

25 February 2021

ASX ANNOUNCEMENT

Link Group Appendix 4D and Interim Financial Report, 31 December 2020

Link Administration Holdings Limited (ASX: LNK) (**Link Group**) provides the Appendix 4D and Interim Financial Report for the half year ended 31 December 2020.

The release of this announcement was authorised by the Link Group Board.

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25 February 2021

ASX ANNOUNCEMENT

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APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

The Directors of Link Administration Holdings Limited (**Company**) (ASX: LNK) present the results of Link Group (Link Administration Holdings Limited and its controlled entities) for the six months ended 31 December 2020 as follows:

| | | | 31 December 2020 \$'000 | 31 December 2019 \$'000 |
|---|------|------|--|-------------------------------|
| Results for announcement to the market | | | | |
| Revenue from ordinary activities | Down | (4%) | 597,025 | 624,319 |
| Profit from ordinary activities after tax | Up | 9% | 31,266 | 28,721 |
| Profit for the period attributable to owners of the Company | Up | 12% | 30,900 | 27,593 |
| Earnings per share | | | | |
| Basic earnings (cents per share) | | | 5.82 | 5.18 |
| Diluted earnings (cents per share) | | | 5.77 | 5.15 |
| Net tangible assets | | | | |
| Net tangible assets per security (cents per share) | | | (1) | (2) |

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

Dividends

Dividends paid by the Company during the six month ended 31 December 2019 were:

| | Cents per share | Total amount | Franked/ Unfranked | Record date | Payment date |
|-------------------|----------------------------|-------------------------|-------------------------------|--------------------|---------------------|
| Final 2020 | 3.5 | \$18,561,496 | Franked at 50% | 2 September 2020 | 25 September 2020 |

A 60% franked interim dividend of \$24,072,877, which equates to 4.5 cents per share, in respect of the six months ended 31 December 2020 was declared by the Directors of the Company on 25 February 2021 (**Interim Dividend**). A provision has not been recognised in the financial statements for the six months ended 31 December 2020 as the dividend declaration is considered as a subsequent event. The record date for determining entitlements to the dividend is 4 March 2021. Payment of the Interim Dividend will occur on 9 April 2021.

Link Group's Dividend Reinvestment Plan (DRP) will operate in respect of the Interim Dividend. The DRP election deadline is 5 March 2021.

Commentary on results for the period

Additional commentary on results for the period can be found in the Media Release also announced to ASX today (25 February 2021).

Other information

The information in this Appendix 4D should be read in conjunction with Link Group's Interim Financial Report for the six months ended 31 December 2020 and the annual financial report for the financial year ended 30 June 2020. The interim financial statements have been reviewed by KPMG.

PEP/Carlyle and SS&C conditional, non-binding indicative proposals

On 12 October 2020, and as updated on 26 October 2020, Link Group announced it had received a conditional, non-binding indicative proposal from a consortium comprising Pacific Equity Partners (PEP), Carlyle Group (Carlyle) and their affiliates to acquire 100% of the shares in Link Group. At the date of the announcement, the Directors considered that the proposal did not represent compelling value for Link Group shareholders. As updated on 28 October 2020, the PEP/Carlyle consortium is currently reviewing due diligence information on a non-exclusive basis so that it can develop a proposal that may be capable of being recommended to Link Group shareholders.

On 7 December 2020, and as updated on 10 December 2020, Link Group announced it had received a conditional, non-binding indicative proposal from SS&C Technology Holdings (SS&C) to acquire 100% of the shares in Link Group. Link Group provided due diligence information on a non-exclusive basis to assist SS&C to develop a proposal capable of being recommended to Link Group shareholders. Link Group announced on 4 January 2021 that it had received a letter from SS&C stating it has withdrawn its proposal.

TGH trade sale and shareholder loan repayment

On 1 February 2021, Link Group announced that it had received good indicative interest and will prioritise a trade sale of its 44.2% interest in Torrens Group Holdings Pty Ltd (TGH). Additionally, a previously announced expectation that TGH would partially repay shareholder debt by drawing down on external debt will not proceed.

Acquisition of Pepper European Servicing

On 31 January 2020, Link Group announced it had entered into a binding agreement to acquire Pepper European Servicing (PES) from Pepper Group for an upfront consideration of \$277 million, subject to mandatory regulatory approvals and commercial conditions. On 1 February 2021, Link Group announced that it had exercised its contractual right to terminate the agreement and not proceed with the acquisition of PES, as the mandatory regulatory approvals and commercial conditions had not been satisfied by the long stop date.

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



Interim Financial Report

ACN 120 964 098

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

31 December 2020



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01 Directors' Report






DIRECTORS

The Directors present their report together with the consolidated interim financial statements of Link Group, being Link Administration Holdings Limited ("the Company") and its Controlled Entities, for the six months ended 31 December 2020 (the interim period) and the auditor's review report thereon.

The Directors of the Company at any time during or since the end of the interim period are:

| DIRECTOR | EXPERIENCE |
|--|--|
|  <p>Michael Carapiet</p> | <p>Independent Chair and Non-Executive Director Appointed 26 June 2015</p> |
|  <p>Vivek Bhatia</p> | <p>Chief Executive Officer & Managing Director Appointed 2 November 2020</p> |
|  <p>Glen Boreham, AM</p> | <p>Independent Non-Executive Director Appointed 23 September 2015</p> |
|  <p>Andrew (Andy) Green, CBE</p> | <p>Independent Non-Executive Director Appointed 9 March 2018</p> |

01 Directors' Report

| DIRECTOR | EXPERIENCE |
|---|---|
|  Peeyush Gupta, AM | Independent Non-Executive Director Appointed 18 November 2016 |
|  Anne McDonald | Independent Non-Executive Director Appointed 15 July 2016 |
|  Sally Pitkin, AO | Independent Non-Executive Director Appointed 23 September 2015 |
|  Fiona Trafford-Walker | Independent Non-Executive Director Appointed 23 September 2015 |
|  John McMurtrie, AM | Executive Director and Managing Director Appointed 16 February 2007 Retired 1 November 2020 |

01 Directors' Report

PRINCIPAL ACTIVITIES

Link Group's principal activities during the course of the interim period were connecting people with their assets including equities, pension and superannuation, investments, property and other financial assets. Link Group does this by partnering with thousands of financial market participants to deliver services, solutions and technology platforms that enhance the user experience and make scaled administration simple.

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

DIVIDENDS

Dividends paid by the Company during the interim period were:

| | CENTS PER SHARE | TOTAL AMOUNT | FRANKED/UNFRANKED | DATE OF PAYMENT |
|-------------------|-----------------|--------------|-------------------|-----------------|
| Final 2020 | 3.5 | \$18,561,496 | 50% franked | 25.09.2020 |

In addition, dividends approved or paid by the Company since the end of the interim period were \$24,072,877, which equates to 4.5 cents per share, 60% franked (2019: \$34,503,849, 6.5 cents per share, 100% franked). The record date for determining entitlements to the final dividend is 4 March 2021. Payment of the final dividend will occur on 9 April 2021.

The Link Group Dividend Reinvestment Plan (DRP) will operate in respect of the 2021 interim dividend. The DRP election deadline is 5 March 2021.

REVIEW OF OPERATIONS

Consistent with previous disclosures, this review of operations uses certain measures to report on Link Group's performance that are not recognised under Australian Accounting Standards or International Financial Reporting Standards (IFRS), collectively referred to as 'non-IFRS measures'. These non-IFRS measures are defined in Link Group's Annual Report for the year ended 30 June 2020 (2020 Annual Report) and have not been subject to audit or review in accordance with Australian Auditing Standards.

Statutory net profit of Link Group for the interim period was \$31.3 million (2019: \$28.7 million).

Revenue for the interim period decreased to \$597.0 million in 2020 (2019: \$624.3 million) predominantly as a result of the impact of COVID-19 on non-recurring revenue streams, coupled with the impact of the PYS regulatory change in RSS and portfolio run-off in BCM. Operating expenses decreased marginally to \$459.5 million in 2020 (2019: \$460.9 million). Link Group also incurred significant items expenses associated with business combinations/acquisitions and divestments, global transformation and other one-off costs amounting to \$23.5 million (2019: \$19.8 million). Significant items are separately disclosed in Note 3 to the interim financial statements to assist understanding of Link Group's results.

Operating EBITDA, which excludes certain significant items, for the interim period ended 31 December 2020 was \$137.5 million (2019: \$163.4 million). A reconciliation of Operating EBITDA to the net profit of Link Group is included in Note 3 to the interim financial statements.

Operating NPATA, which excludes certain significant items and acquired amortisation, for the interim period ended 31 December 2020 was \$65.4 million (2019: \$81.1 million).

Link Group showed resilience in response to the challenges brought on by the COVID-19 pandemic across all global markets. During this period, Link Group maintained a focus on safeguarding the well-being of employees, clients and other stakeholders as well as ensuring continuity of service for clients.

The net assets of Link Group increased to \$1,917.4 million as at 31 December 2020 from \$1,915.3 million as at 30 June 2020, reflecting recognition of profits for the interim period, offset by a payment of a final dividend for the year ended 30 June 2020 of \$18.6 million and foreign currency translation reserve losses on retranslation of foreign operations.

01 Directors' Report

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

OTHER INFORMATION

Significant Changes in State of Affairs

PEP/Carlyle and SS&C conditional, non-binding indicative proposals

On 12 October 2020, and as updated on 26 October 2020, Link Group announced it had received a conditional, non-binding indicative proposal from a consortium comprising Pacific Equity Partners (PEP), Carlyle Group (Carlyle) and their affiliates to acquire 100% of the shares in Link Group. The Directors considered that the proposal did not represent compelling value for Link Group shareholders at that time. As updated on 28 October 2020, the PEP/Carlyle consortium is currently reviewing due diligence information on a non-exclusive basis so that it can develop a proposal that may be capable of being recommended to Link Group shareholders.

On 7 December 2020, and as updated on 10 December 2020, Link Group announced it had received a conditional, non-binding indicative proposal from SS&C Technology Holdings (SS&C) to acquire 100% of the shares in Link Group. Link Group provided due diligence information on a non-exclusive basis to assist SS&C to develop a proposal capable of being recommended to Link Group shareholders. Link Group announced on 4 January 2021 that it had received a letter from SS&C stating it had withdrawn its proposal.

Other changes in state of affairs

Link Group repaid \$82.0 million of its AUD non-amortising loan facility during the interim period. All other terms and conditions of the facilities remain substantially the same as disclosed in Link Group's 2020 Annual Report.

On 26 August 2020, the Directors resolved to cease the on-market share buy-back announced to the ASX on 29 August 2019. In total, Link Group bought back and cancelled 3,622,175 shares for a total consideration of \$19.4 million.

On 1 November 2020, John McMurtrie retired as Managing Director of Link Group, and was succeeded by Vivek Bhatia as Managing Director and Chief Executive Officer.

In the opinion of the Directors, aside from the matters described above, there were no other significant changes in the state of the affairs of the Company or Link Group that occurred during the interim period ended 31 December 2020.

Events Subsequent to Reporting Date

TGH trade sale and shareholder loan repayment

On 1 February 2021, Link Group announced that it had received indicative interest and will prioritise a trade sale of its 44.2% interest in Torrens Group Holdings Pty Ltd (TGH). Additionally, a previously announced expectation that TGH would partially repay shareholder debt by drawing down on external debt will not proceed.

Acquisition of Pepper European Servicing

On 31 January 2020, Link Group announced it had entered into a binding agreement to acquire Pepper European Servicing (PES) from Pepper Group for an upfront consideration of \$277 million, subject to mandatory regulatory approvals and commercial conditions. On 1 February 2021, Link Group announced that it had exercised its contractual right to terminate the agreement and not proceed with the acquisition of PES, as the mandatory regulatory approvals and commercial conditions had not been satisfied by the long stop date.

Appointment of General Counsel & Company Secretary

On 23 February 2021, Link Group announced that Sarah Turner had commenced as Link Group's General Counsel & Company Secretary, replacing Janine Rolfe. Emma Lawler will also continue as joint Company Secretary.

Impact of COVID-19 on post balance date trading

Whilst the Directors note the ongoing COVID-19 pandemic continues to impact global markets, including jurisdictions that Link Group operates in, Link Group has shown resilience and has been proactive in response to these challenges. However, the future impact of the COVID-19 pandemic remains uncertain.

01 Directors' Report

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

Rounding Off

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

The Lead Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8 and forms part of the Directors' Report for the interim period ended 31 December 2020.

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

Dated 25 February 2021 at Sydney.



Michael Carapiet
Chair



Vivek Bhatia
Chief Executive Officer & Managing Director

LEAD 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 review of Link Administration Holdings Limited for the half-year ended 31 December 2020 there have been:

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

A handwritten signature in black ink, appearing to read 'Eileen Hoggett'.

KPMG

A handwritten signature in black ink, appearing to read 'Eileen Hoggett'.

Eileen Hoggett

Partner

Sydney

25 February 2021

02 Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the interim period ended 31 December 2020

| | NOTE | 31 DECEMBER 2020 \$'000 | 31 DECEMBER 2019 \$'000 |
|---|------|-------------------------------|-------------------------------|
| Revenue – contracts with clients | 4 | 597,025 | 624,319 |
| Expenses: | | | |
| Employee expenses | | (306,949) | (297,929) |
| Occupancy expenses | | (10,402) | (12,042) |
| IT costs | | (59,158) | (55,502) |
| Administrative and general expenses | | (91,727) | (110,812) |
| Acquisition and capital management related expenses | | (14,806) | (4,480) |
| | | (483,042) | (480,765) |
| Depreciation expense | 11 | (27,473) | (24,477) |
| Intangibles amortisation expense | 12 | (52,019) | (51,719) |
| Contract fulfilment cost amortisation expenses | | (3,575) | (3,107) |
| | | (83,067) | (79,303) |
| Gain on financial assets held at fair value through profit and loss | | 560 | 203 |
| Share of profit/(loss) of equity-accounted investees, net of tax | | 385 | (3,918) |
| Profit on disposal of subsidiaries | | 15,347 | – |
| Finance income | | 5,996 | 812 |
| Finance costs | | (17,459) | (18,441) |
| Net finance costs | | (11,463) | (17,629) |
| Profit before tax | | 35,745 | 42,907 |
| Tax expense | 6(a) | (4,479) | (14,186) |
| Profit for the interim period | | 31,266 | 28,721 |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences for foreign operations | | (17,155) | 10,655 |
| Other comprehensive income, net of tax | | (17,155) | 10,655 |
| Total comprehensive income for the interim period | | 14,111 | 39,376 |

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

02 Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the interim period ended 31 December 2020 (continued)

| | NOTE | 31 DECEMBER 2020 \$'000 | 31 DECEMBER 2019 \$'000 |
|--|------|-------------------------------|-------------------------------|
| Profit attributable to: | | | |
| Owners of the Company | | 30,900 | 27,593 |
| Non-controlling interest | | 366 | 1,128 |
| Profit for the interim period | | 31,266 | 28,721 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 13,721 | 38,253 |
| Non-controlling interest | | 390 | 1,123 |
| Total comprehensive income for the interim period | | 14,111 | 39,376 |
| EARNINGS PER SHARE | | CENTS PER SHARE | CENTS PER SHARE |
| Basic earnings per share | 5 | 5.82 | 5.18 |
| Diluted-earnings per share | 5 | 5.77 | 5.15 |

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

02 Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2020

| | NOTE | 31 DECEMBER 2020 \$'000 | 30 JUNE 2020 \$'000 |
|--|------|-------------------------------|---------------------------|
| Current assets | | | |
| Cash and cash equivalents | | 316,471 | 264,092 |
| Trade and other receivables | 7 | 231,768 | 238,937 |
| Derivative financial assets | | 556 | 363 |
| Other assets | | 33,501 | 33,849 |
| Current tax assets | | 8,109 | 18,459 |
| Fund assets | 9 | 395,389 | 616,982 |
| Assets held for sale | | – | 5,931 |
| Total current assets | | 985,794 | 1,178,613 |
| Non-current assets | | | |
| Trade and other receivables | 7 | 425,640 | 5,251 |
| Investments | 16 | 92,524 | 93,198 |
| Derivative financial assets | | – | 330 |
| Equity-accounted investments | 22 | 268,896 | 691,228 |
| Plant and equipment | 11 | 236,565 | 250,429 |
| Intangible assets | 12 | 1,977,743 | 2,042,245 |
| Deferred tax assets | | 61,118 | 56,472 |
| Other assets | | 19,989 | 21,686 |
| Total non-current assets | | 3,082,475 | 3,160,839 |
| Total assets | | 4,068,269 | 4,339,452 |
| Current liabilities | | | |
| Trade and other payables | 8 | 326,691 | 275,154 |
| Interest bearing loans and borrowings | 14 | 36,292 | 35,945 |
| Provisions | 10 | 14,409 | 18,391 |
| Employee benefits | | 43,341 | 38,650 |
| Current tax liabilities | | 27,265 | 4,870 |
| Fund liabilities | 9 | 389,519 | 614,883 |
| Liabilities held for sale | | – | 1,794 |
| Total current liabilities | | 837,517 | 989,687 |
| Non-current liabilities | | | |
| Trade and other payables | 8 | 8,840 | 8,583 |
| Interest-bearing loans and borrowings | 14 | 1,141,876 | 1,226,952 |
| Provisions | 10 | 43,652 | 48,074 |
| Employee benefits | | 5,475 | 5,450 |
| Deferred tax liabilities | | 113,541 | 145,435 |
| Total non-current liabilities | | 1,313,384 | 1,434,494 |
| Total liabilities | | 2,150,901 | 2,424,181 |
| Net assets | | 1,917,368 | 1,915,271 |
| Equity | | | |
| Contributed equity | 17 | 1,911,420 | 1,889,733 |
| Reserves | | (33,153) | 16,669 |
| Retained earnings | 19 | 38,549 | 4,263 |
| Total equity attributable to equity holders of the parent | | 1,916,816 | 1,910,665 |
| Non-controlling interest | | 552 | 4,606 |
| Total equity | | 1,917,368 | 1,915,271 |

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

02 Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the interim period ended 31 December 2020

| | SHARE CAPITAL \$'000 | RESERVES \$'000 | RETAINED EARNINGS \$'000 | TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT \$'000 | NON- CONTROLLING INTEREST \$'000 | TOTAL EQUITY \$'000 |
|--|----------------------------|--------------------|--------------------------------|---|---|---------------------------|
| Balance at 30 June 2020 | 1,889,733 | 16,669 | 4,263 | 1,910,665 | 4,606 | 1,915,271 |
| Net profit after tax | – | – | 30,900 | 30,900 | 366 | 31,266 |
| Foreign currency translation differences, net of tax | – | (17,179) | – | (17,179) | 24 | (17,155) |
| Total other comprehensive income, net of income tax | – | (17,179) | – | (17,179) | 24 | (17,155) |
| Total comprehensive income for the interim period | – | (17,179) | 30,900 | 13,721 | 390 | 14,111 |
| Transfer from retained earnings to reserves | – | – | – | – | – | – |
| Transactions with shareholders | | | | | | |
| Dividends declared during the interim period | – | (18,561) | – | (18,561) | (304) | (18,865) |
| Equity settled share based payments | – | 3,445 | 1,418 | 4,863 | – | 4,863 |
| Treasury shares acquired | – | (18,490) | – | (18,490) | – | (18,490) |
| Disposal of subsidiaries with non-controlling interest | – | 2,026 | – | 2,026 | (1,133) | 893 |
| Transactions with non-controlling interest without a change in control | – | (1,063) | 1,968 | 905 | (3,007) | (2,102) |
| Issue of share capital, net of costs of raising capital and tax | 21,687 | – | – | 21,687 | – | 21,687 |
| Total contributions by and distributions to owners | 21,687 | (32,643) | 3,386 | (7,570) | (4,444) | (12,014) |
| Balance at 31 December 2020 | 1,911,420 | (33,153) | 38,549 | 1,916,816 | 552 | 1,917,368 |

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

02 Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the interim period ended 31 December 2020 (continued)

| | SHARE CAPITAL \$'000 | RESERVES \$'000 | RETAINED EARNINGS \$'000 | TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT \$'000 | NON- CONTROLLING INTEREST \$'000 | TOTAL EQUITY \$'000 |
|---|----------------------------|--------------------|--------------------------------|--|---|---------------------------|
| Balance at 30 June 2019 | 1,909,140 | 15,256 | 223,739 | 2,148,135 | 3,223 | 2,151,358 |
| Net profit after tax | – | – | 27,593 | 27,593 | 1,128 | 28,721 |
| Foreign currency translation differences, net of tax | – | 10,660 | – | 10,660 | (5) | 10,655 |
| Total other comprehensive income, net of income tax | – | 10,660 | – | 10,660 | (5) | 10,655 |
| Total comprehensive income for the interim period | – | 10,660 | 27,593 | 38,253 | 1,123 | 39,376 |
| Transfer from retained earnings to reserves | – | – | – | – | – | – |
| Transactions with shareholders | | | | | | |
| Dividends declared during the interim period | – | (66,744) | 5 | (66,739) | – | (66,739) |
| Equity settled share based payments | – | (961) | 672 | (289) | – | (289) |
| Treasury shares acquired | – | (396) | – | (396) | – | (396) |
| Issue of share capital, net of costs of raising capital and tax | (17,461) | – | – | (17,461) | – | (17,461) |
| Total contributions by and distributions to owners | (17,461) | (68,101) | 677 | (84,885) | – | (84,885) |
| Balance at 31 December 2019 | 1,891,679 | (42,185) | 252,009 | 2,101,503 | 4,346 | 2,105,849 |

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

02 Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2020

| | NOTE | 31 DECEMBER 2020 \$'000 | 31 DECEMBER 2019 \$'000 |
|---|-------|----------------------------------|----------------------------------|
| Cash flows from operating activities | | | |
| Cash receipts in the course of operations | | 664,929 | 676,746 |
| Cash payments in the course of operations | | (472,630) | (496,073) |
| | | 192,299 | 180,673 |
| Cash payments for global transformation, acquisition/divestment and other one-off costs | | (13,511) | (22,081) |
| Interest received | | 1,442 | 606 |
| Dividends received | | 115 | 125 |
| Borrowing costs paid | | (15,922) | (18,288) |
| Income taxes paid, net of refunds received | | (7,758) | (28,680) |
| Net cash provided by operating activities | 13(a) | 156,665 | 112,355 |
| Cash flows from investing activities | | | |
| Payments for plant and equipment | | (4,255) | (7,639) |
| Payments for software | | (9,418) | (41,162) |
| Proceeds from disposal of subsidiaries, net of cash disposed | | 20,315 | — |
| Acquisition of subsidiaries, net of cash acquired | | (6,692) | — |
| Proceeds from derivatives | | 41 | — |
| Payments for investments | | (39) | (40,229) |
| Proceeds from investments | | 599 | — |
| Sub-lease receipts | | 484 | — |
| Net cash provided by/(used in) investing activities | | 1,035 | (89,030) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 11,960 | 113,350 |
| Repayment of borrowings | | (82,000) | (437,615) |
| Repayment of lease liabilities | | (17,682) | (14,089) |
| Proceeds from issue of shares | | 18,058 | — |
| Payment for buy-back of shares | | — | (17,461) |
| Payment for purchase of treasury shares | | (18,490) | (396) |
| Dividends paid to owners of the Company | | (14,927) | (66,739) |
| Dividends paid to non-controlling interest | | (304) | — |
| Net cash used in financing activities | | (103,385) | (422,950) |
| Net increase in cash and cash equivalents | | 54,315 | (399,625) |
| Cash and cash equivalents at the beginning of the interim period | | 264,092 | 560,176 |
| Effect of exchange rate fluctuations on cash held | | (1,936) | (8,504) |
| Cash and cash equivalents reclassified as held for sale | | — | (3,248) |
| Cash and cash equivalents at the end of the interim period | | 316,471 | 148,799 |

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

03 Notes to the Interim Financial Statements

PREPARATION OF THIS REPORT

1. GENERAL INFORMATION

Link Administration Holdings Limited (the “Company”) is a company incorporated and domiciled in Australia. The Company’s registered office and principal place of business is Level 12, 680 George Street, Sydney NSW 2000, Australia. The consolidated interim period financial statements of Link Group as at and for the six months ended 31 December 2020 (the interim period) comprise the Company and its subsidiaries and Link Group’s interest in associates. Link Group is a for-profit entity. Link Group is a market leading provider of technology-enabled administration solutions. Link Group’s principal activities during the course of the interim period were connecting people with their assets including equities, pension and superannuation, investments, property and other financial assets. Link Group does this by partnering with thousands of financial market participants to deliver services, solutions and technology platforms that enhance the user experience and make scaled administration simple.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated interim period financial statements are general purpose condensed financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for a complete set of annual financial statements and should be read in conjunction with Link Group’s consolidated annual financial statements for the year ended 30 June 2020 (2020 Annual Report). However, selected explanatory notes are included to explain events and transactions that are significant to understanding changes in Link Group’s financial position and performance since the 2020 Annual Report.

The interim financial statements have been prepared on a going concern basis.

Link Group showed resilience in response to the challenges brought on by the COVID-19 pandemic across all global markets. During the period, Link Group maintained a focus on safeguarding the well-being of employees, clients and other stakeholders as well as ensuring continuity of service for clients. Link Group’s response was aided by the following.

- The majority of contracted revenue is with large financial institutions derived from non-discretionary services.
- A resilient earnings profile supporting operating cash flow, with approximately 80% of revenue recurring in nature.
- A liquidity position supported by cash reserves and committed, undrawn credit facilities.
- Debt serviceability and leverage remained comfortably within existing bank covenants.
- Additional initiatives were implemented to reduce costs and support operating cash flow.

The Directors of Link Administration Holdings Limited consider it probable that Link Group will continue to fulfil all obligations as and when they fall due for the foreseeable future and accordingly consider that Link Group’s interim period financial statements should be prepared on a going concern basis.

These interim period financial statements were authorised for issue by the Board of Directors on 25 February 2021.

(b) Basis of measurement

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

(c) Functional and presentation currency

These consolidated interim period financial statements are presented in Australian Dollars, which is the Company’s functional currency. Link Group’s accounting policies applied in translating the results and financial position of subsidiaries which have a functional currency other than Australian Dollars into the presentation currency were the same as those that applied to the 2020 Annual Report.

03 Notes to the Interim Financial Statements

(d) Use of estimates and judgements

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

In preparing these consolidated interim period financial statements, the significant judgements made by management in applying Link Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2020 Annual Report.

(f) Rounding off

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

(e) Changes in accounting policies

The principal accounting policies adopted by Link Group are consistent with those applied to the 2020 Annual Report.

03 Notes to the Interim Financial Statements

OPERATING RESULTS

3. OPERATING SEGMENTS

(a) Reportable segments

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

- Retirement & Superannuation Solutions ("**RSS**") – provides core member and employer administration services, combined with a full range of value-added services including an integrated clearing house, financial planning and advice, direct investment options and trustee services.
- Corporate Markets ("**CM**") – provides a uniquely integrated range of corporate markets capabilities including shareholder management and analytics, stakeholder engagement, share and unit registry, employee share plans, company secretarial support, as well as various specialist offerings such as insolvency solutions.
- Banking & Credit Management ("**BCM**") – provides loan origination and servicing, debt work-out, compliance and regulatory oversight services to a range of clients including retail banks, investment banks, private equity funds and other investors.
- Fund Solutions ("**FS**") – provides authorised fund manager/management company, third-party administration and transfer agency services to asset managers and a variety of investment funds.
- Technology & Operations ("**T&O**") – provides core services of development and maintenance of proprietary IT systems and platforms, back office support functions, and value-added services of data analytics, digital solutions and digital communications. T&O supports Link Group's other segments, as well as a number of external clients.

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

03 Notes to the Interim Financial Statements

| FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2020 | RSS \$'000 | CM \$'000 | BCM \$'000 | FS \$'000 | T&O \$'000 | TOTAL REPORTABLE SEGMENTS \$'000 | HEAD OFFICE \$'000 | TOTAL LINK GROUP \$'000 |
|--|----------------|----------------|----------------|------------------|----------------|---|--------------------------|-------------------------------|
| Segment revenue | 256,366 | 174,614 | 74,239 | 87,290 | 195,177 | 787,686 | – | 787,686 |
| Inter-segment eliminations | – | (2,476) | – | (45) | (188,140) | (190,661) | – | (190,661) |
| Revenues from external clients | 256,366 | 172,138 | 74,239 | 87,245 | 7,037 | 597,025 | – | 597,025 |
| Operating EBITDA | 39,150 | 37,537 | 5,613 | 14,020 | 46,611 | 142,931 | (5,452) | 137,479 |
| Operating EBIT | 33,352 | 26,149 | (2,040) | 9,938 | 18,602 | 86,001 | (6,868) | 79,133 |
| Total assets at 31 December 2020 | 482,071 | 821,039 | 353,390 | 1,031,670 | 291,021 | 2,979,191 | 1,089,078 | 4,068,269 |

| FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2019 | RSS \$'000 | CM \$'000 | BCM \$'000 | FS \$'000 | T&O \$'000 | TOTAL REPORTABLE SEGMENTS \$'000 | HEAD OFFICE \$'000 | TOTAL LINK GROUP \$'000 |
|--|----------------|----------------|----------------|------------------|----------------|---|--------------------------|-------------------------------|
| Segment revenue | 259,640 | 182,994 | 83,751 | 86,068 | 188,813 | 801,266 | – | 801,266 |
| Inter-segment eliminations | – | (2,284) | – | (57) | (174,606) | (176,947) | – | (176,947) |
| Revenues from external clients | 259,640 | 180,710 | 83,751 | 86,011 | 14,207 | 624,319 | – | 624,319 |
| Operating EBITDA | 37,059 | 45,075 | 14,414 | 17,835 | 54,088 | 168,471 | (5,096) | 163,375 |
| Operating EBIT | 30,606 | 34,924 | 8,343 | 14,686 | 26,059 | 114,618 | (5,186) | 109,432 |
| Total assets at 30 June 2020 | 495,213 | 850,121 | 371,946 | 1,202,639 | 323,432 | 3,243,351 | 1,096,101 | 4,339,452 |

03 Notes to the Interim Financial Statements

(b) Reconciliation of reportable segments

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

| | 31 DECEMBER 2020 \$'000 | 31 DECEMBER 2019 \$'000 |
|---|----------------------------------|----------------------------------|
| Operating EBITDA | 137,479 | 163,375 |
| Significant items/One-off costs: | | |
| • Global transformation costs | (8,690) | (15,341) |
| • Business combination/acquisition & divestment costs | (14,806) | (4,480) |
| Total significant items | (23,496) | (19,821) |
| Depreciation expense | (27,473) | (24,477) |
| Intangibles amortisation expense – non-acquisition related | (28,291) | (27,667) |
| Intangibles amortisation expense – acquisition related | (23,728) | (24,052) |
| Contract fulfilment costs amortisation expense | (3,575) | (3,107) |
| Gain on financial assets held at fair value through profit and loss | 560 | 203 |
| Share of profit of equity-accounted investees (excluding acquired amortisation), net of tax | 14,756 | 10,878 |
| Share of acquired amortisation of equity-accounted investees, net of tax | (14,371) | (14,796) |
| Profit on disposal of subsidiaries | 15,347 | – |
| Finance income | 5,996 | 812 |
| Finance expense | (17,459) | (18,441) |
| Profit before tax | 35,745 | 42,907 |
| Income tax expense | (4,479) | (14,186) |
| Net profit after tax | 31,266 | 28,721 |

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.

03 Notes to the Interim Financial Statements

4. REVENUE

Disaggregation of revenue

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

| FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2020 | RSS \$'000 | CM \$'000 | BCM \$'000 | FS \$'000 | T&O \$'000 | TOTAL REPORTABLE SEGMENTS \$'000 | INTER- SEGMENT ELIMINATIONS \$'000 | TOTAL LINK GROUP \$'000 |
|--|----------------|----------------|---------------|---------------|----------------|---|---|-------------------------------|
| Geographic location | | | | | | | | |
| Australia and New Zealand | 253,950 | 74,568 | – | 9,958 | 143,997 | 482,473 | (145,729) | 336,744 |
| United Kingdom and Channel Islands | 2,416 | 69,490 | 14,362 | 65,858 | 33,486 | 185,612 | (34,251) | 151,361 |
| Ireland | – | 2,360 | 46,654 | 11,392 | 9,087 | 69,493 | (9,080) | 60,413 |
| Other countries | – | 28,196 | 13,223 | 82 | 8,607 | 50,108 | (1,601) | 48,507 |
| Revenues from contracts with clients | 256,366 | 174,614 | 74,239 | 87,290 | 195,177 | 787,686 | (190,661) | 597,025 |

| | | | | | | | | |
|--|----------------|----------------|---------------|---------------|----------------|----------------|------------------|----------------|
| FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2019 | | | | | | | | |
| Geographic location | | | | | | | | |
| Australia and New Zealand | 259,640 | 69,934 | – | 8,838 | 151,415 | 489,827 | (139,660) | 350,167 |
| United Kingdom and Channel Islands | – | 85,452 | 15,027 | 65,028 | 26,247 | 191,754 | (26,350) | 165,404 |
| Ireland | – | 2,169 | 55,627 | 12,199 | 9,910 | 79,905 | (9,894) | 70,011 |
| Other countries | – | 25,439 | 13,097 | 3 | 1,241 | 39,780 | (1,043) | 38,737 |
| Revenues from contracts with clients | 259,640 | 182,994 | 83,751 | 86,068 | 188,813 | 801,266 | (176,947) | 624,319 |

03 Notes to the Interim Financial Statements

5. EARNINGS PER SHARE

(a) Basic earnings per share

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

| | 31 DECEMBER 2020 \$'000 | 31 DECEMBER 2019 \$'000 |
|--|---|---|
| Profit for the interim period attributable to owners of the Company | 30,900 | 27,593 |
| | NUMBER OF SHARES ¹ '000 | NUMBER OF SHARES ¹ '000 |
| Weighted average number of ordinary shares (basic) | | |
| Issued ordinary shares at the beginning of the interim period | 530,266 | 533,576 |
| Effect of allotments, issuances and buybacks | 1,147 | (752) |
| Effect of treasury shares acquired/utilised | (703) | 169 |
| Effect of bonus entitlement offer on ordinary shares | 32 | 69 |
| Weighted average number of ordinary shares (basic) | 530,742 | 533,062 |

(b) Diluted earnings per share

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

| | 31 DECEMBER 2020 \$'000 | 31 DECEMBER 2019 \$'000 |
|--|---|---|
| Profit for the interim period attributable to owners of the Company | 30,900 | 27,593 |
| | NUMBER OF SHARES ¹ '000 | NUMBER OF SHARES ¹ '000 |
| Weighted average number of ordinary shares (diluted) | | |
| Basic weighted average number of ordinary shares | 530,742 | 533,062 |
| Effect of dilutive securities | 4,599 | 2,799 |
| Effect of bonus entitlement offer on dilutive securities | — | — |
| Weighted average number of ordinary shares (diluted) | 535,341 | 535,861 |
| | CENTS PER SHARE | CENTS PER SHARE |
| Basic earnings per share | 5.82 | 5.18 |
| Diluted earnings per share | 5.77 | 5.15 |

¹ The weighted average number of ordinary shares used in the Basic and Diluted earnings per share calculation for the current and comparative interim period were adjusted retrospectively in accordance with AASB 133 *Earnings per Share* following the issue of new shares at a discount to market value during the interim period. When new shares are issued at a discount to market value ("bonus element"), there is a resulting theoretical dilution of existing ordinary shares on issue, leading to a decrease in basic and diluted earnings per share.

03 Notes to the Interim Financial Statements

6. TAXATION

(a) Income tax expense

| | 31 DECEMBER 2020 \$'000 | 31 DECEMBER 2019 \$'000 |
|---|----------------------------------|----------------------------------|
| Current tax expense | | |
| Current interim period | (40,210) | (13,922) |
| Adjustment for prior interim periods | (357) | 1,538 |
| | (40,567) | (12,384) |
| Deferred tax (expense)/benefit | | |
| Origination and reversal of temporary differences | 32,760 | (918) |
| Adjustment for prior interim periods | 3,328 | (884) |
| | 36,088 | (1,802) |
| Income tax expense | (4,479) | (14,186) |
| Profit before income tax | 35,745 | 42,907 |
| Prima facie income tax expense calculated at 30% on operating profit from ordinary activities: | (10,724) | (12,872) |
| Effect of tax rates in foreign jurisdictions | (2,920) | 2,370 |
| Non-deductible expenses | (5,043) | (4,878) |
| Non-assessable income | 7,537 | 1,514 |
| Recognition/(de-recognition) of previously unrecognised/(recognised) tax losses | 3,700 | (974) |
| (Under)/over provision of tax in respect of prior interim periods | 2,971 | 654 |
| Income tax expense | (4,479) | (14,186) |

(b) Effective tax rates for Australian and overseas operations

| | 31 DECEMBER 2020 | | | 31 DECEMBER 2019 | | |
|-----------------------|--|------------------------------------|-----------------------|-----------------------------------|------------------------------------|-----------------------|
| | PROFIT/ (LOSS) BEFORE TAX \$'000 | INCOME TAX EXPENSE \$'000 | EFFECTIVE TAX RATE | PROFIT BEFORE TAX \$'000 | INCOME TAX EXPENSE \$'000 | EFFECTIVE TAX RATE |
| Australian operations | 44,419 | (2,607) | 5.87% | 33,224 | (10,857) | 32.68% |
| Overseas operations | (8,674) | (1,872) | (21.58%) | 9,683 | (3,329) | 34.37% |
| Link Group | 35,745 | (4,479) | 12.53% | 42,907 | (14,186) | 33.06% |

(c) Tax recognised in other comprehensive income and equity

| | 31 DECEMBER 2020 | | | 31 DECEMBER 2019 | | |
|--------------------------------------|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| | BEFORE TAX \$'000 | TAX BENEFIT \$'000 | NET OF TAX \$'000 | BEFORE TAX \$'000 | TAX EXPENSE \$'000 | NET OF TAX \$'000 |
| Foreign Currency Translation Reserve | (17,666) | 511 | (17,155) | 15,221 | (4,566) | 10,655 |
| | (17,666) | 511 | (17,155) | 15,221 | (4,566) | 10,655 |

03 Notes to the Interim Financial Statements

(d) Unrecognised tax losses

As at 31 December 2020, Link Group had carried forward tax losses unrecognised for deferred tax purposes, available to offset against taxable income in future interim periods, in the following jurisdictions:

- Australian tax losses of \$180.5 million (30 June 2020: \$193.0 million);
- UK tax losses of \$0.5 million (30 June 2020: \$0.8 million); and
- Other jurisdiction tax losses of \$0.6 million (30 June 2020: \$0.6 million).

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

03 Notes to the Interim Financial Statements

OPERATING ASSETS AND LIABILITIES

7. TRADE AND OTHER RECEIVABLES

| | 31 DECEMBER 2020 \$'000 | 30 JUNE 2020 \$'000 |
|-------------------------------|----------------------------------|---------------------------|
| Current | | |
| Trade receivables | 156,844 | 167,966 |
| Less: Expected credit losses | (5,136) | (5,008) |
| | 151,708 | 162,958 |
| Investment management debtors | 72,064 | 67,130 |
| Contract assets | — | — |
| Other receivables | 7,996 | 8,849 |
| | 231,768 | 238,937 |
| Non-Current | | |
| Loan to related party | 423,452 | — |
| Other receivables | 2,188 | 5,251 |
| | 425,640 | 5,251 |

The non-current loan to related party is receivable from Torrens Group Holdings Pty Ltd, over which Link Group holds significant influence (refer Note 22). The loan is repayable on 30 July 2026, and accrues interest at a rate of 4.15% per annum. Torrens Group Holdings Pty Ltd has been repaying 10% of the interest in cash each quarter, with the remainder compounding in accordance with the terms of the loan.

8. TRADE AND OTHER PAYABLES

| | 31 DECEMBER 2020 \$'000 | 30 JUNE 2020 \$'000 |
|---------------------------------|----------------------------------|---------------------------|
| Current | | |
| Trade creditors | 23,772 | 38,518 |
| Investment management creditors | 153,989 | 102,096 |
| Deferred consideration | 4,050 | 8,173 |
| Accrued operational expenses | 59,177 | 54,611 |
| Contract liabilities | 29,300 | 28,400 |
| IT related creditors | 6,278 | 9,589 |
| Indemnified payables | 3,892 | 3,942 |
| Other creditors and accruals | 46,233 | 29,825 |
| | 326,691 | 275,154 |
| Non-current | | |
| Contract liabilities | 7,956 | 7,688 |
| Other creditors | 884 | 895 |
| | 8,840 | 8,583 |

03 Notes to the Interim Financial Statements

9. FUND ASSETS AND LIABILITIES

| | 31 DECEMBER 2020 \$'000 | 30 JUNE 2020 \$'000 |
|-------------------------|----------------------------------|---------------------------|
| Fund assets | | |
| Fund receivables | 395,389 | 616,982 |
| | 395,389 | 616,982 |
| Fund liabilities | | |
| Fund payables | (389,519) | (614,883) |
| | (389,519) | (614,883) |

Fund assets and liabilities

These balances relate to investors' purchase or redemption of units in authorised funds of which Link Fund Solutions Limited (Link Group's collective investment scheme administration business) is the Authorised Corporate Director. Link Fund Solutions Limited acts in the role of principal in the transactions, and the balances are due to and from the investors and investment funds. As at 31 December 2020, \$5.9 million (\$395.4 million assets net of \$389.5 million liabilities) of net cash was due from investors and investment funds. The net receivable position arose because Link Fund Solutions Limited was yet to receive settlement from some investors and/or funds. The majority of funds need to be settled within a 4-day settlement period.

10. PROVISIONS

| | 31 DECEMBER 2020 \$'000 | 30 JUNE 2020 \$'000 |
|--------------------|----------------------------------|---------------------------|
| Current | | |
| Provisions | 14,409 | 18,391 |
| Non-current | | |
| Provisions | 43,652 | 48,074 |

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

| | CLAIMS \$'000 | INTEGRATION \$'000 | ONEROUS CONTRACTS \$'000 | OTHER \$'000 | TOTAL \$'000 |
|---|------------------|-----------------------|--------------------------------|-----------------|-----------------|
| Balance at 1 July 2020 | 41,671 | 4,639 | 6,253 | 13,902 | 66,465 |
| Provisions made during the interim period | 3,735 | – | 144 | – | 3,879 |
| Provisions used during the interim period | (2,565) | (1,747) | (253) | (1,673) | (6,238) |
| Provisions reversed during the interim period | (5,192) | (1) | – | (115) | (5,308) |
| Foreign exchange translation difference | (413) | (141) | (76) | (107) | (737) |
| Balance at 31 December 2020 | 37,236 | 2,750 | 6,068 | 12,007 | 58,061 |
| Current | 8,138 | 1,117 | 1,926 | 3,228 | 14,409 |
| Non-current | 29,098 | 1,633 | 4,142 | 8,779 | 43,652 |

03 Notes to the Interim Financial Statements

Provisions

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

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

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

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

Other: Other provisions are for contractual obligations relating make-good obligations and remediation costs. Make good provisions relate to Link Group's future obligation to remove fixtures and fittings or reinstate leaseholds back to original condition. Remediation cost provisions relate to contractual obligations under client contracts to remediate errors on claims.

03 Notes to the Interim Financial Statements

11. PLANT AND EQUIPMENT

| | PLANT & EQUIPMENT \$'000 | FIXTURES AND FITTINGS \$'000 | RIGHT- OF-USE \$'000 | TOTAL \$'000 |
|--|--------------------------------|---------------------------------------|----------------------------|-----------------|
| Cost | | | | |
| Balance at 1 July 2020 | 88,370 | 86,724 | 271,286 | 446,380 |
| Additions | 3,351 | 1,028 | 13,057 | 17,436 |
| Effects of movements in exchange rates | (900) | (562) | (2,577) | (4,039) |
| Disposals/write offs | (1,979) | (934) | (7,779) | (10,692) |
| Balance at 31 December 2020 | 88,842 | 86,256 | 273,987 | 449,085 |
| Depreciation and impairment losses | | | | |
| Balance at 1 July 2020 | (58,323) | (37,108) | (100,520) | (195,951) |
| Depreciation charge for the interim period | (6,367) | (3,878) | (17,228) | (27,473) |
| Effects of movements in exchange rates | 285 | 367 | 872 | 1,524 |
| Disposals/write offs | 1,918 | 933 | 6,529 | 9,380 |
| Balance at 31 December 2020 | (62,487) | (39,686) | (110,347) | (212,520) |
| Carrying amount at 31 December 2020 | 26,355 | 46,570 | 163,640 | 236,565 |

| | PLANT & EQUIPMENT \$'000 | FIXTURES AND FITTINGS \$'000 | RIGHT- OF-USE \$'000 | TOTAL \$'000 |
|--|--------------------------------|---------------------------------------|----------------------------|-----------------|
| Cost | | | | |
| Balance at 1 July 2018 | 81,355 | 73,198 | 263,326 | 417,879 |
| Additions | 5,568 | 1,988 | – | 7,556 |
| Effects of movements in exchange rates | 815 | 252 | 2,455 | 3,522 |
| Transfers to intangible assets | (6,523) | – | – | (6,523) |
| Transfers to assets held for sale | (2,128) | (261) | (1,378) | (3,767) |
| Disposals/write offs | – | – | (893) | (893) |
| Balance at 31 December 2019 | 79,087 | 75,177 | 263,510 | 417,774 |
| Depreciation and impairment losses | | | | |
| Balance at 1 July 2019 | (48,623) | (31,111) | (69,213) | (148,947) |
| Depreciation charge | (5,704) | (3,176) | (15,597) | (24,477) |
| Effects of movements in exchange rates | (196) | (93) | (411) | (700) |
| Transfers to assets held for sale | 1,883 | 212 | 738 | 2,833 |
| Disposals/write offs | – | – | 893 | 893 |
| Balance at 31 December 2019 | (52,640) | (34,168) | (83,590) | (170,398) |
| Carrying amount at 31 December 2019 | 26,447 | 41,009 | 179,920 | 247,376 |

03 Notes to the Interim Financial Statements

12. INTANGIBLE ASSETS

| | GOODWILL \$'000 | CLIENT RELATIONSHIPS \$'000 | SOFTWARE \$'000 | BRAND NAMES \$'000 | TOTAL \$'000 |
|--|--------------------|-----------------------------------|--------------------|--------------------------|------------------|
| Cost | | | | | |
| Balance at 1 July 2020 | 1,559,260 | 510,285 | 678,386 | 4,520 | 2,752,451 |
| Acquisitions through business combinations | 336 | – | – | – | 336 |
| Additions | – | – | 7,750 | – | 7,750 |
| Effects of movements in exchange rates | (18,696) | (4,670) | (6,030) | (59) | (29,455) |
| Disposals/Assets written off | – | (12,269) | (7,118) | – | (19,387) |
| Balance at 31 December 2020 | 1,540,900 | 493,346 | 672,988 | 4,461 | 2,711,695 |
| Amortisation and impairment losses | | | | | |
| Balance at 1 July 2020 | (109,667) | (209,333) | (388,150) | (3,056) | (710,206) |
| Amortisation charge | – | (19,829) | (32,050) | (140) | (52,019) |
| Effects of movements in exchange rates | 3,248 | 1,557 | 4,150 | 44 | 8,999 |
| Disposals/Assets written off | – | 12,269 | 7,005 | – | 19,274 |
| Balance at 31 December 2020 | (106,419) | (215,336) | (409,045) | (3,152) | (733,952) |
| Carrying amount at 31 December 2020 | 1,434,481 | 278,010 | 263,943 | 1,309 | 1,977,743 |

| | GOODWILL \$'000 | CLIENT RELATIONSHIPS \$'000 | SOFTWARE \$'000 | BRAND NAMES \$'000 | TOTAL \$'000 |
|--|--------------------|-----------------------------------|--------------------|--------------------------|------------------|
| Cost | | | | | |
| Balance at 1 July 2019 | 1,565,738 | 505,834 | 613,177 | 4,543 | 2,689,292 |
| Additions | – | – | 43,114 | – | 43,114 |
| Effects of movements in exchange rates | 21,920 | 6,927 | 4,148 | 113 | 33,108 |
| Transfers from plant & equipment | – | – | 6,523 | – | 6,523 |
| Transfers to assets held for sale | (579) | – | (1,070) | – | (1,649) |
| Balance at 31 December 2019 | 1,587,079 | 512,761 | 665,892 | 4,656 | 2,770,388 |
| Amortisation and impairment losses | | | | | |
| Balance at 1 July 2019 | (2,512) | (167,313) | (327,801) | (2,730) | (500,356) |
| Amortisation charge | – | (18,836) | (32,712) | (171) | (51,719) |
| Effects of movements in exchange rates | – | (1,453) | (796) | (51) | (2,300) |
| Transfers to assets held for sale | – | – | 909 | – | 909 |
| Balance at 31 December 2019 | (2,512) | (187,602) | (360,400) | (2,952) | (553,466) |
| Carrying amount at 31 December 2019 | 1,584,567 | 325,159 | 305,492 | 1,704 | 2,216,922 |

03 Notes to the Interim Financial Statements

13. NOTES TO THE STATEMENT OF CASH FLOWS

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

| | 31 DECEMBER 2020 \$'000 | 31 DECEMBER 2019 \$'000 |
|---|----------------------------------|----------------------------------|
| Net (loss)/profit after income tax | 31,266 | 28,721 |
| Add/(less) non-cash items | | |
| Depreciation expense | 27,473 | 24,477 |
| Intangibles amortisation expense | 52,019 | 51,719 |
| Contract fulfilment costs amortisation expense | 3,575 | 3,107 |
| Gain on financial assets held at fair value through profit & loss | (560) | (203) |
| Share of (profit)/loss of equity-accounted investees, net of tax | (385) | 3,918 |
| Profit on disposal of subsidiaries | (15,347) | – |
| Equity-settled share based payment expense | 4,863 | (289) |
| Unrealised foreign exchange (gain)/loss | (3,586) | 1,566 |
| Unwinding discount on provisions and deferred consideration | 117 | 185 |
| Borrowing cost amortisation | 742 | 745 |
| Loss on disposal/write off of plant and equipment | 1,301 | – |
| Net cash inflow from operating activities before changes in assets and liabilities | 101,478 | 113,946 |
| Change in operating assets and liabilities | | |
| Change in trade and other receivables | 5,713 | (9,863) |
| Change in other assets | (2,246) | 2,413 |
| Change in fund assets and fund liabilities | (3,836) | (170) |
| Change in trade and other payables | 61,584 | 26,365 |
| Change in employee benefits | 4,921 | (3,724) |
| Change in provisions | (7,670) | (2,118) |
| Change in current and deferred tax balances | (3,279) | (14,494) |
| Net cash inflow from operating activities | 156,665 | 112,355 |

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

| | 30 JUNE 2020 \$'000 | FINANCING CASH FLOWS \$'000 | BORROWING COST AMORTISATION \$'000 | NON-CASH OTHER NON- FINANCING ACTIVITIES \$'000 | FOREIGN EXCHANGE MOVEMENT \$'000 | 31 DECEMBER 2020 \$'000 |
|---|---------------------------|--------------------------------------|---|---|---|----------------------------------|
| Interest-bearing loans and borrowings – Current | 35,945 | 831 | – | (15) | (469) | 36,292 |
| Interest-bearing loans and borrowings – Non-current | 1,226,952 | (88,564) | 742 | 13,024 | (10,278) | 1,141,876 |
| Total liabilities from financing activities | 1,262,897 | (87,733) | 742 | 13,009 | (10,747) | 1,178,168 |

03 Notes to the Interim Financial Statements

CAPITAL STRUCTURE, FINANCING AND RISK MANAGEMENT

14. INTEREST BEARING LOANS AND BORROWINGS

| | | | 31 DECEMBER 2020 \$'000 | 30 JUNE 2020 \$'000 |
|--------------------|--|--|----------------------------------|---------------------------|
| Current | | | | |
| Lease liabilities | | | 36,292 | 35,945 |
| | | | 36,292 | 35,945 |
| Non-current | | | | |
| Lease liabilities | | | 208,468 | 215,301 |
| Loans | | | 933,408 | 1,011,651 |
| | | | 1,141,876 | 1,226,952 |

| FINANCING ARRANGEMENTS | FACILITY NOTIONAL CURRENCY | INTEREST RATE AT 31 DECEMBER 2020 (P.A.) | 31 DECEMBER 2020 \$'000 | 30 JUNE 2020 \$'000 |
|--|----------------------------------|---|----------------------------------|---------------------------|
| Total facilities available: | | | | |
| Non-amortising term loan facility | AUD | 1.9% – 2.3% | 550,000 | 550,000 |
| Working capital facility | AUD | 1.8% – 1.9% | 30,000 | 30,000 |
| Non-amortising term loan facility | GBP | 1.9% | 821,990 | 832,438 |
| Working capital facility | GBP | 1.9% | 35,354 | 35,804 |
| | | | 1,437,344 | 1,448,242 |
| Facilities utilised at reporting date: | | | | |
| Non-amortising term loan facility | AUD | 1.9% | 178,000 | 305,000 |
| Working capital facility | AUD | 1.9% | 12,272 | 12,903 |
| Non-amortising term loan facility | GBP | 1.9% | 757,480 | 709,452 |
| Working capital facility | GBP | 1.9% | 187 | 190 |
| | | | 947,939 | 1,027,545 |
| Facilities not utilised at reporting date | | | | |
| Non-amortising term loan facility | AUD | 0.7% – 0.9% | 372,000 | 245,000 |
| Working capital facility | AUD | 0.7% | 17,728 | 17,097 |
| Non-amortising term loan facility | GBP | 0.7% | 64,510 | 122,986 |
| Working capital facility | GBP | 0.7% | 35,167 | 35,614 |
| | | | 489,405 | 420,697 |

Facilities utilised at reporting date includes \$12.9 million (30 June 2020: \$13.1 million) of guarantees provided to external parties, which have not been drawn down.

03 Notes to the Interim Financial Statements

15. CONTINGENT LIABILITIES

There have been no significant changes in contingent liabilities from those disclosed in Link Group's 2020 Annual Report.

From time to time, Link Fund Solutions (LFS) receives enquiries, complaints or claims from investors or third parties in relation to the funds for which it acts, or has acted, as authorised corporate director (ACD) (in relation to authorised funds) or operator (in relation to unregulated funds). As disclosed on 18 June 2019, the Financial Conduct Authority (FCA) notified LFS that it was commencing an investigation into LFS as ACD to the LF Woodford Equity Income Fund, now known as the LF Equity Income Fund (Fund). As the FCA investigation is an ongoing and confidential process, Link Group cannot speculate or make any further comment on it. As at the date of these interim financial statements there has been no enquiry, complaint or claim received by LFS regarding its role in relation to any funds, including the Fund, which should be disclosed as a contingent liability in these consolidated financial statements. LFS continues to act in the best interests of investors in the Fund as the orderly wind-up of the Fund progresses.

16. INVESTMENT AND FINANCIAL RISK MANAGEMENT

(a) Investments

| | 31 DECEMBER 2020 \$'000 | 30 JUNE 2020 \$'000 |
|---|----------------------------------|---------------------------|
| Listed equity securities – at fair value through profit or loss | 3,560 | 2,907 |
| Unlisted investments – at fair value through profit or loss | 88,964 | 90,291 |
| | 92,524 | 93,198 |

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.

(b) Fair value of financial instruments

The following table details Link Group's financial instruments carried at fair value categorised by the fair value hierarchy level:

| | LEVEL 1 \$'000 | LEVEL 2 \$'000 | LEVEL 3 \$'000 | TOTAL \$'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| 31 December 2020 | | | | |
| Assets | | | | |
| Derivative financial assets | – | 556 | – | 556 |
| Listed investments designated at fair value through profit and loss | 3,560 | – | – | 3,560 |
| Unlisted equity securities designated at fair value through profit and loss | – | 1,016 | 87,948 | 88,964 |
| | 3,560 | 1,572 | 87,948 | 93,080 |
| 30 June 2020 | | | | |
| Assets | | | | |
| Derivative financial assets | – | 693 | – | 693 |
| Listed investments designated at fair value through profit and loss | 2,907 | – | – | 2,907 |
| Unlisted equity securities designated at fair value through profit and loss | – | 1,631 | 88,660 | 90,291 |
| | 2,907 | 2,324 | 88,660 | 93,891 |

There have been no assets transferred between levels during the interim period (2019: none).

03 Notes to the Interim Financial Statements

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

| | 31 DECEMBER 2020 \$'000 | 31 DECEMBER 2019 \$'000 |
|---|----------------------------------|----------------------------------|
| Reconciliation of movements in level 3 investments | | |
| Opening level 3 investments at the beginning of the interim period | 88,660 | 45,176 |
| Acquisitions | 327 | 37,275 |
| Fair value (Loss)/Gain recognised in profit or loss | — | — |
| Foreign currency retranslation | (1,039) | 1,933 |
| Closing level 3 investments at the end of the interim period | 87,948 | 84,384 |

17. CONTRIBUTED EQUITY

| | 31 DECEMBER 2020 \$'000 | 31 DECEMBER 2019 \$'000 |
|---|----------------------------------|----------------------------------|
| Issued and paid-up capital | | |
| Balance at the beginning of the interim period | 1,889,733 | 1,909,140 |
| Equity issued under share based payment arrangements | 18,058 | — |
| Equity issued under dividend reinvestment plan | 3,629 | — |
| Equity bought back and cancelled | — | (17,444) |
| Equity raising and share buy-back costs, net of tax | — | (17) |
| Balance at the end of the interim period | 1,911,420 | 1,891,679 |

| | 31 DECEMBER 2020 '000 | 31 DECEMBER 2019 '000 |
|---|--------------------------------|--------------------------------|
| Number of shares issued: | | |
| Balance at the beginning of the interim period | 530,328 | 533,951 |
| Equity issued under share based payment arrangements | 3,680 | — |
| Equity issued under dividend reinvestment plan | 945 | — |
| Equity bought back and cancelled | — | (3,123) |
| Balance at the end of the interim period | 534,953 | 530,828 |

03 Notes to the Interim Financial Statements

18. DIVIDENDS

Dividends

| | 2021 INTERIM | 2020 FINAL | 2020 INTERIM | 2019 FINAL |
|--------------------------|--------------|------------|--------------|------------|
| Dividend cents per share | 4.5 | 3.5 | 6.5 | 12.5 |
| Franking percentage | 60% | 50% | 100% | 100% |
| Total dividend (\$'000) | 24,073 | 18,561 | 34,504 | 66,744 |
| Record date | 04.03.2021 | 02.09.2020 | 05.03.2020 | 05.09.2019 |
| Payment date | 09.04.2021 | 25.09.2020 | 09.04.2020 | 10.10.2019 |

Dividends are recognised as a liability in the period in which they are declared. The interim 2021 dividend has not been declared at the reporting date and therefore is not reflected in the consolidated interim period financial statements.

On 25 February 2021, the Directors approved an interim dividend of \$24,072,877, which equates to 4.5 cents per share, franked at 60% in respect of the interim period ended 31 December 2020. The record date for determining entitlements to the dividend is 4 March 2021. Payment of the dividend will occur on 9 April 2021.

The Link Group Dividend Reinvestment Plan (DRP) will operate in respect of the 2021 interim dividend. The DRP election deadline is 5 March 2021.

19. RETAINED EARNINGS

| | 31 DECEMBER 2020 \$'000 | 31 DECEMBER 2019 \$'000 |
|--|----------------------------------|----------------------------------|
| Retained earnings at the beginning of the interim period | 4,263 | 223,739 |
| Net profit attributable to equity holders | 30,900 | 27,593 |
| Gain on settlement of dividend reinvestment plan recognised in retained earnings | — | 5 |
| Gain on settlement of equity settled share based payments recognised in retained earnings | 1,418 | 672 |
| Transactions with non-controlling interest without a change in control recognised in retained earnings | 1,968 | — |
| Retained earnings at the end of the interim period | 38,549 | 252,009 |

20. SHARE-BASED PAYMENT ARRANGEMENTS

As disclosed Link Group's 2020 Annual Report, share based payments arrangements include the Omnibus Equity Plan (OEP) and Broad-based Employee Share Plan (BESP). On 1 December 2020, the Board, at its discretion made a Special Equity Grant (SEG) to employees as compensation for participation in the voluntary temporary pay reduction. The terms, conditions and operation of the plans have not significantly changed during the interim period ended 31 December 2020 other than described below.

03 Notes to the Interim Financial Statements

(a) Description of share-based payment arrangements

At 31 December 2020, Link Group had the following share-based payment arrangements.

Omnibus equity plan

The Omnibus equity plan (OEP) entitles Executive KMPs, Senior Executives and Senior Leaders to receive Performance Share Rights (PSRs) which, subject to the satisfaction of service-based conditions and performance hurdles, will, if vested, allow participants to receive fully paid ordinary shares in the Company. During the interim period and in accordance with the OEP, LTI PSRs were granted to Executive KMPs, Senior Executives and Senior Leaders on 30 November 2020. The PSRs are divided into 2 tranches of 75% and 25% and subject to testing against an operating earnings-per-share (EPS) target and relative total shareholder return (relative TSR) respectively.

The terms and conditions of the PSRs granted during the interim period ended 31 December 2020 were as follows.

| GRANT DATE/ EMPLOYEES ENTITLED | NUMBER OF PSRs | VESTING CONDITIONS | CONTRACTUAL LIFE OF PSRS |
|--|-------------------|--|--|
| LTI issued to Executive KMPs, Senior Executives and Senior Leaders on 30 November 2020 | 2,485,578 | 75% against an EPS target and 25% against relative TSR for the three-interim period performance period commencing 1 July 2020. | Seven years, with last exercise occurring September 2027 (unless the PSRs lapse earlier in accordance with the terms of the invitation). |

The number of PSRs issued to each participant was calculated with reference to the 5-day Volume Weighted Average Price (VWAP) following the release of the 2020 full year results and accounted for at fair value in accordance with accounting standards from grant date.

The expense recognised in the consolidated statement of profit or loss and other comprehensive income in relation to the LTI PSRs during the interim period ended 31 December 2020 was \$2.9 million (31 December 2019: \$0.6 million).

Special equity grant

On 1 December 2020 the Board, at its discretion, offered restricted shares (RSs) or share rights (SRs) as compensation to employees who participated in the voluntary temporary pay reduction. The restricted shares or share rights entitle participants to receive fully paid ordinary shares in the Company subject to continued employment for a one or two-year service period.

The terms and conditions of the special equity grant during the interim period ended 31 December 2020 were as follows.

| GRANT DATE | NUMBER OF RSs/SRs | VESTING CONDITIONS |
|--|----------------------|---|
| Restricted shares issued 1 December 2020 | 2,750,762 | Subject to continued employment, vesting on 30 November 2021. |
| Share rights issued 1 December 2020 | 463,963 | Subject to continued employment, vesting on 30 November 2021. |
| Restricted shares issued 1 December 2020 | 392,342 | Subject to continued employment, vesting on 30 November 2022. |
| Share rights issued 1 December 2020 | 56,778 | Subject to continued employment, vesting on 30 November 2022. |

The expense recognised in the consolidated statement of profit or loss and other comprehensive income in relation to the special equity grant during the interim period ended 31 December 2020 was \$1.7 million (31 December 2019: \$Nil).

03 Notes to the Interim Financial Statements

(b) Measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the LTI PSRs issued during the interim period ended 31 December 2020:

| | 30 NOVEMBER 2020 |
|---|------------------|
| Fair value at grant date: | |
| i) EPS tranche at grant date | \$4.35 |
| ii) TSR tranche fair value at grant date | \$2.51 |
| Share price at grant date | \$4.90 |
| Exercise price | — |
| Expected volatility (weighted average volatility) | 32.5% |
| PSR life (expected weighted average life) | 3 years |
| Holding lock discount: | |
| i) 1 year | 7.5% |
| ii) 2 year | 10% |
| Expected dividends | 2.73% |
| Risk-free interest rate (based on government bonds) | 0.12% |

The fair value of services received in return for LTI PSRs is based on the fair value of LTI 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.

The fair value of services received in return for special equity grant restricted shares or share rights is based on the market price of Link Group's ordinary shares at grant date, being \$4.92.

(c) Reconciliation of share rights

The number of share rights on issue during the interim period ended 31 December 2020 was as follows:

| | LTI PSRs | | SEG SRs | | STI DEFERRAL PSRs | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 31 DECEMBER 2020 '000 | 31 DECEMBER 2019 '000 | 31 DECEMBER 2020 '000 | 31 DECEMBER 2019 '000 | 31 DECEMBER 2020 '000 | 31 DECEMBER 2019 '000 |
| On issue at beginning of the interim period | 4,112 | 3,116 | — | — | 6 | 6 |
| Granted during the interim period | 2,486 | 1,758 | 521 | — | — | — |
| Lapsed during the interim period | (1,029) | (389) | — | — | — | — |
| Vested during the interim period | — | (353) | — | — | — | — |
| On issue at the end of the interim period | 5,569 | 4,132 | 521 | — | 6 | 6 |

03 Notes to the Interim Financial Statements

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.

Acquisitions

On 31 July 2020, Link Group acquired 100% of Universal Capital Securities Private Limited for INR 32.1 million (\$0.6 million).

On 18 September 2020, Link Group acquired the remaining 25% interest, taking its interest to 100%, in TSR Darashaw Consultants Private Limited for INR 333.0 million (\$6.2 million).

These two share registry acquisitions in India add scale to the existing Link Intime business and provide the opportunity to obtain cost synergies from integration.

Pending acquisitions

On 18 December 2020, Link Group entered into a binding agreement to acquire 100% of Casa4Funds SA (Casa4Funds) for a cash free, debt free consideration of €10 million. Casa4Funds, headquartered in Luxembourg, is one of the oldest European independent third-party UCITS Management Companies and Alternative Investment Fund Managers (AIFM). The acquisition is subject to mandatory regulatory approvals and is expected to be completed in the first half of calendar 2021.

Disposal of subsidiaries

On 2 November 2020, Link Group completed the sale of its 74.9% interest in Link Market Services South Africa (Pty) Limited (LMSSA) to JSE Limited for a cash free, debt free consideration of ZAR 224.5 million (\$19.5 million). The subsidiaries over which Link Group lost control due to the transaction were:

- Link Market Services South Africa (Pty) Limited;
- Link Investor Services Pty Limited; and
- Pacific Custodians (Nominees) (RF) Pty Limited.

LMSSA's assets and liabilities associated with the sale were presented as a disposal group held for sale as at 30 June 2020.

The results of the disposed subsidiaries are included in Link Group's consolidated statement of profit or loss and other comprehensive income up until the date of loss of control on 2 November 2020. On the date of loss of control, Link Group derecognised the assets and liabilities of the disposed subsidiaries and recognised a profit before tax on disposal of \$15.3 million in accordance with AASB 10 *Consolidated Financial Statements*.

03 Notes to the Interim Financial Statements

22. EQUITY-ACCOUNTED INVESTMENTS

Equity accounted investments are those over which Link Group has significant influence, but not control. Set out below are the equity-accounted investments of Link Group as at 31 December 2020.

| EQUITY-ACCOUNTED INVESTMENTS | PLACE OF BUSINESS | % OWNERSHIP INTEREST 2020 | % OWNERSHIP INTEREST 2019 | 31 DECEMBER 2020 \$'000 | 30 JUNE 2020 \$'000 |
|--------------------------------|-------------------|---------------------------|---------------------------|-------------------------|---------------------|
| Torrens Group Holdings Pty Ltd | Australia | 44.2 | 44.2 | 268,896 | 691,228 |

(a) Reconciliation of movements in carrying values

| | 31 DECEMBER 2020 \$'000 | 31 DECEMBER 2019 \$'000 |
|---|-------------------------|-------------------------|
| Carrying value at beginning of the interim period | 691,228 | 702,613 |
| Share of profit/(loss) of equity-accounted investees, net of tax | 385 | (3,918) |
| Share of other comprehensive income, net of tax | — | — |
| Return of capital from equity-accounted investee, converted to shareholder loan | (419,460) | — |
| Elimination of shareholder loan interest | (3,257) | — |
| Carrying value at the end of the interim period | 268,896 | 698,695 |

Torrens Group Holdings Pty Ltd performed a return of capital on 30 July 2020, funding for which was obtained via shareholder loans. Link Group recognised a non-current loan to related party, terms of which are disclosed in Note 7.

03 Notes to the Interim Financial Statements

OTHER DISCLOSURES

23. SUBSEQUENT EVENTS

TGH trade sale and shareholder loan repayment

On 1 February 2021, Link Group announced that it had received indicative interest and will prioritise a trade sale of its 44.2% interest in Torrens Group Holdings Pty Ltd (TGH). Additionally, a previously announced expectation that TGH would partially repay shareholder debt by drawing down on external debt will not proceed.

Acquisition of Pepper European Servicing

On 31 January 2020, Link Group announced it had entered into a binding agreement to acquire Pepper European Servicing (PES) from Pepper Group for an upfront consideration of \$277 million, subject to mandatory regulatory approvals and commercial conditions. On 1 February 2021, Link Group announced that it had exercised its contractual right to terminate the agreement and not proceed with the acquisition of PES, as the mandatory regulatory approvals and commercial conditions had not been satisfied by the long stop date.

Appointment of General Counsel & Company Secretary

On 23 February 2021, Link Group announced that Sarah Turner had commenced as Link Group's General Counsel & Company Secretary, replacing Janine Rolfe. Emma Lawler will also continue as joint Company Secretary.

Impact of COVID-19 on post balance date trading

Whilst the Directors note the ongoing COVID-19 pandemic continues to impact global markets, including jurisdictions that Link Group operates in, Link Group has shown resilience and has been proactive in response to these challenges. However, the future impact of the COVID-19 pandemic remains uncertain.

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

04 Directors' Declaration

1. In the opinion of the Directors of Link Administration Holdings Limited (the Company):
 - (a) the condensed consolidated financial statements and notes that are set out on pages 9 to 38 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of Link Group's financial position as at 31 December 2020 and of its performance for the interim period ended on that date; and
 - (ii) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Dated 25 February 2021 at Sydney.



Michael Carapiet
Chair



Vivek Bhatia
Chief Executive Officer & Managing Director

05 Independent Auditor's Review Report



Independent Auditor's Review Report

To the shareholders of Link Administration Holdings Limited

Conclusion

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

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

- giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2020;
- Condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the Interim Period ended on that date;
- Notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

The **Interim Period** is for the 6 months ended on 31 December 2020.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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05 Independent Auditor's Review Report



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Eileen Hoggett

Partner

Sydney

25 February 2021

Brendan Twining

Partner

Sydney

25 February 2021