



Connecting people & technology

Annual Report 2017





Connecting people & technology

Link Group administers financial ownership data and uses technology to drive user engagement, analysis and insight. We deliver complete business solutions for companies, large asset owners and trustees across the globe. Our commitment to market-leading client solutions is underpinned by our investment in people, processes and technology.

Contents

Chair's Message	2
Managing Director's Report	4
Business Overview	8
Five Drivers of Growth	10
Operational and Financial Highlights	12
Our Culture of Innovation	14
Our People	16
Our Approach to Sustainability and Governance	20
Financial Report	24
Additional Shareholder Information	134

Chair's Message

Operating
EBITDA
\$219m
up 15% on
the prior year



Welcome to Link Group's Annual Report for the financial year ended 30 June 2017 (FY2017), our second since listing on the Australian Securities Exchange (ASX).

Link Group has enjoyed another strong earnings result, with the Company continuing to build momentum since its successful Initial Public Offering (IPO) in October 2015. Under the leadership of John McMurtrie and his executive team, Link Group has delivered:

- Revenues of \$780 million, up 1% on the prior year;
- Operating EBITDA¹ of \$219 million, up 15% on the prior year;
- Operating NPATA¹ of \$124 million, 21% higher on the prior year; and
- Statutory Net Profit After Tax (NPAT) of \$85 million, 101% up on the prior year.

The Board is pleased to announce a final dividend of 8 cents per share, which is 100% franked. Together with the interim dividend of 6 cents per share, this represents 60% of NPATA, which is at the top end of the Board's dividend policy of paying between 40% and 60% of NPATA.

The delivery of our strategy and the development of innovative products and services were particularly pleasing elements of Link Group's performance in FY2017. The Company's operations in complementary and adjacent markets improved and added further value to our business.

Link Group is committed to reaching its goals using innovative technology, developing expertise and loyalty

1. Unless otherwise stated, results throughout this report are presented on an Operating basis. See page 57 for non-IFRS definitions of Operating EBITDA and Operating NPATA.

Link Group has enjoyed another strong earnings result and the Company has continued to build momentum since its successful Initial Public Offering (IPO) in October 2015.



in our team members, and meeting our clients' needs using efficient processes and market-leading solutions.

We operate in 11 countries worldwide, process over \$100 billion in payments per year and answer 4.3 million calls per year.

A highlight of the year was our first Annual General Meeting (AGM) as an ASX-listed company in November 2016. This event was special not only because it was our first AGM, but because it was also a showcase for Link Group's 'Day of AGM' services and technology, which we provide to companies around the world to deliver their own AGMs. A first for an S&P/ASX200 company incorporated in Australia, the platform allowed eligible Link Group shareholders at remote locations to participate in the meeting 'virtually', to view the proceedings of the meeting via video link, ask questions, and vote using our LinkVote App on personal devices or via Link Group's interactive web-based technology online.

In June 2017, Link Group announced it had entered into a binding agreement to acquire UK-based Capita Asset Services (CAS) for £888 million (\$1,493 million) from London Stock Exchange-listed Capita plc.

The acquisition is subject to mandatory regulatory approvals and is expected to be completed by 31 December 2017. CAS is a strong strategic fit that aligns with our growth strategy. The acquisition of CAS exemplifies Link Group's strategy to grow through further penetration of attractive markets, and expand its product and regional capabilities.

The acquisition of CAS marked the culmination of a busy year welcoming new businesses to the Company. These included Adviser Network Pty Limited and White Outsourcing Pty Limited – now Link Fund Solutions. In addition, Link Group increased its investment in Property Exchange Australia Limited (PEXA).

This year, the Board welcomed two new Independent Non-Executive Directors with extensive corporate governance experience. Peeyush Gupta comes to the Company with over 30 years of service in the wealth management industry, while Anne McDonald has over 35 years of business experience in finance, accounting and auditing, risk management and governance. I would like to acknowledge my fellow Board Directors for their hard work and dedication to delivering Link Group's strategy for growth and innovation during FY2017.

The Company's many achievements this year would not have been possible without the hard work and commitment of every member of the Link Group team and the ongoing support of our valued clients and loyal shareholders. On behalf of the Link Group Board, I would like to thank the Company's shareholders for their participation in the recent Entitlement Offer, proceeds of which will partly fund the acquisition of CAS. We greatly appreciated your strong support.

The Board looks forward to the next year with great enthusiasm for delivering our commitment to innovation and service for our clients, their members and investors.

Michael Carapiet
Chair

Managing Director's Report

Operating
NPATA
\$124m
up 21% on
the prior year



In 2017, Link Group delivered very pleasing financial and operational performance and made significant progress on the implementation of its growth strategies. This effort sees the Company well positioned to continue on its trajectory of sustainable growth.

Link Group has come a long way from its origins as a share registry business in an accounting practice more than 50 years ago. Today, it is a market-leading global administrator of financial ownership data that drives user engagement, insight and analysis through technology.

The Company operates on four continents, employs 4,300 people, and has significant operations within its three divisions: Fund Administration, Corporate Markets, and Information, Digital & Data Services (IDDS).

Over the past 12 months, Link Group has undertaken major acquisitions in the UK and Australia, delivered strong financial results, achieved significant growth, and deepened relationships with our valuable clients.

This strong performance is testament to the Company's many attributes, including a diverse and multicultural workforce, a customer-first approach, and the enthusiastic adoption of sustainable solutions. Our 2017 performance also reflects Link Group's commitment to innovation and the \$100 million the Company spends in technology each year, including over \$35 million invested in capital expenditure.

Link Group's success in 2017 involved advances related to our people, innovative technologies and our use of sustainable solutions.



Financial Position and Key Achievements in FY2017

Link Group's record of uninterrupted Operating EBITDA growth since 2002 continued in FY2017. We exceeded our performance of the previous year across key financial measures:

- Operating EBITDA was \$219 million, up 15% on the prior year; and
- Operating NPATA was \$124 million, 21% higher than the previous year.

Link Group's strategy continues to focus on five drivers of growth:

- 1 We work to further penetrate our existing markets by winning new clients and increasing revenue from existing clients.
- 2 We create product and service innovations and use our expertise in technology to strengthen our competitive advantage.
- 3 We pursue expansion through alliances and acquisitions in our existing markets.
- 4 We are realising the synergies from the integration of acquired businesses, including Superpartners.
- 5 We pursue opportunities in attractive markets adjacent to those in which we now operate.

Acquisitions

In June 2017, Link Group announced the £888 million (\$1,493 million) acquisition of UK-based CAS, a major provider of back-office solutions to the financial services industry. We expect completion by 31 December 2017. The acquisition of CAS is strongly aligned with our stated growth strategy. It provides us with a wider geographic footprint within Europe and a great platform for further growth within Europe and the UK – markets into which we first entered more than a decade ago, and have been seeking to expand for many years.

I would like to commend the management team for their efforts on the acquisition process so far and for establishing a robust integration plan.

CAS provides us with established market positions in business segments that extend the reach of our current services within Fund Solutions, Shareholder Solutions and Corporate & Private Client Solutions. It also adds new services in the form of Banking & Debt Solutions.

CAS administers and safeguards approximately £600 billion (\$985 billion) of assets and in 2016 managed approximately £45 billion (\$74 billion) in annual payments for its customers. Once the acquisition is completed, Link Group will operate in 16 countries and employ more than 7,500 people.

Managing Director's Report (continued)

The CAS deal was the latest acquisition in what was a busy year for Link Group. In December 2016, Link Group acquired White Outsourcing, a business that offers middle and back-office administration, fund accounting, custodial and unit registry services for fund managers, trustees and listed investment companies. With \$43 billion in funds under administration, it is one of the largest locally-owned asset services specialists in Australia and now operates under the brand Link Fund Solutions.

In May 2017, Link Group acquired Adviser Network, a company that provides digital and advice services to many of Australia's leading superannuation funds. Its services complement the existing product suite offered by Link Group's IDDS and Fund Administration divisions.

Our investment during the year in technology solutions start-up Moneysoft Pty Limited, a provider of personal financial management tools that assist financial advisers and their clients to reach their financial goals, will enhance our product offering to our client base.

Investing in technology

Link Group spends more than \$100 million per annum applying technology that can drive user engagement, analysis and insight. As part of this expenditure, we invest over \$35 million a year on capital expenditure – an increasing proportion of which goes towards developing innovations for the benefit of our clients and their stakeholders and members.

One example of this is LinkLabs, a new facility in our Collins Square office in Melbourne which allows our people and clients to collaborate on projects to promote the rapid prototyping of new ideas. It is a space where we can demonstrate some of our cutting-edge technology, including virtual reality equipment and eye-tracking technology to improve website development.

We are being recognised for our approach to innovation, too. Link Group won Financial Services App of the Year at the 2017 *Financial Standard* Marketing, Advertising & Sales Excellence (MAX) Awards for an employer app that we developed in partnership with Cbus Superannuation Fund (Cbus). The app allows small business operators to make super contributions, manage account administration, generate receipts and add new employees using their mobile phone.

Another example of our innovation is the iOS version of our miracle® app, a tool that helps executives of listed entities manage investor relations. We first launched the app around the time Link Group listed on the ASX, so I was able to experience first-hand how useful it was in managing meetings with institutional shareholders and targeting potential investors, as well as in providing direct feedback to our development team. The miracle® platform is now used by over 1,500 listed-entity clients worldwide and its functionality extends to booking Uber rides and restaurants, a useful function for executives when travelling to meet with investors around the globe.

Superpartners integration

The Superpartners data migration activity was completed in December 2016, when the final client fund was successfully migrated onto Link Group's platforms. The migration project saw over five million individual superannuation member records from eight funds migrated in less than three years. It has provided Link Group with a range of new synergies that are already providing benefits. Link Group continues to pursue further integration synergies across both Fund Administration and IDDS.

A foundation for success

While the financial figures tell part of the story, Link Group's success in 2017 also involved advances related to our people, innovative technologies and our use of sustainable solutions. These core areas are crucial to driving the Company forward over the coming year and delivering greater value to our clients and shareholders.

Greater diversity

Diverse teams are more productive and innovative, and so I am particularly pleased to see female representation on our board at 43%, well ahead of the 30% target set for S&P/ASX 200 companies by the Australian Institute of Company Directors. At the same time, the proportion of women in the senior leadership team grew to one-third. As I visit our various offices, I'm proud of the cultural diversity that I see in our teams, something that we celebrate during Harmony Day each year by encouraging our people to 'Link Together' by wearing their traditional dress and sharing a signature meal.

Customer-first culture

Behind the numbers in this annual report is our most important asset – our people. Wherever I go across the business globally, I'm always impressed by our people's focus on delivering high-quality services for clients across our three divisions. Every team member contributes to our success and I would like to thank each of them for this.

In 2017, we formally identified Link Group's cultural DNA in a Culture Statement approved by the Board. The statement re-affirmed what our customers and other stakeholders already know – that our employees are committed to enhancing Link Group through excellent service and a customer-first approach.

I was very proud to see Link Group recently recognised for creating a working environment in which our people can reach their full potential, with an Australian Business Award (ABA) Employer of Choice Award. Link Group received the ABA as we were able to demonstrate our achievements across several key areas including Organisational Culture and Leadership, Employee Education, Training and Development and Employee Health, Safety and Satisfaction.

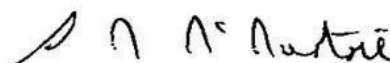
Embracing Sustainability

Our new Collins Square office in Melbourne is an excellent example of our commitment to sustainability. The advanced design, which achieved the highest environmental rating, incorporates smart sustainability measures and technologies that will reduce our carbon footprint while also encouraging our people to collaborate and innovate.

Whether it is by reducing paper usage or taking space in energy-efficient buildings, we are continuing to seek more sustainable ways in which to operate.

I believe that our people, our investments, and our fiscal strength have all created good momentum for the years ahead across each of our business divisions. Link Group is well positioned to deliver on our growth plan in FY2018 and beyond.

I look forward to reporting back to you on our progress.



John McMurtrie
Managing Director

Business Overview

Link Group administers financial ownership data for over 3,000 clients globally, servicing a total stakeholder base of approximately 10 million superannuation account holders and over 30 million individual shareholders. Link Group has 4,300 employees and operations in 11 countries.

Technology: The business is supported by an investment in technology, people and processes. This includes an in-house technology capability that supports Link Group's service offering to deliver comprehensive solutions to its client base. Link Group's proprietary technology platforms provide a key source of competitive advantage and have been developed through capital investment of more than \$300 million over the past 10 years.

Innovation: Link Group's technology is complemented by a culture of innovation and value creation. This is a key enabler for the business and is supported by continuous investment in the development of our people, the environments in which they operate, and in their active association with clients, industry bodies and other stakeholders.

Sustainability: Our corporate objectives balance our social and environmental goals with those of all our stakeholders including customers, investors, employees and the community. Governance, risk management and sustainability continue to be a core component of Link Group's strategy.

Divisional overview

Fund Administration

Link Group offers a broad suite of superannuation administration services that connect superannuation funds with their members. Link Group is the largest provider of services in Australia's superannuation fund administration industry, which in turn services the fourth largest pension pool in the world based on funds under management.

Corporate Markets

Link Group provides a comprehensive suite of services that connect issuers with their stakeholders. These services are provided to companies globally and include: shareholder management and analytics; stakeholder engagement; share registry; employee share plans; and company secretarial services. Link Group holds a leading market position in all its key markets.

Information, Digital & Data Services (IDDS)

Link Group's continued investment in its proprietary technology platforms allows it to automate wealth management workflows, manage large shareholder and member bases, and provide insights through predictive analytics. The IDDS division manages data, analyses information and uses innovative technology to provide clients with end-to-end solutions, as well as value-added services.

Link Group

Services approximately

10 million

superannuation account holders

Employs

4,300

people

Processes over

20 million

transactions payment per annum

Operates in

11
countries

Answers

4.3 million

calls per annum

Services over

3,000

clients globally

Electronically processes over

8 million

employer contributions per annum

Services over

30 million

individual shareholders

Processes over

\$100 billion

in payments per annum

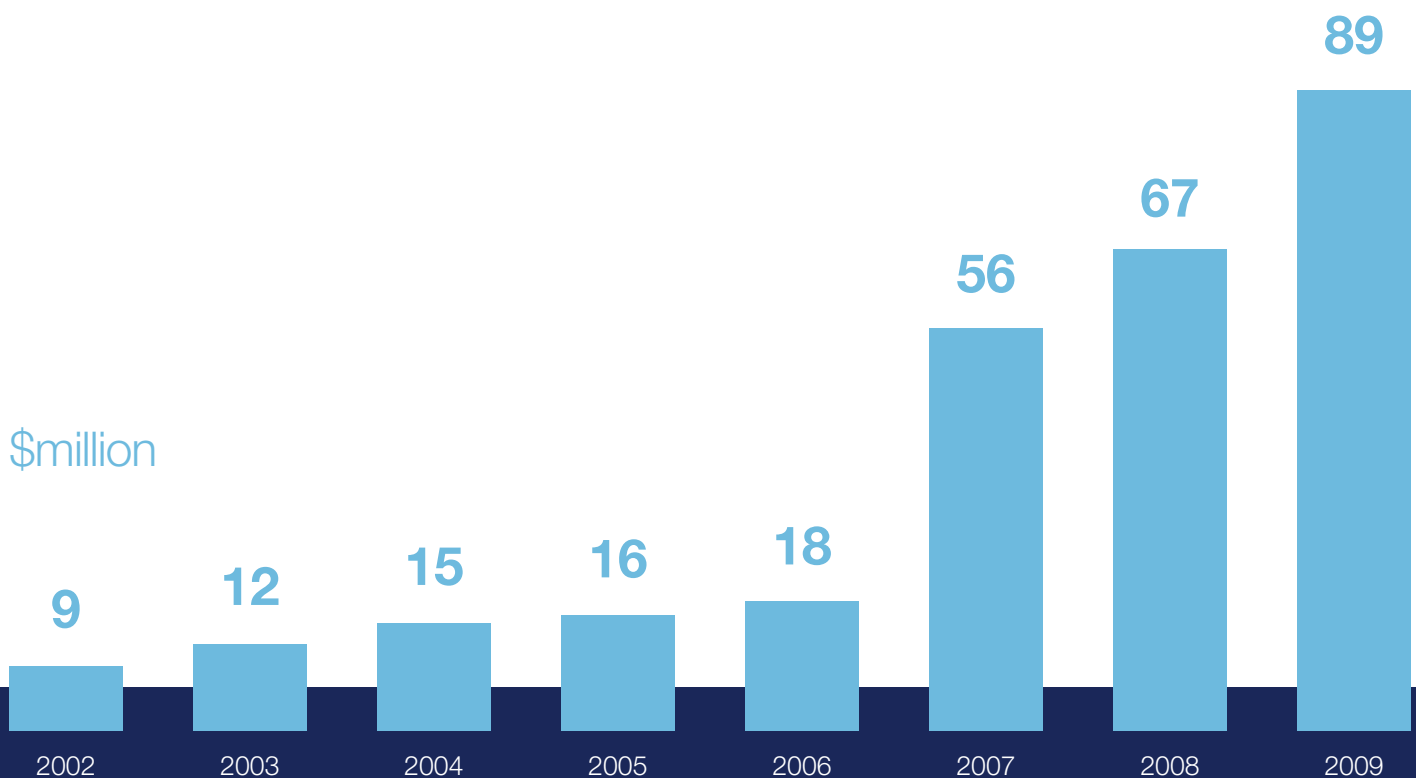
Over
90

**superannuation
fund migrations**

since
2008

Five Drivers of Growth

More than 15 years of
uninterrupted Operating
EBITDA growth



2002: Corporate Markets focus

Growth through
further penetration of
attractive industries

Growth through
product and service
innovation

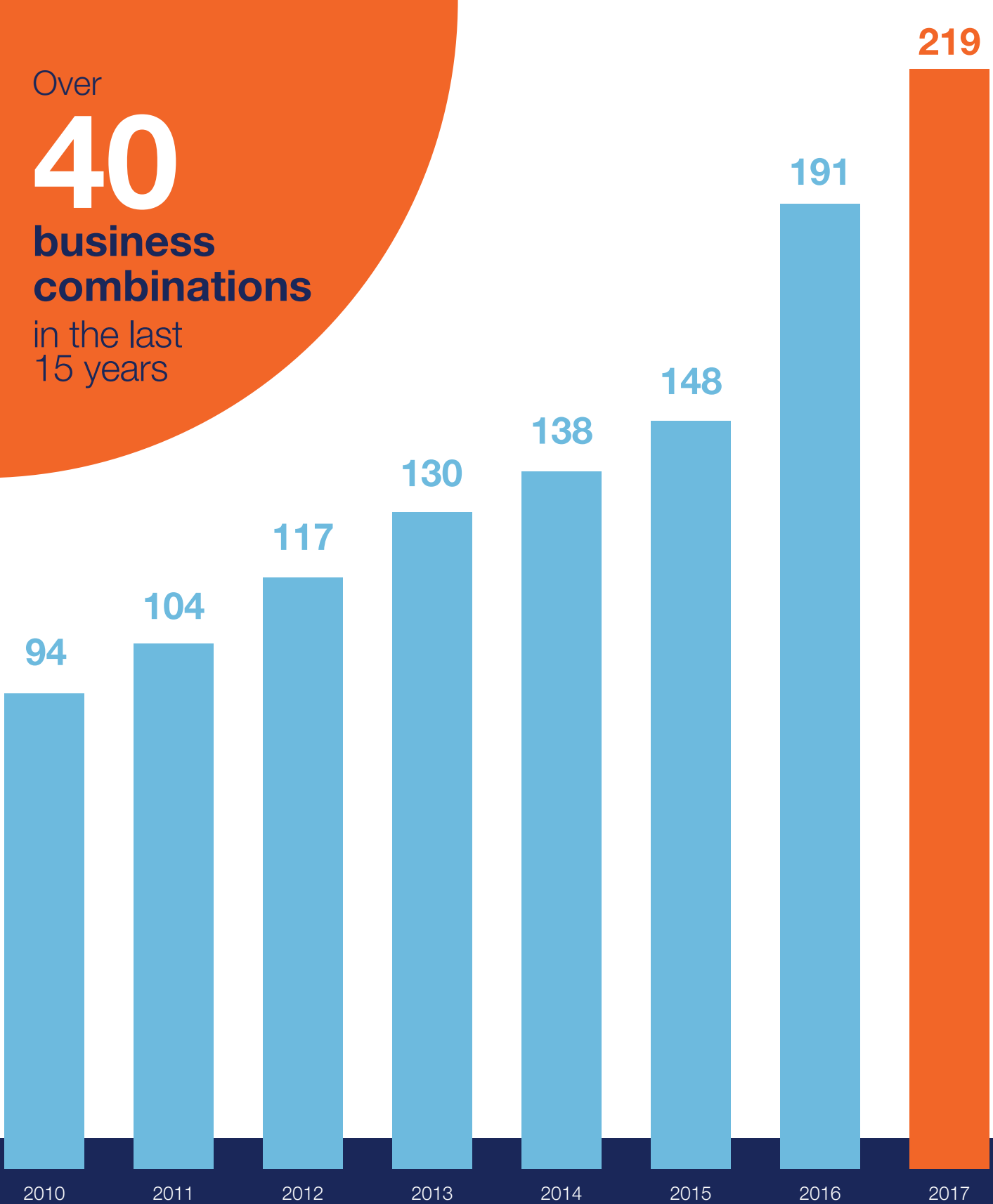
Growth
client, pro
regional ex

Over

40

business combinations

in the last 15 years



Today: Technology-enabled outsourced services provider

through product and expansions

Realising integration benefits

Identifying adjacent market opportunities

Operational and Financial Highlights

Our strong financial performance exceeds earnings in FY2016

We are continuing to deliver on a defined growth strategy by investment in new products, geographic expansion & synergistic opportunities

Key financial highlights for FY2016

Revenue

\$780 million

up 1% on FY2016



Operating EBITDA

\$219 million

up 15% on FY2016



Recurring revenue

90%

consistent with FY2016

FY2017

Statutory NPAT of
\$85 million

up 101% on FY2016

Operating NPATA
\$124 million

up 21% on FY2016

Operating EBITDA Margin

28%

up from 25% in FY2016

Final dividend declared of

8.0 cents per share*

* 100% franked

Net debt of

\$295 million

representing 1.3 times FY2017
Operating EBITDA

Net Operating
Cash flow Conversion

99%

Strong cash flow conversion



Our Culture of Innovation

Our drive to find smarter, more efficient solutions to problems lies at the heart of the way Link Group does business. We have long recognised that an innovative approach improves the outcomes we are able to offer the market as well as boosting our profitability. It can also provide broader benefits to our clients, their customers, shareholders and other stakeholders. We were once a company that processed and sent millions of sheets of paper for our clients. Nowadays we lead the industries we work in towards efficient, environmentally aware, paper-free solutions. The past year has seen Link Group pass a number of milestones in its determination to maintain its position as an industry leader in innovation.

History-making Annual General Meeting

Link Group made corporate governance history in November 2016, when it became the first S&P/ASX 200 company incorporated in Australia to hold a hybrid (physical and virtual) Annual General Meeting. The use of the Company's online meeting platform for AGMs allowed shareholders from far-flung locations to take part in the meeting, ask questions and vote. Some 16% of the votes cast during the AGM were cast online, 50% were cast via the LinkVote App and 34% were paper based.

We were also the first company in New Zealand to use this technology to facilitate online AGM participation. We have successfully supported a number of entities listed on the New Zealand Stock Exchange (NZX), as well as ASX/NZX dual-listed entities to use the technology, including Xero Limited, Spark New Zealand Limited, and The A2 Milk Company Limited.

Introducing LinkLabs

In mid-2016, we opened LinkLabs, a dedicated innovation space in Link Group's new Collins Square office in Melbourne. The space is designed to be used by our employees, clients and business partners, as well as by our community partners such as schools and universities. Boasting an array of advanced multimedia

technology, including a 3x3-metre video wall, the facility can be used for everything from strategy sessions and staff training to client meetings and ideation workshops. The benefits to clients are significant. LinkLabs provides clients with a flexible way of learning about Link Group's latest products and becoming involved in the innovation process. The space also allows clients to carry out in-depth user testing and rapid prototyping. This fast-paced exploration of ideas means that clients can increase the speed to market – and value – of their new products. A Sydney version of LinkLabs will be opened as part of the refurbishment of our George Street offices in the second half of 2017.

Client engagement

Link Group is constantly looking for better, more efficient ways of doing existing tasks. We now incorporate chatbots into the customer interfaces of some of Link Group's key client portals. Chatbots are sophisticated computer programs that can simulate human conversation patterns. They can answer frequently asked questions and thereby free up human operators to respond to more complex queries. Another example of our willingness to find new ways of engaging with clients is the virtual reality tours that we provide of our Rhodes facility in Sydney. Participants can take the tour from any remote location where a virtual headset is available.

Each client is unique

Our suite of digital tools helps our clients to maintain brand differentiation by allowing them to offer bespoke services to their customers/stakeholders. Link Group's SuperMentor service, for example, is a digital advice platform rolled out in FY2017 to provide online superannuation advice and motivate fund members to learn more about their super. The tool offers a personalised to-do list, goal setting, education, four categories of advice, and real-time tracking of progress. Similarly, our Net Wealth Tracker is a tool that enables superannuation fund members to view their net wealth position via Link Group's member portal. Members can

BETTER SHAREHOLDER MANAGEMENT – IN A SINGLE APP

Mobile apps are one of the most exciting tools of the digital age – simple, hand-held solutions for doing better business. A few years back, Link Group saw the potential this technology could bring to executives of listed companies. In 2015, Orient Capital, a Link Group corporate markets company, launched the miracle® app for iPad. An investor-relations management tool targeting C-suite and investor relations executives, the app is based on the popular miracle® platform and was developed by Link Digital Solutions. In January 2017, the app was updated for the iPhone, and an Android version is also being developed.

The miracle® platform is used by over 1,500 listed-company clients worldwide, including by some 80% of the S&P/ASX 200. In app form, it helps listed-company executives better manage their interactions with shareholders, even while travelling. Executives can track and manage their meetings with existing investors, or target potential investors, both online and offline. Audio dictation allows users to take notes on the go, with links to apps such as Uber and OpenTable integrating tasks such as booking transport and making restaurant reservations.



view balances from a range of financial institutions in a single view, a convenience that enables increased fund-member engagement and retention.

Stone & Chalk

In February 2017, Link Group announced a partnership with Stone & Chalk, which is a not-for-profit fintech hub that supports over 90 start-ups and their 300 staff. The hub's focus is on helping potentially high-growth ventures to commercialise and rapidly scale through collaboration programs with corporate partners. The partnership will provide Link Group with greater access to the community of financial technology start-ups, opening opportunities for us to share industry experience and expertise.

Technology and innovation at Board level

The Technology and Innovation Committee of the Link Group Board was established in 2015 and continues to provide innovation leadership. The Committee monitors technological changes, innovations and trends in the marketplace, as well as the potential these have for application within the Company. It meets with technology experts and technology partners. The Committee also makes recommendations to the Board on Link Group's

technology strategies, and on their alignment with the Company's overall strategy and objectives.

Recognition of our innovation

Link Group won Financial Services App of the Year at the 2017 *Financial Standard* MAX Awards for an employer app it developed in partnership with Cbus. The app was launched in December 2016 and allows small business operators to make super contributions, add new employees, generate receipts, and manage account administration, all from the convenience of a mobile phone. Meanwhile, our forward-thinking approach also earned us a place in *Australian Anthill* magazine's SMART 100 list of the most innovative companies.



Our People

A committed, engaged workforce is crucial to supplying Link Group's customers with the high-quality service and solutions they expect – and to meeting our business goals. We want our employees to thrive and innovate. We've created working environments that suit the varied work styles of today's professionals so that they can focus on delivering value for our customers. This effect is enhanced by outstanding office design. We also recognise that there are both strategic and social benefits in actively addressing issues such as gender diversity and pay equality, and in making a significant contribution to the wider community.

Our employees

Link Group has 4,300 employees spread across our operations in Australia, New Zealand, Hong Kong, Philippines, Papua New Guinea, India, Dubai, South Africa, the United Kingdom, Germany and France. Most of the Company's employees (84%) are located in Australia.

Our culture – how we behave is in our DNA

The thread that unites Link Group employees across the globe is a strong workplace culture combining our core values of Professionalism, Teamwork, Integrity, Respect and Commitment. In 2017, we identified what we call our cultural DNA and formalised it in a Culture Statement approved by the Board. There are six characteristics that exemplify Link Group's culture.

We:

- are commercial and innovative;
- have a can-do attitude no matter what the challenge;
- are trusted and authentic;
- are customer centric;
- are entrepreneurial and agile; and
- are committed to our values.

The dynamism of our cultural DNA is a direct legacy of the great diversity of the people we employ. Link Group has combined with over 40 businesses in the last 15 years, and we will continue to make further acquisitions. What makes us so successful is our

ability to learn from the organisations we acquire as well as to shape their work cultures to become compatible with our own. We undertake regular research to better understand how managers can boost employee engagement, ensure alignment of multiple working styles with our culture and maintain the customer focus for which Link Group is renowned.

In 2017, Link Group was recognised for creating a working environment in which our people can reach their full potential, with an Australian Business Award (ABA) Employer of Choice Award. Link Group received the ABA as we were able to demonstrate our achievements across several key areas including Organisational Culture and Leadership, Employee Education, Training and Development and Employee Health, Safety and Satisfaction.

Investing in our people

Ongoing training is essential to ensure employees reach their full potential. It is also key to retaining and attracting employees in a competitive employment environment. In FY2017, Link Group provided an average of 22 hours per employee in training. Central to this was the Customer First training program, which teaches employees to learn from their own experiences and expectations, to deliver first-rate customer service. Over the past 12 months, more than

Gender:
Males to females
47%:53%
(2016: 48%:52%)



1,200 employees have taken part in the training program, with the scheme soon to be rolled out to the Corporate Markets division.

The past 12 months have also seen more than 33,000 training hours dedicated to the Group Compliance training program, an average of eight hours per employee. The program ensures that staff follow Link Group's internal policies and that they fully comply with the local laws and regulations wherever the Company operates.

This approach, in turn, allows us to continue to foster a professional environment, aligned to our core values, in the way we treat our employees, clients and shareholders.

Meanwhile, more than 1,800 Link Group Fund Administration employees have been supported in attaining nationally recognised qualifications in areas including financial services (superannuation), insurance and retirement income streams.

We are also supporting the growth and development of our employees at an international level through professional development programs. These are aimed at enhancing the skills and capabilities of our employees so that we can continue to deliver high-quality

service that meets the expectation of our clients. To date, 606 employees have enrolled in professional development training programs across five countries.

Building diversity and inclusion

Link Group's experience confirms that diverse and inclusive teams are more productive and innovative than homogeneous ones. We also believe that a diverse workforce helps us to reflect the diversity of our stakeholders and serve them better.

We made several gains in the field of gender diversity over the past year. Changes to the composition of the Link Group Board, including the appointment of Independent Non-Executive Director, Anne McDonald in July 2016, mean that the Board is now 43% female. This achievement puts Link Group well ahead of the 30% target set for female directors in S&P/ASX 200 companies by the Australian Institute of Company Directors. Meanwhile, gains have also been made at the executive level, where one-third of the senior leadership team is now female. Link Group's targets for 2019 are for 42% of senior leaders, 33% of senior technical specialists and 45% of line managers to be women.

We are striving to achieve equal pay for women, with female employees, currently up to plus or minus 4% of the pay of their male colleagues in similar positions. Our parental leave scheme supports both mothers and fathers who wish to take time off after the birth of a child.

47%

53%



Link Group steps out for cerebral palsy

Link Group sees working together to raise money for a good cause as a great way of building team unity and helping the community. One of the causes closest to our hearts is Steptember, the global charity that asks individuals to take 10,000 steps a day for 28 days to raise money for the Cerebral Palsy Alliance.

Over 170 Link Group teams took part in the Steptember 2016 event, walking a total of 146 million steps – the equivalent of nearly three times around the planet. They raised significant funds for cerebral palsy research, including some \$58,000 in Australia alone. The Company was fifth on the Australian leadership board and was placed in the top 10 in most countries where it took part.

Link Group's efforts had special meaning for Fund Administration Account Manager, Peter Komninos, who recorded 780,000 steps. "My daughter is a special needs child," he said. "We find that charity programs like Steptember not only raise funds for services and support, but also empathy and respect for those living with a disability."



We also have programs that ensure people from Indigenous communities, from lesbian, gay, bisexual, transgender and intersex (LGBTI) communities, as well as people living with disabilities, are all encouraged to work at Link Group and feel safe and included. We also support employees undergoing major workplace transitions – including employees from newly acquired businesses – through programs that help them to manage the change and thrive.

Towards an excellent working environment

A state-of-the-art, healthy workplace makes a significant contribution to the satisfaction and productivity of employees as well as to their ability to engage with the needs of our clients. We adhere to the principles of good office design and our Business Combination strategy aims to ensure that different divisions work in the same location – a strategy that maximises collaboration and growth.

Link Group's new office in Melbourne is a good example of the exceptional working environment we are striving to create across all our operations around the world. In 2016, employees from three existing offices in Melbourne were brought together in the new Tower 4 building in Melbourne's Collins Square, a Walker Corporation development designed and built specifically for Link Group requirements, and almost directly opposite bustling Southern Cross railway station on Collins Street. The new office encompasses 20,000 square metres over levels 6-15 of the tower. In addition to the sense of space,

the natural light and the collaborative working zones provided, the building also features a spectacular 59-metre plant-filled wall – the largest of its kind in the southern hemisphere, and much loved by our employees. State of the art, eco-friendly and highly energy efficient, the building's advanced design was awarded a five-star National Australian Built Environment Rating System (NABERS) energy rating. Meanwhile, staff in Western Australia have moved to offices in the Harry Seidler-designed QV1 office tower in Perth, resulting in a substantial increase in amenity, convenience and opportunities for collaboration. Similar upgrades have been undertaken in the United Kingdom, India and New Zealand, and construction is underway to improve the amenity of the George Street, Sydney office.

Link Group supports employee wellbeing in many other ways, including through initiatives such as health insurance and gym discounts, weekly fruit deliveries, annual flu shots and counselling services.

Corporate social responsibility (CSR)

Link Group is dedicated to CSR through the support of community initiatives. We extended our giving program in FY2017 with the addition of such charities as Landcare Australia, the GO Foundation and the Humpty Dumpty Foundation. Our initiatives include cash donations, a charitable giving program for employees where contributions are matched by the Company for certain events, and volunteer leave for employees to volunteer at charities of their choice.

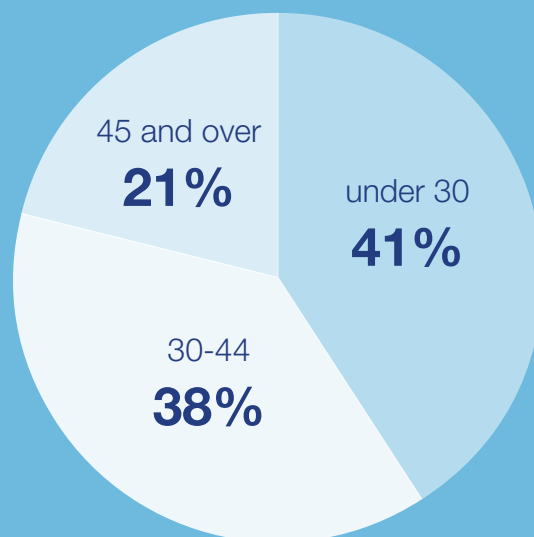


Some of the charities and causes we assisted in FY2017 are:

- Steptember – see box, previous page;
- Humpty Dumpty Balmoral Burn – services for sick children;
- Mother’s Day Classic – breast cancer research;
- The Smith Family – education support for disadvantaged youth;
- Daystar Foundation – assisting unemployed youth;
- Ardoch Youth Foundation – literacy among disadvantaged children;
- Cancer Council Australia’s Biggest Morning Tea – cancer research;
- The Salvation Army – caring for disadvantaged families;
- GO foundation – empowering indigenous youth; and
- Landcare – caring for the environment.

Further information related to Our People is collated and analysed in our Sustainability Report. To read the full 2017 Sustainability Report, visit www.linkgroup.com.

Age²:



2. FY2017 age statistics do not include data from our Indian operations.

Employee type:

Permanent; fixed term

93%

Temporary; casual; contractor

5%

Parental leave

2%

Took parental leave:

**124 female,
9 male**

Eligible for parental leave:

3,052



Our Approach to Sustainability and Governance

Our clients and shareholders place an enormous amount of trust in Link Group. We work hard to earn and maintain this trust through stringent corporate governance practices aimed at minimising and preventing unsound, unethical or criminal behaviour.

At the same time, we strive to understand and manage the risks posed to our business by factors such as globalisation, evolving technology and the rapidly changing business environment – all while endeavouring to capture the opportunities that these create. As a leading player in the sectors in which we operate, we also see it as our responsibility to respond proactively to changes in society and to contribute to the wider community.

We see our investment in technology and innovation as a driver of enhanced sustainability. For example, promoting e-communications and investing in new apps and web-based reporting enables paper consumption to be cut and mail costs reduced, while increasing our use of Skype and video conferencing helps us to reduce emissions and drive down air-travel costs.

Our sustainability performance in the 11 countries where we operate is collated and analysed in our Sustainability Report. We have summarised this information below, with the exception of Our People, which appears on pages 16-19 of this Annual Report. To read the full 2017 Sustainability Report, visit www.linkgroup.com.

Office emissions, globally

Energy consumed and resulting emissions in our leased offices:

- Energy consumed: **6,470,113** kW-h
- Emissions: **6,952** tonnes of CO₂e.

Total emissions, FY2017

- Total emissions: **9,062** tonnes CO₂e
- This figure includes office energy usage and air travel globally.

Emissions intensity

- Emissions per employee in FY2017: **2.16** tonnes per person
- Emissions per \$ million of revenue: **11.62** tonnes per \$million

Our Environment

Link Group is a service-based company. We operate from leased offices, make limited use of physical resources and have a limited waste and energy use footprint compared to companies producing physical products. Nonetheless, we take our environmental responsibilities seriously and, reporting across the whole Company for the first time, are now considering suitable 2020 targets for Link Group's performance.

Air travel: Our major impact from air travel is emissions from commercial airline flights. We do not purchase offsets on flights, however through an increased use of video technology we aim to reduce the volume of travel.

Energy use: Almost all the energy consumed in our offices comes from the grid. During FY2017, we consolidated three Melbourne offices into Tower 4 at Collins Square and moved our Perth office to QV1 in St Georges Terrace. Both buildings are 5-star NABERS energy-rated. Our Mumbai office also moved into The Park 247, a LEED-certified Gold-rated green building at Vikhroli. Over time, we intend to take more space in energy-efficient buildings.

Emissions: The key types of energy consumed in our offices are electricity and a small amount of gas. Our FY2017 emissions are highlighted above.

Emissions intensity: We have this year reported our emissions intensity for the first time, both in terms of emissions per employee and emissions per \$million of revenue. Intensity targets may better show our effectiveness at reducing emissions over time.



88% of paper consumed in our offices was environmentally certified.

We recycled 113.2 tonnes of paper that we received.

\$418,462 was donated to charitable organisations by the Company and employees.

Paper, cardboard, plastics: We use paper for mailing, plus a little plastic. We encourage our clients and other stakeholders to migrate to email, to use more recycled and carbon-neutral paper and to recycle more. We aim to reduce paper use in our offices.

Other materials: In future years, we plan to report on our disposal of end-of-life IT hardware and non-paper personal waste.

Our Community

We undertake a range of activities to assist people, the environment and the wider community in which we operate. We have focused on education, health, the environment, overcoming both physical and economic disadvantage, and cultural inclusiveness. Senior executives champion specific initiatives and employees are encouraged to introduce programs that align with our values and objectives. Our overall goal is to promote good health and wellbeing, champion gender equality, to ensure inclusive and quality education for all and to promote lifelong learning.

We encourage engagement and participation in programs through a number of activities, including:

- workplace giving: through payroll and as part of the One Million Donors initiative;
- volunteering: employees are entitled to one day of leave per year to attend a Link Group-organised charitable activity or to support a charity of the employee's choice;

- employee fundraising; and
- corporate donations: cash donations, sponsorship, in-kind donations or branded merchandise.

Our Supply Chain

Suppliers play a crucial role in our business success and can also make a significant contribution to improving the Company's overall environmental footprint. For this reason, we are now analysing and reporting on our supply chain.

Some 82% of our annual supplier spend is contracted through our largest suppliers. We believe it is our responsibility to seek to understand not only our own suppliers but also their own supply chains, to identify any higher-risk up-stream activities that could pose a potential threat to Link Group.

For this first year of reporting on our supply chain, we have engaged with our largest or material suppliers, representing \$133 million or 55% of our total non-labour costs (operating and capital expenditure) of \$243 million. We aim to work with suppliers to understand the risks they face that could impact on Link Group, and to support them in managing these risks through continuous improvement.

To this end, our suppliers were asked to complete a sustainability questionnaire covering issues such as company policy, risk management, business continuity planning, management systems, public reporting and labour standards. We will incorporate sustainability requirements into tendering processes as a way of reinforcing the issues that are most important to us.

We expect our suppliers to adopt standards similar to our own and to seek continuous improvement in their sustainability performance, just as we do. Currently, our Vendor Management Framework promotes a structured approach designed to ensure our suppliers meet the standards that we expect.

Our Governance

The Board is committed to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of Link Group. In conducting business with these objectives, Link Group has created a robust corporate governance framework, to protect and enhance shareholder interests. This framework is respected by the Company, its Directors, officers and personnel. A Corporate Governance Statement compliant with the ASX Corporate Governance Council's Principles and Recommendations has been approved by the Board and is available on the Link Group website: www.linkgroup.com.

Link Group's Board:

- is responsible for the overall strategic direction of Link Group;
- monitors Link Group's operational and financial position, and its performance; and
- oversees development and execution of the business strategy.

The Board has adopted a framework that includes internal controls, risk management processes and governance policies. Separate Committees for Human Resources and Remuneration, Risk and Audit, Technology and Innovation, and Nomination provide the Board with detailed oversight of key business risks. These Committees are supported by a number of management Committees.

To further promote the long-term future of Link Group, the Board has established an over-arching sustainability framework that will be included in the Sustainability Statement. The sustainability framework's features include:

- making a Board-approved Sustainability Statement available on the Company website: www.linkgroup.com;
- formalising the policies and management structures and processes designed to manage the greatest short, medium, and long-term material risks to our future success; and
- identifying key sustainability issues, and reporting how we have performed on each.



Effective risk management, meanwhile, is crucial for a data management service provider like Link Group. We have a range of policies in place to manage our core risks. These risks include:

- our reliance on effective performance of core and third-party IT infrastructure;
- security and integrity of sensitive information;
- our concentrated client base and inherent risk of contract renewal;
- the political and regulatory environment;
- our continuing ability to attract and retain key personnel;
- the integration of acquired businesses and execution of new acquisitions; and
- increased competition.

During FY2017, the Board approved revisions to the Link Group Risk Management Policy and Risk Management Framework to reflect the risk appetite set by the Board in the Risk Appetite Statement.

The following risk management measures supplement the Link Group Code of Conduct and Ethics that governs employee behaviour:

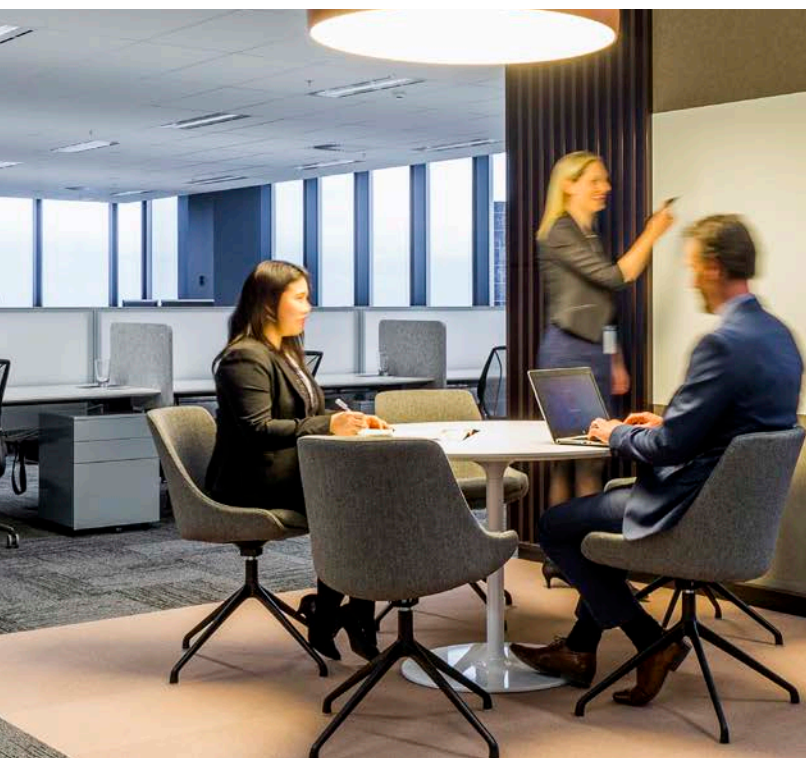
Information management security: Link Group has gained ISO 27001 accreditation for its information security management systems, in recognition of its best practice approach to managing and protecting sensitive information.

Business continuity and disaster recovery: Our Business Continuity and Disaster Recovery plans are reviewed and tested annually. We expect that under almost all likely scenarios, we would be able to resume operations from alternative locations within contractually required and agreed timeframes.

Privacy and security: We work to preserve member and investor security through strict policies and procedures and the training of employees.

Policies and procedures: We have strict rules and policies to ensure that all employees do the right thing by our clients and their investors or members, and everyone else with whom they work. Potential employees are subject to police checks and all new and existing employees must understand and comply with policies and procedures and undertake regular training.

Ethics: While we believe that ethical issues such as bribery, corruption and fraud are low order risks to Link Group, we continue to apply our risk management frameworks to prevent or mitigate any such risk.



Privacy-related complaints during FY2017

- Complaints substantiated (Australia & New Zealand): 11 (2016: 33)

Fines/sanctions for non-compliance during FY2017

- No Link Group entity faced/suffered criminal or civil sanctions for non-compliance.
- There were no confirmed incidents of corruption of any sort.



Financial Report

Link Administration Holdings Limited and its controlled entities

30 June 2017

Contents

Section 1 - Directors' Report

Directors and Company Secretaries	26
Executive KMPs	30
Principal Activities	31
Dividends	31
Review of Operations	31
Operating and Financial Review	32
Remuneration Report	58
Other Information	79
Auditor's Independence Declaration	81

Section 2 - Financial Statements

Consolidated Statement of Profit or Loss and other Comprehensive Income	82
Consolidated Statement of Financial Position	84
Consolidated Statement of Changes in Equity	85
Consolidated Statement of Cash Flows	87

Section 3 - Notes to the Financial Statements

Preparation of this Report

General information	88
Basis of preparation	88

Operating Results

Operating segments	90
Earnings per share	93
Taxation	94

Operating assets and liabilities

Trade and other receivables	98
Trade and other payables	98
Provisions	99

Employee benefits	100
Plant and equipment	101
Intangible assets	102
Notes to the statement of cash flows	105

Capital structure, financing and risk management

Interest bearing loans and borrowings	106
Finance costs	106
Contingent liabilities	107
Investment and financial risk management	108
Contributed equity	114
Reserves	115
Retained earnings	116
Share-based payment arrangements	117

Group structure

Business combinations	118
Parent entity disclosures	120
Controlled entities	121
Related parties	123

Other disclosures

Auditor's remuneration	123
Commitments	124
Subsequent events	124
New standards and interpretations not yet adopted	125

Section 4 – Directors' Declaration 126

Section 5 – Independent Auditor's Report 127

1. Directors' Report



Directors and Company Secretaries

Directors






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

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 Appointed 26.06.2015</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 and Remuneration Committee and Technology and Innovation Committee. Michael served as a member of the Risk and Audit Committee up until 8 December 2016.</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. He is also a member of the advisory board of Pyrolyx AG. Michael was previously a Director of Southern Cross Media Group Limited.</p> <p>Michael serves and has 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 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 42 years' 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>


1. Directors' Report (continued)


Directors and Company Secretaries (continued)

Director	Experience and background
 <p>Glen Boreham, AM Independent Non-Executive Director 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 and Innovation Committee and a member of the Human Resources and Remuneration Committee.</p> <p>Glen is a Director of Cochlear Limited and Southern Cross Media Group Limited.</p> <p>Glen is also the Chair of Advance, an organisation that connects and supports Australian business and the global Australian community, and the Chair of the Business School Advisory Board for the University of Technology, Sydney.</p> <p>Previously, Glen was the Managing Director of IBM Australia and New Zealand, Chair of Screen Australia, Deputy Chair of the Australian Information Industry Association and a Director of the Australian Chamber Orchestra.</p> <p>Glen holds a Bachelor of Economics from the University of Sydney. In January 2012, Glen was awarded a Member of the Order of Australia for services to business and the arts.</p>
 <p>Peeyush Gupta Independent Non-Executive Director 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 and 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 Appointed 23.07.2016</p>	<p>Anne McDonald was appointed a Non-Executive Director of the Company in 2016.</p> <p>Anne is a member of the Risk and 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. She has pursued a fulltime career as a Non-Executive Director since 2006.</p> <p>Anne is a Non-Executive Director of Spark Infrastructure Group, Specialty Fashion Group and St Vincent's Health Australia Limited.</p> <p>Anne is also the Chair of Water New South Wales 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>

1. Directors' Report (continued)

Directors and Company Secretaries (continued)

Director	Experience and background
 <p>Sally Pitkin Independent Non-Executive Director 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 and Remuneration Committee and a member of the Risk and Audit Committee.</p> <p>Previously a senior corporate partner at Clayton Utz, Sally has extensive corporate and banking law experience, followed by over 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 in highly regulated industries, professional services and commercialisation of new technology.</p> <p>Sally is a Non-Executive Director of The Star Entertainment Group Limited and IPH Limited. Sally is also currently a Non-Executive Director and Chair elect of Super Retail Group Limited.</p> <p>Sally is President of the Queensland Division of the Australian Institute of Company Directors (AICD) and National Director of the AICD Board.</p> <p>Sally holds a PhD in Governance from the University of Queensland and a Master and Bachelor of Laws from the Queensland University of Technology.</p>

 <p>Fiona Trafford-Walker Independent Non-Executive Director Appointed 23.09.2015</p>	<p>Fiona Trafford-Walker was appointed a Non-Executive Director of the Company in 2015.</p> <p>Fiona is Chair of the Risk and Audit Committee and a member of the Technology and Innovation Committee.</p> <p>Fiona is a 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 25 years' experience in advising institutional investors on investment and governance-related issues.</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>
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The Directors that resigned during the financial year were:

Director	Experience and background
<p>Cameron Blanks Non-Executive Director</p>	<ul style="list-style-type: none"> Over 20 years' international commercial experience, including over 15 years in private equity Appointed 17 August 2006 Resigned 9 September 2016
<p>Paul McCullagh Non-Executive Director</p>	<ul style="list-style-type: none"> Over 35 years' corporate finance experience in the United States, Asia and Australasia Appointed 28 July 2006 Resigned 9 September 2016

1. Directors' Report (continued)

Directors and Company Secretaries (continued)

Company Secretaries

John Hawkins was appointed Company Secretary on 23 September 2015. Details about John's qualifications and experience are set out in the Executive KMPs section on page 30 of this report.

Janine Rolfe was appointed General Counsel and Joint 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 the 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.

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 were:

	Board		Risk and Audit Committee		Human Resources and Remuneration Committee		Technology and Innovation Committee	
	H	A	H	A	H	A	H	A
M Carapiet	15	15	3 n/a	3 1*	5	5	5	5
J McMurtrie	15	15	n/a	5*	n/a	5*	n/a	5*
G Boreham	15	15	n/a	3*	5	5	5	5
P Gupta	9	9	3	3	n/a	1*	n/a	2*
A McDonald	15	15	5	5	n/a	4*	n/a	4*
S Pitkin	15	15	5	5	5	5	n/a	3*
F Trafford-Walker	15	15	5	5	n/a	4*	5	5
C Blanks	2	2	-	-	-	-	-	-
P McCullagh	2	1	1	-	-	-	-	-

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.

Michael Carapiet was a member of the Risk and Audit Committee until 8 December 2016. Following this date, Michael's attendance at the Risk and Audit Committee Meeting was in an ex-officio capacity. 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.

As the Nomination Committee is currently comprised of the full Board, Nomination-related matters were considered during Board Meetings during FY2017.


1. Directors' Report (continued)

Executive KMPs

Director	Experience and background
 <p>John McMurtrie Executive Director and Managing Director</p>	<p>See Directors section on page 26 for more detail.</p>
 <p>John Hawkins Chief Financial Officer Joint Company Secretary</p>	<p>John Hawkins joined Link Group as Chief Financial Officer in 2001.</p> <p>John has extensive commercial, accounting and finance 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>Suzanne Holden Chief Executive Officer, Fund Administration</p>	<p>Suzanne Holden joined Link Group in 2010 and has held her present role since 1 January 2015.</p> <p>Prior to joining Link Group, Suzanne gained extensive experience managing large operational and customer service teams, including most recently as the General Manager of Airport Operations for Qantas, where she was responsible for all operation, compliance and service performance across Australia.</p> <p>Suzanne has 25 years of management experience.</p> <p>Suzanne holds a joint Honours degree in Mathematics and Drama from Surrey University and is a graduate of the Australian Institute of Company Directors.</p> <p>Suzanne is also a Director of the Association of Superannuation Funds of Australia (ASFA).</p>
 <p>David Geddes Chief Executive Officer, Corporate Markets</p>	<p>David Geddes was appointed Chief Executive Officer of Corporate Markets in 2014.</p> <p>David joined Link Group in 2006 when Orient Capital was acquired by Link Group from ASX Limited.</p> <p>David has more than 30 years' financial market experience and a deep understanding of the corporate markets industry, having founded Orient Capital in 1991.</p> <p>David holds a Bachelor of Science (Hons) in Geography and Geology from the University of Bristol.</p> <p>David will retire effective 31 August 2017.</p>

1. Directors' Report (continued)

Executive KMPs (continued) Review of operations

Director	Experience and background
 Paul Gardiner Chief Executive Officer, Corporate Markets Chief Executive Officer, Information, Digital and Data Services (IDDS)	<p>Paul Gardiner was appointed Chief Executive Officer of IDDS 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>

Principal Activities

The principal activity of Link Group during the course of the financial year was that of a technology-enabled provider of outsourced administration services for superannuation fund administration, corporate markets and related value-added services including data management analytics, digital communication and stakeholder education and advice.

There were no 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 2016	8.0	\$28,783,786	Franked at 18.7%	10.10.16
Interim 2017	6.0	\$21,587,839	Unfranked	3.04.17

In addition, dividends declared or paid by the Company since the end of the financial year were \$39,250,933, which equates to 8.0 cents per share, 100% franked (2016: \$28,783,786). The record date for determining entitlements to the final dividend is 21 September 2017. Payment of the final dividend will occur on 18 October 2017.

On 18 August 2017, the Company announced the introduction of the Link Group Dividend Reinvestment Plan (DRP).

Review of Operations

The net profit of Link Group for the financial year was \$85.2 million (2016: \$42.5 million).

Total Operating EBITDA, which excludes certain significant items for the financial year ended 30 June 2017 was \$219.0 million (2016: \$190.6 million). A reconciliation of Operating EBITDA to the net profit of Link Group is included in Note 3 of 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

Introduction

The Directors are pleased to present the Operating and Financial Review (OFR) for Link Group for the financial year ended 30 June 2017.

This OFR is designed to assist shareholders' understanding of Link Group's business performance and the factors underlying its results and financial position. It complements the financial disclosures in the Financial Statements. All financial amounts contained in this OFR are expressed in Australian Dollars and rounded to the nearest \$0.1 million or percentage, 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.

Consistent with previous disclosures, this OFR uses certain measures to manage and report on the Link Group 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.

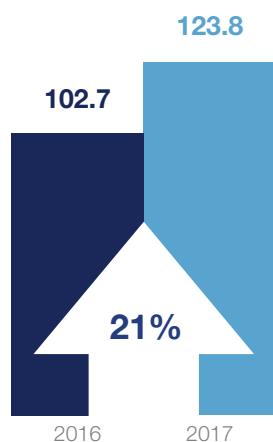
This OFR covers the period from 1 July 2016 to 30 June 2017 (FY2017), including two comparative prior years (FY2016 and FY2015). A full reconciliation of the adjustments made to the statutory results is disclosed in more detail in section 3.2.

Given the extent of Significant items in the current year and prior year, statutory results and Pro forma adjustments in the prior year statutory results, the Directors believe it will assist the readers' understanding of performance to compare year-on-year results on a Pro forma before Significant items (Operating) basis³. Therefore, unless otherwise stated, all of the analysis below is presented on an Operating basis, with a reconciliation back to statutory results in section 3.2.

1. Overview

Link Group has delivered a strong set of results for FY2017, including the following key highlights.

Operating NPATA
(\$M)



Operating EBITDA
(\$M)



Revenue
(\$M)



These financial results reflect the continued successful execution of Link Group's growth strategy as set out in section 2.

3. Pro forma results referred to throughout this OFR exclude the IPO transaction costs in FY2016 and in FY2015 exclude the settlement of legal claims and an employee liability adjustment but include incremental public company costs. See section 3.7 of this OFR for more details.

1. Directors' Report (continued)

Operating and Financial Review (continued)

During the year, Link Group continued to invest in its core technology platforms, infrastructure and new digital products and services. At the same time, a program of decommissioning legacy IT systems and archiving historical data was substantially progressed. New consolidated premises in Melbourne and Perth helped achieve cost efficiencies, but they also provide an improved working environment for staff and facilitate positive cultural change.

A strong balance sheet, with low levels of gearing and robust cash conversion, remains a core strength of the business. That strength has enabled Link Group to take advantage of a range of potential acquisition opportunities and capital management options. During the year, Link Group completed two small acquisitions in Australia, a small acquisition in India and significantly increased its minority investment in Property Exchange Australia Limited (PEXA) increasing its shareholding to 19.7% from 11.4%.

Prior to the end of FY2017, Link Group announced that it had entered into a binding agreement to acquire Capita Asset Services (CAS) from London Stock Exchange-listed Capita plc for £888 million (\$1,493 million). Further details with respect to this acquisition (which is yet to complete) are provided in the Australian Securities Exchange (ASX) announcements of 26 June 2017.

As the business currently exists, prior to the completion of the CAS acquisition, Link Group remains on track to return Company margins to 34% by FY2020, with approximately \$45 million in remaining Superpartners integration synergies to be achieved over this period.

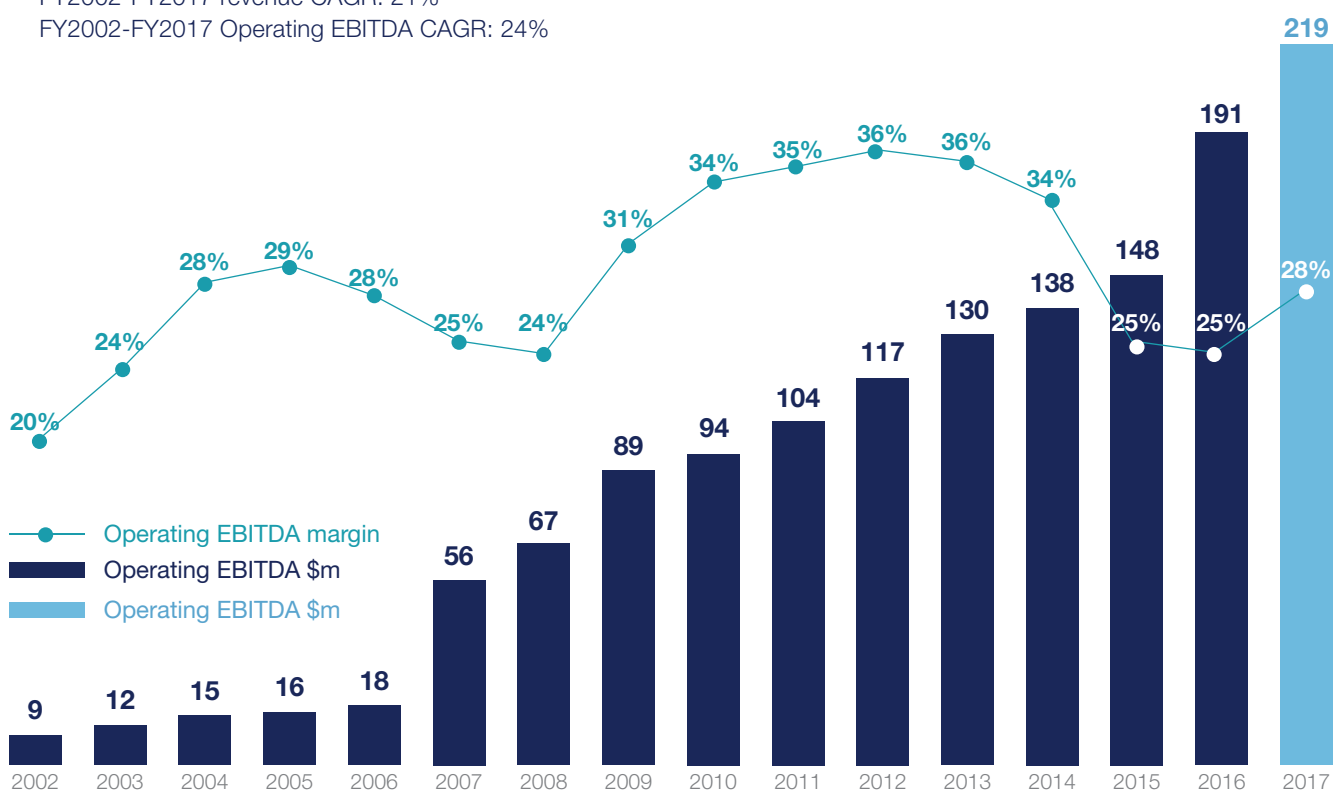
2. Growth strategy

Link Group continues to deliver strong and consistent growth in both revenue and Operating EBITDA across multiple economic cycles. As illustrated in figure 1, Link Group has achieved uninterrupted Operating EBITDA growth since FY2002, with a Compound Annual Growth Rate (CAGR) of 24% between FY2002 and FY2017. Additionally, Link Group has shown strong revenue growth with a CAGR of 21% between FY2002 and FY2017.

Figure 1: Link Group Operating EBITDA and Operating EBITDA margins (FY2002-2017)⁴

FY2002-FY2017 revenue CAGR: 21%

FY2002-FY2017 Operating EBITDA CAGR: 24%



4. FY2013-2016 Operating EBITDA is stated on a Pro forma basis.

1. Directors' Report (continued)

Operating and Financial Review (continued)

2.1 Overview of growth strategy

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

1. Further penetration of attractive markets.
2. Product and service innovation.
3. Client, product and regional expansions.
4. Realising integration benefits.
5. Identifying adjacent market opportunities.

2.1.1 Further penetration of attractive markets

Link Group aims to use its operational capabilities and diverse product suite to win new clients and cross-sell more products in its key markets. While Link Group already has an established market position in all of its key markets, there remains substantial opportunity to grow the client base over time.

Fund Administration

In Fund Administration, Link Group is able to increase its market penetration by not only winning new clients, but also by its clients increasing their underlying membership and increasing value-added services. Key drivers of Link Group's market penetration include:

- winning new clients: Link Group's proprietary technology, quality of service offering and operating scale provide a competitive advantage relative to other service providers;
- underlying member growth of Link Group's clients; and
- sales of value-added products and services into the client base including fee-for-service projects and innovative digital products developed by IDDS.

Additionally, annual indexation-linked price increases and volume protection clauses around member losses provide ongoing Recurring Revenue visibility.

In FY2017, Link Group was successful in winning a new Fund Administration client, Retirement Benefits Fund (RBF), a Tasmanian public sector fund which will be migrated to Link Group's proprietary platform in the financial year ended 30 June 2018 (FY2018). Link Group's contract with REST Super was extended until 31 December 2017 and is in advanced stages of negotiation in respect of a new long-term contract. Subsequent to year end, Link Group received formal notification from Kinetic Super that it had agreed to enter into a successor fund merger with Sunsuper and as a result provided notice of termination under its contract.

In FY2017, member growth of the largest five clients (by revenue) was 2.0% which was in line with overall Australian employment growth for the year, whilst overall member growth was 0.9%⁵.

Corporate Markets

In Corporate Markets, Link Group currently services over 2,500 clients globally and added 240 new clients during FY2017. Management believes that Link Group's comprehensive, integrated offering can help to increase revenue. It expects to do that by winning new clients and also by increasing the penetration of its diverse product and service offering throughout its existing client base. 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.

In FY2017, Link Group was successful in winning new business with Woolworths Limited, Cochlear Limited, Autosports Limited, Myer Limited, Inghams Group Limited and Viva Energy Australia Limited in Australia and New Zealand. Client wins in overseas markets include HSBC in the UK and National Stock Exchange in India.

5. Based on total billable members excluding lost clients, Eligible Rollover Funds and Redundancy Trusts.

1. Directors' Report (continued)

Operating and Financial Review (continued)

In terms of cross selling products and services, Link Group was able to increase the penetration of its products to the existing client base during the period. For example, Inghams Group Limited and Viva Energy Australia Limited were IPOs in FY2017 where Link Group was successful in supplying four to five additional products (including analytics, employee share plans, websites, campaigns and events) in addition to the core share registry service. Link Group has been successful in cross selling two or more products or services to 68% of new clients⁶ in Australia during FY2017.

IDDS

Link Group's IDDS business unit is well positioned to benefit from the trend towards valued-added services such as data analytics and demand for new, innovative digital products across both the Fund Administration and Corporate Markets' client bases.

In FY2017, Link Group won new business with Fuji Xerox Australia Pty Limited, Rexel Holdings Australia, Emergency Services & State Super (ESS Super) and ME Bank. In addition, IDDS (through its subsidiary, Link Digital Solutions Pty Limited) was successful in cross selling new products and services to existing clients as demonstrated by sales of new innovative mobile apps into the Fund Administration and Corporate Markets' client bases. This resulted in year-on-year growth in external revenue as a percentage of overall IDDS revenue from 28% to 32%.

2.1.2 Product and service innovation

Revenues from Link Group's existing clients increase with the number and complexity of the services that Link Group provides. In Fund Administration, increasing competition between superannuation funds to attract and engage with members is driving better functionality through the use of more services. In Corporate Markets, the convenience and simplicity of a fully integrated product suite is enhancing our appeal to clients. IDDS is focused on providing these value-added products and services for Link Group and in FY2017 this was demonstrated by the 56% growth in fee-for-service revenue in Fund Administration and external revenue growth of 17% in IDDS.

Link Group, primarily through IDDS, has invested more than \$300 million on its systems, infrastructure and innovation over the last 10 years. This reinvestment is a core feature of Link Group's business model and it continues to boost client engagement and enrich client partnerships. Link Group earmarks more than \$100 million per annum for technology, covering both IT operating costs and capital expenditure.

Highlighting product innovation, our employer mobile app developed by Link Digital Solutions for Cbus Superannuation Fund was successful in winning the Financial Services App of the Year Award at the 2017 *Financial Standard's* Marketing, Advertising & Sales Excellence (MAX) Awards. Link Group also developed several Application Programming Interfaces (APIs) and launched mobile applications including the 'miracle[®] mobile app' and 'Compliance Checker app' for clients during the year.

2.1.3 Client, product and regional expansions

A core competency of Link Group is the successful execution of business combinations. These have delivered client, product and regional expansions. Link Group's proprietary platforms position it well 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.

Link Group intends to maintain its highly disciplined and focused business combination strategy to enhance its product and service offerings, expand its international operations and add new clients. The use of Link Group's technology platforms has been central to Link Group's success in reducing operating costs in the businesses which it acquires. In addition, Link Group has a track record of increasing its revenue by rolling out existing products across new market sectors and jurisdictions. For example, in FY2017, a data analytics product suite was developed to service the professional sports market and the miracle[®] mobile app was rolled out across Australia, New Zealand, the UK, Germany and Hong Kong.

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

1. Directors' Report (continued)

Operating and Financial Review (continued)

During FY2017, Link Group added scale to its existing business through the acquisitions of White Outsourcing Pty Limited (now operating as Link Fund Solutions Pty Limited) and Adviser Network Pty Limited and expanded its capability through an investment in Moneysoft Pty Limited, a personal wealth management business. Link Fund Solutions offers middle and back office administration, fund accounting, custodial and unit registry services and provides services to a diversified client base of fund managers, trustees and listed investment companies. Adviser Network provides digital and advice services to a large number of superannuation funds, with its robo-advice product, 'Super Blueprint', providing advice across investment choice, retirement adequacy, superannuation contributions and insurance.

Prior to the end of June 2017, Link Group announced it had signed a binding agreement to acquire UK and European based Capita Asset Services. This acquisition, once completed, will significantly extend Link Group's business profile and geographic scale.

2.1.4 Realising integration benefits

Near term growth in Fund Administration and IDDS is underpinned by the Superpartners integration. The successful tender for Superpartners' clients not only strengthened Link Group's leading position in the attractive superannuation fund administration industry and is delivering material benefits through the rationalisation of functions, increased operating leverage and economies of scale.

Link Group has a long history of migrating clients successfully onto its proprietary fund administration platform, with over 90 fund migrations completed since 2008 when this platform was commissioned. During FY2017, Link Group successfully migrated the last of the five major Superpartners clients to its proprietary technology platform. Since the last client migration in December 2016, Link Group commenced a significant archiving and de-commissioning program which was substantially progressed by 30 June 2017. This program included the archiving of all legacy 'R2' data to a proprietary archive system, the decommissioning of legacy IT systems including R2 and peripheral systems, the closure of a datacentre and related IT infrastructure and the cancellation of redundant vendor contracts.

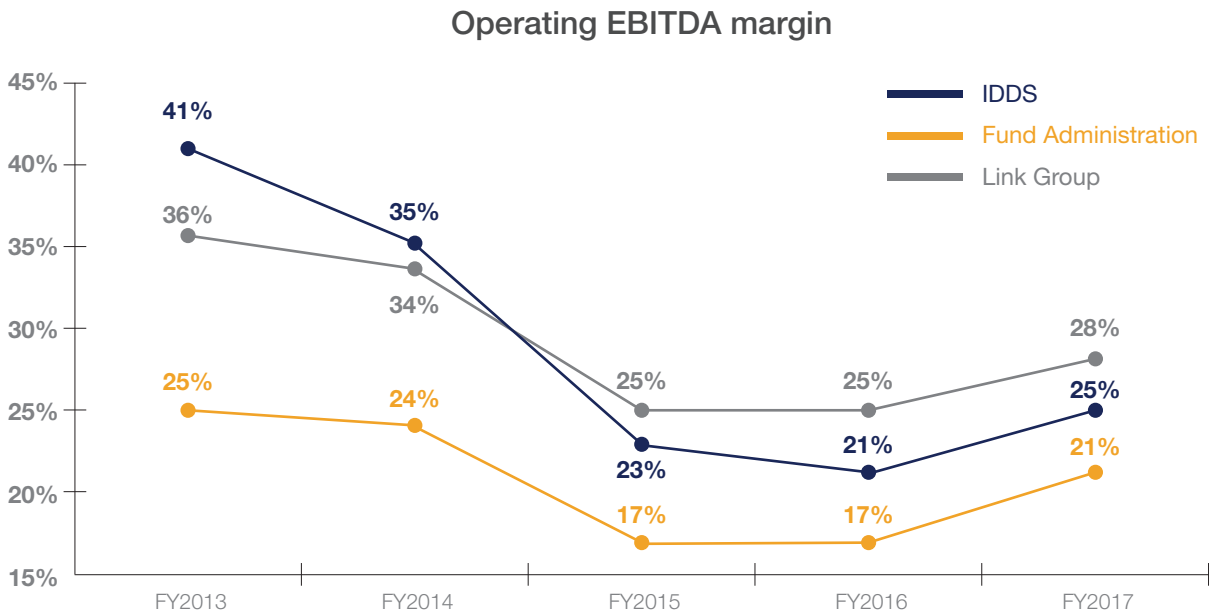
Synergies are progressively being realised in both Fund Administration and IDDS, as reflected in the margin improvements achieved in FY2017. Link Group estimates that the value of remaining synergies to be realised by FY2020 is approximately \$45 million, with estimated costs to achieve these savings of approximately \$8-15 million. 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.

Figure 2 shows the Operating EBITDA margins for Link Group, Fund Administration and IDDS highlighting the margin compression impact in both FY2015 and FY2016 from the acquisition of Superpartners. FY2016 was the first full-year impact, because the acquisition occurred in December 2014.

1. Directors' Report (continued)

Operating and Financial Review (continued)

Figure 2: Link Group, Fund Administration and IDDS Operating EBITDA margins



2.1.5 Adjacent market opportunities

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

During FY2017, Link Group continued to actively identify a range of corporate and other actionable targets. In June 2017, Link Group increased its stake in PEXA from 11.4% to 19.7% through a further equity contribution of \$64.7 million. PEXA currently operates an e-conveyancing platform in Australia enabling property market participants to transact securely online to settle real estate property transactions. PEXA has made significant progress across a range of financial and non-financial targets over the last 12 months and is positioned to consider a potential IPO or trade sale within the next 12-18 months.

Specifically, with the help of implemented and announced future mandating of electronic lodgement of various property transaction types (including transfers) by various State Governments (New South Wales, Victoria and Western Australia), PEXA has experienced exponential growth in volumes over the last 12 months. Total transaction volumes have experienced a volume growth CAGR of 364% since FY2014 and in the last 12 months have grown by 140%. Uptake of PEXA by both practitioners and financial institutions continued to grow strongly over the last year and, as at 30 June 2017, PEXA had 4,258 practitioners and 119 financial institutions as subscribers.

1. Directors' Report (continued)

Operating and Financial Review (continued)

3. Strong financial results and platform for further growth

Link Group has again delivered strong financial results for FY2017, with growth in revenue, Operating EBITDA and Operating NPATA. These results are underpinned by a focus on maintaining cost disciplines across the business and in particular, realising synergies from the Superpartners business combination. The positive impact of the synergies achieved are demonstrated by the growth in the Operating EBITDA margins of both Fund Administration and IDDS.

Complementing the strong earnings performance was a solid financial position. FY2017 ended with low leverage and high levels of cash flow. Consistent with its stated objectives and the needs of the market and client base, Link Group continued to invest in its technology platforms, product and service innovation during FY2017. Table 1 and table 2 contain an overview of Link Group's financial results.

Table 1: Statutory financial results

IN \$M	STATUTORY RESULTS			
	Year ended 30 June			
	FY2017	FY2016	FY2015	FY2017 vs FY2016
Revenue	780.0	775.9	588.3	1%
Profit before tax	123.5	59.9	4.0	106%
NPAT	85.2	42.5	3.3	101%

Table 2: Operating financial results

IN \$M	OPERATING RESULTS			
	Year ended 30 June			
	FY2017	FY2016 ⁷	FY2015 ⁷	FY2017 vs FY2016
Revenue	780.0	775.9	588.3	1%
Operating EBITDA	219.0	190.6	148.0	15%
EBITDA after significant items	190.6	166.8	116.5	14%
NPAT	85.2	73.0		17%
NPATA	101.7	95.1		7%
Operating NPATA⁸	123.8	102.7		21%

7. FY2016 and FY2015 results are presented on a Pro forma basis.

8. Operating NPATA has been calculated in accordance with the principles for reporting under ASIC's Regulatory Guide 230-Disclosing non-IFRS financial information. Operating NPATA has not been audited by the Company's external auditors.

1. Directors' Report (continued)

Operating and Financial Review (continued)

3.1 Statutory NPAT

Statutory Net Profit after Tax (Statutory NPAT) was \$85.2 million compared to a prior year Statutory NPAT result of \$42.5 million. The stronger Statutory NPAT result in FY2017 reflects the following key drivers:

- higher Operating EBITDA as discussed in more detail in section 3.5. The key drivers for this increase were the continued realisation of synergies from the Superpartners business combination, coupled with increases in overseas revenue from new business growth and the contribution from acquisitions;
- reduction in Pro forma items (IPO transaction costs), discussed in detail in section 3.7; and
- reduction in net finance costs reflecting the full-year benefit of the lower debt position post the Link Group IPO in October 2015, which were partly offset by higher tax expense coupled with higher acquisition-related costs and a smaller gain on financial assets held at fair value compared to the prior year (which, other than tax expense, Link Group considers Significant items).

3.2 Operating NPATA

Link Group considers Operating NPATA (previously referred to as NPATA before Significant items) 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. **Operating NPATA was \$123.8 million compared to the prior year of \$102.7 million, representing annual growth of 21%.**

A reconciliation of Operating NPATA and Statutory NPAT can be seen in table 3.

The main driver of the stronger Operating NPATA compared to the prior year was a higher Operating EBITDA performance. This is discussed in more detail in section 3.5.

Table 3: Reconciliation of Operating NPATA to Statutory NPAT

IN \$M	Year ended 30 June	
	FY2017	FY2016 ¹⁰
Operating NPATA	123.8	102.7
Significant items after tax ⁹	(22.1)	(7.6)
NPATA	101.7	95.1
Acquired amortisation after tax	(16.5)	(22.1)
NPAT	85.2	73.0
Offer transaction costs	-	(22.0)
Pro forma net financing costs	-	(20.8)
Tax effect of Pro forma adjustments	-	12.3
Statutory NPAT	85.2	42.5

9. See section 3.6 for more details of Significant items.

10. FY2016 results are presented on a Pro forma basis.

1. Directors' Report (continued)

Operating and Financial Review (continued)

3.3 Revenue

Link Group achieved modest revenue growth of \$4.1 million or 1% reflecting:

- flat revenue in Fund Administration as lower Recurring Revenue was offset by much higher non-Recurring Revenue;
- flat revenue in Corporate Markets as good growth in Recurring Revenue was offset by a fall in non-Recurring Revenue, which reached a historically elevated level in the prior year; and
- single-digit growth in IDDS reflecting strong external revenue growth from organic business development and flat internal revenue.

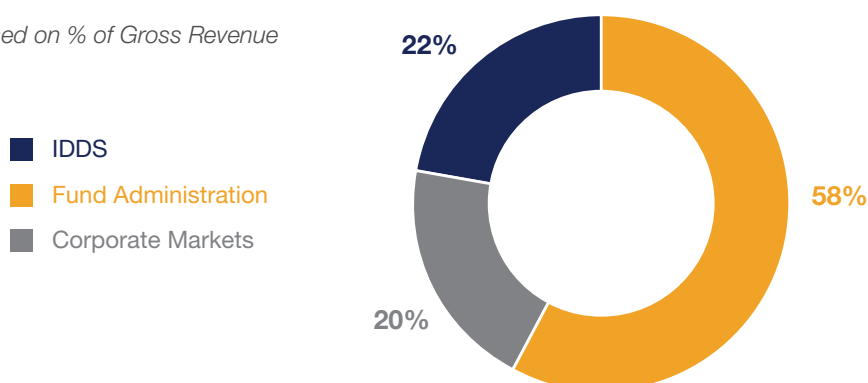
Overall Recurring Revenue (which is the revenue that the business expects to generate with a high degree of consistency and certainty, year-on-year), was \$699.8 million which was slightly (\$0.9 million) up on the prior year. Recurring Revenue as a proportion of Total Revenue was 90% which is in line with the prior year. Table 4 and figure 3 illustrate the revenue composition by reporting segment.

Non-Recurring Revenue of \$80.2 million was \$3.2 million or 4% higher than the prior year as a significant increase in Fund Administration fee-for-service activity was partially offset by a reduction in capital markets-related revenue in Corporate Markets, where activity levels reverted to the historical range after reaching elevated levels in FY2016.

Table 4: Revenue by reporting segment

IN \$M	Year ended 30 June			FY2017 vs FY2016
	FY2017	FY2016	FY2015	
Revenue				
Fund Administration	562.3	561.9	413.8	0%
Corporate Markets	198.4	197.5	160.0	0%
IDDS	215.9	206.5	148.4	5%
Gross Revenue	976.7	966.0	722.2	1%
Eliminations	(196.7)	(190.1)	(133.9)	(3%)
Total Revenue	780.0	775.9	588.3	1%
Recurring Revenue	90%	90%	91%	-

Figure 3: FY2017 revenue composition based on % of Gross Revenue



1. Directors' Report (continued)

Operating and Financial Review (continued)

3.3.1 Segment Revenue

Fund Administration (58% of total gross revenue)

Fund Administration revenue remained largely flat year-on-year at \$562.3 million resulting from a reduction in Recurring Revenue which was offset by strong growth in non-Recurring Revenue. Client retention of >95% remains in line with the prior year.

Recurring Revenue of \$516.4 million (or 92% of the total Fund Administration revenue) was down \$16.2 million or 3% on the prior year. Recurring Revenue remains a key element of the Link Group's financial profile and the key drivers in FY2017 were:

- part-year impact of contracted price discounts provided to the five former shareholders of Superpartners;
- indexation-linked price increases;
- full-year impact of a former client insourcing its administration in November 2015;
- growth in our largest clients' members (who represent approximately 75% of the total) of 2% and an increase of 0.9% in overall member numbers¹¹;
- strong client retention of >95%¹²;
- insourcing of various functions by some clients (such as financial advice) and some transaction volume reductions; and
- shifting of some service elements from contracted monthly fees to a fee-for-service basis, coupled with some isolated price reductions reflecting a change in contract structure.

Non-Recurring Revenue of \$45.9 million represents 8% of total Fund Administration revenue and grew by 56% compared to the prior year.

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 growth on the previous year reflects a return to more normal levels of activity from the five former shareholders of Superpartners (in FY2016, non-Recurring Revenue was adversely affected by the significant migration activity which restricted the ability of the business to simultaneously undertake fee-for-service activity). Specifically, non-Recurring Revenue reflected the delivery of a number of projects (such as implementation of unitisation, 'SuperStream 2' legislative change and insurance re-design projects for various clients), coupled with the provision of IT support services to the client base.

Other product sales included the annuities product developed with Challenger Limited, 'SuperMatch 2' (a tool to enable fund members to find lost member accounts held by the Australian Taxation Office), and e-communications functionality to facilitate streamlined non-paper based member communication.

Corporate Markets (20% of total gross revenue)

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. During FY2017, Corporate Markets revenue was \$198.4 million. That was 0.5% higher than the prior year reflecting good growth in organic and acquired Recurring Revenue but, offset by a significant reduction in non-Recurring Revenue as revenue from capital markets activity reverted to a more normal historical range. Client retention in Corporate Markets remained above 95%¹² in FY2017, which was consistent with the prior year.

11. Based on total billable members excluding lost clients, eligible rollover funds and redundancy trusts.

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

1. Directors' Report (continued)

Operating and Financial Review (continued)

Recurring Revenue of \$170.8 million was up 8% on FY2016 and as a proportion of Total Revenue it increased to 86% from 80% in FY2016. The increase reflected a historically elevated level of capital markets related activity during the prior year. Recurring Revenue growth can be attributed mainly to the following factors:

- robust net client growth of 240 across all jurisdictions;
- strong client retention of >95%¹³; and
- contributions from acquisitions (Link Fund Solutions in Australia and System Support Services in India).

The Corporate Markets business in Australia and New Zealand (ANZ) enjoyed another year of positive net wins from changes in share registry by existing listed entities. In particular, Link Group won 10 out of the 22 IPOs that raised more than \$50 million and four out the five largest IPOs by market capitalisation. In Australia, the Corporate Markets business services 494 share registry clients (including 82 S&P/ASX 200 clients) as at 30 June 2017. Total share registry clients represent an increase of 26 compared with the same period last year. In New Zealand, Link Group services 189 issuers and had client growth during the year with eight client additions and no client losses.

Working with the IDDS business unit, Corporate Markets launched a number of new and innovative products during FY2017 including:

- miracle® IR app, an interactive app that provides up-to-date briefing books and itineraries which track and record investor interaction;
- Link Vote, an online voting application for use in shareholder meetings; and
- hybrid virtual/physical AGM, an online platform for shareholder meetings to encourage greater shareholder engagement and accessibility alongside traditionally convened AGMs.

These innovative products position Link Group's technology as best in class in Corporate Markets and have helped drive client retention, new business wins and the sale of value-added services into the existing client base.

Non-Recurring Revenue declined by \$12.1 million or 30% on the previous year, reflecting more subdued capital markets activity in most jurisdictions but especially in ANZ where activity levels were exceptionally strong in FY2016. Revenue from corporate actions activities has returned to longer term trend levels in FY2017.

Information, Digital and Data Services (IDDS) (22% of total gross revenue)

IDDS uses its in-house technology capability to support the operations of Fund Administration and Corporate Markets. This is considered as internal revenue. It also develops and implements innovative technology products for existing and future clients, to enrich the functionality and understanding of customer-facing processes and improve data analytics. This is considered as external revenue for Link Group.

IDDS' total revenue grew to \$215.9 million which was 5% higher than the previous year. The growth on the prior year is largely due to good growth in external revenue from increased new product rollouts and volumes.

As a percentage of overall IDDS revenue, external revenue comprises 32% compared to 28% in the prior year. External revenue grew by 17% on the prior year due to the following factors:

- growth in revenue from new Digital Solutions' products and services including mobile apps (such as miracle mobile®, and Compliance Checker), digital member cards and APIs;
- increased volumes and new business wins in Link DigiCom Pty Limited; and
- new business wins in data analytics (from our Empirics Marketing Pty Limited subsidiary).

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

1. Directors' Report (continued)

Operating and Financial Review (continued)

Overall IDDS revenue of \$215.9 million comprises internal revenue (from IT support recharges to Fund Administration and Corporate Markets) of \$147.3 million and external revenue of \$68.6 million from value-added services (including data analytics, digital solutions and digital communications) and licensing in-house administration software.

Technology is a key enabler of Link Group. Link Group is committed to reinvesting and engaging with specialist partners to better service its internal and external client base. Link Group works closely with its clients to ensure it continues to exhibit leadership in this space. The investment made to date has provided Link Group with a strong comparative advantage and equally, has opened up opportunities to build on this into the future.

3.4 Operating expenses

Operating expenses declined by 4% to \$561.0 million compared with the previous year. The reduction on the prior year largely reflects the success of cost synergies from the Superpartners business combination and the impact of additional efficiency initiatives in each of the business units. Table 5 outlines the main components of operating expenses.

Table 5: Operating expenses

IN \$M	OPERATING RESULTS			
	Year ended 30 June			
	FY2017	FY2016 ¹⁴	FY2015 ¹⁴	FY2017 vs FY2016
Operating Expenses				
Employee Expenses	339.2	349.6	274.8	3%
IT Expenses	76.1	76.0	54.7	(0%)
Occupancy Expenses	33.4	34.2	25.2	2%
Other Expenses	112.2	125.4	85.6	11%
Total Operating Expenses	561.0	585.3	440.3	4%

3.4.1 Employee expenses

Employee expenses, the largest cost category, declined by 3% on the prior year, largely due to cost synergies achieved to date from the integration of Superpartners in the Fund Administration and IDDS business units, partially offset by a modest impact from the Link Fund Solutions acquisition in Corporate Markets and indexation related salary increases.

Cost synergies achieved in FY2017 are comprised of the full-year impact of cost outs in the prior year coupled with the part-year benefit of cost savings achieved during FY2017. These 'in-year' cost savings included cost outs achieved subsequent to the migration of the last remaining Superpartners client onto Link Group's proprietary platforms, integration and restructure of various operational teams, efficiency initiatives from a reduction in paper and cheques, and the rollout of workforce productivity tools.

14. FY2016 and FY2015 results are presented on a Pro forma basis

1. Directors' Report (continued)

Operating and Financial Review (continued)

3.4.2 IT expenses

IT expenses remained in line with the prior year. Increases were largely due to growth in the use of offshore IT development and testing resources related to the increase in fee-for-service revenue in Fund Administration. There were also some increases in IT support costs in Europe (related to short-term duplicated costs) and additional IT costs related to the Link Fund Solutions acquisition. The increased costs were fully offset by the full-year savings from a new IT managed services agreement which took effect in April 2016 and initial savings from the decommissioning and archiving project which commenced in the second half of FY2017 and was substantially progressed by 30 June 2017.

3.4.3 Occupancy expenses

Occupancy expenses declined by 2% compared with the prior year. Savings obtained from the consolidation of premises in Melbourne, Sydney and Perth over the last 12 months and benefits from lower make-good expenses on exited premises were partially offset by contracted indexation related increases across all premises and large increases in electricity prices (which more than offset reductions in electricity usage).

3.4.4 Other expenses

Other expenses comprise print and mail costs (50% of the FY2017 total other expenses), office-related expenses, insurance, professional fees, travel and other general and administrative expenses. Other expenses declined by 11% compared with the prior year. This reflected lower volumes of print and mail in Corporate Markets (due to the reduction in capital markets activity and trend towards electronic communication) and lower costs associated with self-insured claims in Fund Administration, as incident levels reduced to more normal levels. The normalisation of costs associated with self-insured claims mirrors Link Group's previous experience with large fund migrations where it has not been unusual for incidents to arise through the migration period, and for some time post migration, before abating to more normal long run averages.

3.5 Operating EBITDA

Link Group's Operating EBITDA result was \$219.0 million, which was up 15% on the prior year Pro forma result of \$190.6 million. This performance reflects a combination of modest revenue growth of \$4.1 million coupled with significant operating cost reductions of \$24.3 million. Operating EBITDA margins improved from 24.6% in the prior year to 28.1% in FY2017.

Operating EBITDA growth in FY2017 reflects the benefits of scale as synergies continue to be realised from the integration of the Superpartners business across both Fund Administration and IDDS business units. 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 the consolidation of premises and suppliers.

Table 6 sets out Operating EBITDA and accompanying margins by business unit.

1. Directors' Report (continued)

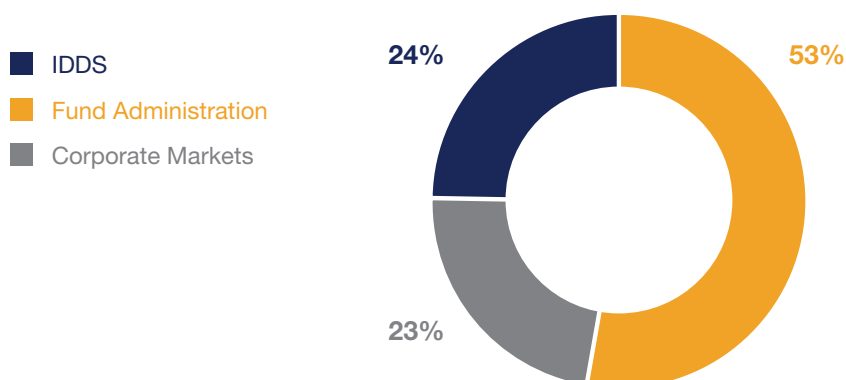
Operating and Financial Review (continued)

Table 6: Operating EBITDA by reporting segment

IN \$M	OPERATING RESULTS Year ended 30 June			
	FY2017	FY2016 ¹⁶	FY2015 ¹⁶	FY2017 vs FY2016
Operating EBITDA				
Fund Administration	118.1	96.1	70.2	23%
Corporate Markets	50.7	56.9	50.4	(11%)
IDDS	55.0	43.9	34.1	25%
Head Office	(4.8)	(6.3)	(6.7)	23%
Total Operating EBITDA	219.0	190.6	148.0	15%
Operating EBITDA margin				
Fund Administration ¹⁵	21%	17%	17%	4%
Corporate Markets ¹⁵	26%	29%	32%	(3%)
IDDS ¹⁵	25%	21%	23%	4%
Total Operating EBITDA margin	28%	25%	25%	4%

The composition of FY2017 Operating EBITDA by reporting segment is further illustrated in figure 4.

Figure 4: FY2017 Operating EBITDA composition (excludes (\$4.8) million of Head Office Operating EBITDA contribution)



15. Calculated based on Gross Revenue

16. FY2016 and FY2015 results are presented on a Pro forma basis

1. Directors' Report (continued)

Operating and Financial Review (continued)

3.5.1 Segment Operating EBITDA

Fund Administration (53% of total Operating EBITDA)

Fund Administration Operating EBITDA grew to \$118.1 million which was \$22.0 million or 23% 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 FY2017.

Synergy benefits achieved to date include staff cost savings from the rationalisation of Superpartners' head office functions and operating efficiencies achieved from the integration of teams after the successful migration of the last Superpartners' client fund was completed in December 2016. Benefits continue to accrue through the application of scale across multiple areas of Link Group, as well as the use of efficiency initiatives to drive down the volume of paper and cheques in the business. In addition, further cost outs achieved during FY2017 included benefits from the initial roll-out of productivity measurement tools across various operational teams and cost savings from the consolidation of premises in Melbourne and Perth.

Operating EBITDA margins of 21% are up on the prior year margins of 17% reflecting the above synergy benefits.

Corporate Markets (23% of total Operating EBITDA)

Corporate Markets Operating EBITDA declined to \$50.7 million which was \$6.2 million or 11% down on the previous year. The reduction in Operating EBITDA compared with the prior year is largely due to the following factors:

- margin impact of the significant reduction in non-Recurring Revenue of \$12.1 million (which particularly affected ANZ);
- continued competitive pricing pressure in both ANZ and overseas jurisdictions;
- volume-related increases in IT support costs including the one-off cost of migrating data to the new German registry system; and
- adverse effect of an appreciation in the Australian Dollar compared to the British Pound on the translation of UK results, and partially offset by:
 - margin benefit from growth in organic Recurring Revenue in ANZ and overseas markets reflecting new business wins;
 - reduction in staff costs from process improvement (including the introduction of productivity tools and automation of back office processes) and restructuring initiatives (net of redundancy costs); and
 - part-year contribution from the acquisition of Link Fund Solutions in December 2016.

Operating EBITDA margins of 26% were lower than the previous year reflecting the impact of the above factors.

Information, Digital and Data Services (IDDS) (24% of total Operating EBITDA)

IDDS Operating EBITDA grew to \$55.0 million which was \$11.1 million or 25% 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 from external revenue growth of 17%.

Following the completion of the last migration of the remaining Superpartners client to the Link Group platform in December 2016, a comprehensive program of decommissioning legacy IT platforms and archiving historical data commenced. This was substantially progressed by 30 June 2017, with remaining activities to be completed in FY2018. The full-year benefits of this program (which includes both staff reductions and third party vendor cost savings) coupled with additional savings from further vendor consolidation and sourcing initiatives, will be realised over the next two years.

Operating EBITDA margins of 25% are up on FY2016 margins of 21% reflecting the impact of the above factors.

1. Directors' Report (continued)

Operating and Financial Review (continued)

3.6 Significant items

Table 7 sets out a summary of Significant items split between those impacting EBITDA and those impacting below EBITDA on a pre-tax basis.

Table 7: Summary of Significant items

IN \$M	Year ended 30 June			
	FY2017	FY2016	FY2015	FY2017 vs FY2016
Significant items				
Business combination costs	16.0	0.7	6.6	nmf ¹⁷
Gain on consolidation (Link NZ)	-	-	(10.3)	nmf ¹⁷
Integration costs	4.7	8.5	23.9	45%
IT business transformation costs	-	8.2	3.1	100%
Client migration costs	7.7	6.5	8.2	(20%)
Total Significant items (impacting EBITDA)	28.5	23.8	31.5	(19%)
Gain on assets held at fair value	(5.1)	(18.0)	-	(72%)
Discount on provision unwind	3.3	4.6	-	28%
Total Significant items (pre-tax basis)	26.7	10.4	31.5	(156%)

Total Significant items expense of \$26.7 million was significantly higher than the prior year expense of \$10.4 million. This was largely due to a prior year gain on assets held at fair value of \$18.0 million, compared to a current year gain of \$5.1 million, relating to the revaluation of Link Group's 19.7% investment in PEXA (\$2.7 million) and an unrealised gain on a foreign currency hedge (\$2.4 million) which was executed during June 2017 in respect of the acquisition of Capita Asset Services (see section 6 below).

The remaining growth in Significant items is largely due to an increase in costs related to business combinations (reflecting an increased number of both successful and unsuccessful corporate transactions undertaken during FY2017). In addition, there were client migration costs as some non-Superpartners Fund Administration clients were migrated onto Link Group's proprietary platforms. These cost increases were partly offset by lower integration-related costs, because the majority of staff cost reductions were achieved through natural attrition and the non-recurrence of IT business transformation costs as this activity was completed in the previous year.

17. Not meaningful

1. Directors' Report (continued)

Operating and Financial Review (continued)

3.7 Pro forma adjustments

There were no Pro forma adjustments made to Link Group's statutory NPAT in FY2017. In the prior year, Pro forma adjustments reflected the elimination of costs associated with certain items such as:

- IPO transaction costs;
- adjustments to reflect the impact of the post-IPO capital structure and new banking facilities being in place from 1 July 2015; and
- the tax impact of the above adjustments.

3.8 Other expenses below EBITDA

Other expenses below EBITDA primarily relate to depreciation and amortisation, acquired amortisation, net finance costs and tax expense. Table 8 outlines other expenses below EBITDA and their composition.

Table 8: Other expenses below EBITDA

IN \$M	OPERATING RESULTS Year ended 30 June			
	FY2017	FY2016 ¹⁸	FY2015 ¹⁸	FY2017 vs FY2016
EBITDA after significant items	190.6	166.8	116.5	14%
Depreciation and amortisation	(34.9)	(33.4)	(32.0)	(4%)
EBITA	155.7	133.3	84.5	17%
Acquired amortisation	(23.7)	(31.6)	(28.2)	25%
EBIT	132.0	101.8	56.3	30%
Net finance expense	(10.8)	(12.5)		14%
Discount on provision unwind	(3.3)	(4.6)		28%
Gain on assets held at fair value	5.6	18.1		(69%)
NPBT	123.5	102.8		20%
Tax expense	(38.3)	(29.8)		(29%)
NPAT	85.2	73.0		17%
Add back acquired amortisation after tax	16.5	22.1		(25%)
NPATA	101.7	95.1		7%
Add back significant items after tax	22.1	7.6		192%
Operating NPATA	123.8	102.7		21%

18. FY2016 and FY2015 results are presented on a Pro forma basis.

1. Directors' Report (continued)

Operating and Financial Review (continued)

3.8.1 Depreciation and Amortisation

Depreciation and amortisation expense increased by 4% to \$34.9 million compared with the prior year largely due to the impact of capital expenditure undertaken in the prior year (full-year impact) and FY2017 (part-year impact) and fit-out costs associated with new premises in Melbourne and Perth. This was partially offset by some Superpartners' legacy IT assets reaching the end of their useful lives following the successful completion of the last of the Superpartners client fund migrations in FY2017.

Acquired amortisation reflects the amortisation of client lists and the revaluation impact of acquired intangible assets resulting from business combinations. Acquired amortisation declined by 25% to \$23.7 million compared with the prior year. That reflected the impact of acquired intangibles (including software and client lists) reaching the end of their useful lives in FY2017.

3.8.2 Net finance expense

Net finance expense of \$10.8 million is down \$1.7 million on the previous year's Pro forma net finance expense due to lower average net debt and a reduction in the base interest rate compared with FY2016. Pro forma net finance costs for FY2016 represent those costs that would have been incurred had the post-IPO capital structure been in place since 1 July 2015.

3.8.3 Tax expense

Tax expense of \$38.3 million is 29% higher than the prior year's Pro forma tax expense reflecting an increase in profit before tax of 20%, coupled with a larger number of non-deductible overseas acquisition costs (see Significant items above). The Pro forma tax expense for the prior year represents the expense that would have been incurred had the post-IPO capital structure been in place since 1 July 2015. The effective tax rate of 31% is higher than the previous year, largely reflecting an increase in permanent differences related to overseas acquisition costs.

1. Directors' Report (continued)

Operating and Financial Review (continued)

4. Strong balance sheet and cash flow conversion

Link Group maintained a strong balance sheet in FY2017 with a modest level of gearing providing significant flexibility for future growth opportunities. The business generated high levels of cash flow whilst also maintaining a substantial ongoing investment in enhancing its proprietary systems and in new products and services.

4.1 Balance Sheet

Table 9 provides a summary of the Balance Sheet as at 30 June 2017.

Table 9: Summary Balance Sheet

IN \$M	STATUTORY RESULTS as at 30 June		
	FY2017	FY2016	FY2015
Assets			
Cash	18.2	30.2	31.8
Trade and other receivables	98.7	95.8	85.0
Other Current Assets	19.7	13.4	10.9
Total Current Assets	136.5	139.3	127.7
Deferred Tax Asset	42.4	55.8	69.6
Other Non-Current Assets	1,055.0	959.8	919.9
Total Non-Current Assets	1,097.4	1,015.6	989.5
TOTAL ASSETS	1,233.9	1,154.9	1,117.2
Liabilities			
Trade and other payables	101.1	87.9	72.5
Interest Bearing Liabilities	0.2	0.2	24.0
Other Current Liabilities	83.3	86.6	90.8
Total Current Liabilities	184.6	174.7	187.4
Interest Bearing Liabilities	312.9	291.9	765.6
Deferred Tax Liability	56.4	60.5	62.8
Other Non-Current Liabilities	62.7	45.7	52.3
Total Non-Current Liabilities	432.0	398.2	880.7
TOTAL LIABILITIES	616.6	572.9	1,068.1
NET ASSETS	617.4	582.1	49.1
Equity			
Contributed Equity	689.4	689.0	202.5
Reserves	(77.8)	(112.4)	(145.7)
Retained earnings	5.8	5.5	(7.7)
TOTAL EQUITY	617.4	582.1	49.1

1. Directors' Report (continued)

Operating and Financial Review (continued)

The cash balance of \$18.2 million as at 30 June 2017 has declined from the 30 June 2016 position due to the repayment of debt during the year with surplus cash resources.

Net working capital (trade and other receivables less trade and other payables) as at 30 June 2017 of negative \$2.4 million has declined compared with the previous year as growth in trade and other receivables has been more than offset by growth in trade and other payables. This reflects both organic growth and the acquisition of Link Fund Solutions, coupled with a large increase in acquisition cost accruals related to the prospective acquisition of Capita Asset Services.

Other non-current asset growth is largely due to continuing investment in software intangibles (partially offset by amortisation) which represents the bulk of Link Group's capital expenditure each year and an increased investment of \$64.7 million in PEXA.

Interest-bearing liabilities have increased by \$21.0 million compared with the prior year. This reflects increases in debt drawn to fund the acquisition of Link Fund Solutions and the increased investment in PEXA, but was partially offset by voluntary repayments of debt over the period.

Total equity increased to \$617.4 million from \$582.1 million in the prior year reflecting profits for the year, net of dividends paid to shareholders.

4.2 Cash flow

Cash flow conversion continued to be a key focus of the business and Link Group achieved an operating cash conversion rate of 99%, only slightly down from the previous year. This reflects a higher consumption of working capital partly offset by the cash benefit of rent free periods on new premises in Melbourne and Perth (where the benefit is spread over the life of the lease for accounting purposes under Australian IFRS). The increase in working capital consumption of \$10.0 million in FY2017 reflects the following:

- lower premises make good provision balances after leaving several legacy leased premises during the year;
- reduction in self-insured claims provisions as referred to in section 3.4.4; and
- increase in prepayments relating to undrawn technology fund balances provided under new IT vendor contracts.

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 FY2017, capital expenditure was \$36.1 million, representing 4.6% of revenue. That amount was 8% down on the previous year. An increased level of spending on the overseas businesses (including the development of a new registry platform in Germany and new premises fit out in India) coupled with continued investment in core platforms, new products and infrastructure in ANZ, was offset by a reduced level of capital expenditure in relation to Superpartners' infrastructure integration.

1. Directors' Report (continued)

Operating and Financial Review (continued)

Table 10 provides a summary of Link Group's cash flow.

Table 10: Summary Pro forma cash flow

IN \$M	Year ended 30 June			FY2017 vs FY2016
	FY2017	FY2016 ¹⁹	FY2015 ¹⁹	
Operating EBITDA	219.0	190.6	148.0	15%
Non-cash items in Operating EBITDA	7.4	(4.1)	(2.7)	281%
Changes in working capital	(10.0)	7.1	(30.7)	(241%)
Net operating cash flow	216.5	193.6	114.6	12%
Cash impact of significant items	(55.6)	(58.5)	(32.0)	5%
Net operating cash flow after significant items	160.9	135.1	82.6	19%
Tax	(2.4)	(1.6)		(52%)
Interest	(10.2)	(10.4)		2%
Pro forma adjustments	-	(20.2)		100%
Net cash provided by operating activities	148.3	102.9		44%
Capital expenditure	(36.1)	(39.4)		8%
Other investing cash flow	(92.9)	(21.7)		328%
Dividends paid	(50.6)	-		n/a
Net cash flow before other financing activities	(31.3)	41.8		(175%)
Net cash used in other financing activities	20.3	(43.7)		146%
Net (decrease) / increase in cash	(11.0)	(1.9)		(679%)
Net operating free cash flow	180.4	154.2	79.5	17%
Net Operating cash flow conversion	99%	102%	77%	(3%)
Net Operating free cash flow conversion	82%	81%	54%	1%

19. FY2016 and FY2015 cash flows are presented on a Pro forma basis.

1. Directors' Report (continued)

Operating and Financial Review (continued)

4.3 Net debt

Table 11 compares the net debt position of Link Group as at 30 June 2017 compared with the prior year.

Table 11: Summary of net debt

IN \$M	STATUTORY RESULTS as at 30 June		
	FY2017	FY2016	FY2015
Cash and cash equivalents	(18.2)	(30.2)	(31.9)
Long-term debt	313.1	292.1	766.3
Short-term debt	-	-	26.9
Net Debt	295.0	262.0	761.3
Debt ratios²⁰			
Net debt/Operating EBITDA	1.35	1.37	2.08
Operating EBITDA/net interest costs	20.34	15.28	n/a

The Net Debt/Operating EBITDA ratio remained relatively flat at 1.35 times. That reflects an improved Operating EBITDA performance offset by an increase in net debt. The Operating EBITDA/net interest cost ratio has increased to 20.34 times, reflecting the higher Operating EBITDA performance and lower net interest costs.

Link Group has total committed and available facilities of \$580.0 million with a further \$250.0 million as an uncommitted accordion facility. This level of available facilities provides significant capacity for future potential acquisitions.

Subject to completion of the CAS acquisition, Link Group has established a committed acquisition debt facility amounting to £485 million (\$822 million). See further discussion in section 6 of this OFR.

20. FY2016 and FY2015 debt ratios are presented on a Pro forma basis.

1. Directors' Report (continued)

Operating and Financial Review (continued)

5. Pro-active management of risks

Link Group actively monitors, assesses and manages a variety of business risks as part of its risk management framework. Link Group's core risks and the way they are managed are outlined below. This is not a comprehensive list of the risks or of the mitigating actions employed by the business.

5.1 Reliance on effective performance of core and third party IT Infrastructure

Technology is the key enabler of Link Group's services. Link Group and its clients depend on the effective performance, reliability and availability of Link Group's technology platforms, software, third-party data centres and communications systems. Link Group also relies on certain contracts with third-party suppliers to help maintain and support its IT infrastructure.

Link Group utilises Tier 1, best-in-class infrastructure and IT vendors. The infrastructure is owned and licensed by Link Group and is housed in Fujitsu data centres managed by Fujitsu under a managed services agreement. Link Group's proprietary applications are developed using industry standard Java and Microsoft.net stacks and conform to standard multi-tier architecture conventions.

5.2 Risk to security and integrity of sensitive information

Link Group's products and services involve the storage and transmission of financial, proprietary and personal user information. By their nature, information technology systems are susceptible to cyber-attacks, unauthorised access to, or disclosure of, such data.

IT security is paramount and Link Group proactively seeks to mitigate any identified risks associated with its technology infrastructure. Link Group's systems are architected, built and managed to reduce the potential for security or data privacy breaches. Link Group is also ISO 27001 certified, the global standard for information security management, demonstrating our commitment to best practice and industry leadership.

5.3 Concentrated client base and contract renewal

Link Group's primary source of revenue is from contracted services to clients. Link Group has a relatively concentrated client base, with its largest five clients contributing 47% of FY2017 revenue.

Link Group's business is characterised by medium to long-term contracts of two to five years, strong Recurring Revenue and high levels of client retention. Client retention rates have been greater than 95% over the last three years. In Link Group's view, high levels of client retention can be attributed to the range and quality of the services Link Group provides, brand loyalty and the significant integration with clients.

5.4 Political and regulatory environment

Link Group's business is influenced and affected by laws, regulatory compliance and government policy in each of the jurisdictions it operates. In some cases, Link Group has accepted regulatory and compliance commitments to its clients which exceed those to which it would be subject in its business as usual operations.

Link Group works closely with government, regulatory and industry authorities and actively monitors, assesses and manages relevant changes to laws, regulation and government policy so that its operations, products and services are compliant at all times.

1. Directors' Report (continued)

Operating and Financial Review (continued)

5.5 Ability to attract and retain key personnel

A key driver of Link Group's performance is the recruitment and retention of effective and qualified personnel.

Link Group continues to invest in the development of its people and culture. An open management style, dynamic working environment and appropriate performance targeted financial incentives are key qualities underpinning the Link Group culture. We encourage open and honest dialogue and empower our people to take responsibility. We use proactive human resource management tools to manage the deployment, productivity and performance of Link Group's human resources.

5.6 Integration of acquired businesses and execution of new acquisitions

Link Group continually investigates and considers potential acquisitions and investment opportunities, which is consistent with its growth strategy. Acquisitions and investments have risk around the incremental financial value for the Link Group. Integration of businesses can require a considerable period of time to realise expected revenue and expense synergies.

Link Group has successfully integrated more than 40 business combinations over the past 15 years and created value by following a disciplined process. The process includes initial strategic and financial analysis, due diligence and contract execution which Link Group undertakes in conjunction with its financial and legal partners. Once a business is acquired, Link Group has a robust process encapsulating people, systems, products and clients so that the acquired business delivers on or exceeds the expected financial and operational results.

The acquisition of CAS (discussed earlier in section 1 of this OFR) will involve the integration of a business which has previously operated within the Capita plc group independent of Link Group. As a result, there is a risk that the integration of CAS may be more complex than anticipated, encounter unexpected challenges or issues and take longer than expected. It may divert Management attention, or not deliver the expected benefits, and this may affect Link Group's operating and financial performance. Further, the integration of CAS' accounting functions may lead to revisions in acquisition accounting, which may impact the Combined Group's reported financial results. In addition, there may be risks associated with the effectiveness and efficiency of communication, given CAS operates in various overseas geographies. This may also impact the ability of Link Group to integrate its systems and practices into CAS. Finally, CAS operates in highly regulated environments; non-compliance could impact CAS' growth and the financial performance of Link Group post acquisition.

5.7 Increased competition

The key industries that Link Group operates in are all competitive markets and are expected to remain competitive.

Link Group has successfully invested over \$300 million in delivering technology-driven solutions for its clients. Link Group's competitive advantage stems from the capability, functionality, integration and scalability of its proprietary technology. Link Group continues to drive innovation, partner with industry leaders and expand the range of value-added services for clients to further enhance Link Group's competitive advantage.

1. Directors' Report (continued)

Operating and Financial Review (continued)

6. Outlook

Link Group expects to continue to deliver revenue and Operating EBITDA growth across all reporting segments through the following key business growth drivers:

- growth through further penetration of attractive industries;
- growth through product and service innovation;
- growth through client, product and regional expansions;
- realising integration benefits; and
- identifying adjacent market opportunities.

Link Group benefits from a high proportion of Recurring Revenue, providing good organic revenue visibility into the future. This Recurring Revenue is underpinned by contractual price inflators which will largely mirror the current low inflation environment. Underlying market growth together with new business and expansion of the product and service offering support organic revenue growth.

On 26 June 2017, Link Group announced that it had entered into a binding agreement to acquire CAS from Capita plc for £888 million (\$1,493 million). Completion of the acquisition is subject to mandatory regulatory approvals and is expected to complete by 31 December 2017. CAS offers a broad range of financial and administrative services across the UK and Europe. Aligned to Link Group's key business growth drivers, it is a strong strategic fit. The acquisition (should it be successfully completed) is Earnings Per Share (EPS) accretive on a Pro forma basis with further efficiency benefits to be obtained over the medium term. Funding for the acquisition will be via a combination of a fully underwritten pro rata accelerated renounceable entitlement offer of \$883 million, cash and available debt facilities including a new £485 million (\$822 million) acquisition debt facility. The entitlement offer was successfully completed in July 2017. Proceeds from the entitlement offer were used to repay the existing debt facilities as an interim measure to minimise finance costs.

As highlighted previously, the second leg of the contracted price discounts for the former shareholder clients of Superpartners occurred in March 2017. The cumulative value of this contractual price adjustment is approximately \$21 million on an annual basis and largely offsets the indexation added to those contracts up to that time.

The second half of FY2017 saw the decommissioning of legacy IT platforms and archiving of historical data substantially progressed. The full benefits of this program of work will be delivered in FY2018 and FY2019 with associated benefits to be achieved in operational efficiencies and vendor consolidation savings in the IDDS business unit. The value of the remaining Superpartners integration synergies is approximately \$45 million including the benefits from the decommissioning and archiving program. The one-off costs to achieve these remaining synergies are expected to be approximately \$8-15 million.

Link Group has positive momentum going into FY2018 as a result of activities completed prior to the end of FY2017 across all business units. As a result, Link Group believes it is on target in the achievement of the Superpartners integration synergies and, as the business is currently structured, is confident that its overall Operating EBITDA margins are progressively trending back to levels similar to that achieved in Pro forma FY2014 by FY2020.

At an NPAT level and assuming no further acquisitions or business combinations, Link Group expects continued growth as a result of increases in Operating EBITDA (from underlying growth in business performance), a gradual reduction in depreciation and amortisation as asset useful lives come to an end and a reduction in net interest expense as debt is reduced.

In terms of dividends, Link Group re-affirms its previous guidance that it will target a dividend payout ratio of between 40% and 60% of annual NPATA. The FY2017 final dividend will bring the total dividend for the financial year to 60% of NPATA. The FY2017 final dividend is 100% franked. Subject to no changes in capital structure and consequent timing of expected tax payments, dividend franking is expected to continue throughout FY2018.

Cash flow generation is expected to remain strong as a result of continued Operating EBITDA growth, working capital control and a stable level of capital expenditure. Cash conversion is expected to remain in line with current levels, which allows significant flexibility to consider both selective acquisitions and capital management in the future.

1. Directors' Report (continued)

Operating and Financial Review (continued)

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 services, 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 (for Fund Administration) or shareholder (for Corporate Markets). 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 the number of member accounts in individual funds or the number of shareholders of corporate market clients;
- **Gross Revenue** is the aggregate segment revenue before elimination of intercompany revenue and recharges such as IDDS 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, the Company 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; and
- **Operating NPATA (previously known as NPATA before Significant items)** is net profit after tax and after adding back tax effected 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. Link Group also presents Operating NPATA margin which is Operating NPATA divided by revenue, expressed as a percentage. Operating NPATA margin is a measure that Link Group management uses to evaluate the profitability of the overall business.

Although Link Group believes that these measures provide useful information about the financial performance of Link Group, they should be considered as supplemental 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

Remuneration Report

Introduction from the Chair of the Human Resources and Remuneration Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 June 2017.

As we evolve in the listed-company environment, we continue to consider the most effective ways to share information with our shareholders. As such, we have reviewed and updated the format of this Remuneration Report. I trust that you find the information contained in this report helpful.

Our first Remuneration Report received positive shareholder support at our inaugural AGM last year, with a vote in favour of 99.8%. We thank you for your support and we aim to continue to provide information, remuneration structures and decisions that demonstrate how our remuneration approach is aligned to sustainable shareholder value creation.

In FY2017, we achieved the Operating EBITDA gateway on the Short-Term Incentive (STI) plan. The Operating EBITDA was \$219 million, an increase of 15% on the prior year and 4% above target. The stretch STI opportunity for achieving Operating EBITDA of at least 110% of target was not reached in FY2017. Performance against individual Key Performance Indicators (KPIs) was also strong and individual outcomes ranged from 80% to 100% of target STI opportunities.

We have introduced a new Long-Term Incentive (LTI) plan, the Omnibus Equity Plan, in FY2017 and a grant of performance rights was made to Executive Key Management Personnel (KMP). The first opportunity for vesting will be in FY2019, subject to achievement against Earnings Per Share (EPS) and Total Shareholder Return (TSR) targets.

Following a review of our remuneration approach, we will amend the LTI TSR comparator group from the S&P/ASX200 (with exclusions) to the S&P/ASX 100 (with exclusions) for FY2018 to reflect our growth and market position as a S&P/ASX100 company. Amendments will also be made to the Omnibus Plan Rules to better align cessation of employment and change of control terms with market norms.

No changes to fixed remuneration were made in FY2017 for Executive KMPs. No changes were made to Non-Executive Director fees in FY2017.

The Board is presently reviewing remuneration for all the Senior Executives and Board composition and fees for FY2018 in the context of market data, role responsibilities and the Capita Asset Services (CAS) transaction.

The Board does not anticipate any increase to the Non-Executive Director fee pool in FY2018.

We welcome your feedback on our Remuneration Report.

Yours sincerely,



Sally Pitkin

Human Resources and Remuneration Committee Chair

1. Directors' Report (continued)

Remuneration Report (continued)

About this Remuneration Report

The Remuneration Report summarises the remuneration of Link Group's KMP; namely Directors and Executives that are named in this Report for the year ended 30 June 2017. 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 adheres to 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 talent;
- align behaviours and outcomes to Link Group needs;
- 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;
- align remuneration with sustainable shareholder value creation and returns; and
- comply with all relevant legal, tax and regulatory provisions.

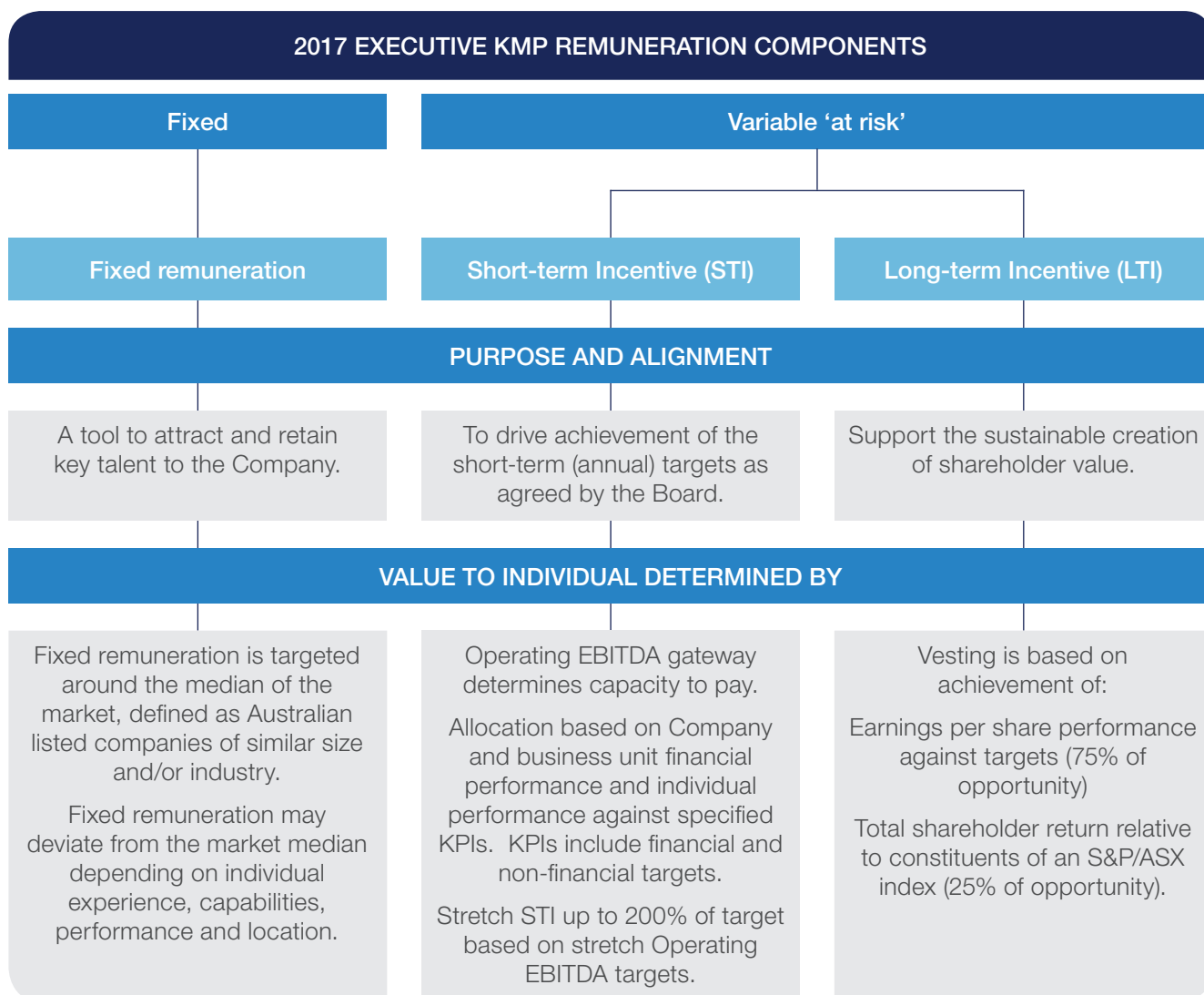
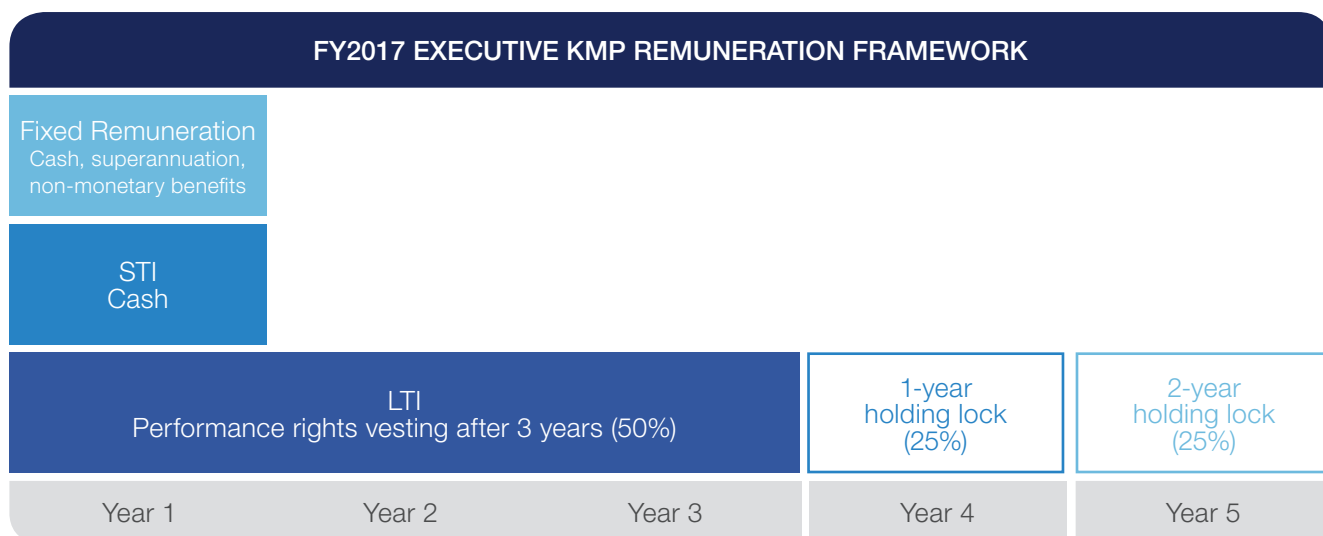
1.2 FY2017 remuneration framework

Link Group's remuneration framework is designed to reward Executive KMPs for achievement of Link Group strategy and sustained shareholder value creation, and is cognisant of the significant existing shareholdings of our Executive KMP team. Figure 5 outlines the components of Executive KMP remuneration and their purpose.

1. Directors' Report (continued)

Remuneration Report (continued)

Figure 5: FY2017 Executive KMP remuneration framework



1. Directors' Report (continued)

Remuneration Report (continued)

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 FY2017	
What changes to executive remuneration structures have been made in FY2017?	<p>As foreshadowed in the FY2016 remuneration report, Link Group introduced an LTI plan, the Omnibus Equity Plan, in FY2017. The plan is designed to support the sustainable creation of shareholder value and maintain alignment between Executive KMPs and shareholders.</p> <p>A grant of Performance Share Rights (PSRs) was made to Executive KMPs, which may vest, subject to the achievement of relative TSR and EPS targets over a three-year performance period.</p> <p>In FY2016, a portion of the STI award was deferred to assist with the retention of key individuals post-IPO, and before the LTI plan was introduced. With the introduction of the LTI plan, and taking into consideration the considerable existing equity holdings of Executive KMPs, the Board is confident that the retention intent of the deferred STI is otherwise satisfied. Therefore, no deferral applies to existing Executive KMPs for FY2017. Deferral will apply to any new Executive KMPs until the minimum shareholding requirement is met.</p>
Have there been any changes to the Executive KMP remuneration levels in FY2017?	Fixed remuneration levels for Executive KMPs were not increased in FY2017.
Are there any changes proposed in FY2018?	The Board is reviewing remuneration for FY2018 for Executive KMPs and other Senior Executives in the context of the CAS transaction. The review is being informed by market data from remuneration benchmarking, anticipated role changes for some Senior Executives, and the integration of UK-based Senior Executives into Link Group's organisational structure and remuneration framework.
How is Link Group's performance reflected in this year's remuneration outcomes?	<p>FY2017 was another strong year for Link Group. The Operating EBITDA gateway on the STI was achieved. In addition, the Operating EBITDA was 4% above target. Performance against individual KPIs was also strong. As such, individual outcomes ranged from 80% to 100% of target STI opportunities. The stretch STI opportunity was not invoked in FY2017. Further detail on STI outcomes is provided in section 2.2.</p> <p>The Omnibus Equity Plan is not assessed until the end of the three-year performance period.</p>
How is fixed remuneration determined? And how is it positioned relative to the market?	<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. In FY2017, consideration was given to S&P/ASX200 companies with market capitalisation 50% to 200% of Link Group's 12-month average market capitalisation and the 25 companies ranked above and below Link Group's 12-month average market capitalisation. Where a role match was available, consideration was also given to specific peer companies.</p> <p>Fixed remuneration is generally reviewed against the market annually, however, there is no guaranteed annual increase.</p>

1. Directors' Report (continued)

Remuneration Report (continued)

Executive KMP remuneration in FY2017	
<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 defined on the previous page, in relation to 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 plan and shareholder value creation.</p> <p>The proportion of total target remuneration 'at risk' for Executive KMPs' ranges from 56% to 70%.</p>
<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. Including Operating EBITDA as a gateway ensures affordability of the plan in a given year.</p>
<p>What are the performance measures for the STI plan? How do they align with business strategy?</p>	<p>Payments will be made under the STI plan, subject to the achievement of a scorecard of relevant corporate, business unit (where relevant) and individual measures comprising a combination of Operating EBITDA, Operating NPATA and individual strategic goals.</p> <p>Strategic goals are aligned to our growth and innovation strategy goals. Goals vary by role and across financial years but broadly fall under the categories of divisional finance targets, business development, transition and integration of new business acquisitions, and 'other'. Strategic goals in FY2017 included such objectives as successful acquisition execution, new client wins, delivery of new products, and revenue targets. Further detail is included in section 2.2 of this Remuneration Report.</p>
<p>What is the target and maximum STI opportunity each executive can earn under the STI plan? How is this determined?</p>	<p>Target opportunity: The target STI opportunity for Executive KMPs represents an opportunity to earn 28-30% of total target remuneration. Target STI ranges from 64% to 100% of fixed remuneration.</p> <p>Stretch opportunity: The on-target STI may be increased if the Company 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 KMPs 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>Why does Link Group not defer a portion of the STI?</p>	<p>Deferral was included in the Executive KMP remuneration packages as a one-off in FY2016 to assist with the retention of key individuals post-IPO and before the first LTI grant was made.</p> <p>Link Group is comfortable that the implementation of the LTI plan in FY2017, which includes a holding lock on a portion of vested shares, along with the current equity holdings of Executive KMPs and our minimum shareholding policy, facilitates sufficient equity exposure to align current Executive KMPs with our Shareholders.</p> <p>Deferral will be included as part of remuneration packages for any new Executive KMPs to support them to meet the minimum shareholding requirements.</p>

1. Directors' Report (continued)

Remuneration Report (continued)

Executive KMP remuneration in FY2017	
<p>What is the LTI performance period?</p>	<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 is comfortable that the combination of the three-year vesting period and subsequent two-year holding lock provides alignment between Executive KMPs and the Company's long-term growth strategy.</p>
<p>What are the performance measures for the LTI plan? How do they align with business strategy?</p>	<p>The Omnibus Equity Plan delivers performance rights to participants subject to the achievement of EPS targets (75%) and relative TSR performance (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. Further detail is included in section 3 of this Remuneration Report.</p>
<p>Why does relative TSR have a lower weighting than EPS?</p>	<p>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. 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>
<p>What comparator group(s) are the LTI performance measures assessed against?</p>	<p>The relative TSR component of the LTI for the FY2017 award is compared to the constituents of the S&P/ASX 200, excluding materials, utilities, industrials and energy companies. This provides a base of 128 companies for the FY2017 grant, before any corporate actions are considered during the performance period.</p>
<p>What are the minimum shareholding requirements for Executive KMPs? Have Executive KMPs met the requirements?</p>	<p>Executive KMPs are required to hold a minimum of one year's Annual Fixed Remuneration within three years of the date they first become a participant in the Omnibus Equity Plan.</p> <p>All Executive KMPs have met the requirements. See table 27 for further detail.</p>

1. Directors' Report (continued)

Remuneration Report (continued)

Remuneration in FY2018	
<p>Are there any planned changes for FY2018; and why?</p>	<p>The Board has approved the following changes to the Executive KMP remuneration arrangements for FY2018:</p> <ul style="list-style-type: none"> • No deferral is intended to apply to FY2018 STI awards for existing Executive KMPs provided they continue to meet the minimum shareholding requirement, consistent with our approach in FY2017. Deferral will apply to any new Executive KMPs until they meet Link Group's minimum shareholding requirement. • Given Link Group's growth and positioning within the S&P/ASX 100, for LTI grants made from FY2018, the TSR comparator group will be the constituents of the S&P/ASX 100 excluding materials, utilities, industrials and energy companies. This approach will likely result in a comparator group of approximately 62 companies for the FY2018 grant. This change reflects our growth and market position as a S&P/ASX 100 company. • The Omnibus Equity Plan Rules will be amended to refine the change of control and cessation of employment terms and introduce the concept of a 'share appreciation right'. Shareholders will be asked to approve the revised Rules at the 2017 AGM. The new terms will include: <ul style="list-style-type: none"> • In the instance of a change of control, 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. • 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. A cash-settled alternative (through the issue of indeterminate rights) will be included in the plan for participants who leave by virtue of a 'Qualifying Reason' to facilitate deferral of tax until the shares are received. • Remuneration for Executive KMPs and other Senior Executives is under review in the context of the CAS transaction. The review is being informed by anticipated role changes for some Senior Executives and the integration of UK based Senior Executives into the Link Group organisational and remuneration framework.
Non-Executive Directors	
<p>Were there any changes to Non-Executive Director remuneration in FY2017? Are there any proposed changes in FY2018?</p>	<p>There were no changes to Non-Executive Director remuneration levels in FY2017.</p> <p>The Board is considering the fees payable to Non-Executive Directors in FY2018 in the context of market data from remuneration benchmarking, the CAS transaction, and the objective of appointing a UK-based Director.</p>
<p>What are the minimum shareholding requirements for Non-Executive Directors? Have Non-Executive Directors met the requirements?</p>	<p>Non-Executive Directors are required to hold a minimum of one times their annual base fee (not including Committee membership or the higher fee for the Chair) within three years after the date of their appointment.</p> <p>At the time of publication of this Report, all Non-Executive Directors have met the minimum shareholding requirements.</p>

1. Directors' Report (continued)

Remuneration Report (continued)

2. Summary information

2.1 Key Management Personnel

The names and titles of KMP are set out below. David Geddes will retire effective 31 August 2017. 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
Cameron Blanks	Non-Executive Director and Nominee Director of the PEP Shareholders ²¹ (resigned 9 September 2016)
Glen Boreham, AM	Independent Non-Executive Director
Peeyush Gupta	Independent Non-Executive Director (appointed 18 November 2016)
Paul McCullagh	Non-Executive Director and Nominee Director of the PEP Shareholders ²¹ (resigned 9 September 2016)
Anne McDonald	Independent Non-Executive Director (appointed 23 July 2016)
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 and Joint Company Secretary
Suzanne Holden	Chief Executive Officer, Fund Administration
David Geddes	Chief Executive Officer, Corporate Markets (retiring 31 August 2017)
Paul Gardiner	Chief Executive Officer, Corporate Markets; Chief Executive Officer Information, Digital and Data Services (IDDS) ²²

21. Defined in Appendix 1 to the Operating and Financial Review, which forms part of the Directors' Report.

22. Previously CEO, IDDS only. Appointed CEO to Corporate Markets effective 16 March 2017

1. Directors' Report (continued)

Remuneration Report (continued)

2.2 FY2017 Overview – alignment between performance and Executive KMP remuneration

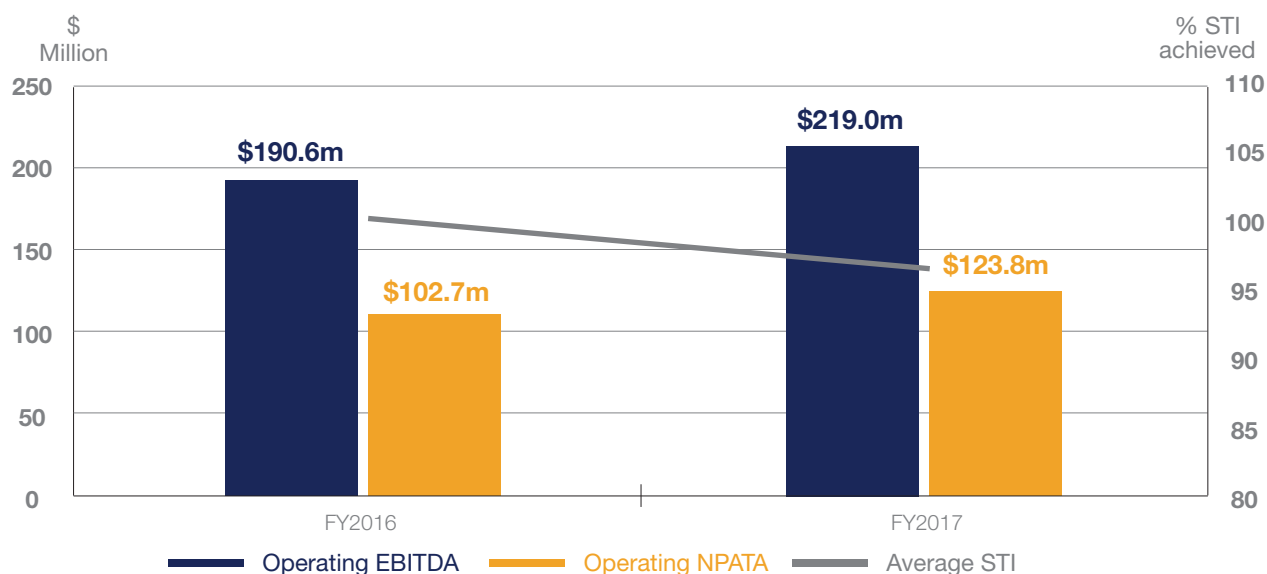
In FY2017, our Executive KMP remuneration consisted of fixed remuneration, short-term incentives and the first grant of PSRs under the long-term incentive plan. The short and long-term incentive plans directly align remuneration outcomes to the Company's strategic objectives, and drive superior business performance and sustainable shareholder value creation. In addition to the above elements, the senior leaders of Link Group, including the Executive KMPs, presently hold an estimated 5% of the Company's share capital, which was acquired over a significant period of time prior to the IPO.

FY2017 was another strong year for the Link Group as we consolidated our position as a listed company and grew our market capitalisation to position us in the S&P/ASX 100. Operating EBITDA, a key strategic measure for Link Group, was \$219 million and the gateway for STI payments was met.

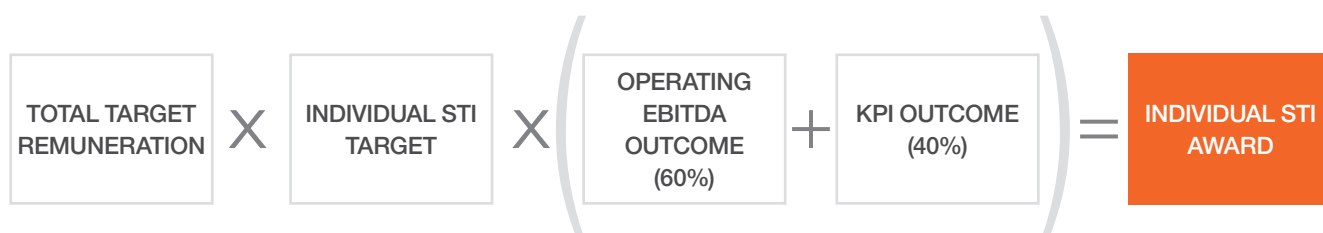
Figure 6 demonstrates our strong performance and the associated STI outcomes. As the first LTI awards were granted in FY2017, performance is not due to be tested until the end of FY2019.

Figure 6

GROUP FINANCIAL PERFORMANCE VS AVERAGE STI OUTCOME



GATEWAY BASED ON OPERATING EBITDA TARGET OF \$210 MILLION



1. Directors' Report (continued)

Remuneration Report (continued)

Tables 12, 13 and 14 outline further detail of our performance against our strategic goals in FY2017.

Table 12: FY2017 STI Outcomes.

EXECUTIVE KMP	GATEWAY MET		STRATEGIC GOALS			TOTAL STI ACHIEVED
	OPERATING EBITDA	DIVISIONAL FINANCIAL	TRANSITION & INTEGRATION	BUSINESS DEVELOPMENT	OTHER ²³	
John McMurtrie	●	●	●	●	●	100%
John Hawkins	●	●	●	●	●	100%
Suzanne Holden	●	●	●	●	●	100%
David Geddes	●		●	●	●	80%
Paul Gardiner	●	◐	●	●	●	95%

Table 13: KPI Performance

Measure	Description
Company Financial Performance	Operating EBITDA and Operating NPATA performance continued our strong growth trajectory in FY2017. Link Group reported Operating EBITDA was \$219.0 million in FY2017, up from \$190.6 million in FY2016 and exceeding our target by 4%. Operating NPATA was \$123.8 million in FY2017, up from \$102.7 million in FY2016.
Divisional Financial	<p>Divisional financial performances are key drivers in achieving Operating EBITDA and Operating NPATA. Fund Administration Operating EBITDA grew from \$96.1 million to \$118.1 million in FY2017, a result of integration synergies tracking ahead of plan and higher than anticipated margins.</p> <p>Corporate Markets Operating EBITDA declined from \$56.9 million in FY2016 to \$50.7 million in FY2017 due to corporate actions revenue being down year-on-year and behind budget, which impacted the divisional Operating EBITDA. Recurring Revenue was up 8% year-on-year due to new business wins in FY2017 and the annualised impact of new business won in FY2016.</p> <p>IDDS Operating EBITDA grew from \$43.9 million in FY2016 to \$55.0 million in FY2017, largely in part to cross-selling new products and services to existing clients, as well as winning new business with external clients.</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 plan.</p> <p>These transition and integration performance measures included:</p> <ul style="list-style-type: none"> the final migration of all Superpartners clients to its proprietary technology platform. Realisation of efficiencies is ahead of forecast; transition of German clients onto a new registry platform is progressing in line with agreed project plans; and transition and integration of White Outsourcing (now Link Fund Solutions) and Adviser Network, is on track. <p>All transitional performance measures were achieved during the financial year.</p>

23. 'Other' strategic goals relate to operational performance and client satisfaction, succession planning and corporate governance KPIs relevant to Executive KMP role.

1. Directors' Report (continued)

Remuneration Report (continued)

Measure	Description
Business Development	<p>Business development through new clients, new services and acquisitions are key drivers of our growth strategy. Key highlights included:</p> <ul style="list-style-type: none"> the strategic acquisition of CAS, announced on 26 June 2017. The acquisition offers a platform for sustainable growth in the UK and Europe and for Link Group to drive further efficiencies in the business; Fund Administration: Link Group was successful in winning a new Fund Administration client, Retirement Benefits Fund (RBF), a Tasmanian public sector fund. Link Group's contract with REST Super was extended until 31 December 2017 and is in advanced stages of negotiation in respect of a new long-term contract; Corporate Markets: Link Group was successful in winning new business with Woolworths Limited, Cochlear Limited, Autosports Limited, Myer Limited, Inghams Group Limited and Viva Energy Australia Limited in Australia and New Zealand. Client wins in overseas markets include HSBC in the UK and National Stock Exchange in India; and IDDS: Link Group won new business with Fuji Xerox, Rexel Australia, ESS Super and ME Bank. In addition, IDDS (through its subsidiary, Link Digital Solutions Pty Limited) was successful in cross selling new products and services to existing clients as demonstrated by sales of new innovative mobile apps into the Fund Administration and Corporate Markets' client bases. <p>During the financial year all individual Business Development targets were met.</p>
Other	<p>Other strategic KPIs varied by role, with key highlights including:</p> <ul style="list-style-type: none"> delivery of strong operational performance and client satisfaction; succession planning; and execution of good corporate governance and compliance as a newly listed entity. <p>All additional strategic measures were achieved during the financial year.</p>

Table 14: 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	800,000	100	-	-	800,000
John Hawkins	487,500	100	-	-	487,500
Suzanne Holden	450,000	100	-	-	450,000
David Geddes	318,182	80	20	-	254,546
Paul Gardiner	318,182	95	5	-	302,273

1. Directors' Report (continued)

Remuneration Report (continued)

Table 15 outlines the five-year performance of Link Group.

Table 15: Five-year performance of Link Group

	2017	2016	2015	2014	2013
Operating EBITDA (\$millions)²⁴	219.0	190.6	150.5	140.0	132.2
Net Profit/(loss) after tax (\$millions)	85.2	42.5	3.3	(25.2)	50.2
Change in share price to 30 June (\$)	0.03	1.80	N/A ²⁵	N/A ²⁵	N/A ²⁵
Declared Dividends (cps)	14.0	8.0	N/A ²⁴	N/A ²⁴	N/A ²⁴

2.3 Actual cash remuneration received

Table 16 shows the actual cash remuneration paid or payable to Executive KMPs in FY2017 and FY2016. The information in table 16 differs from the statutory information in section 2.4 (which is based on the Australian Accounting Standards standards) as table 16 includes the realised value of deferred STI (in FY2017, 50% 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 16: Actual remuneration received in FY2017 and FY2016

Executive KMP	Year	Fixed Remuneration \$	Current year STI \$	Cash impact of Deferral (from FY2016) \$	Total remuneration \$
John McMurtrie	2017	780,384	800,000	160,000	1,740,384
	2016	792,759	320,000	0	1,112,759
John Hawkins²⁶	2017	630,384	487,500	97,500	1,215,384
	2016	614,783	475,000	0	1,089,783
Suzanne Holden	2017	580,384	450,000	75,000	1,105,384
	2016	586,869	150,000	0	736,869
David Geddes	2017	480,384	254,546	62,500	797,430
	2016	480,692	125,000	0	605,692
Paul Gardiner	2017	488,696	302,273	62,500	853,469
	2016	489,588	125,000	0	614,588

24. FY2013-2015 Operating EBITDA is presented on a Pro forma basis

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

26. John Hawkins received a one-off IPO-related bonus of \$280,000 in addition to his short-term incentive bonus of \$195,000 for the financial year ended 30 June 2016.

1. Directors' Report (continued)

Remuneration Report (continued)

2.4 Executive KMP statutory remuneration table

Table 17 presents the remuneration for Executive KMPs for FY2017, and comparative information for FY2016. The information presented in table 17 has been prepared in accordance with the Australian Accounting Standards and accordingly differs from the information presented in the Actual Remuneration received in table 16 in section 2.3.

Table 17: Executive KMP Statutory remuneration

Name	Year	Short-term benefits		Post-employment benefits	Other long-term benefits	LTI	Total	Proportion of remuneration related to performance	Value of PSRs as a proportion of remuneration	
		Salary and fees	STI ²⁸	Non-monetary benefits	Super-annuation benefits					Long service leave
		\$	\$	\$	\$	\$	\$			
John McMurtrie	2017	780,384	933,333	12,697	19,616	-	195,333	1,941,363	48%	10%
	2016	792,759	453,333	7,135	34,308	-	-	1,287,535	35%	-
John Hawkins²⁷	2017	630,384	568,750	12,892	19,616	11,705	103,120	1,346,467	42%	8%
	2016	614,783	556,250	10,075	33,908	25,084	-	1,240,100	22%	-
Suzanne Holden	2017	580,384	512,500	12,639	19,616	12,492	95,187	1,232,818	42%	8%
	2016	586,869	212,500	10,050	19,308	13,317	-	842,044	25%	-
David Geddes	2017	480,384	306,629	13,116	34,616	-	67,304	902,049	34%	7%
	2016	480,692	177,083	11,502	35,000	6,926	-	711,203	25%	-
Paul Gardiner	2017	488,696	354,356	13,369	19,616	9,004	67,304	952,345	37%	7%
	2016	489,588	177,083	11,337	22,308	21,270	-	721,586	25%	-
Total	2017	2,960,232	2,675,568	64,713	113,080	33,201	528,248	6,375,042	42%	8%
	2016	2,964,691	1,576,249	50,099	144,832	66,597	-	4,802,468	33%	-

27. John Hawkins received a one-off IPO-related bonus of \$280,000 in addition to his short-term incentive bonus of \$276,250 for FY2016.

28. All STIs are subject to Board approval upon finalisation of the financial statements and include a deferral component from FY2016.

1. Directors' Report (continued)

Remuneration Report (continued)

3. Detailed remuneration information

3.1 Detail of Executive KMP remuneration framework

Table 18 outlines the detail of the FY2017 STI and LTI arrangements.

Table 18: FY2017 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 KMPs represents an opportunity to earn 28% to 30% of total target remuneration. Target STI ranges from 64% to 100% of fixed remuneration.</p> <p>The on-target STI may be increased if the Company achieves at least 110% of the Operating EBITDA target.</p> <p>Executive KMPs 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>
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>
Performance measures	<p>Allocation of the STI is by achievement of a 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>Strategic goals vary by role and may include objectives such as successful acquisition execution, transition and integration of acquisitions, new client wins, delivery of new products, and revenue targets.</p> <p>For FY2017 the weighting of financial versus non-financial goals was generally around 60% to Operating EBITDA and 40% to strategic goals.</p>
Clawback	<p>From FY2018, the Board will have 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 28% to 40% of the total target remuneration package for Executive KMPs, or 64% to 133% of fixed remuneration, at face value.</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.</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. Shares are held by a trustee while the holding lock applies.</p>
Award vehicle	<p>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>

1. Directors' Report (continued)

Remuneration Report (continued)

Performance measures	<p>For FY2017 grants under the LTI, the following performance measures apply:</p> <p>EPS (75%) - EPS is calculated by dividing the Company's Operating NPATA before significant items 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%.</p> <p>The vesting schedule for the EPS portion is as follows:</p> <table border="1" data-bbox="416 730 1445 992"> <thead> <tr> <th>EPS performance outcome</th> <th>Percentage of performance rights that will vest</th> </tr> </thead> <tbody> <tr> <td>Below 7%</td> <td>0%</td> </tr> <tr> <td>At 7%</td> <td>50%</td> </tr> <tr> <td>Between 7% and 12%</td> <td>Pro-rata between 50% and 100%</td> </tr> <tr> <td>At 12%</td> <td>100%</td> </tr> </tbody> </table> <p>TSR (25%) - relative to the constituents of the S&P/ASX 200, excluding materials, utilities, industrials and energy companies. Our starting comparator group, before consideration of any corporate actions during the vesting period, is 128 companies for the FY2017 grant.</p> <p>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.</p> <p>The vesting schedule is as follows:</p> <table border="1" data-bbox="400 1330 1445 1621"> <thead> <tr> <th>Link Group's relative TSR ranking</th> <th>Percentage of performance rights that will vest</th> </tr> </thead> <tbody> <tr> <td>Below 50th percentile</td> <td>0%</td> </tr> <tr> <td>At 50th percentile</td> <td>50%</td> </tr> <tr> <td>Above 50th and below 75th percentile</td> <td>Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)</td> </tr> <tr> <td>At or above 75th percentile</td> <td>100%</td> </tr> </tbody> </table> <p>Both the EPS and TSR measures support the aim of the plan in supporting our growth and innovation strategy and driving the creation of sustainable shareholder value.</p> <p>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. 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>	EPS performance outcome	Percentage of performance rights that will vest	Below 7%	0%	At 7%	50%	Between 7% and 12%	Pro-rata between 50% and 100%	At 12%	100%	Link Group's relative TSR ranking	Percentage of performance rights that will vest	Below 50th percentile	0%	At 50th percentile	50%	Above 50th and below 75th percentile	Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)	At or above 75th percentile	100%
	EPS performance outcome	Percentage of performance rights that will vest																			
Below 7%	0%																				
At 7%	50%																				
Between 7% and 12%	Pro-rata between 50% and 100%																				
At 12%	100%																				
Link Group's relative TSR ranking	Percentage of performance rights that will vest																				
Below 50th percentile	0%																				
At 50th percentile	50%																				
Above 50th and below 75th percentile	Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)																				
At or above 75th percentile	100%																				
Change of control	<p>The Board has the absolute discretion to determine that some or all of the unvested awards may vest on a change of control.</p> <p>As described in section 1 of this Remuneration Report, for grants from FY2018, the LTI plan rules will be amended in respect of a change of control.</p>																				

1. Directors' Report (continued)

Remuneration Report (continued)

Cessation of employment	<p>Where a participant ceases employment a result of a 'Qualifying Event', the Board may, in its absolute discretion, determine that some or all unvested awards will vest at the time of the cessation of employment or another date determined by the Board.</p> <p>As described in Section 1 of this Remuneration Report, for grants from FY2018, the LTI plan rules will be amended in respect of cessation of employment for a 'Qualifying Reason'.</p>																														
Remuneration mix (percentage of total remuneration) FY2017	<table border="1"> <thead> <tr> <th>Executive KMP</th> <th>Total Fixed Remuneration %</th> <th>Target STI Cash %</th> <th>LTI Grant %</th> <th>Total Variable Remuneration %</th> </tr> </thead> <tbody> <tr> <td>John McMurtrie</td> <td>30%</td> <td>30%</td> <td>40%</td> <td>70%</td> </tr> <tr> <td>John Hawkins</td> <td>40%</td> <td>30%</td> <td>30%</td> <td>60%</td> </tr> <tr> <td>Suzanne Holden</td> <td>40%</td> <td>30%</td> <td>30%</td> <td>60%</td> </tr> <tr> <td>David Geddes</td> <td>44%</td> <td>28%</td> <td>28%</td> <td>56%</td> </tr> <tr> <td>Paul Gardiner</td> <td>44%</td> <td>28%</td> <td>28%</td> <td>56%</td> </tr> </tbody> </table>	Executive KMP	Total Fixed Remuneration %	Target STI Cash %	LTI Grant %	Total Variable Remuneration %	John McMurtrie	30%	30%	40%	70%	John Hawkins	40%	30%	30%	60%	Suzanne Holden	40%	30%	30%	60%	David Geddes	44%	28%	28%	56%	Paul Gardiner	44%	28%	28%	56%
Executive KMP	Total Fixed Remuneration %	Target STI Cash %	LTI Grant %	Total Variable Remuneration %																											
John McMurtrie	30%	30%	40%	70%																											
John Hawkins	40%	30%	30%	60%																											
Suzanne Holden	40%	30%	30%	60%																											
David Geddes	44%	28%	28%	56%																											
Paul Gardiner	44%	28%	28%	56%																											
Clawback	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.																														
Hedging policy	Executive KMPs are not permitted to hedge unvested award nor awards subject to a holding lock.																														
Minimum shareholding requirement	Executive KMPs are required to hold a minimum of one year's annual fixed remuneration within three years of the date they first become a participant in the Omnibus Equity Plan. All Executive KMPs have significant Link Group shareholdings acquired prior to the IPO, and meet the minimum shareholding requirement.																														

3.2 Key terms of employment contracts

The key employment terms for the Executive KMPs are summarised in table 19. All Executive KMPs have open-ended contracts.

Table 19: 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
Suzanne Holden	4 weeks	12 months
David Geddes	4 weeks	6 months
Paul Gardiner	4 weeks	12 months

1. Directors' Report (continued)

Remuneration Report (continued)

All employment contracts contain:

- total remuneration packages (including mandatory superannuation contributions), plus car parking and any related FBT liability;
- the opportunity to participate in a 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 within Australia for a maximum of 12 months.

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' fees is capped by the Company at \$2 million per annum. Non-Executive Directors' 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. In FY2017, consideration was given to S&P/ASX 200 entities with market capitalisation 50% to 200% of Link Group's 12-month average market capitalisation and the 25 entities ranked above and below Link Group's 12-month average market capitalisation.

Non-Executive Directors receive an annual fee for Board membership and for service as the Chair or a Member of Board Committees. Non-Executive Directors do not participate in any variable or incentive plans and do not receive retirement benefits other than superannuation.

There was no change to Non-Executive Director fees in FY2017.

The Board intends to appoint an additional Non-Executive Director based in the United Kingdom, subject to the completion of the CAS transaction.

Non-Executive Director fees are set out in table 20:

Table 20: Non-Executive Director fees²⁹

	Chair fee	Member fee
Base fees	\$320,000	\$160,000
Committee		
Risk and Audit Committee	\$35,000	\$17,500
Human Resources and Remuneration Committee	\$28,000	\$14,000
Technology and Innovation Committee	\$28,000	\$14,000
Nomination Committee	-	-

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

1. Directors' Report (continued)

Remuneration Report (continued)

Fees paid to Non-Executive Directors during FY2017 and FY2016 were:

Table 21: Statutory remuneration for Non-Executive Directors

Name	Year	Fees \$	Superannuation benefits \$	Total \$
Michael Carapiet	2017	355,668	-	355,668
	2016	278,419	-	278,419
Cameron Blanks	2017	28,227	2,682	30,909
	2016	112,910	10,726	123,636
Glen Boreham	2017	202,000	-	202,000
	2016	141,556	10,726	152,282
Peeyush Gupta	2017	98,208	9,330	107,538
	2016	-	-	-
Paul McCullagh	2017	31,314	2,975	34,289
	2016	124,846	10,726	135,572
Anne McDonald	2017	155,414	14,764	170,178
	2016	-	-	-
Sally Pitkin	2017	193,893	11,607	205,500
	2016	143,943	10,726	154,669
Fiona Trafford-Walker	2017	187,968	21,032	209,000
	2016	146,331	10,726	157,057
Total	2017	1,252,692	62,390	1,315,082
	2016	948,005	53,630	1,001,635

Minimum shareholding requirements

The Board has adopted a Minimum Shareholding Policy to assist in aligning the interests of all Directors with our shareholders. Each Non-Executive Director must hold a minimum number of shares, equivalent to one times their annual base fee (not including Committee membership or the higher fee for the 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 Non-Executive Directors meet the minimum shareholding requirement.

1. Directors' Report (continued)

Remuneration Report (continued)

3.4 Remuneration governance

The Human Resource and Remuneration Committee (the Committee) assists the Board with the oversight and monitoring of the development and implementation of management's Human Resources strategy, supporting policies and practices for Link Group employees and Directors.

Figure 7 outlines the relationship between the Board, Committee, management and external advisors. The Committee comprises independent Non-Executive Directors appointed by the Board.

Figure 7



During FY2017, Link Group received external advice from EY related to market remuneration benchmarking, market remuneration insights around remuneration structures and assistance with the development of this Remuneration Report.

No remuneration recommendations were provided by any external advisors.

1. Directors' Report (continued)

Remuneration Report (continued)

3.5 Additional required disclosures

Grants of share rights to Executive KMPs at 30 June 2017

Table 22 outlines the grant of share rights for Executive KMPs in FY2017.

Table 22: Performance Share Rights

Name	Grant date	Share rights granted in FY2017	Number of performance share rights as at 30 June 2017	Performance period	Expiry date	Exercise price
John McMurtrie	18.11.16	127,992	127,992	1.07.16 – 30.06.19	18.11.23	Nil
John Hawkins	15.09.16	58,496	58,496	1.07.16 – 30.06.19	15.09.23	Nil
Suzanne Holden	15.09.16	53,996	53,996	1.07.16 – 30.06.19	15.09.23	Nil
David Geddes	15.09.16	38,179	38,179	1.07.16 – 30.06.19	15.09.23	Nil
Paul Gardiner	15.09.16	38,179	38,179	1.07.16 – 30.06.19	15.09.23	Nil

No performance share rights lapsed during the year.

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 23.

Table 23: Shareholding movement

	Balance at 1 July 2016	Received on exercise of options / rights	Purchased	Disposed	Balance at 30 June 2017	Balance post entitlement offer ³⁰
Michael Carapiet	1,008,450	-	-	-	1,008,450	1,375,160
Cameron Blanks	42,623	-	-	(42,623)	-	-
Glen Boreham	70,643	-	-	-	70,643	96,332
Peeyush Gupta	-	-	31,397	-	31,397	42,815
Paul McCullagh	186,698	-	-	(186,698)	-	-
Anne McDonald	-	-	19,500	-	19,500	26,591
Sally Pitkin	39,245	-	5,500	-	44,745	61,017
Fiona Trafford-Walker	12,590	-	8,356	-	20,946	28,563
John McMurtrie	12,668,180	-	20,000	-	12,688,180	13,731,830
John Hawkins	3,318,734	-	33,500	(160,000)	3,192,234	3,379,936
Suzanne Holden	356,167	-	-	-	356,167	356,167
David Geddes	1,098,800	-	-	(698,000)	400,000	545,455
Paul Gardiner	765,280	-	-	(370,000)	395,280	534,027

30. Shares acquired in July 2017 as part of the Link Group Entitlement Offer (as announced 26 June 2017).

1. Directors' Report (continued)

Remuneration Report (continued) 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 Non-Executive Directors 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 Non-Executive Directors 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 Non-Executive Directors being members of superannuation funds to which Link Group provides services.

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 financial year ended 30 June 2017.

Events Subsequent to Reporting Date

On 26 June 2017, Link Group announced that it had entered into a binding agreement to acquire Capita Asset Services (CAS) from Capita plc for £888 million (\$1,493 million). Completion of the acquisition is subject to mandatory regulatory approvals and is expected to complete by 31 December 2017. CAS is a business offering a broad range of financial and administrative services across the UK and Europe and is a strong strategic fit aligned to Link Group's key business growth drivers.

Funding for the acquisition will be via a combination of a fully underwritten entitlement offer to raise additional capital of \$883 million, cash and available debt facilities including a new £485 million acquisition debt facility. The entitlement offer was successfully completed in July 2017 with the issue of 130,839,343 ordinary shares. On 26 June 2017, Link Group entered into a foreign exchange forward contract to hedge against movement in the Australian Dollar/Pound Sterling exchange rate in the period between the entitlement offer and settlement of the acquisition. The financial impact of the forward contract is discussed in Note 16 of the financial statements.

In July 2017, Link Group used some of the proceeds from the successful entitlement offer to fully repay all of the \$313.5 million non-current interest-bearing loans. The existing facilities remain available to Link Group in accordance with the terms described in Note 13 of the financial statements and may be redrawn upon completion of the CAS acquisition or as otherwise required throughout the remainder of the facility term.

Other than the matters described above and elsewhere in the Directors' Report, 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 (continued)

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. A Sustainability Report that communicates Link Group's approach to dealing with environmental regulations has been approved by the Board and made available on the Link Group website at www.linkgroup.com.

Indemnification and Insurance

Indemnification and insurance of Directors and Officers of the Company and auditors comprise:

Indemnification: 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.

Insurance: 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 a premium in respect of a contract to insure the auditor of the Company or any related entity.

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 3rd 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 www.linkgroup.com.

Rounding Off

The Company is of a kind referred to in ASIC Rounding Instrument 2016/191 dated 1 April 2016, 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.

1. Directors' Report (continued)

Other Information (continued)

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 \$615,458 (2016: \$1,685,700). The Board has considered the non-audit services provided during the year by the external 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 25 to the financial statements.

Lead Auditor's Independence Declaration

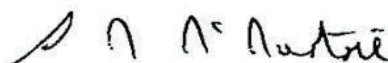
The Lead Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 81 and forms part of the Directors' Report for the year ended 30 June 2017.

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

Dated 18 August 2017 at Sydney



Michael Carapiet
Chair



John McMurtrie
Managing Director

1. Directors' Report (continued)

Auditor's Independence Declaration



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 2017 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

A handwritten signature in black ink, appearing to read 'Andrew Yates', written over a faint, light-colored signature line.

Andrew Yates
Partner

Sydney

18 August 2017

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

2. Financial Statements

Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Revenue – rendering of services	3	779,976	775,896
Expenses:			
Employee expenses		(350,907)	(359,579)
Occupancy expenses		(31,281)	(37,558)
IT costs		(77,110)	(83,826)
Administrative and general expenses		(113,200)	(127,307)
IPO related expenses		-	(22,040)
Acquisition and capital management related expenses		(16,929)	(873)
		(589,427)	(631,183)
Depreciation expense	10	(13,278)	(11,242)
Intangibles amortisation expense	11	(45,276)	(53,758)
		(58,554)	(65,000)
Gain on financial assets held at fair value through profit and loss		5,567	18,057
Finance income		776	946
Finance costs	14	(14,834)	(38,828)
Net finance costs		(14,058)	(37,882)
Profit before tax		123,504	59,888
Tax expense	5(a)	(38,336)	(17,432)
Profit for the year		85,168	42,456
Other comprehensive income Items that will never be reclassified to profit or loss:			
Defined benefit re-measurement		(43)	(91)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations, net of tax		(774)	1,145
Net change in fair value of cash flow hedge, net of tax		-	2,886
		(774)	4,031
Other comprehensive income, net of tax		(817)	3,940
Total comprehensive income for the year		84,351	46,396

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 2017 (continued)

	Note	2017 \$'000	2016 \$'000
Profit attributable to			
Owners of the Company		84,632	42,069
Non-controlling interest		536	387
Profit for the year		85,168	42,456
Total comprehensive income attributable to:			
Owners of the Company		83,857	46,039
Non-controlling interest		494	357
Total comprehensive income for the year		84,351	46,396
Earnings per share		Cents per Share	Cents per Share ³¹
Basic earnings per share	4	22.63	12.11
Diluted-earnings per share	4	22.60	12.11

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

31. Prior year comparative earnings per share have been restated due to the entitlement offer announced on 26 June 2017. See Note 4.

2. Financial Statements (continued)

Consolidated statement of financial position as at 30 June 2017

	Note	30 June 2017 \$'000	30 June 2016 ³² \$'000
Current assets			
Cash and cash equivalents	12(b)	18,162	30,153
Trade and other receivables	6	98,691	95,823
Derivative financial assets	16	2,413	-
Other assets		17,079	13,324
Current tax assets		163	30
Total current assets		136,508	139,330
Non-current assets			
Investments	16	138,689	67,019
Plant and equipment	10	66,023	47,284
Intangible assets	11	850,146	845,162
Deferred tax assets	5(d)	42,437	55,844
Other assets		130	268
Total non-current assets		1,097,425	1,015,577
Total assets		1,233,933	1,154,907
Current liabilities			
Trade and other payables			
Interest bearing loans and borrowings	13	241	198
Provisions	8	15,358	46,856
Employee benefits	9	39,195	38,627
Current tax liabilities		28,711	1,074
Total current liabilities		184,576	174,680
Non-current liabilities			
Trade and other payables	7	47,833	22,534
Interest-bearing loans and borrowings	13	312,892	291,922
Provisions	8	8,121	15,462
Employee benefits	9	6,781	7,723
Deferred tax liabilities	5(d)	56,379	60,524
Total non-current liabilities		432,006	398,165
Total liabilities		616,582	572,845
Net assets		617,351	582,062
Equity			
Contributed equity	17	689,372	689,004
Reserves	18	(77,772)	(112,417)
Retained earnings	19	4,999	4,999
Total equity attributable to equity holders of the parent		616,599	581,586
Non-controlling interest		752	476
Total equity		617,351	582,062

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

32. Prior year comparatives have been restated due to amendment of provisional acquisition accounting. See Note 21.

2. Financial Statements (continued)

Consolidated statement of changes in equity as at 30 June 2017

	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interest \$'000	Total \$'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 paid	-	(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 changes in equity as at 30 June 2017 (continued)

	Share capital \$'000	Reserves \$'000	Retained earnings (accumulated losses) \$'000	Total \$'000	Non-controlling interest \$'000	Total \$'000
Balance at 1 July 2015	202,481	(145,696)	(7,761)	49,024	119	49,143
Net profit	-	-	42,069	42,069	387	42,456
Defined benefit re-measurement	-	(91)	-	(91)	-	(91)
Net change in fair value of cash flow hedge, net of tax	-	2,886	-	2,886	-	2,886
Foreign currency translation differences, net of tax	-	1,175	-	1,175	(30)	1,145
Total other comprehensive income, net of income tax	-	3,970	-	3,970	(30)	3,940
Total comprehensive income for the year	-	3,970	42,069	46,039	357	46,396
Transfer from retained earnings to reserves	-	29,309	(29,309)	-	-	-
Transactions with shareholders						
Issue of share capital, net of costs of raising capital and tax	486,523	-	-	486,523	-	486,523
Total contributions by and distributions to owners	486,523	-	-	486,523	-	486,523
Balance at 30 June 2016	689,004	(112,417)	4,999	581,586	476	582,062

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 2017

	Note	2017 \$'000	2016 ³³ \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		856,998	845,683
Cash payments in the course of operations		(640,452)	(654,547)
		216,546	191,136
Business combination/acquisition costs paid		(7,168)	(1,156)
Integration costs paid		(17,334)	(9,671)
Client migration costs paid		(30,587)	(40,224)
IT business transformation costs paid		(536)	(7,681)
Interest received		226	434
Dividends received		386	296
Borrowing costs paid		(10,846)	(28,638)
Income taxes paid		(2,431)	(1,593)
Net cash provided by operating activities	12(a)	148,256	102,903
Cash flows from investing activities			
Payments for plant and equipment		(11,046)	(15,295)
Payments for software		(25,053)	(24,072)
Acquisition of subsidiary, net of cash acquired		(24,342)	(7,111)
Payments for investments		(68,512)	(14,599)
Net cash used in investing activities		(128,953)	(61,077)
Cash flows from financing activities			
Proceeds from borrowings		98,000	358,380
Repayment of borrowings		(77,696)	(861,425)
Proceeds from the issue of shares and conversion of partly paid shares		-	499,738
IPO related costs		-	(40,441)
Dividends paid to owners of the Company		(50,372)	-
Dividends paid to non-controlling interest		(225)	-
Proceeds from transactions with non-controlling interest		33	-
Net cash used in financing activities		(30,260)	(43,748)
Net decrease in cash and cash equivalents		(10,957)	(1,922)
Cash and cash equivalents at the beginning of the financial year		30,153	31,835
Effect of exchange rate fluctuations on cash held		(1,034)	240
Cash and cash equivalents at the end of the financial year	12(b)	18,162	30,153

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

33. Prior year comparative cash payments in the course of operations have been reduced by \$58,732,000 and reclassified as business combination/acquisition, integration, client migration and IT business transformation costs paid because it more accurately reflects the nature of Link Group's cash flows from operating activities. The reclassification had no impact on net cash provided by operating activities.

3. Notes to the Financial Statements

Preparation of this Report

1. General Information

The consolidated financial statements of Link Group as at and for the financial year ended 30 June 2017 comprise the Company and its subsidiaries and Link Group's interest in associates and jointly controlled entities. 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. Link Group is a for-profit entity. Link Group is a technology-enabled provider of outsourced administration services for superannuation fund administration, corporate markets and related value-added services including fund administration, registry services, data management, analytics, digital communication and stakeholder education and advice.

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 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 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 financial statements should be prepared on a going-concern basis.

Link Group had positive cash flows from operating activities for the financial year ended 30 June 2017 and is forecasting positive operating cash flows in the 2018 financial year. Link Group also has undrawn facilities that, if required, will enable Link Group to fulfil its obligations as and when they fall due. The deficiency of current assets over current liabilities is a result of Link Group using cash generated from operations to repay non-current interest-bearing loans during the year, and in addition, to fund business combinations (see Note 21) and acquisition of other investments (see Note 16).

The consolidated financial statements were approved by the Board of Directors on 18 August 2017.

(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.

3. Notes to the Financial Statements (continued)

Preparation of this Report (continued)

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 5 (e) – Utilisation of tax losses;
- Note 8 – Provisions;
- Note 11 – Key assumptions in impairment testing for cash generating units (CGU) containing goodwill;
- Note 16 – Fair value of level 3 financial instruments;
- Note 20 – Share-based payments; and
- Note 21 – Business combinations.

(e) Changes in accounting policies

Link Group has consistently applied the same accounting policies to all periods presented in these consolidated financial statements. There were no new standards or amendments to standards that Link Group was required to adopt during the financial year.

(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 Rounding Instrument 2016/191 dated 1 April 2016. 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

Link Group has three reportable segments, as described below, which are Link Group's key divisions. All 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** – provides administration services to superannuation funds. Link Group provides a fully integrated platform solution to its clients, covering all major front, middle and back office administration functions.
- **Corporate Markets** – provides a comprehensive and integrated corporate market offering that connects issuers with their stakeholders. The division's key services include shareholder management and analytics, stakeholder engagement, share registry, employee share plans and company secretarial.
- **Information, Digital and Data Services** – is the technology hub of Link Group and a key driver of innovation. Information, Digital and Data Services 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. This division supports Fund Administration, Corporate Markets and a number of external clients.

3. Notes to the Financial Statements (continued)

Operating results (continued)

	2017 \$'000	2016 \$'000
Segment revenue		
Fund Administration	562,348	561,933
Corporate Markets	198,420	197,506
Information, Digital and Data Services	215,902	206,538
Total segment revenue	976,670	965,977
Eliminations	(196,694)	(190,081)
Total revenue	779,976	775,896
Operating EBITDA		
Fund Administration	118,113	96,114
Corporate Markets	50,698	56,867
Information, Digital and Data Services	55,029	43,901
Total Segment Operating EBITDA	223,840	196,882
Head Office	(4,819)	(6,282)
Total Operating EBITDA	219,021	190,600
Significant items		
Business combination/acquisition costs	(16,043)	(696)
Integration costs	(4,680)	(8,464)
Client migration costs	(7,749)	(6,470)
IT business transformation	-	(8,217)
Total significant items	(28,472)	(23,847)
IPO related expenses	-	(22,040)
Depreciation expense	(13,278)	(11,242)
Intangibles amortisation expense – non-acquisition related	(21,583)	(22,166)
Intangibles amortisation expense – acquisition related	(23,693)	(31,592)
Gain on financial assets held at fair value through profit and loss	5,567	18,057
Finance income	776	946
Finance expense	(14,834)	(38,828)
Profit before tax	123,504	59,888
Income tax expense	(38,336)	(17,432)
Net profit after tax	85,168	42,456

3. Notes to the Financial Statements (continued)

Operating results (continued)

External revenue is the same as segment revenue for all segments except Information, Digital and Data Services, which had direct external revenues of \$19.2 million (2016: \$16.5 million).

	2017 \$'000	2016 ³⁴ \$'000
Segment assets		
Fund Administration	455,498	472,017
Corporate Markets	396,273	370,533
Information, Digital and Data Services	195,649	185,978
Total segment assets	1,047,420	1,028,528
Head office	186,513	126,379
Total assets	1,233,933	1,154,907

Geographical segment

Link Group operates predominantly in one geographical segment, being Australia and New Zealand. Revenues from operations outside of Australia and New Zealand approximate 7% (2016: 7%).

Major Clients

Link Group had two major clients in the Fund Administration division, which had combined revenues of \$235,950,000 (2016: \$229,811,000).

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.

34. Restated due to amendment of provisional acquisition accounting. See Note 21.

3. Notes to the Financial Statements (continued)

Operating results (continued)

4. 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 the entitlement offer, which was conducted at a discount to market value as at 26 June 2017.

	2017 \$'000	2016 \$'000
Profit for the year attributable to owners of the Company	84,632	42,069
	Number of shares³⁵ '000	Number of shares³⁵ '000
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at the beginning of the financial year	359,798	281,305
Effect of allotment and issuances	-	52,972
Effect of bonus entitlement offer on ordinary shares	14,179	13,173
Basic weighted average number of ordinary shares	373,977	347,450

(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 the entitlement offer, which was conducted at a discount to market value as at 26 June 2017.

	2017 \$'000	2016 \$'000
Profit for the year attributable to owners of the Company	84,632	42,069
	Number of shares³⁵ '000	Number of shares³⁵ '000
Basic weighted average number of ordinary shares	373,977	347,450
Effect of dilutive PSRs	489	-
Effect of bonus entitlement offer on dilutive PSRs	19	-
Weighted average number of ordinary shares (diluted)	374,485	347,450
Basic earnings per share (cents)	22.63	12.11
Diluted earnings per share (cents)	22.60	12.11

35. The weighted average number of ordinary shares used in the Basic and Diluted earnings per share calculation for the current and comparative year was adjusted retrospectively in accordance with AASB 133 *Earnings Per Share* following the entitlement offer announced on 26 June 2017 (see Note 17). The entitlement offer was conducted at a discount to market price (bonus element), resulting in a theoretical dilution of existing ordinary shares on issue and a decrease in basic and diluted earnings per share.

3. Notes to the Financial Statements (continued)

Operating results (continued)

5. Taxation

(a) Income tax expense

	2017 \$'000	2016 \$'000
Current tax expense		
Current year	(34,960)	(11,825)
Adjustment for prior years	(756)	(602)
	(35,716)	(12,427)
Deferred tax (expense)/benefit		
Origination and reversal of temporary differences	(4,092)	(5,634)
Adjustment for prior years	1,472	629
	(2,620)	(5,005)
Tax expense from continuing operations	(38,336)	(17,432)
Profit before income tax	123,504	59,888
Prima facie income tax expense calculated at 30% on operating profit from ordinary activities:	(37,051)	(17,966)
Effect of tax rates in foreign jurisdictions	340	(193)
Non-deductible expenses	(5,213)	(1,457)
Non-assessable income	478	618
Recognition/(de-recognition) of previously unrecognised/(recognised) tax losses	2,394	1,540
Over provision of tax in respect of prior years	716	26
Income tax expense	(38,336)	(17,432)
Movement in temporary differences	3,298	5,364
Utilisation of recognised tax losses	5,687	9,515
Income tax payable on current year profits	(29,351)	(2,553)

3. Notes to the Financial Statements (continued)

Operating results (continued)

(b) Effective tax rates for Australian and overseas operations

	Profit before tax \$'000	2017 Income tax expense \$'000	Effective tax rate	Profit before tax \$'000	2016 Income tax expense \$'000	Effective tax rate
Australian operations	118,779	36,866	31.04%	54,192	16,608	30.65%
Overseas operations	4,725	1,470	31.11%	5,696	824	14.47%
Total	123,504	38,336	31.04%	59,888	17,432	29.11%

(c) Tax recognised in other comprehensive income and equity

	Before tax \$'000	2017 Tax (expense)/ benefit \$'000	Net of tax \$'000	Before tax \$'000	2016 Tax (expense)/ benefit \$'000	Net of tax \$'000
Foreign Currency Translation Reserve	(946)	172	(774)	1,477	(302)	1,175
Cash flow hedge	-	-	-	4,123	(1,237)	2,886
	(946)	172	(774)	5,600	(1,539)	4,061

(d) Deferred tax assets/(liabilities)

	2017 \$'000	2016 ³⁶ \$'000
Deferred tax asset:		
Provisions	30,875	36,857
Accruals	917	979
Business/acquisition related costs	9,565	12,474
Deferred income	1,187	1,527
Cash flow hedge	(724)	-
Other	78	743
Tax losses	539	3,264
	42,437	55,844
Deferred tax liability:		
Intangible assets	(36,590)	(38,865)
Plant, equipment & software	(12,226)	(15,097)
Other	(7,563)	(6,562)
	(56,379)	(60,524)

36. Restated due to amendment of provisional acquisition accounting. See Note 21.

3. Notes to the Financial Statements (continued)

Operating results (continued)

(e) Unrecognised tax losses

As at 30 June 2017, companies within Link Group had Australian tax losses of \$225,507,000 (2016: \$233,962,000) unrecognised for deferred tax purposes, available to offset against taxable income in future years. 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 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

	2017 \$'000	2016 \$'000
Amount of franking credits available to shareholders for subsequent financial years	637	2,310

The ability to use the franking credits is dependent on the ability to declare 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.

3. Notes to the Financial Statements (continued)

Operating results (continued)

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.

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

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.

Tax funding and tax sharing agreements

Members of the 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 Link Administration Holdings Limited for their portion of Link Group's current tax liability and recognise this payment as an inter-entity payable/receivable in their financial statements. Link Administration Holdings Limited reimburses the subsidiaries for any deferred tax asset arising from unused tax losses and/or tax credits.

3. Notes to the Financial Statements (continued)

Operating assets and liabilities

6. Trade and other receivables

	2017 \$'000	2016 \$'000
Trade receivables	96,654	94,417
Trade receivables – related parties	-	33
Less: provision for impaired amounts	(1,654)	(1,758)
	95,000	92,692
Other debtors	3,691	3,131
	98,691	95,823

Trade receivables

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

7. Trade and other payables

Trade and other payables

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

	2017 \$'000	2016 \$'000
Current		
Trade creditors	17,547	15,436
Deferred consideration	2,547	1,509
Accrued operational expenses	17,056	20,330
Other creditors and accruals	63,921	50,650
	101,071	87,925
Non-current		
Deferred consideration	-	1,985
Other creditors and accruals	47,833	20,549
	47,833	22,534

3. Notes to the Financial Statements (continued)

Operating assets and liabilities (continued)

8. Provisions

	2017 \$'000	2016 ³⁷ \$'000
Current		
Provisions	15,358	46,856
Non-current		
Provisions	8,121	15,462

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

	Self-insured claims \$'000	Integration \$'000	Migration related \$'000	Onerous contracts \$'000	Other \$'000	Total \$'000
Balance at 1 July 2016 ³⁷	19,228	6,083	22,680	11,455	2,872	62,318
Unwinding of finance charge	-	-	2,567	-	-	2,567
Provisions made during the year	772	1,938	1,804	752	34	5,300
Provisions used during the year	(2,099)	(5,054)	(22,692)	(7,678)	(685)	(38,208)
Provisions reversed during the year	(1,966)	(31)	(2,634)	(2,581)	(1,323)	(8,535)
Foreign exchange translation difference	33	28	(24)	-	-	37
Balance at 30 June 2017	15,968	2,964	1,701	1,948	898	23,479
Current	9,497	1,938	1,701	1,692	530	15,358
Non-current	6,471	1,026	-	256	368	8,121

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.

Self-Insured Claims: Link Group self-insures for processing errors associated with the handling of administration activities for clients. Incidents that may give rise to a claim are measured at the cost that Link Group expects to incur in settling the claim, which may or may not have been reported.

37. Restated due to amendment of provisional acquisition accounting. See Note 21.

3. Notes to the Financial Statements (continued)

Operating assets and liabilities (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.

Other: Other provisions are for contractual make-good obligations.

9. Employee benefits

	2017 \$'000	2016 \$'000
Current		
Employee entitlements	39,195	38,627
Non-current		
Employee entitlements	6,781	7,723

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.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if Link Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. Notes to the Financial Statements (continued)

Operating assets and liabilities (continued)

10. Plant and equipment

	Plant & equipment \$'000	Fixtures and fittings \$'000	Total \$'000
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
Cost			
Balance at 1 July 2015	48,133	30,022	78,155
Acquisitions through business combinations	125	-	125
Additions	15,162	20,916	36,078
Effects of movements in exchange rates	(358)	(99)	(457)
Disposals/write offs	(63)	-	(63)
Balance at 30 June 2016	62,999	50,839	113,838
Depreciation and impairment losses			
Balance at 1 July 2015	(33,210)	(22,327)	(55,537)
Depreciation charge for the period	(6,788)	(4,454)	(11,242)
Effects of movements in exchange rates	140	26	166
Disposals/write offs	59	-	59
Balance at 30 June 2016	(39,799)	(26,755)	(66,554)
Carrying amount at 30 June 2016	23,200	24,084	47,284

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.

3. Notes to the Financial Statements (continued)

Operating assets and liabilities (continued)

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 \$32,567,000 of fully depreciated assets following relocation and/or re-fitout of some of its office locations.

11. Intangible assets

	Goodwill \$'000	Client lists \$'000	Software \$'000	Brand Names \$'000	Total \$'000
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
Effects of movements in exchange rates	98	(735)	(1)	(204)	(842)
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)
Effects of movements in exchange rates	(12)	682	20	33	723
Amortisation charge	-	(14,806)	(30,158)	(312)	(45,276)
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
Cost					
Balance at 1 July 2015	586,481	214,875	297,340	5,089	1,103,785
Acquisitions through business combinations ¹	6,616	3,176	226	-	10,018
Additions	-	-	25,015	-	25,015
Transfers	-	-	168	(168)	-
Effects of movements in exchange rates	1,449	(851)	(88)	(445)	65
Disposals/Assets written off	-	-	(15)	-	(15)
Balance at 30 June 2016³⁸	594,546	217,200	322,646	4,476	1,138,868
Amortisation and impairment losses					
Balance at 1 July 2015	(2,500)	(68,432)	(169,255)	(1,163)	(241,350)
Effects of movements in exchange rates	-	1,189	133	65	1,387
Amortisation charge	-	(18,212)	(34,974)	(572)	(53,758)
Disposals/Assets written off	-	-	15	-	15
Balance at 30 June 2016	(2,500)	(85,455)	(204,081)	(1,670)	(293,706)
Carrying amount at 30 June 2016³⁸	592,046	131,745	118,565	2,806	845,162

38. Restated due to amendment of provisional acquisition accounting. See Note 21.

3. Notes to the Financial Statements (continued)

Operating assets and liabilities (continued)

Goodwill

Goodwill arises on the acquisition of subsidiaries and jointly controlled entities 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 lists

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

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.

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. The estimated useful lives for the current and comparative periods are as follows:

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

Significant accounting estimate and judgement

Judgement is required in estimating recoverable amounts of Cash-Generating Units to which intangible assets with an indefinite useful life (goodwill) are allocated. All key assumptions applied in value in use calculations 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)

Operating assets and liabilities (continued)

Impairment testing for Cash-Generating Units (CGU) 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:

	2017 \$'000	2016³⁹ \$'000
Fund Administration	279,262	279,262
Corporate Markets Australia and New Zealand	252,244	235,678
Corporate Markets Overseas	39,721	39,414
Information, Digital and Data Services	39,275	37,692
Total goodwill	610,502	592,046

The carrying amounts of Link Group's goodwill and intangible assets are tested annually for impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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:

	2017	2016
Fund Administration	2.5%	2.5%
Corporate Markets Australia and New Zealand	2.5%	2.5%
Corporate Markets Overseas	3.4%	3.0%
Information and Data Services	2.5%	2.5%

The value in use calculations employed a range of pre-tax discount rates from 10.00% to 11.86% (2016: 9.69% to 11.84%). 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.

39. Restated due to amendment of provisional acquisition accounting. See Note 21.

3. Notes to the Financial Statements (continued)

Operating assets and liabilities (continued)

12. Notes to the statement of cash flows

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

	2017 \$'000	2016 \$'000
Net profit after income tax	85,168	42,456
Add/(less) non-cash items		
Depreciation	13,278	11,242
Amortisation	45,276	53,758
Unrealised foreign exchange loss	536	233
Unwinding discount on provisions and deferred consideration	2,855	4,564
Borrowing cost amortisation	647	5,048
Loss on disposal/write off of plant and equipment	37	-
Gain on financial assets held at fair value through profit & loss	(5,567)	(18,057)
Net cash inflow from operating activities before changes in assets and liabilities	142,230	99,244
IPO costs expensed through income statement	-	22,040
Change in operating assets and liabilities		
Change in trade and other receivables	(9)	(10,666)
Change in other assets	(3,515)	(1,983)
Change in trade and other payables	15,981	8,985
Change in provisions	(42,380)	(30,208)
Change in current and deferred tax balances	35,949	15,491
Net cash inflow from operating activities	148,256	102,903

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

	2017 \$'000	2016 \$'000
Cash and cash equivalents	18,162	30,153

3. Notes to the Financial Statements (continued)

Capital structure, financing and risk management

13. Interest bearing loans and borrowings

		2017 \$'000	2016 \$'000
Current			
Finance lease		241	198
Non – current			
Finance lease		288	465
Loans		312,604	291,457
		312,892	291,922
	Contractual interest rate at 30 June 2017	2017 \$'000	2016 \$'000
Financing Arrangements Total facilities available:			
Non-amortising term loan facility	2.8-3.1%	550,000	550,000
Working capital facility	1.4-3.1%	30,000	30,000
		580,000	580,000
Facilities utilised at reporting date:			
Non-amortising term loan facility	2.8-3.1%	313,500	293,000
Working capital facility	1.4%	13,221	12,959
		326,721	305,959
Facilities not utilised at reporting date			
Non-amortising term loan facility	0.4-0.6%	236,500	257,000
Working Capital facility	0.6%	16,779	17,041
		253,279	274,041

Facilities utilised at reporting date includes \$13,221,000 (2016: \$12,959,000) of guarantees provided to external parties, which have not been drawn down. See Note 15.

Link Group also has access to an uncommitted facility of \$250,000,000 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 adds the following additional facilities (contingent on completion of the Capita Asset Services acquisition); a GBP465,000,000 (\$788,000,000) non-amortising loan facility and a GBP20,000,000 (\$34,000,000) working capital facility.

14. Finance costs

	2017 \$'000	2016 \$'000
Loan interest expense	10,468	28,885
Amortisation of capitalised borrowing costs	647	5,048
Foreign exchange loss	779	233
Other	2,940	4,662
	14,834	38,828

3. Notes to the Financial Statements (continued)

Capital structure, financing and risk management (continued)

15. Contingent liabilities

Link Group has granted bank guarantees to the favour of:

	2017 \$'000	2016 \$'000
AFSL Performance Bond – Westpac/NAB	10,000	10,000
Letter of Credit – STRATE Limited	906	820
Letter of Credit – Railway Pension Nominees Limited	795	639
Bank guarantee – ASX	500	500
Bank guarantee – Westpac	1,000	1,000
Bank guarantee – Westpac	20	-
Bank guarantee – CBA	287	287

Australian Financial Services Licence (AFSL) Performance Bond

A Guarantee for \$10 million (2016: \$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 AFSL requirements (AFSL Performance Bond).

Letter of Credit

The ZAR9,000,000 (\$905,843) guarantee in favour of STRATE Limited (2016: ZAR9,000,000 or \$819,631) covers any liability arising from Link Investor Services South Africa (Proprietary) Limited becoming a Central Securities Depository Participant and is provided by Westpac.

The GBP350,784 (\$795,248) guarantee in favour of Railway Pension Nominees Limited (2016: GBP350,784 or \$638,602) is held on behalf of a subsidiary as a requirement of their lease agreement.

Bank guarantee

The Westpac Banking Corporation (Westpac) guarantee of \$500,000 (2016: \$500,000) to the favour of ASX Settlement and Transfer Corporation Pty Limited covers any liability arising from a subsidiary being a Specialist Settlement Participant.

A guarantee for \$1,000,000 (2016: \$1,000,000) is held in respect of a contractual requirement.

A guarantee for \$20,000 (2016: \$nil) is held in respect of a contract held with the Australian Securities and Investments Commission.

A guarantee for \$287,000 (2016: \$287,000) is held with Commonwealth Bank of Australia Limited (CBA) on behalf of a subsidiary as a requirement of their lease agreement.

3. Notes to the Financial Statements (continued)

Capital structure, financing and risk management (continued)

16. Investment and financial risk management

Investments

	2017 \$'000	2016 \$'000
Listed equity securities – at fair value through profit or loss	3,274	2,738
Unlisted investments – at fair value through profit or loss	135,415	64,281
	138,689	67,019

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 investment of \$64,700,000 into Property Exchange Australia Limited (PEXA), taking Link Group's total ownership of PEXA to 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 \$127,883,000 (2016: \$60,529,000) 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.

Derivative financial assets

	2017 \$'000	2016 \$'000
Derivative financial assets – at fair value through profit or loss	2,413	-

Derivative financial instruments consist of foreign currency forward contracts, and are measured at fair value with gains or losses recognised through profit or loss. For additional details, see Note 27.

Financial Risk Management Overview

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

- Credit risk
- Liquidity risk
- Market risk

3. Notes to the Financial Statements (continued)

Capital structure, financing and risk management (continued)

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 and trade and other receivables. 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 believes that all unimpaired trade and other receivables are collectible in full.

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

	2017 \$'000	2016 \$'000
Neither past due nor impaired	87,398	86,266
Past due 1 - 30 days	6,939	6,217
Past due 31 - 60 days	2,777	1,393
Past due over 61 days	1,577	1,947
	98,691	95,823

There were no material movements in the allowance for impairment in respect of trade and other receivables during the year. See Note 6.

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 13 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.

3. Notes to the Financial Statements (continued)

Capital structure, financing and risk management (continued)

	Carrying amount \$'000	Total \$'000	< 1 year \$'000	1-2 years \$'000	2-5 years \$'000	> 5 years \$'000
30 June 2017						
Non-derivative liabilities						
Non interest bearing						
Trade and other payables	148,904	148,904	101,071	5,789	14,863	27,181
Interest bearing						
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
30 June 2016						
Non-derivative liabilities						
Non interest bearing						
Trade and other payables	110,459	110,459	90,851	2,016	5,709	11,883
Interest bearing						
Loans and borrowings	292,120	338,873	10,179	10,127	318,567	-
Total non-derivative liabilities	402,579	449,332	101,030	12,143	324,276	11,883

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

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 fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Link Group is exposed to foreign currency risk on sales, purchases and foreign currency bank accounts that are denominated in a currency other than the functional currency of Link Group, being the Australian Dollar (AUD).

Overseas subsidiaries within Link Group transact in different functional currencies (Pound Sterling (GBP), New Zealand Dollar, South African Rand, Indian Rupee, Euro) and investments in these subsidiaries are not hedged. The effects of any exchange rate movements in respect to the net investment in foreign subsidiaries are recognised in the foreign currency translation reserve. Sensitivity testing was performed by increasing the value of the AUD against other foreign currencies by 10% (2016: 10%), which would result in an immaterial impact (2016: immaterial impact) on Link Group's profit before tax and would result in a negative impact of \$5,880,000 (2016: negative impact of \$5,512,000) to Link Group's net assets. A decrease in the value of the AUD against other foreign currencies of 10% would result in an equal and opposite increase in Link Group's profit before tax and net assets.

The assumed 10% change was chosen based on historical and reasonably possible movements of official exchange rates and analyst forecasts. The method of calculation has not changed from the prior period.

As disclosed in Note 27, Link Group entered into a foreign currency forward contract on 26 June 2017 to hedge against movement in the AUD/GBP exchange rate in the period between the settlement of the entitlement offer (denominated in AUD) and settlement of the Capita Asset Services (CAS) transaction (denominated in GBP), expected by 31 December 2017. Sensitivity testing in relation to the derivative financial instrument was performed by increasing the value of the AUD against the GBP by 1.5%, which would result in a negative impact of \$11,104,000 (2016: \$nil) on Link Group's profit before tax and net assets.

3. Notes to the Financial Statements (continued)

Capital structure, financing and risk management (continued)

A decrease in the value of the AUD against the GBP of 1.5% would result in an equal and opposite increase in Link Group's profit before tax and net assets.

The assumed 1.5% change was chosen based on forward rate premiums being applied to forward contracts for the expected settlement period of 6 months.

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 1% (2016: 1%) as at reporting date which would result in an adverse effect on Link Group's profit before tax of \$483,000 (2016: adverse effect of \$538,000). A decrease of 1% would have an equal and opposite effect.

The assumed 1% change was chosen based on historical and reasonably possible movements of official interest rates and analysts' forecasts. 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 (2016: 5%) in the fair value of Link Group's listed and unlisted investments would increase Link Group's profit before tax by \$6,934,000 (2016: increase of \$3,351,000). The assumed 5% change was chosen based on historical and reasonably possible movements in equity markets and analyst forecasts.

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 capital using an adjusted net debt to market value ratio, which is adjusted net debt (interest bearing loans less cash) divided by equity after adjusting for the last traded share price. The equity adjusted for the last traded share price at year end is sufficient to provide confidence that Link Group maintains a strong capital base. A key ratio for Link Group is net financial indebtedness to EBITDA. Net debt is calculated as interest bearing liabilities less cash and cash equivalents.

Fair Value of financial instruments

The fair value of Link Group's of financial instruments were 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).

3. Notes to the Financial Statements (continued)

Capital structure, financing and risk management (continued)

30 June 2017 Assets	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
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
	3,274	6,488	131,340	141,102

30 June 2016 Assets	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Listed investments designated at fair value through profit and loss	2,738	-	-	2,738
Unlisted equity securities designated at fair value through profit and loss	-	3,752	60,529	64,281
	2,738	3,752	60,529	67,019

There have been no assets transferred between levels during the year (2016: 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 PEXA to be \$127,883,000 (2016: \$60,529,000 based on a valuation performed by an independent valuer, using a discounted cash flow method based on 10-year forecasts, taking into account appropriate adjustments. This is supported by an arm's length capital raising completed at the independent valuation per share prior to year end.

The fair values of other level 3 investments are supported by valuations performed by Link Group and an arm's length capital raising completed during the year.

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

	2017 \$'000	2016 \$'000
Reconciliation of movements in level 3 investments		
Opening level 3 investments at the beginning of the financial year	60,529	29,620
Acquisitions	68,157	12,934
Fair value gain recognised in profit or loss	2,654	17,975
Closing level 3 investments at the end of the financial year	131,340	60,529

3. Notes to the Financial Statements (continued)

Capital structure, financing and risk management (continued)

The carrying amount and fair value of those financial assets and financial liabilities held at fair value were as follows:

Fair value vs carrying amounts	2017		2016	
	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	138,689	138,689	67,019	67,019
Financial Assets not measured at fair value				
<i>Loans and Receivables</i>				
Cash and cash equivalents	18,162	18,162	30,153	30,153
Trade and other receivables	98,691	98,691	95,823	95,823
	257,955	257,955	192,995	192,995
Liabilities				
Financial liabilities not measured at fair value				
<i>Other Financial Liabilities</i>				
Trade and other payables	148,904	148,904	110,459	110,459
Interest bearing loans and borrowings	313,133	313,133	292,120	292,120
Balance at 30 June 2017	462,037	462,037	402,579	402,579

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)

Capital structure, financing and risk management (continued)

17. Contributed equity

	2017 \$'000	2016 \$'000
Issued and paid-up capital		
Balance at the beginning of the year	689,004	202,481
Equity issued	-	500,014
Equity raising costs, net of tax	368	(13,491)
Balance at the end of the year	689,372	689,004

Number of shares:	Ordinary Shares issued 000's	Class A shares issued 000's	Preference shares issued 000's
Opening balance 1 July 2015	251,671	19,413	10,221
Conversion to ordinary shares from other classes	29,634	(19,413)	(10,221)
Shares issued	78,493	-	-
Balance as at 30 June 2016	359,798	-	-
Shares issued	-	-	-
Closing balance as at 30 June 2017	359,798	-	-

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.

On 26 June 2017, Link Group announced a fully underwritten entitlement offer to raise an additional \$883 million capital via the issue of 130,839,343 ordinary shares. Under the offer, 103,140,820 shares were issued to institutional investors on 7 July 2017, with a further 27,698,523 shares issued to retail investors on 26 July 2017. For further disclosure regarding the capital raising, see Note 27.

Class A and preference shares

All outstanding Class A and preference shares converted to Ordinary shares at the Initial Public Offering (IPO).

3. Notes to the Financial Statements (continued)

Capital structure, financing and risk management (continued)

18. Reserves

Consolidated	Share Compensation reserve \$'000	Distributable profits reserve \$'000	Cash flow Hedge reserve \$'000	Foreign Currency Translation reserve \$'000	Acquisition reserve \$'000	Defined Benefit Reserve \$'000	Pre-acquisition Profits Paid reserve \$'000	Total \$'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 paid 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)
Balance at 1 July 2015	3,144	-	(2,886)	(7,229)	(8,562)	(1,018)	(129,145)	(145,696)
Other comprehensive income	-	-	2,886	1,175	-	(91)	-	3,970
Total comprehensive income for the year	-	-	2,886	1,175	-	(91)	-	3,970
Transactions with shareholders								
Transfer from retained earnings to reserves	-	29,309	-	-	-	-	-	29,309
Transfers within reserves	-	588	-	-	-	-	(588)	-
Balance at 30 June 2016	3,144	29,897	-	(6,054)	(8,562)	(1,109)	(129,733)	(112,417)

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.

3. Notes to the Financial Statements (continued)

Capital structure, financing and risk management (continued)

Cash flow Hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet settled.

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.

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 remeasurement 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.

Dividends

	Dividend paid \$'000	Cents per share	Franking percentage %	Record date	Payment date
30 June 2017					
Final dividend for the year ended 30 June 2016	28,784	8.00	18.7	29.09.16	10.10.16
Interim dividend for the year ended 30 June 2017	21,588	6.00	-	21.03.17	3.04.17
Total	50,372				

Dividends are recognised as a liability in the period in which they are declared. The final 2017 dividend has not been declared at the reporting date and therefore is not reflected in the consolidated financial statements.

On 18 August 2017, the Directors declared a final dividend of \$39,250,933, which equates to 8.0 cents per share, 100% franked in respect of the financial year ended 30 June 2017. The record date for determining entitlements to the final dividend is 21 September 2017. Payment of the final dividend will occur on 18 October 2017.

On 18 August 2017, the Company announced the introduction of the Link Group Dividend Reinvestment Plan (DRP).

19. Retained earnings

	2017 \$'000	2016 \$'000
Retained earnings/(accumulated losses) at the beginning of the financial year	4,999	(7,761)
Net profit attributable to equity holders	84,632	42,069
Transfer from retained earnings to reserves	(84,632)	(29,309)
Retained earnings at the end of the year	4,999	4,999

3. Notes to the Financial Statements (continued)

Capital structure, financing and risk management (continued)

20. Share-based payment arrangements

As a result of the Omnibus Equity Plan beginning during the year, Link Group has provided share based payment disclosures in accordance with AASB 2. 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 2017, Link Group had the following shared-based payment arrangements.

Performance Share Rights (PSRs)

The issue of securities under the Omnibus Equity Plan (OEP - a long-term incentive) was approved by shareholders at Link Group's 2016 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, when satisfied, allow participants to receive fully paid ordinary shares in the Company. Under the OEP, PSRs were granted to the Managing Director on 18 November 2016, following the Annual General Meeting, and to all other participants on 15 September 2016 and 3 March 2017.

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) target respectively.

The terms and conditions of the PSRs granted during the year ended 30 June 2017 were as follows.

Grant date/ employees entitled	Number of PSRs granted	Vesting conditions	Contractual life of PSRs
PSRs granted to the Managing Director on 18 November 2016	127,992	75% against an earnings per share target and 25% against relative total shareholder return for the three-year performance period commencing 1 July 2016.	Seven years, with last exercise occurring 18 November 2023, (unless the PSRs lapse earlier in accordance with the terms of the invitation).
Executive KMPs included within Key Management Personnel (KMP) on 15 September 2016	188,850	75% against an earnings per share target and 25% against relative total shareholder return for the three-year performance period commencing 1 July 2016.	Seven years, with last exercise occurring 9 September 2023 (unless the PSRs lapse earlier in accordance with the terms of the invitation).
Other Senior Executives and Senior Leaders on 15 September 2016 and 3 March 2017	361,917	75% against an earnings per share target and 25% against relative total shareholder return for the three-year performance period commencing 1 July 2016.	Seven years, with last exercise occurring 9 September 2023 (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 five-day Volume Weighted Average Price (VWAP) following the release of the 2016 full-year results and accounted for at fair value in accordance with accounting standards from grant date.

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 \$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.

3. Notes to the Financial Statements (continued)

Capital structure, financing and risk management (continued) Group structure

(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 Omnibus Equity Plan:

	Managing Director	All other Executive KMPs and senior leaders
Fair value at grant date:		
i) EPS tranche at grant date	\$6.62	\$7.49
ii) TSR tranche fair value at grant date	\$3.35	\$4.34
Share price at grant date	\$7.33	\$8.25
Exercise price	-	-
Expected volatility (weighted average volatility)	25%	25%
PSR life (expected weighted average life)	3 years	3 years
Holding lock discount:		
i) 1 year	6%	6%
ii) 2 years	9%	9%
Expected dividends	2.42%	2.15%
Risk-free interest rate (based on government bonds)	1.90%	1.64%

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, given the Company has only been listed since 27 October 2015.

Group structure

21. 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.

3. Notes to the Financial Statements (continued)

Group structure (continued)

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

Link Group completed the following business combinations during the financial year ended 30 June 2017:

- 2 July 2016, Link Group entered into an agreement with System Support Services in India, which has been accounted for as a business combination;
- 22 December 2016, with economic effect from 31 December 2016, Link Group acquired 100% of the shares and voting interests of White Outsourcing Pty Limited (now Link Fund Solutions Pty Limited); and
- 31 May 2017, Link Group acquired 100% of the shares and voting interests of Adviser Network Pty Limited.

The acquisitions were not individually material to Link Group's assets or results. The provisional acquisition accounting has been accounted for in the consolidated financial statements as follows:

	30 June 2017 \$'000
Cash consideration paid or payable	33,186
Add: working capital adjustments	829
Cash consideration paid or payable	34,015
Less: fair value of net identifiable assets acquired	(15,645)
Goodwill	18,370
Identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	11,111
Receivables	2,839
Deferred tax assets	256
Client Lists	4,562
Software	267
Payables	(1,460)
Provisions	(530)
Tax payable	(16)
Deferred tax liabilities	(1,384)
Net assets	15,645

3. Notes to the Financial Statements (continued)

Group structure (continued)

The fair values of assets and liabilities at 30 June 2017 are measured on a provisional basis, whereby the accounting balances for the acquisition may be revised in accordance with AASB 3 *Business Combinations*. The measurement period for the System Support Services, White Outsourcing and Adviser Network business combinations remain open at year end.

The provisional acquisition accounting for White Outsourcing and System Support Services that was adopted in preparing the Link Group interim financial statements has been subsequently amended as at 30 June 2017 to reflect non-material changes in the purchase price allocation.

Amendment of provisional acquisition accounting

During the year, the Group identified new information regarding facts and circumstances that existed at acquisition date that resulted in adjustments to the provisional acquisition accounting for the AON agreement in accordance with AASB 3 *Business Combinations*. Link Group obtained further information with respect of the migration work required to be performed resulting in an adjustment to the provisional accounting, with a net increase in goodwill of \$0.4 million. Link Group notes that the measurement period for AON is now complete.

	30 June 2017 \$'000
Goodwill has been recognised as follows:	
Total consideration transferred	9,477
Less: provisional value of identifiable net assets	(3,290)
Add: fair value adjustment to identifiable net assets due to finalisation of Purchase Price Allocation	429
Goodwill - restated	6,616

22. 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 2017, the ultimate parent entity of Link Group was Link Administration Holdings Limited.

	2017 \$'000	2016 \$'000
Result of parent entity		
Profit for the year	84,632	29,309
Other comprehensive income	-	-
Total comprehensive income for the year	84,632	29,309
Financial position of parent entity at year end		
Current assets	613	135
Total assets	714,409	653,050
Current liabilities	25,561	-
Total liabilities	25,561	-
Total equity of the parent entity comprising:		
Contributed equity	689,372	689,004
Share compensation reserve	4,314	3,144
Distributable profits reserve	64,157	29,897
Accumulated losses	(68,995)	(68,995)
Total equity	688,848	653,050

Other than those disclosed in Note 15, the parent entity has no contingent liabilities, contractual commitments or guarantees with third parties as at 30 June 2017 (2016: none).

3. Notes to the Financial Statements (continued)

Group structure (continued)

23. Controlled entities

Subsidiaries	Country of incorporation	% Ownership interest consolidated 2017	% Ownership interest consolidated 2016
Link Administration Pty Limited	Australia	100	100
Link Digital Solutions Pty Limited	Australia	100	100
Link Investor Services Pty Limited	South Africa	74.85	86.78
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
Link Market Services South Africa (Pty) Limited	South Africa	74.85	86.78
PNG Registries Pty Limited	Papua New Guinea	100	100
Orient Capital Pty Limited	Australia	100	100
Orient Capital Limited	United Kingdom	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 Intime India Private Ltd	India	100	100
Link Business Services Pty Ltd	Australia	100	100
Link Administration Services Pty Limited	Australia	100	100

3. Notes to the Financial Statements (continued)

Group structure (continued)

Subsidiaries	Country of incorporation	% Ownership interest consolidated 2017	% Ownership interest consolidated 2016
Link Advice Pty Limited (formerly Money Solutions 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 Market Services (EMEA) Limited	United Kingdom	100	100
Link Market Services GmbH (formerly Link Market Services (Germany) GmbH)	Germany	100	100
Link Market Services (Frankfurt) GmbH (formerly Registrar Services GmbH)	Germany	100	100
HCE Haubrok AG ⁴⁰	Germany	-	100
Pacific Custodians (Nominees) (RF) Pty Limited	South Africa	74.85	86.78
D.F. King Limited	United Kingdom	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 Market Services (New Zealand) Limited	New Zealand	100	100
Pacific Custodians (New Zealand) Limited	New Zealand	100	100
Link Fund Solutions Pty Limited (formerly White Outsourcing Pty Limited)	Australia	100	-
Adviser Network Pty Limited	Australia	100	-
Link Land Registry Services Pty Limited	Australia	100	-
Link Land Registries Holdings Pty Limited	Australia	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.

40. HCE Haubrok AG merged with Link Market Services GmbH on 1 July 2016.

3. Notes to the Financial Statements (continued)

Other disclosures

24. Related parties

Key Management Personnel compensation

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

	2017 \$	2016 \$
Short-term employee benefits	6,953,205	5,539,044
Post-employment benefits	175,470	198,462
Other long-term benefits	33,201	66,597
Share-based payments	528,248	-
Total equity	7,690,124	5,804,103

25. Auditor's remuneration

	2017 \$	2016 \$
Audit of the financial statements		
Auditor of the Company	902,810	1,072,810
Audit-related services		
Auditor of the Company	560,698	598,870
Other services		
Auditor of the Company	615,458	1,685,700
	2,078,966	3,357,380

Other services includes accounting and IPO-related work provided during the financial year.

3. Notes to the Financial Statements (continued)

Other disclosures (continued)

26. Commitments

	2017 \$'000	2016 ⁴¹ \$'000
Non-cancellable operating lease commitments		
Operating lease rentals are payable as follows:		
Not later than one year	29,574	30,491
Later than one year but not later than five years	128,268	107,451
More than five years	164,906	142,857
	322,748	280,799

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.

27. Subsequent events

On 26 June 2017, Link Group announced it had entered into a binding agreement to acquire Capita Asset Services (CAS) from Capita plc for £888 million (\$1,493 million). Completion of the acquisition is subject to mandatory regulatory approvals and is expected to complete by 31 December 2017. CAS is a business offering a broad range of financial and administrative services across the UK and Europe and is a strong strategic fit aligned to Link Group's key business growth drivers.

Funding for the acquisition will be via a combination of a fully underwritten entitlement offer to raise additional capital of \$883 million, cash and available debt facilities including a new £485 million acquisition debt facility. The entitlement offer was successfully completed in July 2017 with the issue of 130,839,343 ordinary shares. On 26 June 2017, Link Group took out a foreign exchange forward contract to hedge against movement in the Australian Dollar/Pound Sterling exchange rate during the period between the entitlement offer and settlement of the acquisition. The financial impact of the forward contract is discussed in Note 16.

In July 2017, Link Group used some of the proceeds from the successful entitlement offer to fully repay all of the \$313,500,000 non-current interest-bearing loans. The existing facilities remain available to Link Group in accordance with the terms described in Note 13 and may be redrawn upon completion of the CAS acquisition or as otherwise required throughout the remainder of the facility term.

Other than the matters described above, the dividend declared on 18 August 2017 and the introduction of the Link Group Dividend Reinvestment Plan (DRP - see Note 18), 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.

41. Prior year comparatives were restated to reduce lease commitments by \$15,794,000 to account for rent-free incentives and future lease payments on operating leases. The amount of rent-free incentives were dependent upon finalisation of office fitouts, which were in progress as at 30 June 2016.

3. Notes to the Financial Statements (continued)

Other disclosures (continued)

28. 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 2017 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.

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 or after 1 January 2018, with early adoption permitted. 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.

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 judgement 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.

AASB 15 requires mandatory application by Link Group for the financial year ended 30 June 2019, however, is available for early adoption. On initial application, AASB 15 permits either full retrospective or a modified retrospective application approach. Link Group is currently assessing its contracts and evaluating the potential impact on its consolidated financial statements resulting from the application of AASB 15.

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 2017, the present value of the future minimum lease payments for non-cancellable operating leases disclosed in Note 26 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.

4. Directors' Declaration

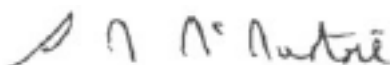
1. In the opinion of the Directors of Link Administration Holdings Limited (Link Group):
 - (a) The consolidated financial statements and notes that are set out on pages 82 to 125 and the Remuneration Report on pages 58 to 78 in the Directors' Report are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of Link Group's financial position as at 30 June 2017 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 Link Group 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 2017.
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 18 August 2017 at Sydney.



Michael Carapiet
Chair



John McMurtrie
Managing Director

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 the Group's financial position as at 30 June 2017 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 2017
- 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

The 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 the 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.

5. Independent Auditor's Report (continued)



Key Audit Matters

The Key Audit Matters we identified are:

- Valuation of goodwill
- Employee remuneration
- Investments in unlisted equity securities
- Revenue

Key Audit Matters are those matters that, in our professional judgment, 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.

Valuation of goodwill (\$610.5m)

Refer to Section 3, note 11

The key audit matter	How the matter was addressed in our audit
<p>The Group's annual testing of goodwill for impairment is a Key Audit Matter due to the size of the goodwill balance (being 49% of total assets) and the forward-looking assumptions the Group applied in its Value in Use models including:</p> <ul style="list-style-type: none"> • 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. • discount rate - these are subjective in nature and vary according to the specific conditions and environment of Cash Generating Units (CGUs). <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. • Assessing the historical accuracy of the 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 the Group's 2018 budget and our inquiries with the 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.

5. Independent Auditor's Report (continued)



	<ul style="list-style-type: none"> Working with our valuation specialists we used our knowledge of the Group and its industry to independently develop a discount rate range considered comparable using publicly available market data for comparable entities. We assessed the disclosures in the financial report using our understanding of the information obtained from our testing and against the requirements of the accounting standards.
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Employee remuneration (\$350.9m)

Refer to Consolidated Statement of Profit and Loss and Other Comprehensive Income and Section 3, note 21

The key audit matter	How the matter was addressed in our audit
<p>Employee remuneration is a Key Audit Matter due to:</p> <ul style="list-style-type: none"> the size of the total employee expenses (being 54% of total expenses); and the complexity of share based payment disclosures and the related audit effort, in particular for the new Omnibus Equity Plan (share based payment plan) for senior executives and senior management which was introduced by the Group in 2017. <p>Our additional audit effort was driven from:</p> <ul style="list-style-type: none"> the complexity of accounting for share based compensation plan arrangements; and the new Omnibus Equity Plan for senior executives and senior management used terms and definitions which have not been used before, necessitating our detailed assessment of the key inputs and conditions applied. The Group engaged an independent expert to perform the grant date fair valuation of the Omnibus Equity Plan. The key inputs to the valuation model at year end were grant date, vesting date, performance start date and vesting conditions. <p>These conditions necessitated senior team member involvement in assessing complex matters such as performance start date.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> Testing key controls over the employee remuneration process and the recording thereof in the books and records. For the Omnibus Equity plan, reading the terms and evaluating the appropriateness of the accounting treatment under criteria contained in accounting standards <i>AASB 2 Share-based Payment</i> and/or <i>AASB 119 Employee Benefits</i>, including determination of the grant, performance start and vesting dates. Checking a sample of current year grants to underlying documentation including employee signed offer letters and Board meeting minutes. Examining the valuation report issued by the Group's independent expert and comparing the key inputs in the valuation model to underlying documentation such as the Omnibus Equity Plan. Assessing the scope, competence and objectivity of the independent expert engaged by the Group. We assessed the integrity of the valuation model used, including the accuracy of the underlying calculation formulas.

5. Independent Auditor's Report (continued)



	<ul style="list-style-type: none"> • Evaluating the Group's judgements of key vesting conditions, such as number of employees who are expected to complete the service period, for consistency with historical service periods. • Checking the current year share based payment expense for a sample of employees to the key terms in employee signed offer letters. • Assessing the Group's disclosures as required by AASB 2 for share based payments reflect underlying agreements as tested by us above.
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Investments in unlisted equity securities (\$135.4m)

Refer to Section 3, note 16

The key audit matter	How the matter was addressed in our audit
<p>Investments in unlisted equity securities is a Key Audit Matter due to:</p> <ul style="list-style-type: none"> • the increasing size of the balance; and • the valuation of these investments in unlisted equity securities held at fair value is based on a range of inputs, some of which are not readily available. Where observable market data is not readily available, the Group is required to make judgements in selecting the valuation technique to estimate the fair value of these assets. We focused our assessment on the reasonableness and authoritativeness of the sources used for inputs to the valuations. <p>Our audit effort has increased in this area as the Group's investment in unlisted equity securities has increased significantly in the current year.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • We considered the appropriateness of the method applied by the Group to perform the valuation of the investments in unlisted equity securities against the requirements of the accounting standards. • For these investments in unlisted equity securities where market data was not readily available, we obtained details of the recent capital raising transaction for the unlisted equity securities, and compared the value from this external data source to the value recorded by the Group. • For the key valuation inputs, including discount rate and growth rate, we analysed the change in these inputs from those used in the capital raising transaction to those used in the year end valuation. We compared this to our understanding of the investments and knowledge of industry trends. We investigated significant variances. • We assessed the disclosure of the Group's investments in unlisted equity securities with reference to the accounting standard requirements,

5. Independent Auditor's Report (continued)



	including the appropriateness and adequacy of disclosures of fair value risks and sensitivities.
Revenue (\$779.9m) <i>Refer to Consolidated Statement of Profit and Loss and Other Comprehensive Income</i>	
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 the 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. <p>The Group generates revenue across its three business units from a variety of services and product offerings. Significant revenue streams include fees from the provision of administration services to superannuation funds, fees from provision of services to corporates, and fees from services and products offered via the Group's technology hub.</p>	<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 three business units. This included performing walkthroughs with the Group's respective business and finance teams to check our understanding of the processes and related controls. Testing of the Group's controls over 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 actual contracted revenue for the current year. We based this upon prior year contract revenue and average fee increase per 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 the 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.

5. Independent Auditor's Report (continued)



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; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the 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 this 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_files/ar2pdf. 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 2017, complies with *Section 300A* of the *Corporations Act 2001*.

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 58 to 78 of the Director's report for the year ended 30 June 2017.

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

KPMG

Andrew Yates
Partner

Kim Lawry
Partner

Sydney
18 August 2017

Additional Shareholder Information

Additional information required by the Australian Securities Exchange (ASX) and not shown elsewhere in this report is as follows. The information is current at 1 August 2017.

Distribution of Shareholders

There are 6,846 holders of 490,636,665 ordinary shares. There are no other classes of quoted equity securities on issue.

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	1,774	965,642
1,001 - 5,000	3,436	8,729,782
5,001 - 10,000	865	6,148,641
10,001 - 100,000	677	14,932,915
100,001 - and over	94	459,859,685
TOTAL	6,846	490,636,665

Unmarketable parcel of shares

The number of security investors holding less than a marketable parcel of 65 securities (\$7.810 on 01/08/2017) is 73 and they hold 638 securities.

Substantial Shareholders

Name	Number of Shares	Current Interest	Last date of Substantial Shareholder notification
AustralianSuper Pty Ltd	37,770,883	10.50%	10.05.17
Ausbil Investment Management Limited	22,593,202	6.28%	14.09.16
Cooper Investors Pty Limited	22,227,161	6.18%	13.01.17
Challenger Limited	24,737,802	5.34%	11.07.17
Macquarie Group Limited	19,150,168	5.32%	10.07.17

Additional Shareholder Information (continued)

Top Twenty Shareholders (Ungrouped)

Name	Number of Ordinary Shares held	%
J P Morgan Nominees Australia	145,449,208	29.64
HSBC Custody Nominees (Australia) Limited	94,377,430	19.24
National Nominees Limited	55,602,474	11.33
Citicorp Nominees Pty Limited	40,014,698	8.16
BNP Paribas Nominees Pty Ltd	28,557,966	5.82
BNP Paribas Noms Pty Ltd	12,797,536	2.61
Citicorp Nominees Pty Limited	10,772,014	2.20
Boston & Baxter Pty Limited	8,274,750	1.69
Bond Street Custodians Limited	6,177,741	1.26
John Menzies McMurtrie	5,302,687	1.08
Custodial Services Limited	4,172,238	0.85
William John Hawkins	3,189,643	0.65
RBC Investor Services Australia Nominees Pty Ltd	2,978,303	0.61
AMP Life Limited	2,541,187	0.52
HSBC Custody Nominees (Australia) Limited	2,431,766	0.50
Australian United Investment Company Limited	2,210,000	0.45
Mr Phillip Muhlbauer	1,850,000	0.38
Holdco 2007 (No.2) Pty Limited	1,779,128	0.36
Australian Foundation Investment Company Limited	1,740,667	0.35
Australian Foundation Investment Company Limited	1,655,698	0.34
Total Top 20	431,875,134	88.02

Additional Shareholder Information (continued)

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

The voting rights attached to ordinary shares are set out below.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of quoted equity securities.

Unquoted equity securities

Link Administration Holdings Limited has 678,759 unquoted equity securities.

Securities subject to Voluntary Escrow

Period escrow ends	Number of securities subject to escrow
Management (2) Until 29 June 2020	600,000
Total of Escrowed Shares	600,000

Use of Cash and Assets

Link Administration Holdings Limited has used the cash and assets in a form readily convertible to cash at the time of admission to the ASX in a way that is consistent with its business objectives as stated in its Prospectus.

Stock Exchange Listing

Link Administration Holdings Limited securities are only listed on the ASX.

Corporate Information

Chief Financial Officer & Joint Company Secretary	John Hawkins
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General Counsel & Joint Company Secretary	Janine Rolfe
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Registered Office and Principal Administrative Office	Address: Level 12, 680 George Street Sydney NSW 2000, Australia
	Telephone Number: +61 2 8280 7100
	Web: www.linkgroup.com

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