: Actual remuneration received in FY2018 and FY2017

Executive KMP	Year	Salary & fees \$	Current year STI awarded \$	Cash impact of deferral (from FY2016) \$	Total remuneration \$
John McMurtrie	2018	854,951	810,000	160,000	1,824,951
	2017	780,384	800,000	160,000	1,740,384
John Hawkins	2018	644,951	486,000	97,500	1,228,451
	2017	630,384	487,500	97,500	1,215,384
Paul Gardiner	2018	574,776	405,000	62,500	1,042,276
	2017	488,696	302,273	62,500	853,469
Anthony O'Keeffe¹⁵	2018	363,128	796,534 ¹⁶	N/A	1,159,662
	2017	N/A	N/A	N/A	N/A
Suzanne Holden	2018	579,951	N/A ¹⁷	75,000	654,951
	2017	580,384	450,000	75,000	1,105,384
David Geddes¹⁸	2018	93,834	N/A	62,500	156,334
	2017	480,384	254,546	62,500	797,430

14 Not applicable: Link Administration Holdings Limited listed on the ASX on 27 October 2015.

15 Anthony O'Keeffe is based in Jersey and accordingly is remunerated in GBP. Mr O'Keeffe's remuneration received from Link Group in FY2018 has been translated into AUD throughout this Report, using the prevailing GBP/AUD exchange rates that were used to prepare the financial statements for FY2018.

16 Anthony O'Keeffe's STI amount includes a retention bonus of £166,333, an STI payment of £36,776 in relation to LAS' financial performance in CY2017 and an STI payment of £136,125 in respect of the period 1 January to 30 June 2018. Mr O'Keeffe will also receive a one-off payment in October 2018 of £181,500 as part of an agreement to align his STI percentage with other Executive KMP. As this payment is conditional on Mr O'Keeffe remaining employed by Link Group for the period 1 January 2018 to 25 October 2018, 60% of the payment, being £110,985 has been accrued in FY2018, with the remaining 40% to be accrued in FY2019.

17 Suzanne Holden ceased employment with Link Group effective 2 August 2018, prior to the Board assessing KPI performance and prior to when the Board approved payments of STI awards.

18 David Geddes retired on 31 August 2017. The Board determined to retain existing awards on-foot including the 2016 Deferred STI component.

1. Directors' Report (continued)

Remuneration Report

2.4 Executive KMP statutory remuneration table

Table 6 presents the remuneration for Executive KMP for FY2018 and comparative information for FY2017. The information presented in Table 6 has been prepared in accordance with the Australian Accounting Standards and accordingly differs from the information presented in the actual remuneration received in Table 5 in Section 2.3.

Table 6: Executive KMP Statutory remuneration

Table 6: Executive Remuneration – Statutory remuneration								Proportion of remuneration related to performance	Value of PSRs as a proportion of remuneration	
Name	Year	Short-term benefits			Post-employment benefits	Other long-term benefits	LTI	Total	\$	
		Salary and fees \$	STI ¹⁹ \$	Other benefits \$	Super-annuation benefits \$	Long service leave \$				
John McMurtrie	2018	854,951	863,333	11,149	25,000	40,919	621,617	2,416,969	36%	26%
	2017	780,384	933,333	12,697	19,616	-	195,333	1,941,363	48%	10%
John Hawkins	2018	644,951	518,500	11,566	20,049	18,848	299,016	1,512,930	34%	20%
	2017	630,384	568,750	12,892	19,616	11,705	103,120	1,346,467	42%	8%
Paul Gardiner	2018	574,776	425,833	11,576	20,049	39,530	225,570	1,297,334	33%	17%
	2017	488,696	354,356	13,369	19,616	9,004	67,304	952,345	37%	7%
Anthony O’Keeffe ²⁰	2018	363,128	990,661 ²¹	115,019 ²²	37,950	-	180,299	1,687,057	18%	11%
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Suzanne Holden	2018	579,951	25,000	11,325	20,049	15,481	260,908 ²³	912,714	3%	29% ²³
	2017	580,384	512,500	12,639	19,616	12,492	95,187 ²³	1,232,818	42%	8% ²³
David Geddes ²⁴	2018	93,834	20,833	1,748	25,000	-	85,298	226,713	9%	38%
	2017	480,384	306,629	13,116	34,616	-	67,304	902,049	34%	7%
Total	2018	3,111,591	2,844,160	162,383	148,097	114,778	1,672,708	8,053,717	27%	21%
	2017	2,960,232	2,675,568	64,713	113,080	33,201	528,248	6,375,042	42%	8%

19 All STIs are subject to the Board approving payments in accordance with the STI Plan Rules. The STI described here also includes a deferral component from the FY2016 STI (with the exception of Anthony O'Keeffe).

20 Anthony O'Keeffe is based in Jersey and accordingly is remunerated in GBP. Mr O'Keeffe's Actual remuneration received from Link Group in FY2018 has been translated into AUD using the prevailing GBP/AUD exchange rates that were used to prepare the financial statements for FY2018.

21 Anthony O'Keeffe's STI amount includes an accrued and cash retention bonus of £166,333, an STI payment of £36,776 in relation to LAS' financial performance in CY2017 and an STI payment of £136,125 in respect of the period 1 January to 30 June 2018. Mr O'Keeffe will also receive a one-off payment in October 2018 of £181,500 as part of an agreement to align his STI percentage with other Executive KMP. As this payment is conditional on Mr O'Keeffe remaining employed by Link Group for the period 1 January 2018 to 25 October 2018, 60% of the payment, being £110,985 has been accrued in FY2018, with the remaining 40% to be accrued in FY2019.

22 Includes an accrual for tax equalisation arrangement as described in Section 1.3.

23 Suzanne Holden ceased employment with Link Group effective 2 August 2018 and all outstanding PSRs (being unvested PSRs) lapsed on this date in accordance with the terms of the Omnibus Equity Plan Rules.

24 Mr Geddes retired on 31 August 2017. The Board determined to retain existing awards on-foot including the 2016 Deferred STI component, FY2017 LTI and escrowed shares in relation to the IPO until the ordinary course of payment / vesting.

1. Directors' Report (continued)

Remuneration Report

3. Detailed remuneration information

3.1 Detail of Executive KMP remuneration framework

Table 7 outlines the detail of the FY2018 STI and LTI arrangements.

Table 7: FY2018 approach

STI	
Opportunity	<p>The STI delivers a cash payment, subject to the achievement of annual targets.</p> <p>The target STI opportunity for Executive KMP represents an opportunity to earn around 30% of total target remuneration. Target STI ranges from 75% to 100% of fixed remuneration.</p> <p>The on-target STI may be increased if Link Group achieves at least 110% of the Operating EBITDA target. In addition, an individual must have achieved at least 80% on their individual strategic goals to receive any stretch STI.</p> <p>Executive KMP have the opportunity to earn up to 200% of their target STI where the Operating EBITDA is 150% of target. This represents the maximum STI.</p> <p>A sliding scale applies between 110% and 150% achievement. No additional payment is made between 100% and less than 110% achievement.</p> <p>The STI stretch opportunity was not available in FY2018, as the stretch target was not met.</p>
Gateway	<p>A minimum level of Operating EBITDA must be achieved before any STI is paid. This level is set by the Board annually once the Budget is approved.</p> <p>In FY2018, the Board revised the STI Gateway Operating EBITDA target to \$333.6 million to account for the contribution from LAS towards the achievement of overall Operating EBITDA. This revised targets applied to the Executive KMP, with the exception of Anthony O'Keeffe, whose STI target of £52.8 million, appropriately reflects LAS' contribution to Link Group performance for the 8 months of trading since the acquisition on 3 November 2017.</p> <p>It is intended that the STI Gateway targets for FY2019 will be the same for all Executive KMP.</p>
Performance measures	<p>Allocation of the STI is by achievement of a balanced scorecard of relevant corporate, business unit (where relevant) and individual measures aligned to our strategic objectives comprising a combination of Operating EBITDA, Operating NPATA and individual strategic goals.</p> <p>Goals vary by role and across financial years but broadly fall under the categories of strategic priorities, divisional finance targets, key divisional objectives, governance and risk, transition and integration of new business acquisitions, continuous improvement and people.</p> <p>In providing a final assessment of performance against goals, the Board may in their discretion also take into consideration the Executive KMP's alignment to Link Group's core values and culture, behaviours, internal and external stakeholder relationship management, and prudent risk taking. The Board may in their discretion also take into consideration the impact of circumstances either positive or negative that arise through the reviewing period such as an acquisition or disposal event, fraud, information security or privacy breach, reputational damage, client wins or losses and other events.</p> <p>For FY2018, the weighting of financial versus pre-financial goals was 60% financial metrics (Operating EBITDA and Operating NPATA) and 40% individual strategic goals, which are a mix of financial or pre-financial metrics as outlined in Section 2.2.</p>

1. Directors' Report (continued)

Remuneration Report

STI	
Deferral	<p>In FY2018, deferral of a portion of earned STI into equity is mandatory for Australian-based Executive KMPs in cases where the minimum shareholding requirement has not yet been achieved. Deferral is into share rights which automatically convert to deferred shares soon after. The deferred amount is subject to a holding lock for a minimum period of two years after conversion.</p> <p>From FY2019, deferral of a portion of earned STI into equity will be mandatory for all Executive KMPs in cases where the minimum shareholding requirement has not been achieved. Link Group is currently considering the design of this scheme taking into account local tax laws as applicable.</p>
Clawback	<p>The Board has the ability to claw back STI payments in circumstances where there has been a material misrepresentation of the financial outcomes on which the payment had been assessed and/or the individual has acted fraudulently or dishonestly or is in material breach of his or her obligations to Link Group.</p>
LTI – Omnibus Equity Plan	
Opportunity (grant value at maximum)	<p>The maximum grant value of LTI opportunities represents 30% to 43% of the total target remuneration package for Executive KMP, or 75% to 148% of fixed remuneration.</p>
Performance period and holding lock	<p>Performance is measured over a three-year period. Awards lapse at the end of three years to the extent performance measures are not met. There is no retesting of awards. One-half of any vested award is available to the participant at the end of the performance period. A holding lock applies to the remaining 50%; one-half of which is then available after a further one and two years respectively. Shares are delivered upon PSRs vesting and are held by a trustee while the holding lock applies.</p>
Award vehicle	<p>Awards are delivered in the form of Performance Share Rights (PSRs). No dividends are paid during the performance period. Participants are entitled to receive dividends and to exercise voting rights attaching to those shares post-vesting while the shares are subject to the holding lock.</p> <p>A cash-settled alternative (through the issue of indeterminate rights) is included in the Omnibus Equity Plan.</p>
Performance measures	<p>In FY2018, the Board reviewed the appropriateness of the EPS targets relating to outstanding LTI awards for FY2017 and FY2018 in light of the LAS acquisition. As a framework for the LAS and future transactions, the Board determined a number of principles against which to assess the impact of a transaction on the LTI:</p> <ol style="list-style-type: none"> 1. preserve the value of the awards held by employees; 2. reward for the success of the transaction; 3. maintain the level of stretch expected when the original targets were set; 4. be consistent with general market/shareholder expectations; and 5. maintain the integrity of each year's remuneration as awarded.

1. Directors' Report (continued)

Remuneration Report

LTI – Omnibus Equity Plan

Performance measures (cont.)

In applying these principles to the LAS acquisition, the Board considered:

- The strategic alignment of the LAS transaction to Link Group's strategy, with growth through acquisition one of the five key drivers of growth.
- That FY2018, when the transaction occurred, is not a vesting year for any LTI awards.
- That the capital raisings in July 2017 and April 2018 have operated to retain Link Group's conservative leverage profile post the LAS transaction, and limited any influence from debt leverage in assessing EPS outcomes.
- Participant entitlements were diluted by an estimated 4%. No adjustment to outstanding awards were made to address the dilution impact.

The Board is satisfied that, on balance, retaining the existing EPS targets is appropriate. Therefore, the following performance measures apply for FY2018 grants under the LTI:

EPS (75%) - EPS is calculated by dividing Link Group's Operating NPATA by the undiluted weighted average number of shares on issue throughout the performance period. The Board has discretion to include or exclude items from the calculations. Operating NPATA is a measure consistently used internally and by which both Management and the market tracks Link Group's performance. While an internal measure, it receives assurance at each level within the business. PSRs are subject to a compound annual growth rate in EPS of between a threshold target of 7% and a stretch target of 12%.

The vesting schedule for the EPS portion is as follows:

EPS performance outcome	Percentage of performance rights that will vest
Compound annual growth rate of less than 7%	0%
Compound annual growth rate of 7%	50%
Compound annual growth rate between 7% and 12%	Pro-rata between 50% and 100%
Compound annual growth rate of 12% or more	100%

TSR (25%) - relative to the constituents of the S&P/ASX100, excluding materials, utilities, industrials and energy companies. Our starting comparator group, before consideration of any corporate actions during the vesting period, is 62 companies for the FY2018 grant.

TSR takes into account the change in Link Group's share price over the relevant performance period, as well as the dividends paid (dividends are assumed to be reinvested in Link Group shares). Section 1 of this Remuneration Report outlines the changes to the TSR comparator group for FY2018.

The vesting schedule is as follows:

Link Group's relative TSR ranking	Percentage of performance rights that will vest
Link Group ranks below the 50th percentile	0%
Link Group ranks at the 50th percentile	50%
Link Group ranks between the 50th and 75th percentile	Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)
Link Group ranks at or above the 75th percentile	100%

1. Directors' Report (continued)

Remuneration Report

LTI – Omnibus Equity Plan					
Performance measures (cont.)	<p>Both the EPS and TSR measures support the aim of the LTI principles in supporting our growth and innovation strategy and driving the creation of sustainable shareholder value. Our key focus is on delivering earnings growth to our shareholders. Link Group acknowledges that TSR performance relative to a basket of constituents is important to some investors.</p> <p>However, in the absence of a sizeable group of comparable industry peers, we also acknowledge that comparison to a broad S&P/ASX index constituents group can give arbitrary results that are not reflective of the Company's performance, hence the lower weighting on TSR.</p>				
Change of control	<p>The Board has the discretion to vest outstanding awards taking into account the portion of the vesting period and performance against hurdles at the time of the change of control and any replacement equity offered by third parties. There is no acceleration of awards in respect of a potential change of control.</p>				
Cessation of employment	<p>In the event of a cessation of employment for a "qualifying reason" (for example, death, serious injury, disability or illness, genuine retirement or retrenchment), equity will be retained 'on-foot' and will be tested against performance hurdles at the original vesting date alongside other participants, having regard to the portion of the performance period served, unless otherwise determined by the Board.</p>				
Remuneration mix (percentage of total target remuneration) that was set for FY2018	Executive KMP	Total Fixed Remuneration %	Target STI Cash %	LTI Grant %	Total Variable Remuneration %
	John McMurtrie	30%	30%	40%	70%
	John Hawkins	38%	31%	31%	62%
	Paul Gardiner	40%	30%	30%	60%
	Anthony O'Keeffe	29%	29% ²⁵	42%	71%
	Suzanne Holden	40%	30%	30%	60%
Clawback	<p>Under the Omnibus Equity Plan, the Board has the ability to claw back equity (whether vested or not) in circumstances where the individual has acted fraudulently or dishonestly or is in material breach of his or her obligations to Link Group.</p>				
Hedging policy	<p>Executive KMP are not permitted to hedge unvested award nor awards subject to a holding lock.</p>				
Minimum shareholding requirement	<p>Executive KMP are required to hold a minimum of one year's annual fixed remuneration within three years of the date they become a participant in the Omnibus Equity Plan.</p> <p>All Executive KMP are in compliance with the minimum shareholding policy, with the exception of Anthony O'Keeffe. As noted previously, Mr O'Keeffe joined Link Group and became a KMP in November 2017 and is required to meet the minimum shareholding by November 2020.</p>				

²⁵ This amount does not include the retention bonus or the one-off STI payment payable to Mr O'Keeffe as part of an agreement to align his remuneration with the rest of Link Group.

1. Directors' Report (continued)

Remuneration Report

3.2 Key terms of employment contracts

The key employment terms for the Executive KMP are summarised in Table 8. All Executive KMP have continuing contracts.

Table 8: Employment terms

Executive KMP	Employment term and leave entitlement	Notice period
	Annual leave entitlement	Company and Employee
John McMurtrie	6 weeks	12 months
John Hawkins	5 weeks	12 months
Paul Gardiner	4 weeks	12 months
Anthony O'Keeffe	6 weeks	12 months
Suzanne Holden	4 weeks	12 months

All employment contracts contain:

- total remuneration packages (including mandatory superannuation or pension contributions), plus car parking and any related FBT liability (where applicable);
- the opportunity to participate in the short-term incentive plan;
- eligibility to participate in the long-term incentive plan;
- express provisions protecting Link Group's confidential information and intellectual property; and
- post-employment restrictions covering non-competition, non-solicitation of clients and non-poaching of employees for a maximum of 12 months.

In addition, Anthony O'Keeffe's employment contract contains:

- a car allowance;
- eligibility to participate in LAS' life insurance, private medical and permanent health insurance schemes; and
- a tax equalisation arrangement that is designed to make tax a neutral factor for certain employees who are required to work cross-border. The arrangement means that Mr O'Keeffe is no better or worse off for having worked part of the year in the UK.

Under the terms of all employment contracts, either party is entitled to terminate employment by giving 12 months' written notice. Link Group may, at its election, make a payment in lieu of that notice based on the Executive KMP's base remuneration package.

Link Group can also terminate the employment contract on 12 months' written notice where an Executive KMP becomes incapacitated by illness or injury for an accumulated period of more than six months in any 12-month period or where Link Group is advised by an independent medical officer that, due to physical or mental ill health, the relevant individual is unable to perform their duties on a permanent basis. Link Group may also terminate employment immediately and without further payment where the employee commits serious misconduct and on other similar grounds.

Any termination payments are paid within applicable legislative requirements.

3.3 Non-Executive Director fees and statutory remuneration table

Non-Executive Director fee policy

The pool for payment of Non-Executive Directors' (NED) fees is capped by the Company at \$2 million per annum. NED fees were set at the time of IPO, with reference to relevant market data. The Board reviews fees annually and seeks benchmarking data using the same comparator groups used for the Executive KMP, being Australian-listed companies of similar size and/or industry. Consideration is given to S&P/ASX200 entities with market capitalisation 50% to 200% of Link Group's 12-month average market capitalisation and specific peer companies. The Board also reviews NED remuneration with reference to the scale, complexity and geographical reach of Link Group.

1. Directors' Report (continued)

Remuneration Report

NEDs receive an annual fee for Board membership and for service as the Chair or a Member of Board Committees. The Chair of the Board does not receive any fees for serving as a Member of Board Committees and NEDs do not receive fees for serving on the Nominations Committee. NEDs do not participate in any variable or incentive plans and do not receive retirement benefits other than superannuation.

NED base and committee fees were increased in FY2018 by 2.5%. NED fees are set out in Table 9:

Table 9: Non-Executive Director fees²⁶

	Chair fee	Member fee
Base fees	\$356,700 ²⁷	\$164,000
Committee		
Risk and Audit Committee	\$35,875	\$17,938
Human Resources and Remuneration Committee	\$28,700	\$14,350
Technology & Innovation Committee	\$28,700	\$14,350
Nominations Committee	-	-

Fees paid to NEDs during FY2018 and FY2017 were:

Table 10: Statutory remuneration for Non-Executive Directors

Name	Year	Fees \$	Superannuation benefits \$	Total \$
Michael Carapiet	2018	354,525	-	354,525
	2017	355,668	-	355,668
Cameron Blanks	2018	N/A	N/A	N/A
	2017	28,227	2,682	30,909
Glen Boreham	2018	205,788	-	205,788
	2017	202,000	-	202,000
Andy Green²⁸	2018	82,829	-	82,829
	2017	N/A	N/A	N/A
Peeyush Gupta	2018	165,140	15,688	180,828
	2017	98,208	9,330	107,538
Paul McCullagh	2018	N/A	N/A	N/A
	2017	31,314	2,975	34,289
Anne McDonald	2018	165,140	15,688	180,828
	2017	155,414	14,764	170,178
Sally Pitkin	2018	209,354	-	209,354
	2017	193,893	11,607	205,500
Fiona Trafford-Walker	2018	195,995	16,924	212,919
	2017	187,968	21,032	209,000
Total	2018	1,378,771	48,300	1,427,071
	2017	1,252,692	62,390	1,315,082

26 Amounts are exclusive of GST and inclusive of any required superannuation payments (where applicable).

27 The Chairman's fee is delivered as a single payment. The Chairman receives no additional fees for any Committee work undertaken.

28 Andy Green is based in the UK and accordingly is remunerated in GBP. His annual fee for serving as a Director of the Company is £100,000. In addition, he receives a travel allowance of £3,000 for each return trip to Australia to attend Board meetings. Mr Green also receives a fee of £40,000 for serving as Chairman of the LAS Advisory Forum, which advises the Board on strategic, operational and risk matters in relation to the Link Asset Services business.

1. Directors' Report (continued)

Remuneration Report

Minimum shareholding requirements

The Board has adopted a Minimum Shareholding Policy to assist in aligning the interests of all Directors with our shareholders. Each NED must hold a minimum number of shares, equivalent to one times the NED annual base fee (not including Committee membership or the higher fee for the Committee Chair). The minimum shareholding requirement must be met within three years after the date of their appointment.

At the time of publication of this Report, all NEDs are in compliance with the minimum shareholding requirements, with the exception of Andy Green. As noted previously, Andy Green joined the Board in March 2018 and is required to meet the minimum shareholding by March 2021.

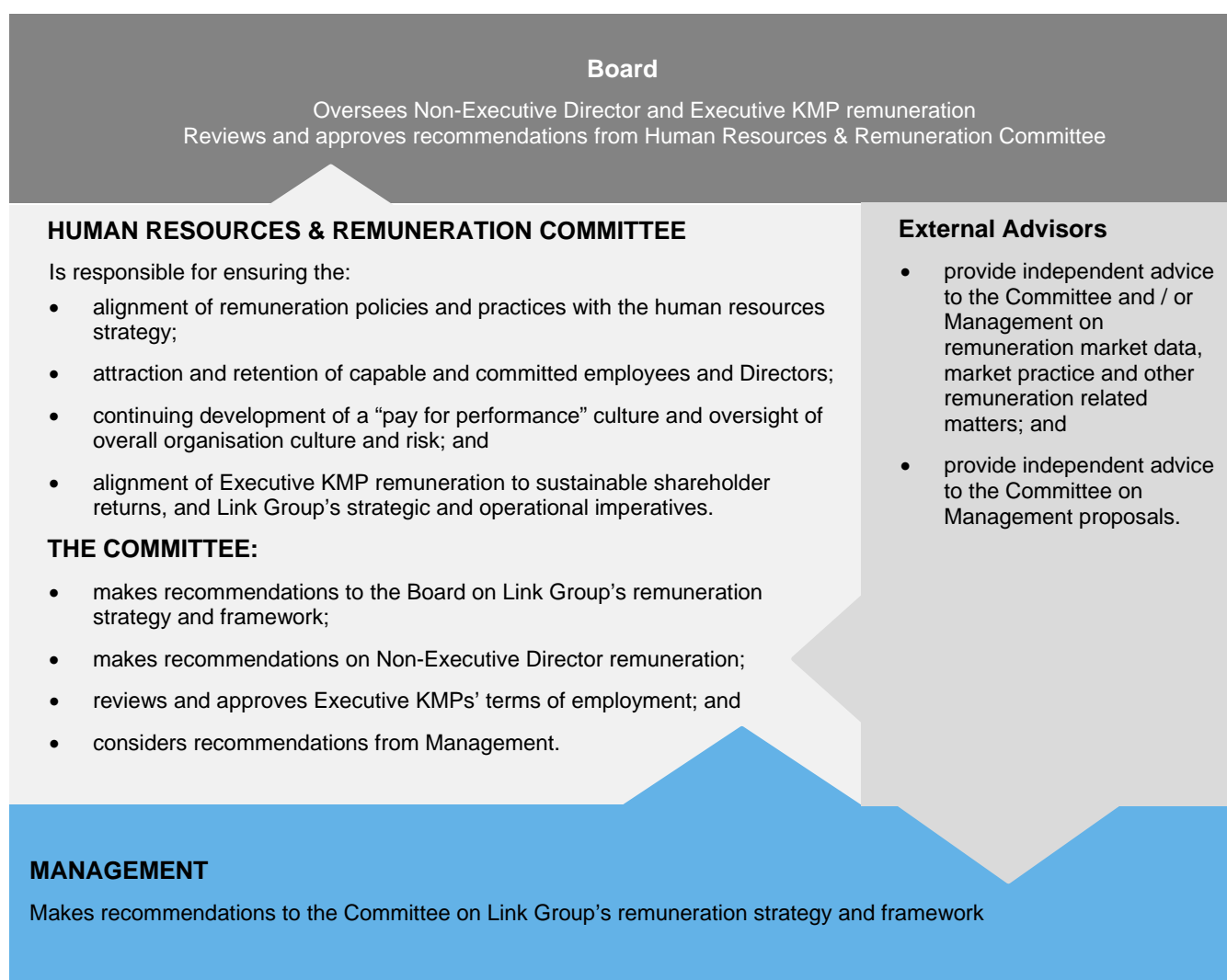
3.4 Remuneration governance

The Human Resources & Remuneration Committee (the Committee) assists the Board with:

- oversight of Link Group's Human Resources strategy and supporting policies and practices for our employees and NEDs and monitoring the implementation and effectiveness of the strategy, policies and practices; and
- oversight of remuneration policies and practices for our employees and NEDs, and monitoring the implementation and effectiveness of the policies and practices.

Figure 3 outlines the relationship between the Board, Committee, Management and external advisors. The Committee comprises independent NEDs appointed by the Board.

Figure 3



1. Directors' Report (continued)

Remuneration Report

During FY2018, Link Group received external advice from EY related to market remuneration benchmarking, market remuneration insights around remuneration structures and assistance with the drafting of this Remuneration Report.

No remuneration recommendations were provided by any external advisors.

3.5 Additional required disclosures

Grants of PSRs to Executive KMP at 30 June 2018

Table 11 outlines the grant of share rights for Executive KMP in FY2018.

Table 11: Share Rights

	Total number of PSRs as at 1 July 2017	PSRs granted in FY2018	Grant date	Expiry date for PSRs granted in FY2018	Exercise Price for PSRs granted in FY2018	Fair value of PSRs granted in FY2018		Total number of PSRs as at 30 June 2018
						EPS	TSR	
John McMurtrie	127,992	157,720	20.11.17	20.11.24	Nil	\$7.74	\$5.24	285,712
John Hawkins	58,496	70,974	20.11.17	20.11.24	Nil	\$7.74	\$5.24	129,470
Paul Gardiner	38,179	59,145	20.11.17	20.11.24	Nil	\$7.74	\$5.24	97,324
Anthony O'Keeffe	-	101,363	20.11.17	20.11.24	Nil	\$7.74	\$5.24	101,363
Suzanne Holden	53,996	59,145	20.11.17	20.11.24	Nil	\$7.74	\$5.24	113,141
David Geddes	38,179	-	20.11.17	20.11.24	Nil	\$7.74	\$5.24	38,179

All PSRs granted during FY2018 vest over a service period covering 1 July 2017 to 30 June 2020. No share rights vested or lapsed during the year. Suzanne Holden ceased employment with Link Group effective 2 August 2018 and all outstanding PSRs (being unvested PSRs) lapsed on this date in accordance with the terms of the Omnibus Equity Plan Rules.

Movements in shareholdings

The movement during the reporting period in the number of ordinary shares in Link Administration Holdings Limited held, directly, indirectly or beneficially, by each KMP, including their related parties, is set out in Table 12.

Table 12: Shareholding movement

	Balance at 1 July 2017	Received on exercise of options / rights	Purchased/ Acquired	Disposed	Balance at 30 June 2018
Michael Carapiet	1,008,450	n/a	438,710	-	1,447,160
Glen Boreham	70,643	n/a	27,557	-	98,200
Andy Green	-	n/a	-	-	-
Peeyush Gupta	31,397	n/a	12,248	-	43,645
Anne McDonald	19,500	n/a	12,362	-	31,862
Sally Pitkin	44,745	n/a	16,272	-	61,017
Fiona Trafford-Walker	20,946	n/a	8,170	-	29,116
John McMurtrie	12,688,180	n/a	1,043,650	-	13,731,830
John Hawkins	3,192,234	n/a	200,037	-	3,392,271
Paul Gardiner	395,280	n/a	150,594	136,029	409,845
Anthony O'Keeffe	-	n/a	57,440	-	57,440
Suzanne Holden	356,167	n/a	-	-	356,167

1. Directors' Report (continued)

Remuneration Report Other Information

Loans to Key Management Personnel and their related parties

There were no loans to KMP during the year.

Other transactions with Key Management Personnel

A number of Link Group's NEDs are directors of other entities, which will, from time to time, transact with Link Group. The terms and conditions of the transactions with these entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel-related entities on an arm's length basis. Those transactions are the provision of Link Group services to companies of which some of the NEDs were directors, such as registry services.

From time to time, Directors of Link Group, or their related entities, may purchase services from Link Group. These purchases are on the same terms and conditions as those entered into by other Link Group employees or customers and are engaged on an arm's length basis. These services relate to some NEDs being members of superannuation funds to which Link Group provides services.

Other Information

Significant Changes in State of Affairs

Link Asset Services

- Link Group successfully completed an institutional and retail entitlement offer in July 2017, issuing a further 130,839,343 ordinary shares, raising \$883.2 million.
- The proceeds were used, along with a new debt facility (£485 million, drawn to £465 million) to complete the acquisition of Link Asset Services from Capita plc for \$1,548.0 million (£909.5 million) on 3 November 2017. The consideration paid included a capital charge and other minor adjustments which together amounted to £21.5 million, in addition to the £888 million purchase price previously disclosed.
- The acquisition of Link Asset Services has broadened Link Group's geographical presence providing immediate scale in the UK, Jersey and Ireland, and provides a growth platform in Europe.

Other changes in state of affairs

On 18 August 2017 the Directors approved the introduction of the Link Group Dividend Reinvestment Plan (DRP). The DRP allows shareholders to reinvest some or all of their dividend in new shares rather than receiving their dividend as a cash payment. The DRP resulted in a further 1,909,296 ordinary shares valued at \$14.0 million being issued in October 2017 and 1,566,181 ordinary shares valued at \$13.0 million being issued in April 2018.

Link Group completed an institutional placement in April 2018 and related share purchase plan in May 2018, issuing a further 35,294,118 and 136,587 ordinary shares, respectively. The combined \$301.2 million proceeds were used to repay \$177.8 million in Australian Dollar denominated interest bearing loans and borrowings. The residual proceeds remain held in cash and cash equivalents at 30 June 2018 and provide Link Group with balance sheet flexibility to continue to pursue strategic opportunities.

In the opinion of the Directors, aside from the matters described above, there were no other significant changes in the state of the affairs of the Company or Link Group that occurred during the financial year ended 30 June 2018.

Events Subsequent to Reporting Date

In the opinion of the Directors, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of Link Group, the results of those operations, or the state of affairs of Link Group, in future financial years.

1. Directors' Report (continued)

Other Information

Likely Developments

Further information about the likely developments in the operations of Link Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to Link Group.

Environmental Regulation

Link Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board believes Link Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to Link Group.

Indemnification and Insurance

The Company has agreed to indemnify, to the extent permitted by the Corporations Act 2001, each Director and officer in respect of certain losses and liabilities (including all reasonable legal expenses) which the Director or officer may incur as a result of, or by reason of being a Director or officer of Link Group or a related body corporate.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

In accordance with the provisions of the Corporations Act 2001, the Company has a Directors' and officers' liability policy which covers all Directors and officers of Link Administration Holdings Limited and its Controlled Entities. The terms of the policy specifically prohibit disclosure of details of the amount of the insurance cover and the premium paid.

During the financial year, the Company has not paid any premium in respect of a contract to insure the auditor of the Company or any of the auditor's related entities.

Corporate Governance

The Board is committed to implementing the highest standards of corporate governance appropriate to Link Group, taking into account the Company's size, structure and nature of its operations. Link Group's Corporate Governance Statement reports against the Third Edition of the ASX Corporate Governance Council's Principles and Recommendations. The Corporate Governance Statement is approved by the Board and is available on the Link Group website at <http://linkgroup.com/about-us.html>.

Rounding Off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that Instrument amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Non-audit services

During the year KPMG, Link Group's auditor, performed certain other services in addition to the audit of the financial statements amounting to \$247,715 (2017: \$615,458). The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Risk and Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by Link Group and have been reviewed by the Risk and Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Link Group, acting as an advocate for Link Group or jointly sharing risks and rewards.

Details of the amounts paid to KPMG for audit and non-audit services provided during the year are disclosed in Note 27 to the financial statements.

1. Directors' Report (continued)

Lead Auditor's Independence Declaration

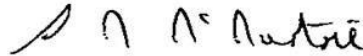
The Lead Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 60 and forms part of the Directors' Report for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the Board of Directors.

Dated 17 August 2018 at Sydney.



Michael Carapiet
Chair



John McMurtrie
Managing Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Link Administration Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Link Administration Holdings Limited for the financial year ended 30 June 2018 there have been:

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

KPMG

Andrew Yates
Partner

Sydney
17 August 2018



Section 2

Financial Statements

2. Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Revenue – rendering of services	3	1,198,416	779,976
Expenses:			
Employee expenses		(580,208)	(350,907)
Occupancy expenses		(49,655)	(31,281)
IT costs		(89,267)	(77,110)
Administrative and general expenses	4	(172,089)	(113,200)
Acquisition and capital management related expenses		(16,875)	(16,929)
		(908,094)	(589,427)
Depreciation expense	12	(16,399)	(13,278)
Intangibles amortisation expense	13	(72,666)	(45,276)
		(89,065)	(58,554)
Gain on financial assets held at fair value through profit and loss		7,322	5,567
Finance income		4,626	776
Finance costs	16	(21,105)	(14,834)
Net finance costs		(16,479)	(14,058)
Profit before tax		192,100	123,504
Tax expense	6(a)	(48,874)	(38,336)
Profit for the year		143,226	85,168
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Defined benefit re-measurement		(25)	(43)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations, net of tax		23,104	(774)
Other comprehensive income, net of tax		23,079	(817)
Total comprehensive income for the year		166,305	84,351

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

2. Financial Statements (continued)

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2018

	2018 \$'000	2017 \$'000
Profit attributable to:		
Owners of the Company	141,660	84,632
Non-controlling interest	1,566	536
Profit for the year	143,226	85,168
Total comprehensive income attributable to:		
Owners of the Company	164,778	83,857
Non-controlling interest	1,527	494
Total comprehensive income for the year	166,305	84,351
Earnings per share	Cents per Share	Cents per Share²⁹
Basic earnings per share	5 28.56	22.59
Diluted-earnings per share	5 28.48	22.56

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

²⁹ Prior year comparative earnings per share have been restated due to the bonus element of new shares issued at a discount to market value during the year. Refer to Note 5.

2. Financial Statements (continued)

Consolidated Statement of Financial Position as at 30 June 2018

	Note	30 June 2018 \$'000	30 June 2017 \$'000
Current assets			
Cash and cash equivalents	14(b)	265,512	18,162
Trade and other receivables	7	302,301	98,691
Derivative financial assets	18	-	2,413
Other assets		36,112	17,079
Current tax assets		6,544	163
Fund assets	9	576,016	-
Total current assets		1,186,485	136,508
Non-current assets			
Investments	18	144,230	138,689
Plant and equipment	12	91,734	66,023
Intangible assets	13	2,457,153	850,146
Deferred tax assets	6(d)	52,727	42,437
Other assets		251	130
Total non-current assets		2,746,095	1,097,425
Total assets		3,932,580	1,233,933
Current liabilities			
Trade and other payables	8	284,144	101,071
Interest bearing loans and borrowings	15	530	241
Provisions	10	18,835	15,358
Employee benefits	11	47,551	39,195
Current tax liabilities		31,630	28,711
Fund liabilities	9	589,312	-
Total current liabilities		972,002	184,576
Non-current liabilities			
Trade and other payables	8	73,268	47,833
Interest-bearing loans and borrowings	15	821,907	312,892
Provisions	10	48,247	8,121
Employee benefits	11	5,761	6,781
Deferred tax liabilities	6(d)	111,399	56,379
Total non-current liabilities		1,060,582	432,006
Total liabilities		2,032,584	616,582
Net assets		1,899,996	617,351
Equity			
Contributed equity	19	1,875,538	689,372
Reserves	20	17,421	(77,772)
Retained earnings	21	4,999	4,999
Total equity attributable to equity holders of the parent		1,897,958	616,599
Non-controlling interest		2,038	752
Total equity		1,899,996	617,351

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

2. Financial Statements (continued)

Consolidated Statement of Changes in Equity as at 30 June 2018

	Share capital	Reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	689,372	(77,772)	4,999	616,599	752	617,351
Net profit	-	-	141,660	141,660	1,566	143,226
Defined benefit re-measurement	-	(25)	-	(25)	-	(25)
Foreign currency translation differences, net of tax	-	23,143	-	23,143	(39)	23,104
Total other comprehensive income, net of income tax	-	23,118	-	23,118	(39)	23,079
Total comprehensive income for the year	-	23,118	141,660	164,778	1,527	166,305
Transfer from retained earnings to reserves	-	141,660	(141,660)	-	-	-
Transactions with shareholders						
Dividends declared during the year	-	(73,729)	-	(73,729)	(241)	(73,970)
Equity settled share based payments	-	4,144	-	4,144	-	4,144
Issue of share capital, net of costs of raising capital and tax	1,186,166	-	-	1,186,166	-	1,186,166
Total contributions by and distributions to owners	1,186,166	(69,585)	-	1,116,581	(241)	1,116,340
Balance at 30 June 2018	1,875,538	17,421	4,999	1,897,958	2,038	1,899,996

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

2. Financial Statements (continued)

Consolidated Statement of Changes in Equity as at 30 June 2018

	Share capital	Reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	689,004	(112,417)	4,999	581,586	476	582,062
Net profit	-	-	84,632	84,632	536	85,168
Defined benefit re-measurement	-	(43)	-	(43)	-	(43)
Foreign currency translation differences, net of tax	-	(732)	-	(732)	(42)	(774)
Total other comprehensive income, net of income tax	-	(775)	-	(775)	(42)	(817)
Total comprehensive income for the year	-	(775)	84,632	83,857	494	84,351
Transfer from retained earnings to Reserves	-	84,632	(84,632)	-	-	-
Transactions with shareholders						
Dividends declared during the year	-	(50,372)	-	(50,372)	(225)	(50,597)
Equity settled share based payments	-	1,170	-	1,170	-	1,170
Acquisition of non-controlling interest in a subsidiary	-	(10)	-	(10)	7	(3)
Change in estimate of tax associated with equity raising costs	368	-	-	368	-	368
Total contributions by and distributions to owners	368	(49,212)	-	(48,844)	(218)	(49,062)
Balance at 30 June 2017	689,372	(77,772)	4,999	616,599	752	617,351

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

2. Financial Statements (continued)

Consolidated Statement of Cash Flows for the financial year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		1,324,924	856,998
Cash payments in the course of operations		(1,004,628)	(640,452)
		320,296	216,546
Business combination/acquisition costs paid		(25,008)	(7,168)
Integration costs paid		(16,877)	(17,334)
Client migration costs paid		(16,835)	(30,587)
IT business transformation costs paid		-	(536)
Interest received		4,239	226
Dividends received		369	386
Borrowing costs paid		(17,559)	(10,846)
Income taxes paid		(40,497)	(2,431)
Net cash provided by operating activities	14(a)	208,128	148,256
Cash flows from investing activities			
Payments for plant and equipment		(15,420)	(11,046)
Payments for software		(50,902)	(25,053)
Acquisition of subsidiary, net of cash acquired		(1,475,689)	(24,342)
Proceeds from settlement of derivatives		9,847	-
Payments for investments		(5,077)	(68,512)
Net cash used in investing activities		(1,537,241)	(128,953)
Cash flows from financing activities			
Proceeds from borrowings		1,048,282	98,000
Repayment of borrowings		(561,272)	(77,696)
Payment of borrowing transaction costs		(4,649)	-
Proceeds from the issue of shares		1,184,327	-
Payment of costs related to the issue of equity		(26,613)	-
Dividends paid to owners of the Company		(46,668)	(50,372)
Dividends paid to non-controlling interest		(241)	(225)
Proceeds from transactions with non-controlling interest		-	33
Net cash provided by/(used in) financing activities		1,593,166	(30,260)
Net increase/(decrease) in cash and cash equivalents		264,053	(10,957)
Cash and cash equivalents at the beginning of the financial year		18,162	30,153
Effect of exchange rate fluctuations on cash held		(16,703)	(1,034)
Cash and cash equivalents at the end of the financial year	14(b)	265,512	18,162

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements



Section 3

Notes to the Financial Statements

3. Notes to the Financial Statements

Preparation of this Report

1. General Information

Link Administration Holdings Limited (the “Company”) is a company incorporated and domiciled in Australia. The Company’s registered office and principal place of business is Level 12, 680 George Street, Sydney NSW 2000, Australia. The consolidated financial statements of Link Group as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries and Link Group’s interest in associates and jointly controlled entities. Link Group is a for-profit entity. Link Group is a market leading provider of technology-enabled administration solutions. Link Group’s core businesses of fund administration and securities registration are complemented by expertise in digital solutions and data analytics. Link Group provides technology solutions customised to the unique requirements of each and every client.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on a going concern basis. The Directors of the Company consider it probable that Link Group will continue to fulfil all obligations as and when they fall due for the foreseeable future and accordingly consider that Link Group’s financial statements should be prepared on a going concern basis.

The consolidated financial statements were approved by the Board of Directors on 17 August 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments designated at fair value through profit or loss, which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company’s functional currency and the functional currency of the majority of Link Group entities.

(d) Use of estimates and judgements

Preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the following notes to the financial statements:

- Note 6 (e) Utilisation of tax losses
- Note 10 Provisions
- Note 13 Key assumptions in impairment testing for cash generating units (CGU) containing goodwill
- Note 18 Fair value of level 3 financial instruments
- Note 22 Share-based payments; and
- Note 23 Business combinations

3. Notes to the Financial Statements (continued)

2. Basis of preparation (continued)

(e) Changes in accounting policies

Link Group has consistently applied the same accounting policies to all periods presented in these consolidated financial statements.

Link Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2017:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows. The amendments to AASB 107 require disclosure of changes in liabilities arising from financing activities, see Note 14(c).

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

(f) Foreign currency

(i) Foreign currency transactions

Transactions, assets and liabilities in foreign currencies are translated to the respective functional currencies of Link Group entities using the following applicable exchange rate:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liability	Reporting date
Non-monetary assets and liability measured at fair value	Date fair value is determined

Foreign currency differences arising on translation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Asset and liabilities	Reporting date
Income and expenses	Date of transaction

On consolidation, foreign exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income and presented in equity in the Foreign Currency Translation Reserve. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and presented in equity in the Foreign Currency Translation Reserve.

(g) Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that Instrument all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

3. Notes to the Financial Statements (continued)

Operating Results

3. Operating segments

(a) Reportable segments

Link Group has four reportable segments, as described below, which are Link Group's key divisions. Each of the divisions offer different products and services and are managed separately because they require different technology and business strategies to service their respective markets and comply with relevant legislative or other requirements. Financial information for each division is provided regularly to Link Group's Managing Director (the chief operating decision maker). The following summary describes the operations in each of Link Group's reportable segments:

- **Fund Administration ("FA")** – provides core member and employer administration services, combined with a full range of value-added services including an integrated clearing house, financial planning and advice, direct investment options and trustee services.
- **Corporate Markets ("CM")** – provides a uniquely integrated range of corporate markets capabilities including shareholder management and analytics, stakeholder engagement, share and unit registry, employee share plans, company secretarial support, as well as various specialist offerings such as insolvency solutions.
- **Technology and Innovation ("T&I")** – formerly known as Information, Digital and Data Services, T&I provides core services of development and maintenance of proprietary IT systems and platforms, and value-added services of data analytics, digital solutions and digital communications. T&I supports the FA and CM segments, as well as a number of external clients.
- **Link Asset Services ("LAS")** – provides a broad range of financial and administrative services in the UK and Europe across the following businesses:
 - Link Market Services – share registration, share plan services and treasury solutions to corporate clients.
 - Link Fund Solutions – third-party administration and transfer agency services to asset managers and a variety of investment funds.
 - Corporate & Private Client Services – finance and accounting, company secretarial, entity management, trust and company services, including inter-generational transfers.
 - Banking & Credit Management – loan origination and servicing, debt work-out, compliance and regulatory oversight.

Revenues from external customers, revenues from transactions with other segments, measure of profit or loss (Operating EBITDA) and total assets are presented below for each reportable segment.

For the year ended 30 June 2018

	FA	CM	T&I	LAS ³⁰	Total reportable segments	Head office	Total Link Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	559,975	214,774	230,655	404,946	1,410,350	-	1,410,350
Inter-segment eliminations	-	(4,527)	(207,407)	-	(211,934)	-	(211,934)
Revenues from external customers	559,975	210,247	23,248	404,946	1,198,416	-	1,198,416
Operating EBITDA	123,084	54,897	72,889	93,799	344,669	(9,327)	335,342
Total assets at year end	466,666	403,331	209,711	2,491,198	3,570,906	361,674	3,932,580

For the year ended 30 June 2017

Segment revenue	562,348	198,420	215,902	-	976,670	-	976,670
Inter-segment eliminations	-	(2,519)	(194,175)	-	(196,694)	-	(196,694)
Revenues from external customers	562,348	195,901	21,727	-	779,976	-	779,976
Operating EBITDA	118,113	50,698	55,029	-	223,840	(4,819)	219,021
Total assets at year end	455,498	396,273	195,649	-	1,047,420	186,513	1,233,933

30 Represents LAS's results for 8 months ended 30 June 2018, following its acquisition on 3 November 2017.

3. Notes to the Financial Statements (continued)

3. Operating segments (continued)

(a) Reportable segments (continued)

A reconciliation of information provided on reportable segment measures of profit or loss to the consolidated net profit after tax is provided below.

	2018 \$'000	2017 \$'000
Operating EBITDA	335,342	219,021
Significant items:		
- Business combination/acquisition costs	(16,877)	(16,043)
- Integration costs	(2,161)	(4,680)
- Client migration costs	(15,104)	(7,749)
- LAS integration costs	(10,878)	-
Total significant items	(45,020)	(28,472)
Depreciation expense	(16,399)	(13,278)
Intangibles amortisation expense – non-acquisition related	(30,800)	(21,583)
Intangibles amortisation expense – acquisition related	(41,866)	(23,693)
Gain on financial assets held at fair value through profit and loss	7,322	5,567
Finance income	4,626	776
Finance expense	(21,105)	(14,834)
Profit before tax	192,100	123,504
Income tax expense	(48,874)	(38,336)
Net profit after tax	143,226	85,168

(b) Geographic information

Historically, Link Group operated predominantly in Australia (country of domicile) and New Zealand. Following the acquisition of Link Asset Services on 3 November 2017, Link Group had total revenue and non-current assets attributed to the following geographic locations.

	Revenue		Non-current assets	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Australia and New Zealand	723,823	714,976	885,333	869,470
United Kingdom and Channel Islands	277,328	17,005	1,078,483	3,115
Other countries	197,265	47,995	585,322	43,714
	1,198,416	779,976	2,549,138	916,299

In presenting the geographic information, revenue and non-current assets are allocated based on the country in which the legal entity is domiciled.

(c) Major clients

Link Group had one (2017: two) major client in the Fund Administration division, which generated revenues of \$140.6 million (2017: combined revenues of \$235.9 million). The reduction in major clients during the year ended 30 June 2018 was due to Link Group's increased consolidated revenue following the acquisition of Link Asset Services.

3. Notes to the Financial Statements (continued)

3. Operating segments (continued)

Segment reporting

Segment results that are reported to Link Group's Managing Director (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Revenue

Revenue is earned from rendering of services to customers and is recognised on an accruals basis in the period in which it is earned, to the extent that it is probable that the economic benefits will flow to Link Group and the revenue can be reliably measured.

4. Administrative and general expenses

	2018 \$'000	2017 \$'000
Costs recharged to clients	(75,981)	(64,118)
Professional & consulting expenses	(31,028)	(11,602)
Office expenses	(11,458)	(11,323)
Insurance costs	(10,024)	(6,385)
Travel expense	(10,709)	(6,280)
Other expenses	(32,889)	(13,492)
	(172,089)	(113,200)

5. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Ordinary shares on issue have been adjusted for the bonus element of new shares issued at a discount to market value during the year.

	2018 \$'000	2017 \$'000
Profit for the year attributable to owners of the Company	141,660	84,632
	Number of shares³¹ '000	Number of shares³¹ '000
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at the beginning of the financial year	359,797	359,797
Effect of allotment and issuances	135,073	-
Effect of bonus entitlement offer on ordinary shares	1,101	14,797
Weighted average number of ordinary shares (basic)	495,971	374,594

31 The weighted average number of ordinary shares used in the Basic and Diluted earnings per share calculation for the current and comparative year were adjusted retrospectively in accordance with AASB 133 *Earnings per Share* following the issue of new shares at a discount to market value during the year. When new shares are issued at a discount to market value ("bonus element"), there is a resulting theoretical dilution of existing ordinary shares on issue, leading to a decrease in basic and diluted earnings per share.

3. Notes to the Financial Statements (continued)

5. Earnings per share (continued)

(b) Diluted earnings per share

Diluted earnings per share is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise Performance Share Rights (PSRs) granted to employees. Dilutive securities have been adjusted for the bonus element of new shares issued at a discount to market value during the year.

	2018 \$'000	2017 \$'000
Profit for the year attributable to owners of the Company	141,660	84,632
	Number of shares³² '000	Number of shares³² '000
Weighted average number of ordinary shares (diluted)		
Basic weighted average number of ordinary shares	495,971	374,594
Effect of dilutive PSRs	1,436	488
Effect of bonus entitlement offer on dilutive PSRs	3	20
Weighted average number of ordinary shares (diluted)	497,410	375,102
Basic earnings per share (cents)	28.56	22.59
Diluted earnings per share (cents)	28.48	22.56

6. Taxation

(a) Income tax expense

	2018 \$'000	2017 \$'000
Current tax expense		
Current year	(55,439)	(34,960)
Adjustment for prior years	(352)	(756)
	(55,791)	(35,716)
Deferred tax (expense)/benefit		
Origination and reversal of temporary differences	6,581	(4,092)
Adjustment for prior years	336	1,472
	6,917	(2,620)
Tax expense from continuing operations	(48,874)	(38,336)

32 The weighted average number of ordinary shares used in the Basic and Diluted earnings per share calculation for the current and comparative year were adjusted retrospectively in accordance with AASB 133 *Earnings per Share* following the issue of new shares at a discount to market value during the year. When new shares are issued at a discount to market value ("bonus element"), there is a resulting theoretical dilution of existing ordinary shares on issue, leading to a decrease in basic and diluted earnings per share.

3. Notes to the Financial Statements (continued)

6. Taxation (continued)

(a) Income tax expense (continued)

	2018 \$'000	2017 \$'000
Profit before income tax	192,100	123,504
Prima facie income tax expense calculated at 30% on operating profit from ordinary activities:	(57,630)	(37,051)
Effect of tax rates in foreign jurisdictions	5,107	340
Non-deductible expenses	(5,885)	(5,213)
Non-assessable income	5,224	478
Recognition/(de-recognition) of previously unrecognised/(recognised) tax losses	4,327	2,394
Over provision of tax in respect of prior years	(17)	716
Income tax expense	(48,874)	(38,336)
Movement in temporary differences	(6,581)	3,298
Utilisation of recognised tax losses	8,889	5,687
Income tax payable on current year profits	(46,566)	(29,351)

(b) Effective tax rates for Australian and overseas operations

	Profit before tax \$'000	2018 Income tax expense \$'000	Effective tax rate	Profit before tax \$'000	2017 Income tax expense \$'000	Effective tax rate
Australian operations	120,058	(36,138)	30.10%	118,779	(36,866)	31.04%
Overseas operations	72,042	(12,736)	17.68%	4,725	(1,470)	31.11%
Total	192,100	(48,874)	25.44%	123,504	(38,336)	31.04%

(c) Tax recognised in other comprehensive income and equity

	Before tax \$'000	2018 Tax expense \$'000	Net of tax \$'000	Before tax \$'000	2017 Tax benefit \$'000	Net of tax \$'000
Foreign Currency Translation Reserve	26,275	(3,171)	23,104	(946)	172	(774)
	26,275	(3,171)	23,104	(946)	172	(774)

3. Notes to the Financial Statements (continued)

6. Taxation (continued)

(d) Deferred tax assets/(liabilities)

	2018 \$'000	2017 \$'000
Deferred tax asset:		
Provisions	32,387	30,875
Accruals	728	917
Business/acquisition related costs	6,410	9,565
Deferred income	1,091	1,187
Cash flow hedge	-	(724)
Other	576	78
Tax losses	11,535	539
	52,727	42,437
Deferred tax liability:		
Intangible assets	(86,333)	(36,590)
Plant, equipment & software	(17,857)	(12,226)
Other	(7,209)	(7,563)
	(111,399)	(56,379)

	Balance at 1 July 2017 \$'000	Acquired in business combinations \$'000	Recognised in profit or loss \$'000	Recognised in OCI \$'000	Recognised directly in equity \$'000	Balance at 30 June 2018 \$'000
Deferred tax asset:						
Provisions	30,875	587	637	288	-	32,387
Accruals	917	-	(196)	7	-	728
Business/acquisition related costs	9,565	-	(4,545)	-	1,390	6,410
Deferred income	1,187	-	(96)	-	-	1,091
Cash flow hedge	(724)	-	724	-	-	-
Other	78	220	(71)	349	-	576
Tax losses	539	20,279	(8,809)	(474)	-	11,535
	42,437	21,086	(12,356)	170	1,390	52,727
Deferred tax liability:						
Intangible assets	(36,590)	(53,653)	7,151	(3,241)	-	(86,333)
Plant, equipment & software	(12,226)	(8,490)	2,958	(99)	-	(17,857)
Other	(7,563)	-	355	(1)	-	(7,209)
	(56,379)	(62,143)	10,464	(3,341)	-	(111,399)

	Balance at 1 July 2016 \$'000	Acquired in business combinations \$'000	Recognised in profit or loss \$'000	Recognised in OCI \$'000	Recognised directly in equity \$'000	Balance at 30 June 2017 \$'000
Deferred tax asset:						
Provisions	36,857	256	(6,071)	(167)	-	30,875
Accruals	979	-	(62)	-	-	917
Business/acquisition related costs	12,474	-	(3,277)	-	368	9,565
Deferred income	1,527	-	(340)	-	-	1,187
Cash flow hedge	-	-	(724)	-	-	(724)
Other	743	-	(665)	-	-	78
Tax losses	3,264	-	(2,716)	(9)	-	539
	55,844	256	(13,855)	(176)	368	42,437
Deferred tax liability:						
Intangible assets	(38,865)	(1,384)	3,678	(19)	-	(36,590)
Plant, equipment & software	(15,097)	-	2,871	-	-	(12,226)
Other	(6,562)	-	(1,001)	-	-	(7,563)
	(60,524)	(1,384)	5,548	(19)	-	(56,379)

3. Notes to the Financial Statements (continued)

6. Taxation (continued)

(e) Unrecognised tax losses

As at 30 June 2018 Link Group had carried forward tax losses unrecognised for deferred tax purposes, available to offset against taxable income in future years, in the following jurisdictions:

- Australian tax losses of \$212.1 million (2017: \$225.5 million);
- UK tax losses of \$13.3 million (2017: \$0.3 million); and
- Other jurisdiction tax losses of \$0.2 million (2017: \$1.2 million).

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these losses because it is not probable that conditions will permit their utilisation in the foreseeable future.

Significant accounting estimate and judgement

Judgement is required in determining whether it is probable future conditions will permit utilisation of carried forward tax losses. Deferred tax assets in respect of Link Group's carried forward tax losses have not been recognised to the extent it is not probable that conditions will permit their utilisation in the foreseeable future.

(f) Franking credits

	2018 \$'000	2017 \$'000
Amount of franking credits available to shareholders for subsequent financial years	4,420	637

The ability to use the franking credits is dependent on the ability to declare dividends. The Company seeks to maintain a surplus franking credit balance at 30 June each year by considering the amount of current year income tax related payments when determining the franking of dividends.

Current tax

Current tax is the expected tax payable on the taxable income for the current year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries and jointly controlled entities to the extent it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which Link Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The United Kingdom corporation tax rate will decrease to 17% from 1 April 2020. Deferred tax balances in respect to the Link Group's United Kingdom subsidiaries have been adjusted to reflect the tax rate expected to be applicable when the temporary difference is reversed.

3. Notes to the Financial Statements (continued)

6. Taxation (continued)

Offsetting deferred tax balances

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Tax consolidation or grouping

Australia

The Company and its wholly-owned Australian subsidiaries are part of a tax consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax consolidated group is Link Administration Holdings Limited. Members of the Australian tax-consolidated group have entered into a tax sharing agreement that requires wholly-owned subsidiaries to make contributions to the head entity for current tax liabilities. Under the tax funding agreement, the subsidiaries reimburse the Company for their portion of Link Group's current tax liability and recognise this payment as an inter-entity payable/receivable in their financial statements. The Company reimburses the subsidiaries for any deferred tax asset arising from unused tax losses and/or tax credits.

Overseas

The Company also has wholly-owned subsidiaries in the following foreign jurisdictions which have made the following elections with the relevant local taxation authority:

- **United Kingdom and Jersey** subsidiaries have elected to apply tax grouping rules to share tax losses and/or tax payments in the United Kingdom and Jersey; and
- **Other countries** subsidiaries have elected to form a tax group (or adopt fiscal unity) in relevant European countries.

3. Notes to the Financial Statements (continued)

Operating assets and liabilities

7. Trade and other receivables

	2018 \$'000	2017 \$'000
Trade receivables	222,653	96,654
Less: provision for impaired amounts	(4,292)	(1,654)
	218,361	95,000
Investment management debtors	65,392	-
Other debtors	18,548	3,691
	302,301	98,691

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised costs less provision for doubtful debts. Trade receivables are generally due after 14 to 30 days.

Link Group reviews the collectability and recoverability of trade receivables. A provision for doubtful debts has been made for the estimated non recoverable trade receivable amounts arising from services provided.

Investment management debtors consist of amounts due from authorised funds, receivable by Link Fund Solutions Limited (the Authorised Corporate Director) in respect of managing these authorised funds.

8. Trade and other payables

	2018 \$'000	2017 \$'000
Current		
Trade creditors	18,720	17,547
Investment management creditors	88,008	-
Deferred consideration	9	2,547
Accrued operational expenses	65,893	17,056
Other creditors and accruals	111,514	63,921
	284,144	101,071
Non-current		
Deferred consideration	444	-
Indemnified payables	16,542	-
Other creditors and accruals	56,282	47,833
	73,268	47,833

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

Investment management creditors consist of amounts due to authorised funds, payable by Link Fund Solutions Limited (the Authorised Corporate Director) in respect of managing these authorised funds.

9. Fund assets and liabilities

	2018 \$'000	2017 \$'000
Fund assets		
Fund receivables	576,016	-
	576,016	-
Fund liabilities		
Fund payables	(589,312)	-
	(589,312)	-

3. Notes to the Financial Statements (continued)

9. Fund assets and liabilities (continued)

Fund assets and liabilities

These balances relate to investors' purchase or redemption of units in authorised funds of which Link Fund Solutions Limited (Link Asset Services' collective investment scheme administration business) is the Authorised Corporate Director. Link Fund Solutions Limited acts in the role of principal in the transactions, and the balances are due to and from the investors and investment funds. As at 30 June 2018, \$13.3 million (\$589.3 million liabilities net of \$576.0 million assets) of net cash was due to investors and investment funds. The net payable position arose because Link Fund Solutions Limited was yet to fund settlement with some investors and/or funds. The majority of funds need to be settled within a 4 day settlement period.

10. Provisions

	2018 \$'000	2017 \$'000
Current		
Provisions	18,835	15,358
Non-current		
Provisions	48,247	8,121

A reconciliation of the carrying amount of each material class of provisions is set out below:

	Claims \$'000	Integration \$'000	Migration related \$'000	Onerous contracts \$'000	Indemnified redress \$'000	Other \$'000	Total \$'000
Balance at 1 July 2017	15,968	2,964	1,701	1,948	-	898	23,479
Incurred/acquired through business combinations	38,019	-	-	5,078	104,404	8,087	155,588
Provisions made during the year	6,972	671	-	-	-	489	8,132
Provisions used during the year	(7,196)	(1,336)	(1,649)	(2,544)	(110,170)	(480)	(123,375)
Provisions reversed during the year	(3,857)	(712)	-	-	-	(50)	(4,619)
Foreign exchange translation difference	1,647	(38)	(52)	215	5,766	339	7,877
Balance at 30 June 2018	51,553	1,549	-	4,697	-	9,283	67,082
Current	13,864	561	-	3,416	-	994	18,835
Non-current	37,689	988	-	1,281	-	8,289	48,247

Significant accounting estimate and judgement

Judgement is required in determining the expected outflow of economic benefits required to settle provisions. Provisions are based on expected obligations at reporting date under current legal and contractual requirements and using estimates based on past experience.

Provisions

A provision is recognised if, as a result of a past event, Link Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is treated as a finance expense.

Claims: Link Group recognises a provision for claims arising from processing errors and other events associated with the handling of administration activities for and on behalf of clients. Provisions are measured at the cost that Link Group expects to incur in settling the claim. The provision also includes an estimate of claims that have been incurred but are not yet reported.

3. Notes to the Financial Statements (continued)

10. Provisions (continued)

Integration: The integration provision includes restructuring costs. The restructuring provision is based on estimates of the future costs associated with redundancies. The provision calculation includes assumptions around the timing and costs of redundancies. A provision for restructuring is recognised when Link Group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating costs are not included in the provision.

Migration related: The migration provisions represent contractual liabilities incurred through business combinations and other related liabilities. The migration provision recognised on acquisition is stated at fair value based on estimates of the costs required to perform the migration procedures contractually required under the agreements.

Onerous contracts: A provision for onerous contracts is recognised when the expected benefits to be derived by Link Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, Link Group recognises any impairment loss on the assets associated with that contract.

Indemnified redress: The indemnified redress provision was acquired as part of the Link Asset Services and was a contractual liability to make indemnified redress payments where the timing or amount of the payments was uncertain. The provision related to redress amounts payable to former investors of the Connaught Income Series 1 Fund, of which Link Fund Solutions was the operator until September 2009. Link Group was indemnified for the value of the payments, and also recognised a receivable of \$104.4 million on acquisition of LAS in respect of this matter.

Other: Other provisions are for contractual make-good obligations. Make good provisions relate to Link Group's future obligation to remove fixtures and fittings or reinstate leaseholds back to original condition.

11. Employee benefits

	2018 \$'000	2017 \$'000
Current		
Employee entitlements	47,551	39,195
Non-current		
Employee entitlements	5,761	6,781

Long-term employee benefits

Link Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value and the fair value of any related assets is deducted.

Short-term employee benefits

Liabilities for employee benefits for wages, salaries, and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company wholly expects to pay as at the reporting date including related on-costs, such as workers compensation insurance and payroll tax (where applicable).

3. Notes to the Financial Statements (continued)

12. Plant and equipment

	Plant & equipment \$'000	Fixtures and fittings \$'000	Total \$'000
Cost			
Balance at 1 July 2017	55,734	56,996	112,730
Acquisitions through business combinations	8,290	12,523	20,813
Additions	14,491	5,956	20,447
Effects of movements in exchange rates	932	962	1,894
Disposals/write offs	(443)	(5)	(448)
Balance at 30 June 2018	79,004	76,432	155,436
Depreciation and impairment losses			
Balance at 1 July 2017	(28,327)	(18,380)	(46,707)
Depreciation charge for the period	(10,371)	(6,028)	(16,399)
Effects of movements in exchange rates	(562)	(411)	(973)
Disposals/write offs	372	5	377
Balance at 30 June 2018	(38,888)	(24,814)	(63,702)
Carrying amount at 30 June 2018	40,116	51,618	91,734

Cost			
Balance at 1 July 2016	62,999	50,839	113,838
Additions	13,215	18,942	32,157
Effects of movements in exchange rates	(65)	(73)	(138)
Disposals/write offs	(20,415)	(12,712)	(33,127)
Balance at 30 June 2017	55,734	56,996	112,730

Depreciation and impairment losses			
Balance at 1 July 2016	(39,799)	(26,755)	(66,554)
Depreciation charge for the period	(8,939)	(4,339)	(13,278)
Effects of movements in exchange rates	33	2	35
Disposals/write offs	20,378	12,712	33,090
Balance at 30 June 2017	(28,327)	(18,380)	(46,707)
Carrying amount at 30 June 2017	27,407	38,616	66,023

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The expected useful life and the depreciation methods are listed below:

Item	Useful life	Depreciation method
Office equipment	3 – 8 years	Straight-line
Fixture and fitting	2 – 10 years	Straight-line
Leased plant and equipment	3 – 10 years	Straight-line

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

During the financial year ended 30 June 2017, Link Group retired \$32.6 million of fully depreciated assets following relocation and/or re-fitout of some of its office locations.

3. Notes to the Financial Statements (continued)

13. Intangible assets

	Goodwill \$'000	Client relationships \$'000	Software \$'000	Brand Names \$'000	Total \$'000
Cost					
Balance at 1 July 2017	613,014	221,027	350,092	4,272	1,188,405
Acquisitions through business combinations	1,120,050	306,259	130,675	-	1,556,984
Additions	-	-	55,813	-	55,813
Transfers	-	-	-	-	-
Effects of movements in exchange rates	47,948	13,821	6,974	194	68,937
Disposals/Assets written off	-	-	-	-	-
Balance at 30 June 2018	1,781,012	541,107	543,554	4,466	2,870,139
Amortisation and impairment losses					
Balance at 1 July 2017	(2,512)	(99,579)	(234,219)	(1,949)	(338,259)
Amortisation charge	-	(32,059)	(40,286)	(321)	(72,666)
Effects of movements in exchange rates	-	(542)	(1,432)	(87)	(2,061)
Disposals/Assets written off	-	-	-	-	-
Balance at 30 June 2018	(2,512)	(132,180)	(275,937)	(2,357)	(412,986)
Carrying amount at 30 June 2018	1,778,500	408,927	267,617	2,109	2,457,153
Cost					
Balance at 1 July 2016	594,546	217,200	322,646	4,476	1,138,868
Acquisitions through business combinations	18,370	4,562	267	-	23,199
Additions	-	-	27,180	-	27,180
Transfers	-	-	-	-	-
Effects of movements in exchange rates	98	(735)	(1)	(204)	(842)
Disposals/Assets written off	-	-	-	-	-
Balance at 30 June 2017	613,014	221,027	350,092	4,272	1,188,405
Amortisation and impairment losses					
Balance at 1 July 2016	(2,500)	(85,455)	(204,081)	(1,670)	(293,706)
Amortisation charge	-	(14,806)	(30,158)	(312)	(45,276)
Effects of movements in exchange rates	(12)	682	20	33	723
Disposals/Assets written off	-	-	-	-	-
Balance at 30 June 2017	(2,512)	(99,579)	(234,219)	(1,949)	(338,259)
Carrying amount at 30 June 2017	610,502	121,448	115,873	2,323	850,146

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the cost of the acquisition over Link Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Subsequent to initial measurement, goodwill is measured at cost less accumulated impairment losses.

Client relationships

Client relationships acquired in business combinations are recognised initially at fair value, and are subsequently amortised according to the expected useful life of these relationships.

Software

Link Group capitalises in-house developed software that meets business and client needs and enables operational efficiencies to be achieved.

Development expenditure is capitalised only if development costs are directly attributable, can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and Link Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Other software development costs are expensed as incurred.

3. Notes to the Financial Statements (continued)

13. Intangible assets (continued)

Brand Names

Brand names acquired in business combinations are recognised initially at fair value, and are subsequently amortised according to the expected useful life of the brand name.

Amortisation

Amortisation is charged on a straight-line basis over the estimated useful lives of intangible assets, except when another systematic basis measuring the pattern in which the economic benefits of a software asset are consumed can be reliably measured. In such cases, amortisation is charged on that systematic basis over the estimated useful life of that asset. The estimated useful lives for the current and comparative periods are as follows:

Item	Useful life
Software	2 – 15 years
Client relationships	3 – 20 years
Brand Names	5 – 10 years

Significant accounting estimate and judgement

Judgement is required in estimating recoverable amounts of cash generating units (CGUs) to which intangible assets with an indefinite useful life (goodwill) are allocated. All key assumptions applied in value in use calculation were determined using the past experiences of Link Group and management. Where possible, assumptions were validated against external sources of information.

Impairment testing for CGUs containing goodwill

For the purpose of impairment testing, goodwill is allocated to Link Group's operating divisions. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	2018 \$'000	2017 \$'000
Fund Administration	279,212	279,262
Corporate Markets Australia and New Zealand	251,501	252,244
Corporate Markets Overseas	42,046	39,721
Technology and Innovation	39,275	39,275
Link Asset Services	1,166,466	-
Total goodwill	1,778,500	610,502

The carrying amounts of Link Group's goodwill and intangible assets are tested annually for impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The goodwill and any other intangible assets with indefinite lives acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised in profit and loss if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amounts of CGUs were determined through value in use calculations. The value in use calculations applied a post-tax discounted cash flow model, based on a five year budget approved by the Board and an appropriate terminal value. Cash flows after the fifth year were projected at growth rates of:

	2018	2017
Fund Administration	2.5%	2.5%
Corporate Markets Australia and New Zealand	2.5%	2.5%
Corporate Markets Overseas	2.8%	3.4%
Technology and Innovation	2.5%	2.5%
Link Asset Services	1.9%	n/a

3. Notes to the Financial Statements (continued)

13. Intangible assets (continued)

Impairment testing for CGUs containing goodwill (continued)

The value in use calculations employed a range of pre-tax discount rates from 9.38% to 11.34% (2017: 10.00% to 11.86%). These rates relate to the risks in the respective segments and countries in which they operate. The discount rate used reflects management's estimate of the time value of money and Link Group's weighted average cost of capital (WACC), which is calculated separately for each CGU.

Management is of the opinion that other reasonable changes in the key assumptions on which the recoverable amount of Link Group's goodwill is based would not cause Link Group's carrying amount to exceed its recoverable amount.

14. Notes to the statement of cash flows

(a) Reconciliation of net profit after tax to net cash inflow from operating activities

	2018 \$'000	2017 \$'000
Net profit after income tax	143,226	85,168
Add/(less) non-cash items		
Depreciation	16,399	13,278
Amortisation	72,666	45,276
Unrealised foreign exchange loss	211	536
Unwinding discount on provisions and deferred consideration	114	2,855
Borrowing cost amortisation	1,230	647
Loss on disposal/write off of plant and equipment	71	37
Gain on financial assets held at fair value through profit & loss	(7,322)	(5,567)
Net cash inflow from operating activities before changes in assets and liabilities	226,595	142,230
Change in operating assets and liabilities		
Change in trade and other receivables	(34,930)	(9)
Change in other assets	(7,341)	(3,515)
Change in fund assets and fund liabilities	15,141	-
Change in trade and other payables	5,989	15,981
Change in employee benefits	4,005	(808)
Change in provisions	(9,709)	(41,572)
Change in current and deferred tax balances	8,378	35,949
Net cash inflow from operating activities	208,128	148,256

(b) Reconciliation of Cash

Cash and cash equivalents	265,512	18,162
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(c) Reconciliation of movement in liabilities to cash flows arising from financing activities

	30 June 2017 \$'000	Financing cash flows \$'000	Non-cash		30 June 2018 \$'000
			Borrowing cost amortisation \$'000	Foreign exchange movement \$'000	
Interest-bearing loans and borrowings - Current	241	295	-	(6)	530
Interest-bearing loans and borrowings - Non-current	312,892	482,920	1,230	24,865	821,907
Total liabilities from financing activities	313,133	483,215	1,230	24,859	822,437

3. Notes to the Financial Statements (continued)

Capital structure, financing and risk management

15. Interest bearing loans and borrowings

			2018 \$'000	2017 \$'000
Current				
Finance lease			530	241
			530	241
Non – current				
Finance lease			22	288
Loans			821,885	312,604
			821,907	312,892

Financing Arrangements	Notional currency	Interest rate at 30 June 2018 (p.a.)		
Total facilities available:				
Non amortising term loan facility	AUD	3.3%-3.6%	550,000	550,000
Working capital facility	AUD	1.7%-3.6%	30,000	30,000
Non amortising term loan facility	GBP	2.3%	825,346	-
Working capital facility	GBP	1.7%-2.3%	35,499	-
			1,440,845	580,000
Facilities utilised at reporting date:				
Non amortising term loan facility	AUD	n/a	-	313,500
Working capital facility	AUD	1.7%	13,030	13,221
Non amortising term loan facility	GBP	2.3%	825,346	-
Working capital facility	GBP	1.7%	185	-
			838,561	326,721
Facilities not utilised at reporting date				
Non amortising term loan facility	AUD	0.6%-0.7%	550,000	236,500
Working capital facility	AUD	0.7%	16,970	16,779
Non amortising term loan facility	GBP	0.7%	-	-
Working capital facility	GBP	0.7%	35,314	-
			602,284	253,279

Facilities utilised at reporting date includes \$13.0 million (2017: \$13.2 million) of guarantees provided to external parties, which have not been drawn down. Refer to Note 17.

Link Group also has access to an uncommitted facility of \$250.0 million under the Syndicated Loan Facility. This is an uncommitted revolving credit facility for general corporate purposes to fund acquisitions permitted under the facility (and related advisory fees, costs and expenses) and growth capital expenditure and to refinance existing debt of an acquired target.

Link Group signed an Amendment and Restatement Deed on 16 June 2017, with respect to the existing Syndicated Loan Facility dated 18 September 2015, the terms and conditions of which are substantially unchanged. The amendment added the following additional facilities; a \$825.3 million (£465.0 million) non amortising loan facility and a \$35.5 million (£20.0 million) working capital facility.

16. Finance costs

	2018 \$'000	2017 \$'000
Loan interest expense	19,744	10,468
Amortisation of capitalised borrowing costs	1,230	647
Foreign exchange (gain)/loss	(17)	779
Other	148	2,940
	21,105	14,834

3. Notes to the Financial Statements (continued)

17. Contingent liabilities

Link Group has granted bank guarantees, letters of credit and performance guarantees in the favour of:

Type/Counterparty	Beneficiary	Reason	2018 \$'000	2017 \$'000
Bank guarantee – Westpac	Pacific Custodians Pty Limited	Regulatory financial licence	10,000	10,000
Letter of credit – Westpac	STRATE Limited	Regulatory financial licence	887	906
Letter of credit – Westpac	Railway Pension Nominees Limited	Property lease	623	795
Bank guarantee – Westpac	ASX Settlement & Transfer Corp	Contractual obligation	500	500
Bank guarantee – Westpac	GESB Superannuation	Contractual obligation	1,000	1,000
Letter of credit – Westpac	Australian Securities & Investments Commission	Contractual obligation	20	20
Bank guarantee – HSBC	Kryalos Societa di Gestione del Risparmio S.p.A	Property lease	185	-
Bank guarantee – CBA	GormanKelly	Property lease	287	287
Performance guarantee	CHAMA S.A.	Property lease	932	-
Performance guarantee	Primost S.A.	Property lease	567	-

Australian Financial Services Licence (AFSL) Performance Bond

A Guarantee for \$10 million (2017: \$10 million) is held with Westpac on behalf of a subsidiary of Link Group, Pacific Custodians Pty Limited, as a requirement of the subsidiary's Australian Financial Services Licence (AFSL) requirements (AFSL Performance Bond).

18. Investment and financial risk management

Investments

	2018 \$'000	2017 \$'000
Listed equity securities – at fair value through profit or loss	3,157	3,274
Unlisted investments – at fair value through profit or loss	141,073	135,415
	144,230	138,689

The equity securities have been designated at fair value through profit or loss because they are managed on a fair value basis and their performance is actively monitored.

During the year Link Group made a further equity investment of \$4.4 million into Property Exchange Australia Limited ("PEXA"). Link Group's total ownership of PEXA is 19.8% (2017: 19.7%). The investment in PEXA is carried within unlisted investments at a fair value with gains or losses recognised through profit or loss given Link Group does not have significant influence over PEXA. The investment has a fair value of \$132.3 million (2017: \$127.9 million) at year end.

Significant accounting estimate and judgement

Judgement is required in measuring level 3 investments at fair value. All key assumptions applied in fair value measurements were determined using the past experiences of Link Group and management. Where possible, assumptions were validated against external sources of information.

3. Notes to the Financial Statements (continued)

18. Investment and financial risk management (continued)

Derivative financial assets

	2018 \$'000	2017 \$'000
Derivative financial assets – at fair value through profit or loss	-	2,413

Derivative financial instruments consisted of foreign currency forward contracts, measured at fair value with gains or losses recognised through profit or loss. The derivative financial asset was settled on 2 November 2017.

Financial Risk Management Overview

Link Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Link Group has established risk management policies that identify and analyse the risks faced by Link Group, set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly.

Credit Risk

Credit risk is the risk of financial loss to Link Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets less any provisions for impairment represents Link Group's maximum credit exposure.

Link Group's exposure to credit risk arises predominantly through its cash and cash equivalents, trade and other receivables, and fund assets.

- Cash and cash equivalent amounts as well as transactions involving derivative financial instruments are all held or maintained by banks and financial institutions with high credit ratings.
- Trade Receivables are monitored in line with Link Group's credit policy. The credit quality of customers is assessed by taking into account their financial position, past experience and other relevant factors. Based on the above process, Link Group considers that all unimpaired trade and other receivables are collectible in full.
- Fund assets relate to investors' purchase or redemption of units in investment funds of which Link Fund Solutions Limited (Link Asset Services' collective investment scheme administration business) is an Authorised Corporate Director. Link Group has a limited exposure to credit risk as fund assets and fund liabilities are usually settled within four business days. Link Group has rights regarding net settlement, enabling uncollectable balances to be recovered, refer to Note 9.

The maximum exposure to credit risk for trade and other receivables at the end of the reporting period was as follows:

	2018 \$'000	2017 \$'000
Neither past due nor impaired	269,249	87,398
Past due 1 - 30 days	15,059	6,939
Past due 31 - 60 days	9,476	2,777
Past due over 61 days	8,517	1,577
	302,301	98,691

Movements in the allowance for impairment in respect of trade and other receivables during the year are disclosed in Note 7.

3. Notes to the Financial Statements (continued)

18. Investment and financial risk management (continued)

Liquidity Risk

Liquidity risk is the risk that Link Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Link Group manages its liquidity risk by maintaining adequate cash reserves and available committed credit lines combined with continuous monitoring of actual and forecast cash flows on a short, medium and long term basis. See Note 15 for details of Link Group's unused facilities at year end.

Remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments were as follows. The amounts include both interest and principal cash flows undiscounted and based on contractual maturity and therefore the totals will differ from those disclosed in the statement of financial position. It is noted that the interest repayments are based on forward interest rates and as such these amounts could vary, however it is not expected that they will do so significantly from the amounts stated below.

	Carrying amount \$'000	Total \$'000	< 1 year \$'000	1-2 years \$'000	2 – 5 years \$'000	> 5 years \$'000
30 June 2018						
Non-derivative liabilities						
<i>Non-interest bearing</i>						
Trade and other payables	357,412	357,412	284,144	23,667	20,172	29,429
Fund liabilities	589,312	589,312	589,312	-	-	-
<i>Interest bearing</i>						
Loans and borrowings	822,437	895,639	144,436	181,612	569,591	-
Total non-derivative liabilities	1,769,161	1,842,363	1,017,892	205,279	589,763	29,429
30 June 2017						
Non-derivative liabilities						
<i>Non-interest bearing</i>						
Trade and other payables	148,904	148,904	101,071	5,789	14,863	27,181
<i>Interest bearing</i>						
Loans and borrowings	313,133	334,886	10,976	281,098	42,812	-
Total non-derivative liabilities	462,037	483,790	112,047	286,887	57,675	27,181

The Company and a number of the subsidiaries are guarantors to Link Group's loans and borrowings.

3. Notes to the Financial Statements (continued)

18. Investment and financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect Link Group's income or carrying value of its holdings of financial instruments as at the year end.

Foreign currency risk

Foreign currency risk is the risk that the carrying value or future cash flows associate with a financial instrument will fluctuate because of changes in foreign exchange rates.

Specific foreign currency items

On 2 November 2017, Link Group drew down £465 million from a term loan facility (refer Note 15), which was used to acquire Link Asset Services. Link Group designated the term loan facility as a hedge of the net investment in the UK subsidiary. The fair value and carrying amount of the term loan facility at 30 June 2018 was \$825.3 million (2017: \$nil). An unrealised foreign exchange loss of \$24.9 million (2017: \$nil) on translation of the term loan facility to AUD at the end of the financial year is recognised in other comprehensive income and accumulated in the foreign currency translation reserve on consolidation. The hedge was considered 100% effective throughout the year.

Link Group entered into a foreign currency derivative on 26 June 2017 to hedge against movements in the AUD/GBP exchange rate in the period between the equity raise on 26 June 2017 (denominated in AUD) and settlement of the Link Asset Services acquisition on 3 November 2017 (denominated in GBP). The transaction did not qualify for hedge accounting at that time due to uncertainty regarding the regulatory approvals required for and timing of settlement. Link Group recognised a fair value gain of \$7.4 million (2017: \$2.4 million) resulting from the derivative financial instrument, which was settled on 2 November 2017.

Other foreign currency items

In addition to the specific items mentioned above, entities within Link Group typically enter into transactions and recognise assets and liabilities that are denominated in their functional currency. Whilst a number of entities within Link Group hold financial instruments in a currency which is not their local functional currency, these balances are not considered material and do not expose Link Group to significant foreign currency risk.

Link Group is exposed to foreign currency risk when net investments in foreign subsidiaries are translated to Link Group's reporting currency, the Australian Dollar (AUD). The effects of any exchange rate movements in respect of the net investment in foreign subsidiaries are recognised in the foreign currency translation reserve on consolidation.

Sensitivity testing was performed by flexing the value of the AUD against foreign currencies to which Link Group is exposed by 10% (2017: 10%). The assumed 10% change was chosen based on historical and reasonably possible movements of official exchange rates.

	Profit/(loss)		Net assets	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
AUD +10%/GBP	(2,736)	(55)	(36,405)	31
AUD -10%/GBP	2,737	55	36,410	(32)
AUD +10%/EUR	160	79	(42,963)	(1,595)
AUD -10%/EUR	(160)	(79)	42,962	1,595
AUD +10%/Other currencies	(741)	(229)	(4,506)	(1,211)
AUD -10%/Other currencies	741	230	4,508	1,218

3. Notes to the Financial Statements (continued)

18. Investment and financial risk management (continued)

Market Risk (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Link Group is exposed to interest rate risk attaching specifically to Link Group's financial assets and liabilities as well as through the maintenance of paying agent and escrow bank accounts administered on behalf of clients. Link Group's primary financial assets impacted by changes in variable interest rates include cash and cash equivalents. Link Group's primary financial liabilities impacted by interest rate movements include interest bearing loans and borrowings.

A sensitivity analysis was performed to assess the impact interest rates have on Link Group's statement of financial performance, including the impact of hedging and escrow bank accounts. Sensitivity testing was performed by increasing interest rates by 0.5% (2017: 1%) as at reporting date which would result in a favourable impact on Link Group's profit before tax of \$2.6 million (2017: adverse impact of \$0.5 million). A decrease of 0.5% (2017: 1%) would have an adverse impact on Link Group's profit before tax of \$0.5 million (2017: favourable impact of \$0.5 million). The assumed 0.5% (2017: 1%) change was chosen based on historical and reasonably possible movements of official interest rates. The method of calculation has not changed from the prior period.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Link Group's exposure to price risk arises primarily from the listed and unlisted equity securities it holds, which have been designated at fair value through profit or loss.

A 5% increase (2017: 5%) in the fair value of Link Group's listed and unlisted investments would increase Link Group's profit before tax by \$7.2 million (2017: increase of \$6.9 million). The assumed 5% change was chosen based on historical and reasonably possible movements in equity markets.

Capital management

The Board's policy is to maintain a capital base so as to provide shareholder and other stakeholder confidence and to sustain future development of the business. Capital consists of total equity less amounts accumulated in equity in relation to cash flow hedges, dividend reserves and other reserves.

Link Group monitors the ratio of net financial indebtedness to operating earnings before interest, tax, depreciation and amortisation, (Operating EBITDA). Net debt is calculated as interest bearing liabilities less cash and cash equivalents. Link Group also monitors the interest cover ratio, which is calculated by dividing Operating EBITDA by interest expense.

Fair value of financial instruments

The following table details Link Group's fair value amounts of financial instruments categorised by the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2018

Assets

Listed investments designated at fair value through profit and loss

Unlisted equity securities designated at fair value through profit and loss

Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
3,157	-	-	3,157
-	4,451	136,622	141,073
3,157	4,451	136,622	144,230

3. Notes to the Financial Statements (continued)

18. Investment and financial risk management (continued)

Fair value of financial instruments (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2017				
Assets				
Derivative financial assets at fair value through profit and loss	-	2,413	-	2,413
Listed investments designated at fair value through profit and loss	3,274	-	-	3,274
Unlisted equity securities designated at fair value through profit and loss	-	4,075	131,340	135,415
	<u>3,274</u>	<u>6,488</u>	<u>131,340</u>	<u>141,102</u>

There have been no assets transferred between levels during the year (2017: none).

Level 1 investments consist of financial instruments traded in active markets, and are valued based on quoted market prices at the end of the reporting period.

Level 2 investments consist of unlisted managed investment schemes and derivative financial instruments. Unlisted managed investment schemes are valued based on daily quoted unit redemption prices derived using observable market data. Derivative financial instruments are valued using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

Level 3 investments include unlisted investments held by Link Group, the valuation for which is deemed to have one or more significant inputs which are not based on observable market data.

Management has assessed the fair value of the investment in Property Exchange Australia Limited (PEXA) to be \$132.3 million (2017: \$127.9 million) based on the pricing of an arm's length capital raising completed during the financial year.

Significant increases or decreases in future cash flows would increase or decrease, respectively, the fair value of the investments.

	2018 \$'000	2017 \$'000
Reconciliation of movements in level 3 investments		
Opening level 3 investments at the beginning of the financial year	131,340	60,529
Acquisitions	5,282	68,157
Fair value gain recognised in profit or loss	-	2,654
Closing level 3 investments at the end of the financial year	<u>136,622</u>	<u>131,340</u>

3. Notes to the Financial Statements (continued)

18. Investment and financial risk management (continued)

Fair value of financial instruments (continued)

The following table sets out the carrying amount and fair value of those financial assets and financial liabilities held at fair value:

Fair value vs carrying amounts	2018		2017	
	Fair value \$'000	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000
Assets				
Financial assets measured at fair value				
<i>Held at fair value through profit and loss</i>				
Derivative financial assets	-	-	2,413	2,413
<i>Designated at fair value through profit and loss</i>				
Investments	144,230	144,230	138,689	138,689
Financial Assets not measured at fair value				
<i>Loans and Receivables</i>				
Cash and cash equivalents	265,512	265,512	18,162	18,162
Trade and other receivables	302,301	302,301	98,691	98,691
Fund assets	576,016	576,016	-	-
	1,288,059	1,288,059	257,955	257,955
Liabilities				
Financial liabilities not measured at fair value				
<i>Other Financial Liabilities</i>				
Trade and other payables	357,412	357,412	148,904	148,904
Interest bearing loans and borrowings	822,437	822,437	313,133	313,133
Fund liabilities	589,312	589,312	-	-
	1,769,161	1,769,161	462,037	462,037

The fair values of interest bearing loans and borrowings are not materially different to their carrying amounts since the interest payable on those borrowings is floating at current market rates.

Financial instruments – Recognition/derecognition

A financial instrument is recognised when Link Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if Link Group's contractual rights to the cash flows from the financial assets expire or if Link Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Financial liabilities are derecognised if Link Group's obligations specified in the contract expire or are discharged or cancelled.

Measurement

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured as described below.

Financial assets at fair value through profit or loss

Financial instruments at fair value through profit or loss are measured at fair value, with changes recognised in the statement of comprehensive income under "gains or losses on financial assets held at fair value through profit and loss".

Other

Other financial instruments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables and interest-bearing loans and borrowings are classified as financial liabilities. Trade and other receivables and cash and cash equivalents are classified as loans and receivables. Cash and cash equivalents comprise cash balances and call deposits.

Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Any impairment losses are recognised in profit or loss.

3. Notes to the Financial Statements (continued)

19. Contributed equity

	2018 \$'000	2017 \$'000
Issued and paid-up capital		
Balance at the beginning of the year	689,372	689,004
Equity issued for cash	1,184,327	-
Equity issued under dividend reinvestment plan	27,061	-
Equity raising costs, net of tax	(25,222)	368
Balance at the end of the year	1,875,538	689,372

	2018 '000	2017 '000
Number of shares issued:		
Balance at the beginning of the year	359,797	359,797
Equity issued for cash	166,270	-
Equity issued under dividend reinvestment plan	3,476	-
Balance at the end of the year	529,543	359,797

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognised as a deduction from equity, net of any related income tax benefit.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

20. Reserves

	Share Compen- sation reserve	Distri- butable profits reserve	Foreign Currency Translation reserve	Acquisition reserve	Defined Benefit Reserve	Pre- acquisition Profits Paid reserve	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	4,314	64,157	(6,786)	(8,572)	(1,152)	(129,733)	(77,772)
Other comprehensive income	-	-	23,143	-	(25)	-	23,118
Total comprehensive income for the year	-	-	23,143	-	(25)	-	23,118
Transactions with shareholders							
Transfer from retained earnings to reserves	-	141,660	-	-	-	-	141,660
Dividends declared from distributable profits reserve	-	(73,729)	-	-	-	-	(73,729)
Equity settled share based payments	4,144	-	-	-	-	-	4,144
Balance at 30 June 2018	8,458	132,088	16,357	(8,572)	(1,177)	(129,733)	17,421

3. Notes to the Financial Statements (continued)

20. Reserves (continued)

	Share Compen- sation reserve	Distri- butable profits reserve	Foreign Currency Translation reserve	Acquisition reserve	Defined Benefit Reserve	Pre- acquisitio n Profits Paid reserve	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	3,144	29,897	(6,054)	(8,562)	(1,109)	(129,733)	(112,417)
Other comprehensive income	-	-	(732)	-	(43)	-	(775)
Total comprehensive income for the year	-	-	(732)	-	(43)	-	(775)
Transactions with shareholders							
Transfer from retained earnings to reserves	-	84,632	-	-	-	-	84,632
Dividends declared from distributable profits reserve	-	(50,372)	-	-	-	-	(50,372)
Equity settled share based payments	1,170	-	-	-	-	-	1,170
Acquisition of non-controlling interest in a subsidiary	-	-	-	(10)	-	-	(10)
Balance at 30 June 2017	4,314	64,157	(6,786)	(8,572)	(1,152)	(129,733)	(77,772)

Share compensation reserve

The reserve for own shares represents the cost of ordinary shares held by an equity compensation plan that will be issued to settle entitlements under share based payment plans. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Distributable profits reserve

The distributable profits reserve is available to enable the payment of future dividends.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of Link Group. Where Link Group hedges foreign currency risk on net investments in foreign subsidiaries, foreign exchange gains/losses on translation of the hedging instrument are recognised in other comprehensive income and accumulated in the foreign currency translation reserve on consolidation.

Acquisition reserve

The acquisition reserve represents the purchase of non-controlling interests where there is no change in control. The accounting standards prescribe that the value of such acquisitions should be accounted for as equity transactions instead of accounting for them as an adjustment to Goodwill.

Defined benefit reserve

The defined benefit reserve represents the re-measurement of the net defined benefit liability and comprises the actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest).

Pre-acquisition profits paid reserve

The pre-acquisition profits paid reserve represents dividends paid on consolidation from pre and post-acquisition profits in a prior period.

3. Notes to the Financial Statements (continued)

20. Reserves (continued)

Dividends

	2018 interim	2017 final	2017 interim	2016 final
Dividend cents per share	7.0	8.0	6.0	8.0
Franking percentage	100%	100%	-	18.70%
Total dividend (\$'000)	34,478	39,251	21,588	28,784
Record date	28.03.2018	21.09.2017	21.03.2017	29.09.2016
Payment date	30.04.2018	18.10.2017	03.04.2017	10.10.2016

Dividends are recognised as a liability in the period in which they are declared. The final 2018 dividend has not been declared at the reporting date and therefore is not reflected in the consolidated financial statements.

On 17 August 2018, the Directors declared a final dividend of \$71.5 million, which equates to 13.5 cents per share, franked at 100% in respect of the financial year ended 30 June 2018. The record date for determining entitlements to the dividend is 23 August 2018. Payment of the dividend will occur on 10 October 2018.

21. Retained earnings

	2018 \$'000	2017 \$'000
Retained earnings at the beginning of the financial year	4,999	4,999
Net profit attributable to equity holders	141,660	84,632
Transfer from retained earnings to reserves	(141,660)	(84,632)
Retained earnings at the end of the year	4,999	4,999

3. Notes to the Financial Statements (continued)

22. Share-based payment arrangements

The fair value of the share based payments is determined at grant/service commencement date and is recognised as an expense, with a corresponding increase in reserves, over the vesting period. The amount expensed is adjusted based on the related service and non-market performance conditions which are expected to be met, resulting in the amount recognised being based on the number of awards that meet the related service and non-market performance conditions at the vesting date. The impact of any changes to the estimates of non-market vesting conditions are adjusted each reporting period to reflect the most current expectation of vesting.

(a) Description of share-based payment arrangements

At 30 June 2018, Link Group had the following shared-based payment arrangements.

Performance share rights (PSRs)

The issue of further securities under the Omnibus Equity Plan (OEP - a long-term incentive) was approved by shareholders at Link Group's 2017 Annual General Meeting. The OEP entitles Executive KMPs, Senior Executives and Senior Leaders to receive PSRs, which may be converted into shares in the Company subject to the satisfaction of service-based conditions and performance hurdles, which will, if vested, allow participants to receive fully paid ordinary shares in the Company. During the financial year and in accordance with the OEP, PSRs were granted to Executive KMPs, Senior Executives and Senior Leaders on 20 November 2017 following the Annual General Meeting.

The PSRs are divided into 2 tranches of 75% and 25% and subject to testing against an earnings per share (EPS) target and relative total shareholder return (relative TSR) respectively.

The terms and conditions of the PSRs granted during the financial year ended 30 June 2018 were as follows.

Grant date/employees entitled	Number of PSRs granted	Vesting conditions	Contractual life of PSRs
Executive KMPs, Senior Executives and Senior Leaders on 20 November 2017	1,247,638	75% against an EPS target and 25% against relative TSR for the three-year performance period commencing 1 July 2017.	Seven years, with last exercise occurring 9 September 2024 (unless the PSRs lapse earlier in accordance with the terms of the invitation).

The number of PSRs issued to each participant was calculated with reference to the 5 day Volume Weighted Average Price (VWAP) following the release of the 2017 full year results and accounted for at fair value in accordance with accounting standards from grant date.

The expense recognised in the consolidated statement of profit or loss and other comprehensive income in relation to the OEP during the year ended 30 June 2018 was \$4.1 million (2017: \$1.2 million).

Broad-based employee share plan

All Australian based qualifying employees of Link Group are entitled to participate in the Tax Exempt Share Plan (Exempt Plan), which gives the employees the right to be issued up to \$1,000 worth of fully paid ordinary shares for \$nil financial consideration. The Exempt Plan enables qualified employees to receive ordinary shares free of income tax provided conditions in the current Australian tax legislation are satisfied. These shares cannot be sold until the earlier of three years after the date of issue or the time the employee ceases employment with Link Group.

The expense recognised in the consolidated statement of profit or loss and other comprehensive income in relation to the Exempt Plan during the year ended 30 June 2018 was \$2.2 million (2017: \$1.8 million).

3. Notes to the Financial Statements (continued)

22. Share-based payment arrangements (continued)

(b) Measurement of grant date fair values

Significant accounting estimate and judgement

Judgement is required in determining the fair value of PSRs, which was determined at grant date based upon an independent valuation. The amount expensed is adjusted based on the related service and non-market performance conditions which are expected to be met.

The following inputs were used in the measurement of the fair values at grant date of the PSRs issued during the year ended 30 June 2018:

	Executive KMP, Senior Executives and Senior Leaders
Fair value at grant date:	
i) EPS tranche at grant date	\$7.74
ii) TSR tranche fair value at grant date	\$5.24
Share price at grant date	\$8.73
Exercise price	-
Expected volatility (weighted average volatility)	20%
PSR life (expected weighted average life)	3 years
Holding lock discount:	
i) 1 year	5%
ii) 2 years	7.5%
Expected dividends	2.17%
Risk-free interest rate (based on government bonds)	2.44%

The fair value of services received in return for PSRs is based on the fair value of PSRs granted, measured using a Monte Carlo valuation model.

Expected volatility is estimated taking into account historic average share price volatility of the Company and certain other ASX listed companies.

(c) Reconciliation of performance share rights

The number of performance share rights on issue during the financial year ended 30 June 2018 was as follows:

	2018 Number of PSRs '000	2017 Number of PSRs '000
On issue at beginning of the year	679	-
Granted during the year	1,248	679
Lapsed during the year	(12)	-
On issue at the end of the year	1,915	679

3. Notes to the Financial Statements (continued)

Group structure

23. Business combinations

In addition to organic growth, Link Group seeks to grow through acquisitions and leverage the existing systems, skillsets and processes to improve client satisfaction and obtain synergies to drive positive returns for shareholders.

All business combinations are accounted for by applying the acquisition method. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Link Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair values of the assets, liabilities and contingent liabilities, including liabilities incurred by Link Group to the previous owners of the acquiree and equity interests issued by Link Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the Business Combination.

Significant accounting estimate and judgement

Judgement is required in measuring the fair value of identifiable assets acquired and liabilities assumed for each acquisition. All key assumptions applied in fair value measurements were determined using the past experiences of Link Group and management. Where possible, assumptions were validated against external sources of information.

Acquisitions

On 3 November 2017, Link Group acquired 100% of Link Asset Services (LAS, formerly Capita Asset Services) from Capita plc. The acquisition involved Link Group acquiring 100% of the shares and voting interests in 10 companies domiciled across the UK, Ireland and Jersey, and a further 95 subsidiaries domiciled across the UK, Ireland, Jersey and other locations, predominantly in Europe. The acquisition of LAS has broadened Link Group's geographical presence providing immediate scale in the UK, Jersey and Ireland, and provides a growth platform in Europe. LAS provides Link Group with established market positions in business segments that extend the reach of Link Group's current services with Link Fund Solutions, Link Market Services, Corporate & Private Client Services and Banking & Credit Management.

In the period from acquisition on 3 November 2017 to 30 June 2018, LAS contributed revenue of \$404.9 million and net profit after tax of \$27.9 million to Link Group's results. If the acquisition had occurred on 1 July 2017, management estimates that consolidated revenue would have been \$1,371.8 million, and consolidated net profit after income tax for the period would have been \$162.3 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2017.

The goodwill is attributable mainly to the skills and technical talent of LAS' work force, LAS's established business processes, and the synergies expected to be achieved from integrating LAS into Link Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Other business combinations undertaken by Link Group during the year were individually and in aggregate considered not significant and have been grouped below.

3. Notes to the Financial Statements (continued)

23. Business combinations (continued)

Provisional acquisition accounting

The provisional acquisition accounting has been accounted for in the consolidated financial statements as follows:

	Link Asset Services \$'000	Others \$'000	Total \$'000
Agreed purchase price (cash consideration paid)	1,547,313	4,454	1,551,767
Less: purchase price adjustment – indemnified amounts	(88,560)	-	(88,560)
Purchase consideration	1,458,753	4,454	1,463,207
Less: fair value of net identifiable assets acquired	(341,478)	(1,679)	(343,157)
Goodwill	1,117,275	2,775	1,120,050
Identifiable assets acquired and liabilities assumed:			
Cash and cash equivalents	77,437	831	78,268
Trade and other receivables	162,920	551	163,471
Other assets	10,460	94	10,554
Current tax assets	10,407	35	10,442
Fund assets	582,971	-	582,971
Investments	434	13	447
Plant and equipment	20,712	101	20,813
Client relationships	305,014	1,245	306,259
Software	130,660	15	130,675
Deferred tax assets	21,078	8	21,086
Trade and other payables	(176,100)	(862)	(176,962)
Interest-bearing loans and borrowings	(318)	-	(318)
Provisions	(155,588)	-	(155,588)
Employee entitlements	(3,279)	(1)	(3,280)
Current tax liabilities	(2,412)	-	(2,412)
Fund liabilities	(581,126)	-	(581,126)
Deferred tax liabilities	(61,792)	(351)	(62,143)
Net assets	341,478	1,679	343,157

The fair values of the following assets and liabilities have been recognised on a provisional basis as at 30 June 2018, whereby the accounting balances for the acquisition may be revised in accordance with AASB 3 – *Business Combinations*:

- intangible assets (excluding goodwill), predominantly software and client relationships, have been determined provisionally pending completion of fair value calculations;
- provisions (including contingent liabilities) have been determined provisionally pending completion of a detailed review of existing contracts at the date of acquisition; and
- the fair value of net identifiable assets acquired may be impacted by the completion of Link Asset Services subsidiaries' 31 December 2017 financial statement audits and tax returns.

Where new information obtained within one year of the acquisition about the facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, the accounting for the acquisition will be revised.

3. Notes to the Financial Statements (continued)

24. Parent entity disclosures

In accordance with the *Corporations Act 2001*, these consolidated financial statements present the results of the consolidated entity only.

As at, and throughout, the financial year ended 30 June 2018 the ultimate parent entity of Link Group was Link Administration Holdings Limited.

	2018 \$'000	2017 \$'000
Result of parent entity		
Profit for the year	141,660	84,632
Other comprehensive income	-	-
Total comprehensive income for the year	141,660	84,632
Financial position of parent entity at year end		
Current assets	686	613
Total assets	1,975,103	714,409
Current liabilities	28,700	25,561
Total liabilities	28,700	25,561
Total equity of the parent entity comprising of:		
Contributed equity	1,875,538	689,372
Share compensation reserve	8,458	4,314
Distributable profits reserve	132,088	64,157
Accumulated losses	(68,995)	(68,995)
Total equity	1,947,089	688,848

Other than those disclosed in Note 17, the parent entity has no contingent liabilities, contractual commitments or guarantees with third parties as at 30 June 2018 (2017: none).

3. Notes to the Financial Statements (continued)

25. Controlled entities

Subsidiaries	Country of incorporation	% Ownership interest consolidated 2018	% Ownership interest consolidated 2017
Australia and New Zealand			
Link Administration Pty Limited	Australia	100	100
Link Digital Solutions Pty Limited	Australia	100	100
Link Market Services Group Pty Limited	Australia	100	100
Link Market Services Holdings Pty Limited	Australia	100	100
Link Market Services Limited	Australia	100	100
Pacific Custodians Pty Limited	Australia	100	100
Link MS Services Pty Limited	Australia	100	100
Link Share Plan Pty Limited	Australia	100	100
Orient Capital Pty Limited	Australia	100	100
Corporate File Pty Limited	Australia	100	100
Open Briefing Pty Limited	Australia	100	100
Australian Administration Services Pty Limited	Australia	100	100
AAS Superannuation Services Pty Limited	Australia	100	100
aaspire Pty Limited	Australia	100	100
Atune Financial Solutions Pty Limited	Australia	100	100
Primary Superannuation Services Pty Limited	Australia	100	100
The Superannuation Clearing House Pty Limited	Australia	100	100
Complete Corporate Solutions Pty Limited	Australia	100	100
Company Matters Pty Ltd	Australia	100	100
The Australian Superannuation Group (WA) Pty Ltd	Australia	100	100
Link DigiCom Pty Limited	Australia	100	100
Link Business Services Pty Ltd	Australia	100	100
Link Administration Services Pty Limited	Australia	100	100
Link Advice Pty Limited	Australia	100	100
Link Super Pty Limited	Australia	100	100
PSI Superannuation Management Pty Limited	Australia	100	100
Empirics Marketing Pty Limited	Australia	51.3	51.3
FuturePlus Financial Services Pty Limited	Australia	100	100
Link Property Pty Limited	Australia	100	100
FuturePlus Legal Services Pty Limited	Australia	100	100
Accrued Holdings Pty Limited	Australia	51.3	51.3
Synchronised Software Pty Limited	Australia	100	100
Link Administration Support Services Pty Limited	Australia	100	100
Superpartners Pty Limited	Australia	100	100
Link Administration Resource Services Pty Limited	Australia	100	100
Link Fund Solutions Pty Limited	Australia	100	100
Adviser Network Pty Limited	Australia	100	100
Link Land Registry Services Pty Limited	Australia	100	100
Link Land Registries Holdings Pty Limited	Australia	100	100
Link Market Services (New Zealand) Limited	New Zealand	100	100
Pacific Custodians (New Zealand) Limited	New Zealand	100	100
United Kingdom and Channel Islands			
Link Market Services (EMEA) Limited	United Kingdom	100	100
D.F. King Limited	United Kingdom	100	100
Orient Capital Limited	United Kingdom	100	100
Link Group Corporate Director Limited	United Kingdom	100	-
Link Group Corporate Director 2 Limited	United Kingdom	100	-
Link Group Corporate Secretary Limited	United Kingdom	100	-
Asset Checker Limited	United Kingdom	50	-
CFAC Payment Scheme Limited	United Kingdom	33.3	-
Crown Northcorp Limited	United Kingdom	100	-
Jessop Fund Managers Limited	United Kingdom	100	-
LFI (Nominees) Limited	United Kingdom	100	-
Link (LLRP) Trustee Limited	United Kingdom	100	-
Link Alternative Fund Administrators Limited	United Kingdom	100	-
Link ASOP Limited	United Kingdom	100	-

3. Notes to the Financial Statements (continued)

Subsidiaries	Country of incorporation	% Ownership interest consolidated 2018	% Ownership interest consolidated 2017
Link Asset Services (Holdings) Limited	United Kingdom	100	-
Link Asset Services (London) Limited	United Kingdom	100	-
Link Asset Services (UK) Limited	United Kingdom	100	-
Link ATL Pension Trustees Limited	United Kingdom	100	-
Link Company Matters Limited	United Kingdom	100	-
Link Consortium Nominees No. 2 Limited	United Kingdom	100	-
Link Consortium Nominees No. 3 Limited	United Kingdom	100	-
Link Consortium Nominees No.1 Limited	United Kingdom	100	-
Link Corporate Services Limited	United Kingdom	100	-
Link Corporate Trustees (UK) Limited	United Kingdom	100	-
Link Financial Group Limited	United Kingdom	100	-
Link Financial Investments Limited	United Kingdom	100	-
Link Fund Administrators Limited	United Kingdom	100	-
Link Fund Solutions Limited	United Kingdom	100	-
Link KWS Limited	United Kingdom	100	-
Link Market Services Limited	United Kingdom	100	-
Link Market Services Trustees (Nominees) Limited	United Kingdom	100	-
Link Market Services Trustees Limited	United Kingdom	100	-
Link Mortgage Services Limited	United Kingdom	100	-
Link Pension Secretariat Limited	United Kingdom	100	-
Link Pension Trustee Company (1997) Limited	United Kingdom	100	-
Link Pension Trustees Limited	United Kingdom	100	-
Link Share Plan Services Limited	United Kingdom	100	-
Link Treasury Services Limited	United Kingdom	100	-
Link Trust Corporate Limited	United Kingdom	100	-
Link Trust Nominees No. 1 Limited	United Kingdom	100	-
Link Trust Nominees No.2 Limited	United Kingdom	100	-
Link Trust Secretaries Limited	United Kingdom	100	-
Northern Registrars Limited	United Kingdom	100	-
Pacific Quay Nominees No. 1 Limited	United Kingdom	100	-
Pacific Quay Trustees No. 1 Limited	United Kingdom	100	-
Personal Pension Management Ltd	United Kingdom	100	-
Rooftop Mortgages Limited	United Kingdom	100	-
Royal Exchange Trust Company Limited	United Kingdom	100	-
Royal Exchange Trustee Nominees Limited	United Kingdom	100	-
Sinclair Henderson Fund Administration Limited	United Kingdom	100	-
Stentiford Close Registrars Limited	United Kingdom	100	-
Throgmorton Nominees LLP	United Kingdom	100	-
Throgmorton Secretaries LLP	United Kingdom	100	-
Throgmorton UK (No.2) Limited	United Kingdom	100	-
Throgmorton UK Limited	United Kingdom	100	-
Whale Rock Accounting Limited	United Kingdom	100	-
Whale Rock Company Secretariat Limited	United Kingdom	100	-
Whale Rock Directors Limited	United Kingdom	100	-
Whale Rock Secretaries Limited	United Kingdom	100	-
White City Property Nominee Limited	United Kingdom	100	-
White City Property Trustees Limited	United Kingdom	100	-
Financial Administrators (Guernsey) Limited	Guernsey	100	-
Link Alternative Fund Services (Guernsey) Limited	Guernsey	100	-
Link Market Services (Guernsey) Limited	Guernsey	100	-
Link Nominees 1 Limited	Guernsey	100	-
Link Nominees 2 Limited	Guernsey	100	-
Braltrust Limited	Jersey	100	-
Forbrit Corporate Director 1 Limited	Jersey	100	-
Forbrit Corporate Director 2 Limited	Jersey	100	-
Forbrit Corporate Director 3 Limited	Jersey	100	-
Forbrit Corporate Director 4 Limited	Jersey	100	-
Forbrit Trustees Limited	Jersey	100	-
Link Alternative Fund Services (Jersey) Limited	Jersey	100	-
Link Asset Services (Jersey) Limited	Jersey	100	-
Link Corporate Services (Jersey) Limited	Jersey	100	-

3. Notes to the Financial Statements (continued)

Subsidiaries	Country of incorporation	% Ownership interest consolidated 2018	% Ownership interest consolidated 2017
Link EP Limited	Jersey	100	-
Link Foundations Services Limited	Jersey	100	-
Link Market Services (Jersey) Limited	Jersey	100	-
Link Nominee Services 2 Limited	Jersey	100	-
Link Nominee Services 3 Limited	Jersey	100	-
Link Nominee Services Limited	Jersey	100	-
Link Secretaries Limited	Jersey	100	-
Link Treasury Services (Jersey) Limited	Jersey	100	-
Link Trustee Services (Jersey) Limited	Jersey	100	-
Link Trustees (Jersey) Limited	Jersey	100	-
Seaton Trustee Services Ltd	Jersey	100	-
Seaton Trustees Limited	Jersey	100	-
Buri Leasing Limited	Jersey	100	-
Europe			
Link Market Services GmbH	Germany	100	100
Link Market Services (Frankfurt) GmbH	Germany	100	100
Link ASI Limited	Ireland	100	-
Link CTI Limited	Ireland	100	-
Link Fund Administrators (Ireland) Ltd	Ireland	100	-
Link Fund Manager Solutions (Ireland) Limited	Ireland	100	-
Link IFS Limited	Ireland	100	-
Link IRG (BC) Limited	Ireland	100	-
Link Registrars Limited	Ireland	100	-
Link TSI Limited	Ireland	100	-
Link Corporate Services (Schweiz) GmbH	Switzerland	100	-
Link Asset Services GmbH	Germany	100	-
Link Hungary Corporate Services LLC	Hungary	100	-
Immo Guillaume Schneider S.A.	Luxembourg	100	-
Link Corporate Services (Luxembourg) S.A.	Luxembourg	100	-
Link Corporate Services S.A.	Luxembourg	100	-
P.A.L. Management Services Sarl	Luxembourg	100	-
Link Administrative Services B.V.	Netherlands	100	-
Link Asset Services BV	Netherlands	100	-
Link Corporate Services B.V.	Netherlands	100	-
Link Corporate Services Group B.V.	Netherlands	100	-
NHS Corporate and Fiduciary Services B.V.	Netherlands	100	-
NHS Outsourcing B.V.	Netherlands	100	-
Link Market Services (Isle of Man) Limited	Isle of Man	100	-
Novalink B.V.	Netherlands	100	-
Other countries			
Link Investor Services Pty Limited	South Africa	74.85	74.85
Link Market Services South Africa (Pty) Limited	South Africa	74.85	74.85
Pacific Custodians (Nominees) (RF) Pty Limited	South Africa	74.85	74.85
Link Intime India Private Limited	India	100	100
Sharex Dynamic (India) Pvt Ltd	India	100	-
PNG Registries Pty Limited	Papua New Guinea	100	100
Link Market Services (Hong Kong) Pty Limited	Hong Kong	100	100
Link Asset Services Pte Limited	Singapore	100	-

Subsidiaries are entities controlled by the Company. Control exists when Link Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed on acquisition when necessary to align them with the policies adopted by Link Group.

3. Notes to the Financial Statements (continued)

Other disclosures

26. Related parties

Key Management Personnel compensation

The aggregate Key Management Personnel ("KMP") compensation comprised the following:

	2018	2017
	\$	\$
Short term employee benefits	7,496,905	6,953,205
Post-employment benefits	196,397	175,470
Other long term benefits	114,778	33,201
Share based payments	1,672,708	528,248
	9,480,788	7,690,124

27. Auditor's remuneration

	2018	2017
	\$	\$
Audit of the financial statements		
Auditor of the Company – KPMG Australia	971,753	740,000
Other network firms – KPMG international	1,237,427	162,810
Audit related services		
Auditor of the Company – KPMG Australia	734,914	560,698
Other network firms – KPMG international	80,619	-
Other services		
Auditor of the Company – KPMG Australia	6,783	615,458
Other network firms – KPMG international	240,932	-
	3,272,428	2,078,966

"Other services" includes accounting and consultancy work provided during the financial year.

Auditor's remuneration relating to entities acquired in a business combination during the financial year is disclosed only in respect of the period those entities were controlled by Link Group.

28. Commitments

	2018	2017
	\$'000	\$'000
<i>Non-cancellable operating lease commitments</i>		
Operating lease rentals are payable as follows:		
Not later than one year	45,267	29,574
Later than one year but not later than five years	162,151	128,268
More than five years	145,195	164,906
	352,613	322,748

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3. Notes to the Financial Statements (continued)

29. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of Link Group, the results of those operations, or the state of affairs of Link Group, in future financial years.

30. 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 2018 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to Link Group are set out below. Link Group does not intend to adopt these standards early.

(a) AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on after 1 January 2018. An assessment of the new standard is ongoing, however it is not expected to result in a change to any classifications of financial instruments or have a material impact on Link Group.

(b) AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* replaces existing revenue recognition guidance under Australian Accounting Standards. The core principle of AASB 15 is to recognise revenues when control of goods or services is transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. AASB 15 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing Australian Accounting Standards. AASB 15 also allows costs incremental to obtaining a contract to be capitalised as an asset and expensed consistently with the pattern of revenue recognition arising from the contract. On transition, these are not expected to be material for Link Group.

AASB 15 requires mandatory application by Link Group for the financial year ended 30 June 2019. On initial application, AASB 15 permits either full retrospective or a modified retrospective application approach. Link Group does not expect AASB 15 to result in any significant change to the recognition and measurement of service revenue, given Link Group's current policy is to recognise revenue as clients receive the benefits of those services. Project related revenue is currently being assessed. Link Group currently anticipates the transition adjustment on 1 July 2018 to decrease retained earnings by \$0.5 million, consisting of a \$2.8 million adjustment to defer service revenue, offset by a \$2.3 million adjustment to defer related expenses and tax.

Where applicable, AASB 15 will require new disclosures including disaggregated revenue, information on unsatisfied performance obligations and detailed information regarding contract assets and liabilities.

3. Notes to the Financial Statements (continued)

30. New standards and interpretations not yet adopted (continued)

(c) AASB 16 Leases

AASB 16 *Leases* removes the distinction between operating and finance leases for lessees and will require nearly all leases to be accounted for as both an asset and liability on the statement of financial position. There is also new guidance on when an arrangement would meet the definition of a lease. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 *Revenue from Contracts with Customers* is adopted at the same time.

Link Group is assessing the potential impact of the application of AASB 16 on its financial statements, including the potential impact of the various transition provisions available to Link Group. Using approximate values, if Link Group were to adopt AASB 16 as at 30 June 2018, the present value of the future minimum lease payments for non-cancellable operating leases disclosed in Note 28 would be recognised as a financial liability in the statement of financial position, and under the transition provisions available, Link Group would also recognise a corresponding amount as a right-of-use asset. The new standard is also likely to result in a reduction in occupancy expenses as lease costs will instead be allocated against the lease liability. The lease asset will be amortised over the life of the lease resulting in a depreciation and amortisation charge. The depreciation and amortisation charge is expected to approximate the reduction in occupancy expenses.

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Section 4

Directors' Declaration

4. Directors' Declaration

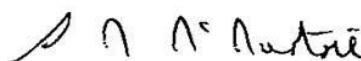
1. In the opinion of the Directors of Link Administration Holdings Limited (the Company):
 - (a) the consolidated financial statements and notes that are set out on pages 61 to 107 and the Remuneration Report on pages 35 to 57 in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of Link Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2018.
3. The Directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

Dated 17 August 2018 at Sydney.



Michael Carapiet
Chair



John McMurtrie
Managing Director



Section 5

Independent Auditor's Report



Independent Auditor's Report

To the shareholders of Link Administration Holdings Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Link Administration Holdings Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of **Link Group's** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration

Link Group consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Link Group in accordance with 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* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Acquisition accounting
- Valuation of goodwill
- Revenue

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report for the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition accounting (\$1,459m)

Refer to section 3, note 23

The key audit matter	How the matter was addressed in our audit
<p>The acquisition of Link Asset Services (LAS) for consideration of \$1,459m is considered a Key Audit Matter due to the:</p> <ul style="list-style-type: none"> • size of the acquisition. The transaction had a pervasive impact on the financial statements and consequently was a significant part of our audit; • level of judgement and audit effort required in assessing Link Group's: <ul style="list-style-type: none"> - estimation process in the provisional purchase price allocation, including the determination of the fair value of acquired assets and liabilities; and - determination of purchase consideration. We focussed on the appropriateness of the Group's adjustments to the purchase consideration in accordance with the terms and conditions of the Share Purchase Agreement and the accounting standards. <p>The process involved in accounting for this acquisition was complex, requiring Link Group to apply judgement to determine the fair value of acquired assets and liabilities. The allocation of the purchase consideration to goodwill and separately identifiable intangible assets, including client relationships and software, is judgemental and specific to Link Group.</p> <p>We focused on the key assumptions in Link</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Reading the Share Purchase Agreement and related key acquisition transaction documents to: <ul style="list-style-type: none"> • understand key terms and conditions of the acquisition; • assess the acquisition against the criteria of a business combination in the accounting standards; and • evaluate the purchase consideration used by Link Group in the provisional purchase price allocation. We checked the Group's adjustments applied to the purchase consideration against accounting standard requirements. • Examining the provisional forecast cash flow assumptions used by Link Group to determine the fair value of client relationships and software. Specific assumptions we focused on included the growth rate, useful life and the percentage of provisional cash flows attributable to client relationships and software. We assessed these by: <ul style="list-style-type: none"> • challenging the provisional cash flow growth rates for each LAS business unit by comparing to Link Group's deal valuation model, assessing the feasibility of these growth rate assumptions and consistency of application to Link Group's 2018 Board

<p>Group's value in use models used to determine the fair value of intangible assets, including client relationships and software:</p> <ul style="list-style-type: none"> • Weighted average cost of capital (WACC); • Growth rates used in the provisional cash flow forecasts; • Percentage of provisional cash flows attributable to client relationships and software; • Contributory asset charge; and • Useful life of the client relationships. <p>Our assessment of these assumptions was complex as LAS had varying revenue streams and operated in a number of jurisdictions across Europe.</p> <p>These conditions, in particular the new geographies and markets, increase the risk of inaccurate forecasts and there is a wider range of possible outcomes. This drives additional audit effort specifically on the feasibility of these assumptions and consistency of application to Link Group's strategy.</p> <p>We involved corporate finance specialists to supplement our senior audit team members in assessing this Key Audit Matter.</p>	<p>approved budget;</p> <ul style="list-style-type: none"> • examining the report issued by the external expert engaged by Link Group for the contributory asset charge and useful life of client relationships, assessing for consistency with our knowledge of the acquired business and inquiries with Link Group; and • assessing the scope, competence and objectivity of the external expert engaged by Link Group. <ul style="list-style-type: none"> • Assessing the percentage of provisional cash flows attributable to client relationships and software by interviewing key Link Group senior management to understand the extent of each business unit's reliance on client relationships, proprietary software and people and processes to generate future cash flows. We performed a comparison to previous Link Group acquisitions to assess the overall attribution weightings adopted. • Working with our corporate finance specialists, we used our knowledge of the acquired businesses, their industry and publicly available information for comparable entities to assess the WACC rates used by Link Group, to determine the value of client relationships and software. • Assessing Link Group's disclosures in respect of business combinations with reference to the requirements of the accounting standards.
<p>Valuation of goodwill (\$1,779m) Refer to Section 3, note 13</p>	
<p>The key audit matter</p>	<p>How the matter was addressed in our audit</p>
<p>Link Group's annual testing of goodwill for impairment is a Key Audit Matter due to the:</p> <ul style="list-style-type: none"> • size of the goodwill balance (being 45% of total assets); and • forward-looking assumptions Link Group applied in its value in use models including: 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Considering the appropriateness of the value in use method applied by Link Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards.

- forecast cash flows, growth rates and terminal growth rates which are impacted by duration, renewal and key terms of major client contracts and competitive market conditions. Estimating the projected cash flow forecast into the future is inherently subjective and susceptible to differences in outcome. Link Group also operates across different geographies with varying market pressures which increases the risk of inaccurate forecast; and
- discount rates, which are subjective in nature and vary according to the specific conditions and environment of Cash Generating Units (CGUs).

As mentioned in the Key Audit Matter above, Link Group also made a significant acquisition of Link Asset Services during the year, including \$1,117m allocated to goodwill as part of this acquisition. This required us to consider Link Group's determination of CGUs, based on the smallest group of assets to generate largely independent cash inflows. We also considered Link Group's allocation of goodwill to the CGUs to which they belong based on Link Group's management and monitoring of the business.

We involved valuation specialists to supplement our senior audit team members in assessing this Key Audit Matter.

- Assessing the integrity of the value in use models used, including the accuracy of the underlying calculations.
- Assessing Link Group's determination of its CGUs based on our understanding of the business and the impact of the Link Asset Services acquisition during the year. We analysed how independent cash inflows of Link Group were generated, against the requirements of the accounting standards.
- Analysing the significant acquisition during the year and Link Group's internal reporting to assess the monitoring and management of activities and the consistency of the allocation of goodwill to CGUs.
- Assessing the historical accuracy of Link Group's forecasts by comparing to actual results, to use in our evaluation of forecasts incorporated in the value in use model.
- Assessing the consistency of the forecast cash flows assumptions, including analysis of major client contracts incorporated into the forecasts, for alignment to Link Group's 2019 budget and our inquiries with Link Group.
- Performing sensitivity analysis of key assumptions, in particular discount rates, forecast growth rates and terminal growth rates, to identify those assumptions at a higher risk of bias or inconsistency in application.
- Working with our valuation specialists we used our knowledge of Link Group and its industry to independently develop a discount rate range considered comparable using publicly available market data for comparable entities.
- Assessing the disclosures in the financial report using our understanding of the information obtained from our testing and against the requirements of the accounting standards.

Revenue (\$1,198m)

Refer to Consolidated statement of profit and loss and other comprehensive income

The key audit matter	How the matter was addressed in our audit
<p>Revenue is a Key Audit Matter due to:</p> <ul style="list-style-type: none"> its significance to Link Group's results; and the significant audit effort required as a result of the various streams of revenue derived from a number of diverse services and products offered to customers. This includes understanding the new revenue stream in the current year resulting from the acquisition of LAS. <p>Link Group generates revenue across its four business units from a variety of services and product offerings. Significant revenue streams include fees from the:</p> <ul style="list-style-type: none"> provision of administration services to superannuation funds; provision of services to corporates; loan processing, administration and work-out services to lenders and investors; and services and products offered via Link Group's technology hub. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> Obtaining an understanding of processes and testing key controls for significant revenue streams across the four business units. This included walking through the process with Link Group's respective business and finance teams to check our understanding of the processes and related controls. Testing of Link Group's key controls for the review and approval of key calculations and invoices for significant revenue streams. Developing an expectation for contract based revenue for the significant revenue streams and comparing this with the recorded contracted revenue for the current year. We based this upon prior year contract revenue and average fee increase sourced from a sample of signed customer contracts. We adjusted our expectation for changes in member numbers, obtained for the separate revenue streams by checking to customer invoices. We investigated significant variances. Using statistical sampling for other revenue streams and checking Link Group's recorded revenue to customer invoices, signed customer contracts and bank statements. Selecting a sample of invoices across the various revenue streams raised prior to year end and post year end. We checked the timing of revenue recorded against the details of the service description on the invoice.

Other Information

Other Information is financial and non-financial information in Link Administration Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.



Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing Link Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate Link Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Link Administration Holdings Limited for the year ended 30 June 2018, complies with *Section 300A* of the *Corporations Act 2001*.

KPMG

Andrew Yates
Partner

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 35 to 57 of the Director's report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

Kim Lawry
Partner

Sydney
17 August 2018