Link Administration Holdings Limited
ABN 27 120 964 098

15 February 2019

ASX ANNOUNCEMENT

Market Announcements Office
ASX Limited
20 Bridge St
SYDNEY NSW 2000

APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 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 six months ended 31 December 2018 as follows:

			31 December 2018 $'000	31 December 2017[1] $'000
Results for announcement to the market				
Revenue from ordinary activities	Up	42%	**714,392**	503,311
Profit from ordinary activities after tax	Up	187%	**186,807**	65,014
Profit for the period attributable to owners of the Company	Up	188%	**186,233**	64,601
Earnings per share				
Basic earnings (cents per share)			**35.06**	13.31
Diluted earnings (cents per share)			**34.92**	13.28
Net tangible assets				
Net tangible assets per security (cents per share)			**(55)**	(172)

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 six month ended 31 December 2018 were:

	Cents per share	Total amount	Franked/ Unfranked	Record date	Payment date
Final 2018	13.5	$71,488,284	Franked at 100%	23 August 2018	10 October 2018

A 100% franked interim dividend of $42,574,580, which equates to 8.0 cents per share, in respect of the six months ended 31 December 2018 was declared by the Directors of the Company on 15 February 2019 **(Interim Dividend)**. A provision has not been recognised in the financial statements for the six months ended 31 December 2018 as the dividend declaration is considered as a subsequent event. The record date for determining entitlements to the dividend is 25 February 2019. Payment of the Interim Dividend will occur on 9 April 2019.

Link Group's Dividend Reinvestment Plan (DRP) will operate in respect of the Interim Dividend. The DRP election deadline is 26 February 2019.

Commentary on results for the period

Additional commentary on results for the period can be found in the Media Release also announced to ASX today (15 February 2019).

Other information

The information in this Appendix 4D should be read in conjunction with Link Group's Interim Financial Report for the six months ended 31 December 2018 and the annual financial report for the financial year ended 30 June 2018. The interim financial statements have been reviewed by KPMG.

PEXA

As announced on 6 November 2018, a consortium comprising Link Group, Commonwealth Bank of Australia and Morgan Stanley Infrastructure Inc. (the Consortium) had its offer to acquire a controlling stake in Property Exchange Australia Limited (PEXA) via trade sale accepted by PEXA shareholders.

The transaction became unconditional prior to 31 December 2018 and settled on 16 January 2019, taking Link Group's total ownership of PEXA from 19.8% to 44.18%. The fair value of Link Group's investment in PEXA following the transaction was $715.1 million, a combination of $404.8 million cash paid on settlement and the fair value of Link Group's existing investment in PEXA. The cash paid on settlement was funded via a combination of cash on hand as at 31 December 2018, and $319.0 million drawdown from Link Group's existing undrawn amortising term loan facility. Link Group will account for its investment in PEXA as an associate from 16 January 2019 in accordance with AASB 128 *Investments in Associates and Joint Ventures*.

Sale of Link Assets Services' Corporate & Private Clients business

On 31 January 2019, Link Group entered into a binding agreement to sell the majority of its Corporate & Private Client Services business (CPCS), part of the Link Asset Services division (LAS), to global fund administrator Apex Group Ltd (Apex) for a cash free, debt free consideration of £240 Million. The transaction is subject to mandatory regulatory approvals and is expected to complete by 30 September 2019. On completion of the sale, the net cash proceeds will be used to reduce Link Group's debt.

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

[1] Prior period comparative information has been restated following amendments to and completion of provisional acquisition accounting. Refer to Note 20 of the interim financial statements for the six months ended 31 December 2018.

Interim Financial Report

ACN 120 964 098

Link Administration Holdings Limited
and its controlled entities

31 December 2018

Contents

Section 1

Directors’ Report

1. Directors' Report

The Directors present their report together with the interim financial statements of Link Group, being Link Administration Holdings Limited ("the Company") and its Controlled Entities, for the six months ended 31 December 2018 (the interim period) and the independent external auditor's review report thereon.

Directors

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 interim period are:

Director	Qualifications and experience
Michael Carapiet	MBA Independent Chair and Non-Executive Director Appointed 26 June 2015
John McMurtrie	AM, BEc(Hons), MEc Executive Director and Managing Director Appointed 16 February 2007
Glen Boreham	AM, BEc Independent Non-Executive Director Appointed 23 September 2015
Andrew (Andy) Green	BSc Independent Non-Executive Director Appointed 9 March 2018
Peeyush Gupta	AM, MBA, BA Independent Non-Executive Director Appointed 18 November 2016
Anne McDonald	CA, BEc Independent Non-Executive Director Appointed 15 July 2016
Sally Pitkin	PhD, LLM, LLB Independent Non-Executive Director Appointed 23 September 2015
Fiona Trafford-Walker	BEc.(Hons), MFin Independent Non-Executive Director Appointed 23 September 2015

1. Directors' Report

Principal Activities

Link Group's principal activities during the course of the interim period was the provision of technology-enabled administration, securities registration and asset services, for listed and unlisted corporate entities as well as pension and superannuation funds across the globe. This is complemented by the provision of ancillary, value-added services in the areas of digital communication, data integration and insights, as well as stakeholder education and advice.

There were no significant changes in the nature of the activities of Link Group during the interim period.

Dividends

Dividends paid by the Company during the interim (and comparative) period were:

	Cents per share	Total amount	Franked/Unfranked	Date of payment
Final 2018	13.5	$71,488,284	100% franked	10.10.2018
Final 2017	8.0	$39,250,933	100% franked	18.10.2017

In addition, dividends declared or paid by the Company since the end of the interim period were $42,574,580, which equates to 8.0 cents per share, 100% franked (2017: $34,478,217, 7.0 cents per share, 100% franked). The record date for determining entitlements to the interim dividend is 25 February 2019. Payment of the interim dividend will occur on 9 April 2019.

Link Group's Dividend Reinvestment Plan (DRP) will operate in respect of the 2019 interim dividend. The DRP election deadline is 26 February 2019.

Review of Operations

Consistent with previous disclosures, this review of operations uses certain measures to report on Link Group's performance that are not recognised under Australian Accounting Standards or International Financial Reporting Standards (IFRS), collectively referred to as 'non-IFRS measures'. These non-IFRS measures are defined in Link Group's Annual Report for the year ended 30 June 2018 and have not been subject to audit or review in accordance with Australian Auditing Standards.

The net profit of Link Group for the six months ended 31 December 2018 was $186.8 million (2017: $65.0 million).

Revenue for the interim period increased to $714.4 million in 2018 (2017: $503.3 million), largely reflecting a full six-month result for Link Asset Services following its acquisition on 3 November 2017. Operating expenses increased to $556.5 million in 2018 (2017: $377.8 million) predominantly as result of the acquisition of Link Asset Services on 3 November 2017. Link Group also incurred significant items expenses associated with business combinations/acquisitions, integration and client migrations amounting to $27.5 million (2017: $22.5 million). Significant items are separately disclosed in Note 4 to the interim financial statements to assist understanding of Link Group's results.

Total Operating EBITDA (which excludes significant items) for the six months ended 31 December 2018 was $185.4 million (2017: $148.0 million). A reconciliation of Operating EBITDA to the net profit of Link Group is included in Note 4 to the interim financial statements.

The net assets of Link Group increased to $2,066.8 million as at 31 December 2018 from $1,900.4 million as at 30 June 2018 reflecting profits for the interim period and foreign currency translation reserve gains on retranslation of foreign operations, partially offset by a payment of a final dividend for the year ended 30 June 2018 of $71.5 million. Link Group's profit before tax of $264.7 million includes a $177.8 million fair value gain on its investment in Property Exchange Australia Limited (PEXA) following PEXA's successful trade sale, which settled on 16 January 2019. Further information about the PEXA transaction is disclosed in the subsequent events section of this report.

Link Group continues to deliver on its growth strategy and is well positioned to pursue further opportunities across the various market segments and regions in which it operates.

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

1. Directors' Report

Other Information

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of the affairs of the Company or Link Group that occurred during the interim period ended 31 December 2018.

Events Subsequent to Reporting Date

As announced on 6 November 2018, a consortium comprising Link Group, Commonwealth Bank of Australia and Morgan Stanley Infrastructure Inc. (the Consortium) had its offer to acquire a controlling stake in Property Exchange Australia Limited (PEXA) via trade sale accepted by PEXA shareholders. The transaction became unconditional prior to 31 December 2018 and settled on 16 January 2019, taking Link Group's total ownership of PEXA from 19.8% to 44.2%. The fair value of Link Group's investment in PEXA following the transaction was $715.1 million, a combination of $404.8 million cash paid on settlement and the fair value of Link Group's existing investment in PEXA. The cash paid on settlement was funded via a combination of cash on hand as at 31 December 2018, and $319.0 million drawdown from Link Group's existing undrawn amortising term loan facility. Link Group will account for its investment in PEXA as an associate from 16 January 2019 in accordance with AASB 128 *Investments in Associates and Joint Ventures*.

On 25 January 2019 the Syndicated Loan Agreement for Link Group was amended, extending the availability of AUD $275 million of the non-amortising term loan facility to 25 January 2022, and AUD $275 million of the non-amortising term loan facility and the AUD $30 million working capital facility to 25 January 2024. The availability of the GBP facilities remains to 22 November 2022, and all other terms and conditions of the amended facilities remain substantially the same.

On 31 January 2019, Link Group entered into a binding agreement to sell the majority of its Corporate & Private Client Services business (CPCS), part of the Link Asset Services (LAS) reportable segment, to global fund administrator Apex Group Ltd (Apex) for a cash free, debt free consideration of $431.4 million (£240.0 million). The transaction is subject to mandatory regulatory approvals and is expected to complete by 30 September 2019. On completion of the sale, the net cash proceeds will be used to reduce Link Group's debt.

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

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 interim financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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 7 and forms part of the Directors' Report for the interim period ended 31 December 2018.

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

Dated 15 February 2019 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 review of Link Administration Holdings Limited for the half-year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Andrew Yates
Partner

Sydney

15 February 2019

Section 2

Interim Financial Statements

2. Interim Financial Statements

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the interim period ended 31 December 2018

	Note	31 December 2018 $'000	31 December 2017[1] $'000
Revenue – rendering of services	*4,5*	**714,392**	503,311
Expenses:			
Employee expenses		**(341,638)**	(228,449)
Occupancy expenses		**(29,955)**	(21,811)
IT costs		**(57,251)**	(41,442)
Administrative and general expenses		**(117,881)**	(70,687)
Acquisition and capital management related expenses		**(9,743)**	(15,429)
		(556,468)	(377,818)
Depreciation expense		**(9,950)**	(7,206)
Intangibles amortisation expense	*12*	**(48,052)**	(27,756)
Contract fulfilment costs amortisation expense		**(1,129)**	-
		(59,131)	(34,962)
Gain on financial assets held at fair value through profit and loss		**177,555**	7,596
Finance income		**1,072**	3,615
Finance costs		**(12,763)**	(7,561)
Net finance costs		**(11,691)**	(3,946)
Profit before tax		**264,657**	94,181
Tax expense	*7(a)*	**(77,850)**	(29,167)
Profit for the interim period		**186,807**	65,014
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Defined benefit re-measurement		**-**	-
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations, net of tax		**22,977**	1,372
Other comprehensive income, net of tax		**22,977**	1,372
Total comprehensive income for the interim period		**209,784**	66,386

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

1 Prior period comparative information has been restated following amendments to and completion of provisional acquisition accounting. Refer to Note 20.

2. Interim Financial Statements (continued)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the interim period ended 31 December 2018
(continued)

		31 December 2018 $'000	31 December 2017[2] $'000
Profit attributable to:			
Owners of the Company		**186,233**	64,601
Non-controlling interest		**574**	413
Profit for the interim period		**186,807**	65,014
Total comprehensive income attributable to:			
Owners of the Company		**209,201**	65,945
Non-controlling interest		**583**	441
Total comprehensive income for the interim period		**209,784**	66,386
Earnings per share		**Cents per Share**	Cents per Share[3]
Basic earnings per share	*6*	**35.06**	13.31
Diluted-earnings per share	*6*	**34.92**	13.28

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

2 Prior period comparative information has been restated following amendments to and completion of provisional acquisition accounting. Refer to Note 20.
3 Prior period comparative earnings per share have been restated due to the bonus element of new shares issued at a discount to market value since the end of the comparative period. Refer to Note 6.

2. Interim Financial Statements (continued)

Condensed Consolidated Statement of Financial Position as at 31 December 2018

	Note	31 December 2018 $'000	30 June 2018[4] $'000
Current assets			
Cash and cash equivalents		**195,782**	265,512
Trade and other receivables	*8*	**310,826**	302,348
Other assets		**37,019**	36,112
Current tax assets		**3,844**	5,850
Fund assets	*10*	**292,183**	576,016
Total current assets		**839,654**	1,185,838
Non-current assets			
Investments	*15*	**362,008**	144,230
Plant and equipment		**87,828**	91,734
Intangible assets	*12*	**2,476,142**	2,457,074
Deferred tax assets		**47,072**	58,703
Other assets		**21,446**	251
Total non-current assets		**2,994,496**	2,751,992
Total assets		**3,834,150**	3,937,830
Current liabilities			
Trade and other payables	*9*	**270,768**	284,364
Interest bearing loans and borrowings	*14*	**442**	530
Provisions	*11*	**16,085**	18,835
Employee benefits		**43,160**	47,551
Current tax liabilities		**6,078**	31,630
Fund liabilities	*10*	**297,192**	589,312
Total current liabilities		**633,725**	972,222
Non-current liabilities			
Trade and other payables	*9*	**82,536**	73,268
Interest-bearing loans and borrowings	*14*	**833,122**	821,907
Provisions	*11*	**49,655**	49,758
Employee benefits		**5,104**	5,761
Deferred tax liabilities		**163,238**	114,559
Total non-current liabilities		**1,133,655**	1,065,253
Total liabilities		**1,767,380**	2,037,475
Net assets		**2,066,770**	1,900,355
Equity			
Contributed equity	*16*	**1,895,789**	1,875,538
Reserves		**(27,809)**	17,434
Retained earnings	*18*	**196,672**	5,345
Total equity attributable to equity holders of the parent		**2,064,652**	1,898,317
Non-controlling interest		**2,118**	2,038
Total equity		**2,066,770**	1,900,355

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

4 Prior period comparative information has been restated following amendments to and completion of provisional acquisition accounting. Refer to Note 20.

2. Interim Financial Statements (continued)

Condensed Consolidated Statement of Changes in Equity as at 31 December 2018

	Share capital $'000	Reserves $'000	Retained earnings $'000	Total equity attributable to equity holders of the parent $'000	Non-controlling interest $'000	Total equity $'000
Balance at 30 June 2018	**1,875,538**	**17,421**	**4,999**	**1,897,958**	**2,038**	**1,899,996**
Restatement due to completion of provisional acquisition accounting	**-**	**13**	**346**	**359**	**-**	**359**
Restated balance at 30 June 2018	**1,875,538**	**17,434**	**5,345**	**1,898,317**	**2,038**	**1,900,355**
Cumulative adjustment on transition to AASB 15	**-**	**-**	**5,094**	**5,094**	**-**	**5,094**
Balance at 1 July 2018	**1,875,538**	**17,434**	**10,439**	**1,903,411**	**2,038**	**1,905,449**
Net profit	**-**	**-**	**186,233**	**186,233**	**574**	**186,807**
Defined benefit re-measurement	**-**	**-**	**-**	**-**	**-**	**-**
Foreign currency translation differences, net of tax	**-**	**22,968**	**-**	**22,968**	**9**	**22,977**
Total other comprehensive income, net of income tax	**-**	**22,968**	**-**	**22,968**	**9**	**22,977**
Total comprehensive income for the interim period	**-**	**22,968**	**186,233**	**209,201**	**583**	**209,784**
Transfer from retained earnings to distributable profits reserve	**-**	**-**	**-**	**-**	**-**	**-**
Transactions with shareholders						
Dividends declared during the interim period	**-**	**(71,488)**	**-**	**(71,488)**	**(503)**	**(71,991)**
Equity settled share based payments	**-**	**3,277**	**-**	**3,277**	**-**	**3,277**
Issue of share capital, net of costs of raising capital and tax	**20,251**	**-**	**-**	**20,251**	**-**	**20,251**
Total contributions by and distributions to owners	**20,251**	**(68,211)**	**-**	**(47,960)**	**(503)**	**(48,463)**
Balance at 31 December 2018	**1,895,789**	**(27,809)**	**196,672**	**2,064,652**	**2,118**	**2,066,770**

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

2. Interim Financial Statements (continued)

Condensed Consolidated Statement of Changes in Equity as at 31 December 2017

	Share capital $'000	Reserves[5] $'000	Retained earnings[5] $'000	Total equity attributable to equity holders of the parent[5] $'000	Non-controlling interest $'000	Total equity[5] $'000
Balance at 1 July 2017	689,372	(77,772)	4,999	616,599	752	617,351
Net profit	-	-	64,601	64,601	413	65,014
Defined benefit re-measurement	-	-	-	-	-	-
Foreign currency translation differences, net of tax	-	1,344	-	1,344	28	1,372
Total other comprehensive income, net of income tax	-	1,344	-	1,344	28	1,372
Total comprehensive income for the interim period	-	1,344	64,601	65,945	441	66,386
Transfer from retained earnings to distributable profits reserve	-	63,874	(63,874)	-	-	-
Transactions with shareholders						
Issue of share capital, net of costs of raising capital and tax	876,082	-	-	876,082	-	876,082
Dividends declared during the interim period	-	(39,251)	-	(39,251)	(241)	(39,492)
Equity settled share based payments	-	1,915	-	1,915	-	1,915
Total contributions by and distributions to owners	876,082	(37,336)	-	838,746	(241)	838,505
Balance at 31 December 2017	1,565,454	(49,890)	5,726	1,521,290	952	1,522,242

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

5 Prior period comparative information has been restated following amendments to and completion of provisional acquisition accounting. Refer to Note 20.

2. Interim Financial Statements (continued)

Condensed Consolidated Statement of Cash Flows for the interim period ended 31 December 2018

	Note	31 December 2018 $'000	31 December 2017 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		**804,303**	543,928
Cash payments in the course of operations		**(666,336)**	(396,467)
		137,967	147,461
Business combination/acquisition costs paid		**(1,123)**	(22,417)
Integration costs paid		**(19,704)**	(4,420)
Client migration costs paid		**(3,278)**	(7,287)
Interest received		**2,824**	3,616
Dividends received		**201**	172
Borrowing costs paid		**(12,974)**	(4,215)
Income taxes paid		**(45,295)**	(24,758)
Net cash provided by operating activities	*13(a)*	**58,618**	88,152
Cash flows from investing activities			
Payments for plant and equipment		**(4,324)**	(6,022)
Payments for software		**(34,976)**	(19,664)
Acquisition of subsidiary, net of cash acquired		**-**	(1,473,130)
Proceeds from settlement of derivatives		**-**	9,847
Payments for investments		**(39,453)**	(4,589)
Net cash used in investing activities		**(78,753)**	(1,493,558)
Cash flows from financing activities			
Proceeds from borrowings		**-**	1,048,282
Repayment of borrowings		**(110)**	(358,615)
Payment of borrowing transaction costs		**-**	(4,649)
Proceeds from the issue of shares		**-**	883,166
Payment of costs related to the issue of equity		**-**	(21,098)
Dividends paid to owners of the Company		**(51,270)**	(25,237)
Dividends paid to non-controlling interest		**(503)**	-
Net cash (used in)/ provided by financing activities		**(51,883)**	1,521,849
Net (decrease)/ increase in cash and cash equivalents		**(72,018)**	116,443
Cash and cash equivalents at the beginning of the interim period		**265,512**	18,162
Effect of exchange rate fluctuations on cash held		**2,288**	(18,075)
Cash and cash equivalents at the end of the interim period		**195,782**	116,530

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

Section 3

Notes to the Interim Financial Statements

3. Notes to the Interim 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 interim financial statements of Link Group as at and for the interim period ended 31 December 2018 comprise the Company and its subsidiaries and Link Group's interest in associates and jointly controlled entities. Link Group's principal activities during the course of the interim period was the provision of technology-enabled administration, securities registration and asset services, for listed and unlisted corporate entities as well as pension and superannuation funds across the globe. This is complemented by the provision of ancillary, value-added services in the areas of digital communication, data integration and insights, as well as stakeholder education and advice.

2. Basis of Preparation

(a) Statement of compliance

The consolidated interim financial statements are general purpose condensed financial statements which have been prepared in accordance with *AASB 134 Interim Financial Reporting*, the *Corporations Act 2001* and with *IAS 34 Interim Financial Reporting*. They do not include all of the information required for a complete set of annual financial statements and should be read in conjunction with Link Group's consolidated annual financial statements for the financial year ended 30 June 2018 (2018 Annual Report). However, selected explanatory notes are included to explain events and transactions that are significant to understanding changes in Link Group's financial position and performance since the 2018 Annual Report. The interim financial statements have been prepared on a going concern basis. The Directors of Link Administration Holdings Limited 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 interim financial statements should be prepared on a going concern basis.

These interim financial statements were authorised for issue by the Board of Directors on 15 February 2019.

(b) Basis of measurement

The interim 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 interim financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of Link Group's operations.

(d) Use of estimates and judgements

Preparation of the consolidated interim 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.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying Link Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Annual Report.

2. Basis of Preparation (continued)

(e) Changes in significant accounting policies

The principal accounting policies adopted by Link Group are consistent with those of the previous financial year and comparative interim reporting period, except for the adoption of new and amended accounting standards on 1 July 2018 as set out in Note 3.

(f) Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 July 2018 and have not been applied in preparing these consolidated interim financial statements. Those which may be relevant to Link Group are set out below. Link Group does not intend to adopt these standards early.

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.

Link Group is assessing the potential impact of the application of AASB 16 on its consolidated 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 31 December 2018, the present value of the future minimum lease payments for non-cancellable operating leases disclosed in Note 28 of Link Group's 2018 Annual Report 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.

(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. Changes in Significant Accounting Policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on Link Group's consolidated interim financial statements and discloses any changes in accounting policies that have been applied from 1 July 2018 where they are different to those applied in prior periods.

(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.

Nature of revised accounting policies

In adopting AASB 9, Link Group reviewed its impairment methodology in relation to trade and other receivables. Link Group's trade and other receivables do not contain a significant financing component, hence the lifetime expected credit loss measurement applies upon initial recognition. Link Group applies actual credit loss experience in assessing its trade and other receivables for impairment.

Effect of revised accounting policies

The adoption of AASB 9 has been applied retrospectively in accordance with the requirements of the standard, but has not had any impact on the current or prior reporting periods. The impact of the change in impairment methodology did not result in any change to Link Group's trade and other receivables given Link Group's impairments in relation to trade receivables have not been material historically.

3. Notes to the Interim Financial Statements (continued)

3. Changes in Significant Accounting Policies (continued)

(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.

Nature of revised accounting policies

Type of transaction	Accounting policy
Revenue recognised over time	The majority of Link Group's revenue arises from service contracts where Link Group's performance obligations are satisfied over time. Customers obtain control of services as they are delivered, and revenue is recognised over time as those services are provided, in accordance with series guidance. Invoices are generally issued on a monthly basis and are payable within 14 to 30 days. As such, there is not considered to be any significant financing component within each contract.
Revenue recognised at a point in time	Link Group may also recognise revenue derived at a point in time, generally when Link Group's performance obligation is linked to a specific deliverable. Revenue is recognised when Link Group transfers control of the deliverable.
Contract fulfilment costs	Link Group recognises assets from migration and other costs incurred to fulfil a contract where: (a) the costs relate directly to a contract; (b) the costs generate or enhance resources that Link Group will use in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) the costs are expected to be recovered. The asset is then amortised on a straight line basis over a period consistent with the transfer of the services to the customer ie over the contract term. Contract fulfilment costs are classified as Contract fulfilment cost asset included in other assets in the statement of financial position.
Contract assets	Where Link Group has satisfied a performed obligation but has no unconditional right to payment under the contract, Link Group presents a contract asset as part of trade and other receivables. A contract asset represents Link Group's right to consideration in respect of services Link Group has already transferred to a customer.
Contract liabilities	Where a customer pays or is obligated to pay consideration before Link Group has satisfied a performed obligation, Link Group presents a contract liability as part of trade and other payables. The contract liability represents Link Group's obligation to transfer services to a customer in the future.

Effect of revised accounting policies

Link Group adopted AASB 15 using the cumulative effect method, with the impact of initial application of the standard recognised in retained earnings on the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for comparative periods has not been restated.

Type of transaction	Accounting policy
Revenue recognised over time	Link Group's revenue recognition in respect of these items is unaffected upon application of AASB 15. Link Group's existing revenue recognition policy accurately reflects the transfer of services to customers throughout the term of the contract.
Revenue recognised at a point in time	Link Group's revenue recognition in respect of these items is unaffected upon application of AASB 15. Link Group's existing revenue recognition policy accurately reflects the satisfaction of performance obligations at a point in time.

3. Changes in Significant Accounting Policies (continued)

(b) AASB 15 Revenue from Contracts with Customers (continued)

Effect of revised accounting policies (continued)

Type of transaction	Accounting policy
Contract fulfilment costs	Link Group has recognised a transition adjustment on 1 July 2018 representing the unamortised portion of any contract fulfilment costs arising from contracts with customers active as at 1 July 2018, in accordance with the revised accounting policy outlined above. Any amounts received upfront from clients in respect of contract fulfilment costs are classified as contract liabilities and amortised over the same period where they do not relate to a separate performance obligation.
Contract assets	Work completed but not billed and work in progress not yet billable which were previously classified as accrued revenue within trade and other receivables will now be classified as a contract asset. There is no impact on retained earnings on initial application of AASB 15.
Contract liabilities	Amounts received in advance from clients which were previously classified as unearned income within other creditor and accruals will now be classified as contract liabilities. There is no impact on retained earnings on initial application of AASB 15.

The following table summarises the impact, net of income tax, of the transition to AASB 15 on Link Group's retained earnings at 1 July 2018:

	1 July 2018 $'000
Recognition of contract fulfilment costs assets	**16,652**
Recognition of deferred tax assets	**366**
Recognition of contract liabilities	**(8,717)**
Recognition of deferred tax liabilities	**(3,207)**
Transitional adjustment to retained earnings at 1 July 2018	**5,094**

The followings tables summarise the impact of the transition to AASB 15 on the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the interim period ended 31 December 2018 and the Consolidated Statement of Financial Position as at 31 December 2018:

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the interim period ended 31 December 2018	**Without application of AASB 15 $'000**	**AASB 15 adjustments $'000**	**As reported under AASB 15 $'000**
Revenue – rendering of services	**715,877**	**(1,485)**	**714,392**
Expenses:			
Employee expenses	**(343,550)**	**1,912**	**(341,638)**
Administrative and general expenses	**(118,707)**	**826**	**(117,881)**
Contract fulfilment costs amortisation expense	**-**	**(1,129)**	**(1,129)**
Profit before tax	**264,533**	**124**	**264,657**
Tax expense	**(77,803)**	**(47)**	**(77,850)**
Profit for the interim period	**186,730**	**77**	**186,807**

3. Notes to the Interim Financial Statements (continued)

3. Changes in Significant Accounting Policies (continued)

(b) AASB 15 Revenue from Contracts with Customers (continued)

Effect of revised accounting policies (continued)

Consolidated Statement of Financial Position as at 31 December 2018	**Without application of AASB 15 $'000**	**AASB 15 adjustments $'000**	**As reported under AASB 15 $'000**
Total current assets	839,654	-	839,654
Deferred tax assets	46,820	252	47,072
Other assets	2,962	18,484	21,446
Total non-current assets	2,975,760	18,736	2,994,496
Total assets	3,815,414	18,736	3,834,150
Total current liabilities	633,725	-	633,725
Trade and other payables	72,334	10,202	82,536
Deferred tax liabilities	160,098	3,140	163,238
Total non-current liabilities	1,120,313	13,342	1,133,655
Total liabilities	1,754,038	13,342	1,767,380
Net assets	2,061,376	5,394	2,066,770
Reserves	(28,032)	223	(27,809)
Retained earnings	191,501	5,171	196,672
Total equity attributable to equity holders of the parent	2,059,258	5,394	2,064,652
Total equity	2,061,376	5,394	2,066,770

3. Notes to the Interim Financial Statements (continued)

Operating Results

4. 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")** – 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 – authorised fund manager / management company third-party administration and transfer agency services to asset managers and a variety of investment funds.
  - Corporate & Private Client Services[6] – 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 interim period ended 31 December 2018	**FA**	**CM**	**T&I**	**LAS**	**Total reportable segments**	**Head office**	**Total Link Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment revenue	**275,912**	**116,509**	**130,218**	**309,306**	**831,945**	**-**	**831,945**
Inter-segment eliminations	**-**	**(3,016)**	**(114,537)**	**-**	**(117,553)**	**-**	**(117,553)**
Revenues from external customers	**275,912**	**113,493**	**15,681**	**309,306**	**714,392**	**-**	**714,392**
Operating EBITDA	**56,241**	**25,541**	**34,796**	**74,024**	**190,602**	**(5,209)**	**185,393**
Total assets at 31 December 2018	**464,989**	**410,061**	**214,663**	**2,223,258**	**3,312,971**	**521,179**	**3,834,150**

[6] Refer to Note 21 for further information about the announcement to sell of the majority of the Corporate & Private Client Services business.

3. Notes to the Interim Financial Statements (continued)

4. Operating segments (continued)

(a) Reportable segments (continued)

For the interim period ended 31 December 2017	FA	CM	T&I	LAS[7]	Total reportable segments	Head office	Total Link Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue	284,294	103,462	116,579	105,465	609,800	-	609,800
Inter-segment eliminations	-	(2,337)	(104,152)	-	(106,489)	-	(106,489)
Revenues from external customers	284,294	101,125	12,427	105,465	503,311	-	503,311
Operating EBITDA	60,036	24,813	33,833	33,053	151,735	(3,774)	147,961
Total assets at 30 June 2018[7]	466,666	403,331	209,711	2,496,748	3,576,456	361,374	3,937,830

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

	31 December 2018 $'000	31 December 2017[8] $'000
Operating EBITDA	**185,393**	147,961
Significant items:		
- Business combination/acquisition costs	**(9,743)**	(15,644)
- Integration costs	**(2,774)**	(2,518)
- Client migration costs	**(777)**	(4,306)
- LAS integration costs	**(14,175)**	-
Total significant items	**(27,469)**	(22,468)
Depreciation expense	**(9,950)**	(7,206)
Intangibles amortisation expense – non-acquisition related	**(22,015)**	(13,934)
Intangibles amortisation expense – acquisition related	**(26,037)**	(13,822)
Contract fulfilment costs amortisation expense	**(1,129)**	-
Gain on financial assets held at fair value through profit and loss	**177,555**	7,596
Finance income	**1,072**	3,615
Finance expense	**(12,763)**	(7,561)
Profit before tax	**264,657**	94,181
Income tax expense	**(77,850)**	(29,167)
Net profit after tax	**186,807**	65,014

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.

7 The comparative period represents LAS's results for 2 months ended 31 December 2017, following its acquisition on 3 November 2017.

8 Prior period comparative information has been restated following amendments to and completion of provisional acquisition accounting. Refer to Note 20.

3. Notes to the Interim Financial Statements (continued)

5. Revenue

(a) Disaggregation of revenue

Revenue has been disaggregated by primary geographic location. The tables below also include a reconciliation of the disaggregated revenue with Link Group's reportable segments.

For the interim period ended 31 December 2018	FA $'000	CM $'000	T&I $'000	LAS[9] $'000	Total reportable segments $'000	Inter-segment eliminations $'000	Total Link Group $'000
Geographic location							
Australia and New Zealand	**275,912**	**77,783**	**130,218**	**-**	**483,913**	**(116,675)**	**367,238**
United Kingdom and Channel Islands	**-**	**11,973**	**-**	**198,310**	**210,283**	**(428)**	**209,855**
Ireland	**-**	**-**	**-**	**81,520**	**81,520**	**-**	**81,520**
Other countries	**-**	**26,753**	**-**	**29,476**	**56,229**	**(450)**	**55,779**
Revenues from contracts with customers	**275,912**	**116,509**	**130,218**	**309,306**	**831,945**	**(117,553)**	**714,392**
For the interim period ended 31 December 2017							
Geographic location							
Australia and New Zealand	284,294	75,474	116,579	-	476,347	(105,495)	370,852
United Kingdom and Channel Islands	-	7,516	-	67,061	74,577	(365)	74,212
Ireland	-	-	-	23,724	23,724	-	23,724
Other countries	-	20,472	-	14,680	35,152	(629)	34,523
Revenues from contracts with customers	284,294	103,462	116,579	105,465	609,800	(106,489)	503,311

Revenue

Revenue is recognised as performance obligations are satisfied over time. Customers obtain control of services as they are delivered, and revenue is recognised over time as those services are provided. Invoices are generally issued on a monthly basis and are payable within 14 to 30 days. As such, there is not considered to be any significant financing component within each contract.

Link Group may also recognise revenue derived at a point in time, generally when Link Group's performance obligation is linked to a particular event. Revenue is recognised when Link Group has an unconditional right to payment under the terms of the contract.

Contract fulfilment costs

Costs directly related to a contract that generate or enhance Link Group's resources to satisfy performance obligations in the future, and that are expected to be recovered, are recognised as an asset. Contract fulfilment costs are amortised on a straight line basis over the expected life of the contract.

Any recoveries of those contract fulfilment costs from client are classified as contract liabilities and amortised over the same period where they do not relate to a separate performance obligation.

9 The comparative period represents LAS's results for 2 months ended 31 December 2017, following its acquisition on 3 November 2017.

3. Notes to the Interim Financial Statements (continued)

6. 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 interim period. Ordinary shares on issue have been adjusted for the bonus element of new shares issued at a discount to market value during the interim period.

	31 December 2018 $'000	31 December 2017[10] $'000
Profit for the interim period attributable to owners of the Company	**186,233**	64,601
	Number of shares[11] '000	**Number of shares[11] '000**
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at the beginning of the interim period	**529,543**	359,797
Effect of allotment and issuances	**1,606**	123,770
Effect of bonus entitlement offer on ordinary shares	**24**	1,746
Weighted average number of ordinary shares (basic)	**531,173**	485,313

(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 interim period.

	31 December 2018 $'000	31 December 2017[10] $'000
Profit for the interim period attributable to owners of the Company	**186,233**	64,601
	Number of shares[11] '000	**Number of shares[11] '000**
Weighted average number of ordinary shares (diluted)		
Basic weighted average number of ordinary shares	**531,173**	485,313
Effect of dilutive PSRs	**2,130**	957
Effect of bonus entitlement offer on dilutive PSRs	**-**	3
Weighted average number of ordinary shares (diluted)	**533,303**	486,273
Basic earnings per share (cents)	**35.06**	13.31
Diluted earnings per share (cents)	**34.92**	13.28

10 Prior period comparative information has been restated following amendments to and completion of provisional acquisition accounting. Refer to Note 20.

11 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. 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 Interim Financial Statements (continued)

7. Taxation

(a) Income tax expense

	31 December 2018 $'000	31 December 2017[12] $'000
Current tax expense		
Current period	**(21,556)**	(30,462)
Adjustment for prior periods	**(232)**	(160)
	(21,788)	(30,622)
Deferred tax (expense)/benefit		
Origination and reversal of temporary differences	**(53,550)**	1,241
Adjustment for prior periods	**(2,512)**	214
	(56,062)	1,455
Tax expense from continuing operations	**(77,850)**	(29,167)
Profit before income tax	**264,657**	94,181
Prima facie income tax expense calculated at 30% on operating profit from ordinary activities:	**(79,397)**	(28,254)
Effect of tax rates in foreign jurisdictions	**5,903**	2,212
Non-deductible expenses	**(5,474)**	(6,561)
Non-assessable income	**3,347**	916
Recognition/(de-recognition) of previously unrecognised/(recognised) tax losses	**515**	2,466
Over provision of tax in respect of prior periods	**(2,744)**	54
Income tax expense	**(77,850)**	(29,167)

(b) Tax recognised in other comprehensive income and equity

	31 December 2018			31 December 2017[12]		
	Before tax $'000	Tax expense $'000	Net of tax $'000	Before tax $'000	Tax expense $'000	Net of tax $'000
Foreign Currency Translation Reserve	**32,824**	**(9,847)**	**22,977**	1,960	(588)	1,372
	32,824	**(9,847)**	**22,977**	1,960	(588)	1,372

(c) Unrecognised tax losses

As at 31 December 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 $206.5 million (30 June 2018: $212.1 million); and
- Other jurisdiction tax losses of $5.4 million (30 June 2018[12]: $1.3 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.

12 Prior period comparative information has been restated following amendments to and completion of provisional acquisition accounting. Refer to Note 20.

3. Notes to the Interim Financial Statements (continued)

Operating assets and liabilities

8. Trade and other receivables

	31 December 2018 $'000	30 June 2018[13] $'000
Trade receivables	**237,345**	222,653
Less: provision for impaired amounts	**(5,224)**	(4,292)
	232,121	218,361
Investment management debtors	**65,242**	65,392
Other debtors	**13,463**	18,595
	310,826	302,348

9. Trade and other payables

	31 December 2018 $'000	30 June 2018[13] $'000
Current		
Trade creditors	**21,268**	18,720
Investment management creditors	**92,886**	88,008
Deferred consideration	**10**	9
Accrued operational expenses	**66,847**	66,113
Contract liabilities	**15,524**	-
Other creditors and accruals	**74,233**	111,514
	270,768	284,364
Non-current		
Deferred consideration	**478**	444
Indemnified payables	**16,753**	16,542
Contract liabilities	**10,202**	-
Other creditors and accruals	**55,103**	56,282
	82,536	73,268

10. Fund assets and liabilities

	31 December 2018 $'000	30 June 2018 $'000
Fund assets		
Fund receivables	**292,183**	576,016
	292,183	576,016
Fund liabilities		
Fund payables	**(297,192)**	(589,312)
	(297,192)	(589,312)

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 31 December 2018, $5.0 million ($297.2 million liabilities net of $292.2 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.

13 Prior period comparative information has been restated following amendments to and completion of provisional acquisition accounting. Refer to Note 20.

11. Provisions

	31 December 2018 $'000	30 June 2018[14] $'000
Current		
Provisions	**16,085**	18,835
Non-current		
Provisions	**49,655**	49,758

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

	Claims $'000	Integration $'000	Onerous contracts $'000	Other $'000	Total $'000
Balance at 1 July 2018[14]	**52,164**	**1,549**	**5,597**	**9,283**	**68,593**
Incurred/acquired through business combinations	**-**	**-**	**-**	**-**	**-**
Provisions made during the period	**3,456**	**1,540**	**-**	**93**	**5,089**
Provisions used during the period	**(2,056)**	**(1,166)**	**(825)**	**(577)**	**(4,624)**
Provisions reversed during the period	**(4,069)**	**-**	**-**	**-**	**(4,069)**
Foreign exchange translation difference	**485**	**27**	**74**	**165**	**751**
Balance at 31 December 2018	**49,980**	**1,950**	**4,846**	**8,964**	**65,740**
Current	**12,674**	**935**	**1,955**	**521**	**16,085**
Non-current	**37,306**	**1,015**	**2,891**	**8,443**	**49,655**

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.

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.

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.

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.

14 Prior period comparative information has been restated following amendments to and completion of provisional acquisition accounting. Refer to Note 20.

3. Notes to the Interim Financial Statements (continued)

12. Intangible assets

	Goodwill $'000	Client relationships $'000	Software $'000	Brand Names $'000	Total $'000
Cost					
Balance at 1 July 2018[15]	**1,783,496**	**544,024**	**538,662**	**4,466**	**2,870,648**
Acquisitions through business combinations	**-**	**-**	**-**	**-**	**-**
Additions	**-**	**-**	**35,953**	**-**	**35,953**
Effects of movements in exchange rates	**23,827**	**6,294**	**2,717**	**59**	**32,897**
Disposals/Assets written off	**-**	**-**	**(1,359)**	**-**	**(1,359)**
Balance at 31 December 2018	**1,807,323**	**550,318**	**575,973**	**4,525**	**2,938,139**
Amortisation and impairment losses					
Balance at 1 July 2018[15]	**(2,512)**	**(132,295)**	**(276,410)**	**(2,357)**	**(413,574)**
Amortisation charge	**-**	**(21,349)**	**(26,537)**	**(166)**	**(48,052)**
Effects of movements in exchange rates	**(185)**	**(783)**	**(728)**	**(34)**	**(1,730)**
Disposals/Assets written off	**-**	**-**	**1,359**	**-**	**1,359**
Balance at 31 December 2018	**(2,697)**	**(154,427)**	**(302,316)**	**(2,557)**	**(461,997)**
Carrying amount at 31 December 2018	**1,804,626**	**395,891**	**273,657**	**1,968**	**2,476,142**
Cost					
Balance at 1 July 2017	613,014	221,027	350,092	4,272	1,188,405
Acquisitions through business combinations[15]	1,090,941	312,078	175,884	-	1,578,903
Additions	-	-	22,309	-	22,309
Effects of movements in exchange rates[15]	15,437	4,604	2,691	83	22,815
Disposals/Assets written off	-	-	-	-	-
Balance at 31 December 2017[15]	1,719,392	537,709	550,976	4,355	2,812,432
Amortisation and impairment losses					
Balance at 1 July 2017	(2,512)	(99,579)	(234,219)	(1,949)	(338,259)
Amortisation charge[15]	-	(11,007)	(16,592)	(157)	(27,756)
Effects of movements in exchange rates[15]	4	(71)	(229)	(40)	(336)
Disposals/Assets written off	-	-	-	-	-
Balance at 31 December 2017[15]	(2,508)	(110,657)	(251,040)	(2,146)	(366,351)
Carrying amount at 31 December 2017[15]	1,716,884	427,052	299,936	2,209	2,446,081

15 Prior period comparative information has been restated following amendments to and completion of provisional acquisition accounting. Refer to Note 20.

3. Notes to the Interim Financial Statements (continued)

13. Notes to the statement of cash flows

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

	31 December 2018 $'000	31 December 2017[16] $'000
Net profit after income tax	**186,807**	65,014
Add/(less) non-cash items		
Depreciation expense	**9,950**	7,206
Intangibles amortisation expense	**48,052**	27,756
Contract fulfilment costs amortisation expense	**1,129**	-
Unrealised foreign exchange loss	**1,225**	(80)
Unwinding discount on provisions and deferred consideration	**21**	94
Borrowing cost amortisation	**756**	469
Gain on financial assets held at fair value through profit & loss	**(177,555)**	(7,596)
Net cash inflow from operating activities before changes in assets and liabilities	**70,385**	92,863
Change in operating assets and liabilities		
Change in trade and other receivables	**(5,700)**	(5,732)
Change in other assets	**(6,600)**	(10,251)
Change in fund assets and fund liabilities	**(8,613)**	(6,009)
Change in trade and other payables	**(15,074)**	17,889
Change in employee benefits	**(5,155)**	495
Change in provisions	**(3,198)**	(5,512)
Change in current and deferred tax balances	**32,573**	4,409
Net cash inflow from operating activities	**58,618**	88,152

(b) Reconciliation of movement in liabilities to cash flows arising from financing activities

			Non-cash		
	1 July 2018 $'000	Financing cash flows $'000	Borrowing cost amortisation $'000	Foreign exchange movement $'000	31 December 2018 $'000
Interest-bearing loans and borrowings - Current	**530**	**(88)**	**-**	**-**	**442**
Interest-bearing loans and borrowings - Non-current	**821,907**	**(22)**	**756**	**10,481**	**833,122**
Total liabilities from financing activities	**822,437**	**(110)**	**756**	**10,481**	**833,564**

16 Prior period comparative information has been restated following amendments to and completion of provisional acquisition accounting. Refer to Note 20.

3. Notes to the Interim Financial Statements (continued)

Capital structure, financing and risk management

14. Interest bearing loans and borrowings

	31 December 2018 $'000	30 June 2018 $'000
Current		
Finance lease	**442**	530
	442	530
Non – current		
Finance lease	**-**	22
Loans	**833,122**	821,885
	833,122	821,907

Financing Arrangements	Notional currency	Interest rate at 31 December 2018 (p.a.)	31 December 2018 $'000	30 June 2018 $'000
Total facilities available:				
Non-amortising term loan facility	AUD	3.0%-3.3%	**550,000**	550,000
Working capital facility	AUD	1.4%-3.3%	**30,000**	30,000
Non-amortising term loan facility	GBP	2.2%	**835,884**	825,346
Working capital facility	GBP	1.4%-2.2%	**35,952**	35,499
			1,451,836	1,440,845
Facilities utilised at reporting date:				
Non-amortising term loan facility	AUD	n/a	**-**	-
Working capital facility	AUD	1.4%	**13,248**	13,030
Non-amortising term loan facility	GBP	2.2%	**835,884**	825,346
Working capital facility	GBP	1.4%	**187**	185
			849,319	838,561
Facilities not utilised at reporting date				
Non-amortising term loan facility	AUD	0.4%-0.6%	**550,000**	550,000
Working capital facility	AUD	0.6%	**16,752**	16,970
Non-amortising term loan facility	GBP	0.5%	**-**	-
Working capital facility	GBP	0.5%	**35,765**	35,314
			602,517	602,284

Facilities utilised at reporting date includes $13.2 million (30 June 2018: $13.2 million) of guarantees provided to external parties, which have not been drawn down.

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.

On 25 January 2019 the Syndicated Loan Agreement for Link Group was amended, extending the availability of AUD $275 million of the non-amortising term loan facility to 25 January 2022, and AUD $275 million of the non-amortising term loan facility and the AUD $30 million working capital facility to 25 January 2024. The availability of the GBP facilities remains until 22 November 2022, and all other terms and conditions of the amended facilities remain substantially the same.

3. Notes to the Interim Financial Statements (continued)

15. Investment and financial risk management

(a) Investments

	31 December 2018 $'000	30 June 2018 $'000
Listed equity securities – at fair value through profit or loss	**2,945**	3,157
Unlisted investments – at fair value through profit or loss	**359,063**	141,073
	362,008	144,230

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.

As announced on 6 November 2018, a consortium comprising Link Group, Commonwealth Bank of Australia and Morgan Stanley Infrastructure Inc. (the Consortium) had its offer to acquire a controlling stake in Property Exchange Australia Limited (PEXA) via trade sale accepted by PEXA shareholders. The transaction became unconditional prior to 31 December 2018 and settled on 16 January 2019, taking Link Group's total ownership of PEXA from 19.8% to 44.2%. As at 31 December 2018, Link Group's existing investment in PEXA was carried within unlisted investments at a fair value with gains or losses recognised through profit or loss given Link Group did not have significant influence over PEXA as at 31 December 2018. The investment had a fair value of $310.0 million at the end of the interim period (30 June 2018: $132.3 million).

During the interim period Link Group made an investment of $39.4 million in Leveris Limited (Leveris). Link Group's total ownership of Leveris is 13.1%. The investment in Leveris 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 Leveris. The investment had a fair value of $39.7 million at the end of the interim period.

(b) 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).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2018				
Assets				
Listed investments designated at fair value through profit and loss	**2,945**	**-**	**-**	**2,945**
Unlisted equity securities designated at fair value through profit and loss	**-**	**4,663**	**354,400**	**359,063**
	2,945	**4,663**	**354,400**	**362,008**
30 June 2018				
Assets				
Listed investments designated at fair value through profit and loss	3,157	-	-	3,157
Unlisted equity securities designated at fair value through profit and loss	-	4,451	136,622	141,073
	3,157	4,451	136,622	144,230

There have been no assets transferred between levels during the interim period (30 June 2018: none).

3. Notes to the Interim Financial Statements (continued)

15. Investment and financial risk management (continued)

(b) Fair value of financial instruments (continued)

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 PEXA to be $310.0 million (30 June 2018: $132.3 million). Management's valuation as at 31 December 2018 is based on the enterprise value attributed to PEXA under the successful trade sale offer accepted by PEXA shareholders on 6 November 2018. The trade sale became unconditional on 21 December 2018 and settled on 16 January 2019.

Management has assessed the fair value of the investment in Leveris to be $39.7 million. Management's valuation as at 31 December 2018 is based on the enterprise value attributed to Leveris under the arms-length equity raising conducted by Leveris in July 2018.

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

	31 December 2018 $'000	31 December 2017 $'000
Reconciliation of movements in level 3 investments		
Opening level 3 investments at the beginning of the interim period	**136,622**	131,340
Acquisitions	**39,684**	4,632
Fair value gain recognised in profit or loss	**177,771**	-
Foreign currency retranslation	**323**	-
Closing level 3 investments at the end of the interim period	**354,400**	135,972

16. Contributed equity

	31 December 2018 $'000	31 December 2017 $'000
Issued and paid-up capital		
Balance at the beginning of the interim period	**1,875,538**	689,372
Equity issued for cash	**-**	883,166
Equity issued under dividend reinvestment plan	**20,218**	14,014
Equity raising costs, net of tax	**33**	(21,098)
Balance at the end of the interim period	**1,895,789**	1,565,454

	31 December 2018 '000	31 December 2017 '000
Number of shares issued:		
Balance at the beginning of the interim period	**529,543**	359,798
Equity issued for cash	**-**	130,839
Equity issued under dividend reinvestment plan	**2,639**	1,909
Balance at the end of the interim period	**532,182**	492,546

3. Notes to the Interim Financial Statements (continued)

17. Reserves

Dividends

	2019 interim	2018 final	2018 interim	2017 final
Dividend cents per share	8.0	13.5	7.0	8.0
Franking percentage	100%	100%	100%	100%
Total dividend ($'000)	42,575	71,488	34,478	39,251
Record date	25.02.2019	23.08,2018	28.03.2018	21.09.2017
Payment date	09.04.2019	10.10.2018	30.04.2018	18.10.2017

Dividends are recognised as a liability in the period in which they are declared. The interim 2019 dividend had not been declared at the reporting date and therefore is not reflected in the consolidated interim financial statements.

On 15 February 2019, the Directors declared an interim dividend of $42,574,580, which equates to 8.0 cents per share, franked at 100% in respect of the interim period ended 31 December 2018. The record date for determining entitlements to the dividend is 25 February 2019. Payment of the dividend will occur on 9 April 2019.

18. Retained earnings

	31 December 2018 $'000	31 December 2017[17] $'000
Retained earnings as at 30 June	**4,999**	4,999
Restatement due to completion of provisional acquisition accounting	**346**	-
Restated retained earnings as at 30 June	**5,345**	4,999
Cumulative adjustment on transition to AASB 15	**5,094**	-
Retained earnings at the beginning of the interim period	**10,439**	4,999
Net profit attributable to equity holders	**186,233**	64,601
Transfer from retained earnings to reserves	**-**	(63,874)
Retained earnings at the end of the interim period	**196,672**	5,726

19. Share-based payment arrangements

As disclosed in Note 22 of Link Group's 2018 Annual Report, share based payments arrangements include the Omnibus Equity Plan (OEP) and Tax Exempt Share Plan (TESP). The terms, conditions, and operation of the plans have not significantly changed during the interim period ended 31 December 2018.

(a) Share based payment transactions

During the interim period ended 31 December 2018, Link Group had the following shared-based payment transactions.

OEP Performance share rights (PSRs)

The terms and conditions of the PSRs granted under the OEP during the interim period ended 31 December 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 19 November 2018	944,173	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).

17 Prior period comparative information has been restated following amendments to and completion of provisional acquisition accounting. Refer to Note 20.

3. Notes to the Interim Financial Statements (continued)

19. Share-based payment arrangements (continued)

(a) Share based payment transactions (continued)

OEP Performance share rights (PSRs) (continued)

The expense recognised in the consolidated statement of profit or loss and other comprehensive income in relation to the OEP during the interim period ended 31 December 2018 was $3.3 million (31 December 2017: $1.9 million).

Tax Exempt Share Plan

During the interim period ended 31 December 2018, Link Group acquired 277,982 shares (31 December 2017: 286,881 shares) on market for consideration of $2.1 million (31 December 2017: $2.2 million) in relation to the TESP.

(b) Measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the PSRs issued during the interim period ended 31 December 2018:

	Executive KMP, Senior Executives and Senior Leaders
Fair value at grant date:	
i) EPS tranche at grant date	$6.67
ii) TSR tranche fair value at grant date	$4.75
Share price at grant date	$7.55
Exercise price	-
Expected volatility (weighted average volatility)	22.5%
PSR life (expected weighted average life)	3 years
Holding lock discount:	
i) 1 year	5%
ii) 2 years	7.5%
Expected dividends	3.38%
Risk-free interest rate (based on government bonds)	2.06%

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 interim period ended 31 December 2018 was as follows:

	31 December 2018 Number of PSRs '000	31 December 2017 Number of PSRs '000
On issue at beginning of the interim period	**1,915**	679
Granted during the interim period	**944**	1,248
Lapsed/forfeited during the interim period	**(135)**	-
On issue at the end of the interim period	**2,724**	1,927

3. Notes to the Interim Financial Statements (continued)

Group structure

20. 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.

Amendment of provisional acquisition accounting

During the interim period in accordance with AASB 3 *Business Combinations*, Link Group identified new information regarding facts and circumstances that existed at acquisition date that resulted in measurement period adjustments to the provisional acquisition accounting for Link Asset Services as disclosed in Note 23 of Link Group's 2018 Annual Report. Link Group obtained further information in respect of:

- valuation of intangible assets (software and client relationships) has been revised following finalisation of cash flow forecast assumptions and completion of fair value calculations;
- provisions have been revised following receipt of additional information regarding facts and circumstances that existed at the date of acquisition; and
- net identifiable assets acquired has been revised following completion of Link Asset Services subsidiaries' 31 December 2017 financial statement audits and tax returns.

Link Group notes that the measurement period for the Link Asset Services acquisition accounting is now complete.

	Link Asset Services $'000
Goodwill recognised under provisional acquisition accounting	**1,117,275**
Measurement period adjustments:	
Trade and other receivables	**(44)**
Current tax assets	**664**
Client relationships	**(2,829)**
Software	**4,688**
Deferred tax assets	**(5,727)**
Trade and other payables	**211**
Provisions	**1,447**
Deferred tax liabilities	**3,955**
Increase to goodwill	**2,365**
Goodwill restated following completion of measurement period	**1,119,640**

3. Notes to the Interim Financial Statements (continued)

Other disclosures

21. Subsequent events

As announced on 6 November 2018, a consortium comprising Link Group, Commonwealth Bank of Australia and Morgan Stanley Infrastructure Inc. (the Consortium) had its offer to acquire a controlling stake in Property Exchange Australia Limited (PEXA) via trade sale accepted by PEXA shareholders. The transaction became unconditional prior to 31 December 2018 and settled on 16 January 2019, taking Link Group's total ownership of PEXA from 19.8% to 44.2%. The fair value of Link Group's investment in PEXA following the transaction was $715.1 million, a combination of $404.8 million cash paid on settlement and the fair value of Link Group's existing investment in PEXA. The cash paid on settlement was funded via a combination of cash on hand as at 31 December 2018, and $319.0 million drawdown from Link Group's existing undrawn amortising term loan facility. Link Group will account for its investment in PEXA as an associate from 16 January 2019 in accordance with AASB 128 *Investments in Associates and Joint Ventures*.

On 25 January 2019 the Syndicated Loan Agreement for Link Group was amended, extending the availability of AUD $275 million of the non-amortising term loan facility to 25 January 2022, and AUD $275 million of the non-amortising term loan facility and the AUD $30 million working capital facility to 25 January 2024. The availability of the GBP facilities remains to 22 November 2022, and all other terms and conditions of the amended facilities remain substantially the same.

On 31 January 2019, Link Group entered into a binding agreement to sell the majority of its Corporate & Private Client Services business (CPCS), part of the Link Asset Services (LAS) reportable segment, to global fund administrator Apex Group Ltd (Apex) for a cash free, debt free consideration of $431.4 million (£240.0 million). The transaction is subject to mandatory regulatory approvals and is expected to complete by 30 September 2019. On completion of the sale, the net cash proceeds will be used to reduce Link Group's debt.

There has not arisen in the interval between the end of the interim period and the date of this report any other 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 periods.

Section 4

Directors’ Declaration

4. Directors' Declaration

1. In the opinion of the Directors of Link Administration Holdings Limited (the Company):

   (a) the condensed consolidated interim financial statements and notes that are set out on pages 9 to 36 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of Link Group's financial position as at 31 December 2018 and of its performance for the interim period ended on that date; and

      (ii) complying with Australian Accounting Standards AASB *134 Interim Financial Reporting* 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.

Signed in accordance with a resolution of the Directors.

Dated 15 February 2019 at Sydney.

Michael Carapiet
Chair

John McMurtrie
Managing Director

Section 5

Independent Auditor's Review Report

Independent Auditor's Review Report

To the shareholders of Link Administration Holdings Limited

Conclusion

We have reviewed the accompanying Interim Financial Report of Link Administration Holdings Limited ("the Company").

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Link Administration Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The Interim Financial Report comprises:

- Condensed consolidated statement of financial position as at 31 December 2018;
- Condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the Interim Period ended on that date;
- notes 1 to 21 comprising a summary of significant accounting policies and other explanatory information; and
- the Directors' Declaration.

The Group comprises the Company and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The Interim Period is the 6 months ended on 31 December 2018.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the Group’s financial position as at 31 December 2018 and its performance for the interim period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of Link Administration Holdings Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Andrew Yates
Partner

Sydney

Brendan Twining
Partner

Sydney

15 February 2019