ANNUAL REPORT 2018-2019


Evolving payments.

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Empowering people.

This financial report is for Indue Ltd. A description of the nature of the Company's operations and its principal activities is included in the Directors' Report. The financial statements were authorised for issue by the Directors on 30 August 2019.

The Directors have the power to amend and reissue the financial statements.

Indue Ltd is a public unlisted company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Level 3, 601 Coronation Drive
Toowong QLD 4066
Phone +61 7 3258 4222
Fax +61 7 3258 4211
www.indue.com.au

Chairman's & CEO's report

Indue's Vision & Mission

Indue's vision is to be the leading partner of payment solutions to our customers.

Indue's mission is to drive competitive advantage for our customers by helping people pay.

We focus on achieving our mission through organisational stability and sustainability, relevant products, consistent quality of service and a focus on driving cost down.

Payments Transformation

The payments landscape continues to evolve apace, with the key theme of digitisation dominating and driving development activity. Indue has been working hard to deliver on an aggressive product transformation agenda as a key part of our mission.

New Payments Platform (NPP)

The New Payments Platform has been an important strategic investment for Indue and for our clients. It has been operating now for eighteen months with a continued stream of financial institutions joining over this time. Its progress since launch has been below expectations, primarily as a result of some of the larger players' slow roll-out of the system across all channels, addresses and brands.

However, growth continues and optimism remains that sustainable scale will be achieved in the medium term.

Capability uplift is expected in the years ahead to enable continued migration of existing Direct Entry and cash payment volumes. The ability to initiate payments to enable direct debit capability is likely to be a focus area in the year ahead.

Mobile & Card Scheme Payment Evolution

With NPP entering the market the international and domestic card schemes continue to respond with investments in digital platforms and wallets, and competition for the transaction remains intense. Indue successfully launched our Mobile Payments product in 2019 with both Apple Pay and Google Pay and our roadmap for 2020 focuses on completing eftpos and instant issuance services. We look forward to bringing these product offerings to our customers over the next period.

Consumer adoption of this technology remains low but we expect mobile payments will gain broader consumer presence into 2020/21.

Financial Crime Evolution

The increasing speed of payments drives an increasing need for managing fraud. The past year saw increasing fraud events perpetuated, resulting in multi-million dollar losses and reputational damage. The financial crime cartels are increasing in their sophistication and the defence systems of financial institutions must evolve to keep pace.

To support our clients Indue has invested in next generation 'continual learning' monitoring systems, designed to combat the fraud of the future in a frictionless payment world. This platform launched alongside our NPP Gateway in 2018, and we are now heavily focused on migrating Cards and AML to the next generation technology, shifting our service to 'real-time.' This completes our vision for Orion as a real time, multi-channel Fraud and AML monitoring and management solution for our clients.

Business Strategy

We are approaching the three year mark of our strategy *'FOCUSS 2020: Payments Transformation'*, which was framed by a rapidly changing payments environment. This strategy is largely complete with non-core business divestments completed in FY19 and remaining investments to finalise in FY20.

Our strategy was recently refreshed for the next three years and '*FOCUSS 2023: Technology Transformation*' has a strategic focus on optimisation of the re-invented product set and incorporates a significant uplift in technology efficiency, availability, capability and resilience.

With cash payments continuing to migrate to e-payments the strategy remains focused on the vertical growth of core business lines to provide lower costs to our customers and a balanced return to owners.

Other focus areas to round out the investment program are the replacement of our customer B2B portal (Indue Online) with a significantly improved platform (Indue Connect) and a continued emphasis on our delivery and on-boarding efficiency.

Business Performance | Balanced Returns

Indue has maintained strong underlying business performance. The PBT of $4.3m was a healthy result notwithstanding the significant project and investment program. It was sufficient to continue to provide a solid financial return to shareholders in addition to the product capability delivered.

In light of the very significant levels of new product investment in the past three years the Board was pleased to again declare a fully franked dividend of $10 per share for FY19. This dividend balances the continuing need to support product investment with the interests of shareholders. It is worth noting, however, that the company will continue to invest heavily in FY20 across a range of initiatives and projects and that future dividends must take into account the impact of these long-term investment demands and recent major programmes.

Indue's key business metrics demonstrate a healthy organisation with positive trends. In areas such as product investment, staff engagement, customer advocacy, risk culture, dividends, entity value, capital depth and business growth the metrics are healthy and trended positively over the year – although there is always more to do. Various stakeholder feedback surveys chart this course and we look forward to responding to the great feedback provided through these forums.

With a clear and focused business strategy in place we are confident that both performance and growth are sustainable.

Chairman's & CEO's report continued

Looking Ahead

Digital technology and consumer expectations are driving a continued need to evolve product offerings to maintain a contemporary service. As the existing transformation program winds down and we embark upon further product optimisation we maintain an eye to the future to ensure we are positioning to meet these challenges. The introduction of open data regulation, digital identity, QR code based payments, payment device evolution, tokenisation, NPP overlays, digital wallet evolution and the phasing out of cheques are all areas that will impact our strategy. We are confident Indue is well placed to meet this change and to continue to provide effective business solutions to our customers.

The company will continue to set itself challenging targets in the interests of pursuing our Vision and Mission, for all stakeholders. With general economic conditions deteriorating, two interest rate reductions already announced and a third likely, and a continuing significant investment programme we know that profitability in FY20, is challenged. However, we expect that this will be a relatively short-term impact and in the medium term the company will return to positive earnings growth.

On the positive side, sales performance remains strong with new client acquisitions in FY19 supporting growth in underlying performance. Our financial crimes offering in particular has been a great success story in FY19 and we expect FY20 to continue well with pent up demand for mobile payments, on-going success with our Nucleus platform in the digital gift and prepaid card area and forecast growth in traditional product lines. As with all industry participants the regulatory environment has also been a major factor with a large regulatory change program underway across many areas of the business.

In summary, while the financial outlook provides challenges and the company implements major initiatives across a number of business activities, Indue remains successful with a balanced top and bottom line view. Our core focus continues to be delivering sustainable value for our customers and shareholders through balanced outcomes of service, product, returns and security.

Acknowledgements

Our customer relationships are the heart of the organisation and first and foremost we acknowledge the great partnerships we have with our customers, and thank you for your continued support through a challenging and transformational year. Thriving through the disruption journey that we have been on together over the past three years has been made possible because of the strong relationship foundations we have in place and we thank you for that collaboration and partnership.

Although it can be somewhat unfair to single out one individual in what we believe is a strong and highly engaged boardroom, we'd like to acknowledge the significant contributions of both Dawson Petie and Aileen Cull who retired from the Board during the year, each after serving the company for ten years. Dawson also served the organisation as its Chairman for five years and his wisdom, knowledge and governance expertise made a hugely important contribution to the company's success, progress and development, in addition to his highly appreciated pastoral care for the broad Indue community.

Indue's strength and continued success is driven by and depends on its high quality people. As a business offering technical and professional services, we rely on our people to actively anticipate and meet the changing and developing needs of a diverse customer base in a highly dynamic environment that also demands exceptionally high levels of stability and security of service. We have experienced and capable Executive and Leadership groups, supported by a highly committed and professional team at Indue in which everyone contributes to make this a great place to work. The continuing success this year is a significant reflection of collective achievement from a great team focused on ensuring our customers provide quality payment experiences for the millions of Australians who we collectively serve.

R B O Burns
Chairman

D R Weatherley
Chief Executive Officer

30 August 2019

Operating highlights

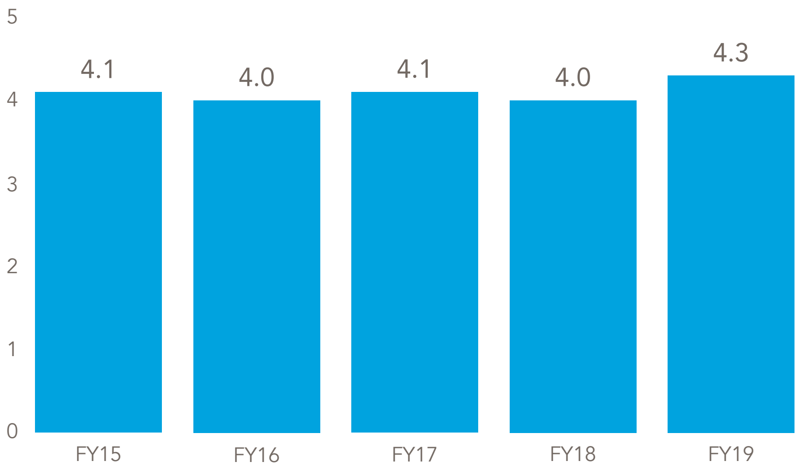
FY19 financial year was a year focused on embedding the New Payment Platform (NPP) which has seen healthy month on month growth with strong performance from Indue clients, but slower uptake amongst the broader market. Substantial further investment was undertaken in building out additional product capability, in particular Mobile Payments which went live during the year and real-time Fraud for Financial Crimes which will complete in the FY20 financial year.

The simplification of the business was completed with the organisation now down to a single entity and all non-core businesses fully exited.

A number of new customers were on boarded during the year as well as expansion of current customer relationships creating a strong foundation for future performance.

In the year Indue:

- Delivered a headline Profit before Tax of $4.3m which on an underlying basis showed a moderate improvement to prior years;
- Revenue was flat overall, but excluding impact of exited businesses was up over 5%;
- Settled over 155 million transactions, up 6%;
- Spent over 140,000 hours developing and implementing new solutions for customers, enhancing and maintaining capabilities;
- Monitored over 220 million transactions for fraud through the 24x7 financial crimes monitoring service;
- Monitored over 230 million transactions for potential Anti-Money Laundering/ Counter Terrorism risk.



Underlying profit before tax ($m's)

Note: Underlying profit excludes the proceeds and ongoing profits of divested/exited businesses and one-off expenses in FY16 related to a significant organisational restructure.

Corporate Governance report

Overview

The Board is committed to sound and prudent standards of corporate governance for Indue and the Governance, Remuneration & Nominations Committee ('Committee') is responsible for advising the Board and monitoring Indue's compliance with these standards. The Board maintains a statement of corporate governance principles, which defines the framework under which Indue Ltd ("the Company") is directed.

The implementation of this disciplined governance structure ensures appropriate development, prioritisation and delivery of business strategies, as well as consistent and informed decision making to conduct the Company's activities and achieve its objectives. In addition, the Committee continues to ensure that Indue complies with APRA's Governance Prudential Standard. The Board of Directors of Indue is accountable to the Company to ensure the safety of shareholder funds and that the Company operates in a sustainable and responsible way.

The Board aims to achieve these objectives through:

- improving the performance of Indue through the formulation, adoption and monitoring of corporate strategies, budgets, plans, policies and performance;
- setting strategic direction, targets and monitoring the performance of senior management and of itself;
- monitoring the conduct of the Company and senior management;
- ensuring the annual review of succession planning;
- identifying and monitoring the management of the principal risks and the financial performance of Indue; and
- putting appropriate procedures in place to satisfy its corporate and legal responsibilities whilst conducting its business in compliance with all laws and in an honest, open and ethical manner.

Subject to certain reservations, the Board has delegated responsibility for the management of the day-to-day activities of Indue to its Chief Executive Officer.

Board Meetings

The number of Board meetings and each director's attendance at those meetings are set out in the report of the Directors. Directors are expected to prepare adequately for, attend and participate at Board meetings and meetings of committees. The Board meets principally at either the Head Office in Brisbane or the Company's offices in Sydney.

New Directors, Induction and Continuing Education

The Committee oversees the appointment of new directors to the Board. To ensure that the Board has the necessary and desirable competencies, when considering any recommended appointments to the Board the Committee takes into consideration the mix of skills, experience, expertise, diversity and other qualities of the existing Directors and assesses the skills required to discharge competently the Board's duties having regard to the Company's performance, financial position and strategic direction. Management, working with the Board, provides an orientation program for new Directors. The program includes discussions with executives and management, and where requested, the external auditor, and reading material. These cover the Company's strategic plans, its significant financial, accounting and risk management issues, compliance programs, management structure, internal and external audit programs, and Directors rights, duties and responsibilities. Management periodically conducts additional information sessions for Directors about the Company, and the factors impacting, or likely to impact, on its businesses. These assist the Directors to gain a broader understanding of the Company and its industry. Directors are also encouraged to keep up to date on topical issues.

Performance Evaluation

The Board assesses its effectiveness regularly through an evaluation process, which includes assessment of:

- the appropriateness and relevance of the meeting schedule and agenda;
- the appropriateness, relevance, content and standard of Board material;
- the identification and appropriate management of risks faced by the Company;
- the range and standard of skills available at Board level;
- the collective and individual performance of Directors, and the scope of Directors contributions; and
- the performance of its Chairman.

For the reporting period, the Board undertook this evaluation process by conducting an internal self-assessment process.

In addition, the Board assesses annually the performance of the Chief Executive Officer and Executive Leadership Team against agreed objectives.

Remuneration of Directors

The constitution of the Company provides for two Groups of Directors, both elected in accordance with the constitution. Group One Directors, referred to as 'Industry Directors', must be officers, employees or associates of a member. Group Two Directors, referred to as 'Independent Directors' must not be officers, employees or associates of a member. Industry Directors are not remunerated by the Company. Independent Directors are remunerated by the Company, with shareholders determining the maximum annual aggregate amount of remuneration that may be provided to them at the Annual General Meeting.

From this amount individual Directors are remunerated based on a policy of compensation towards the middle quartile of the general market, which is appropriate to the size and complexity of the Company. The Committee receives advice from independent experts on appropriate levels of director remuneration and guides the Board in this regard. The remuneration of key personnel is disclosed in note 17.

Performance & Remuneration of Senior Executives

The Company's performance management framework covers all senior executives of the Company, and entails the setting of Key Result Areas (including both financial and non-financial measures). Performance discussions are conducted bi-annually between each senior executive and their manager, with a formal end of year review which includes comparing and calibrating each senior executive to the performance of peers. For the reporting period, this performance assessment process was conducted in accordance with the agreed framework. The Board, on advice from the Committee, sets the remuneration and performance objectives of the Chief Executive Officer, Executive Leadership Team and Specially Designated Positions. Remuneration is reviewed within a Board-established framework, which includes base remuneration, the short-term performance incentive program and, for key executives, a long-term retention program. The Committee is assisted by independent experts providing advice and benchmarking data.

APS 330 disclosures for Remuneration are available in the Regulatory Disclosures section of the Indue Website.

Corporate Governance report continued

Access to Management

Board members have complete and open access to management. The Company Secretary provides advice and support to the Board, and the Chief Risk Officer is responsible for the Company's day-to-day governance framework. Access to Independent Professional Advice guidelines entitles each director to seek independent professional advice at the Company's expense, with the prior approval of the Chairman. The Board can conduct or direct any investigation to fulfil its responsibilities and can retain, at the Company's expense, any legal, accounting or other services, it considers necessary to perform its duties.

Risk Management & Internal Audit

The Board is responsible for reviewing and approving the overall risk management strategy, including determining the Company's appetite for risk. The CEO and Executive Leadership Team have the day to day responsibility of implementing Indue's risk management strategy and Frameworks and for identifying and managing risk. On at least an annual basis, Indue's risk management framework is formally reviewed and management provide attestations to the Board that confirms that all key risks facing Indue have been identified; that management has established systems to monitor and manage those risks and the risk management frameworks are operating effectively and are adequate having regard to the risks they are designed to control. This review process was completed for the reporting period.

The Company has an independent internal audit function (currently outsourced to professional services firm, EY) that reports to the Audit Committee. The internal audit function is responsible for evaluating, testing and reporting on the adequacy and effectiveness of the Company's internal controls. To ensure independence, the Company's Internal Audit function has a direct reporting line to the Chair of the Audit Committee.

APS 330 disclosures for Capital Adequacy are available in the Regulatory Disclosures section of the Indue Website.

Board Committees

To assist the Board in fulfilling its responsibilities, the Board has established a number of Committees. Each Committee has its own charter, which sets out its responsibilities. The Board had the following Committees during the financial year:

- Audit Committee;
- Risk Committee;
- Governance, Remuneration & Nominations Committee; and
- Information Steering Committee.*

* Information Steering Committee reverted back to a Board committee on 27 September, 2018.

H – # of meetings eligible to attend
A – # of meetings attended

Audit Committee

Principal Responsibilities

- to assist the Board in fulfilling its responsibilities, by providing an independent, objective, non-executive review of the effectiveness of reporting of financial information and the internal control environment;
- to oversee and appraise the effectiveness of the audit program conducted by the Company's internal and external auditors;
- to monitor the Company's processes for compliance with financial reporting laws and regulations;
- to maintain open lines of communication among the Board, the internal auditors and the external auditors to exchange views and information, as well as confirm their respective authority and responsibilities;
- to review the financial information presented by management to shareholders and regulators; and
- to consider the adequacy of the Company's administrative operating and accounting controls, in line with audit reports and where the Committee considers appropriate, report to the Board on any changes to relevant laws, regulations or standards relevant to the Company in this context.

A reference to "internal auditors" includes contemplation of an internal audit department entirely resourced by employees of Indue, a fully outsourced internal audit function or a co-sourced internal audit function.

Audit Committee	H	A
Chair		
R B O Burns*	2	2
S Collier#	2	2
Members		
P D Petie*	2	2
P R Townsend	4	4
F Gullone#	2	2

* R D Petie resigned from the Board on 30 November, 2018.

* R B O Burns re-allocated to other Indue Committee 25 October, 2018.

\# Effective from 25 October, 2018.

Risk Committee

Principal Responsibilities

- assist the Board to provide oversight of the Company's risk management, compliance management and capital management frameworks;
- advise the Board on the Company's risk position, risk appetite, risk culture, capital position, risk management strategy and capital management strategy;
- provide oversight of the implementation, effectiveness and operation of the Company's risk management function and systems (which includes all material risks as defined in the Company's risk management strategy);
- oversight of the Company's risk profile and assessment of this alignment with the Board's Risk Appetite Statement;
- support the oversight and promotion of the risk culture of the Company;
- review assurances to enable the Board and the Risk Committee to make declarations on risk management to APRA as required;
- commission a comprehensive independent review (to be conducted every three years or as required by APRA) on the appropriateness, effectiveness and adequacy of the Company's risk management framework and ICAAP, and consider the results of the report;
- review management's plans to mitigate material risks faced by the Company;
- make recommendations to the Board concerning the Company's current and future risk appetite, risk management strategy and particular risks or risk management practices;
- consider new business opportunities, products or initiatives that have been assessed against the Company's Risk Appetite Statement and either approve, not approve or require additional work or activities be undertaken by management;

Corporate Governance report continued

- provide oversight of the implementation, effectiveness and operation of Indue's compliance management function and systems;
- consider the adequacy of the Company's credit, liquidity, large exposure, operational and market risk controls in compliance with APRA Prudential Standards;
- advise the Board on the impact the Company's strategic direction will have on the Company relative to its capitalisation, the composition of its capital base and the ownership structure of the Company.

Risk Committee	H	A
Chair		
F Gullone	7	7
Members		
A Cull*	5	5
M F Currie	7	7
S Collier#	4	3
P Wright##	2	2

* A Cull resigned from the Board on 29 March, 2019.

Effective from 25 October, 2018.

Effective from 29 May, 2019.

Governance, Remuneration & Nominations Committee

Principal Responsibilities

- develop and implement the Company's Statement of Corporate Governance Principles;
- review the Board's committee structure and establish principles under which they operate in accordance with the constitution and good corporate governance principles;
- develop and recommend to the Board for its approval, an annual evaluation process of the Board and its committees;
- review the Board's meeting procedures, including the appropriateness and adequacy of the information supplied to directors prior to and during Board meetings;
- evaluate the skills required to discharge the Board's duties having regard to the Company's strategic direction, performance and financial position;
- develop and implement processes to assess whether the necessary and desirable competencies and skills are represented on the Board;
- undertake the process for considering and recruiting new Board members and recommend preferred candidates to the Board;
- oversee the annual retirement and appointment of directors as part of the re-election processes as set out in the Constitution;
- develop and recommend succession planning for Directors;
- develop and recommend to the Board for its approval the Company's Remuneration Policy;
- make annual recommendations to the Board in respect of the remuneration of the CEO, the Executive Leadership Team, those occupying Special Designated Positions, and any other person whose remuneration is designated by APRA as being required to be reviewed by the Board;
- annually review the Company's Succession Planning activities for the Chief Executive Officer and other key Executive Management roles.

Governance, Remuneration & Nomination Committee	H	A
Chair		
S C Collier*	1	1
R B O Burns#	3	3
Members		
S R King	4	1
R D Petie*	1	1
P Wright#	3	3

* R D Petie resigned from the Board on 30 November, 2018.

* S C Collier re-allocated to other Indue Committee, 25 October, 2018

Effective from 25 October, 2018.

H – # of meetings eligible to attend
A – # of meetings attended

Information Steering Committee

Principal Responsibilities

- assist the board of directors in fulfilling its responsibilities relating to the Information Technology (IT) Management and reporting practices of the Company;
- ensure effectiveness of enterprise IT strategy and IT risk management practices;
- ensure strategic alignment and ongoing health of the portfolio of IT Investment;
- set direction for planning, implementation and benefits realisation related to IT initiatives;
- oversee effectiveness of internal IT operational and project controls;
- monitor effectiveness of compliance with IT and related business policy; and
- define and monitor key IT program/ project and operational metrics.

On 28 September, 2017 it was resolved by the Board that the ISC would revert back to a Management Committee, with Director Bell acting as independent Chairman.

On 27 September, 2018 it was resolved by the Board that the ISC would revert back to a Board Committee. Director Wright was appointed as Chairman.

Information Steering Committee	H	A
Chair		
G F Bell*	1	1
P Wright#	2	2
Members		
D R Weatherley	3	1
J Hinton**	3	2
I Taylor	3	3

* G F Bell resigned as a Director on 2 October, 2017. G F Bell continued in his role as Chair of the Information Steering Committee, as an independent external consultant, and resigned from this role on 25 October, 2018.

** Maternity leave.

Effective from 25 October, 2018.

R B O Burns
Chairman, Board
Chairman, Governance, Remuneration & Nominations Committee

30 August 2019

Directors' report

The Directors submit the following report on Indue Ltd in respect of the financial year ended 30 June 2019.

Directors

The following persons were Directors of Indue Ltd during the whole of the financial year and up to the date of this report: Robin Buick Orr Burns (Chairman), Sally Clare Collier, Michael Francis Currie, Frank Gullone, Scott Rodney King, Peter Robert Townsend and Peter Hooper Wright.

Anthony De Fazio was appointed a Director on 4 July 2019.

Robin Buick Orr Burns

ACA, FAICD

Director since 02.10.17
and Chairman since 01.12.18

Other Directorships Held (at date of report)

Director, Weary Dunlop Rugby Foundation
Director, 8IP Emerging Companies Limited
Director, BT Funds Management Limited
Director, BT Funds Management No 2 Limited
Director, Westpac Securities Administration Limited
Compliance Committee member, PIMCO Australia Management Ltd
Director, Defence Health Ltd

Sally Clare Collier

B.Ec, GAICD

Director since 30.10.15

Other Directorships Held (at date of report)

Director, Pendal Group Limited
Director, J O Hambro Capital Management Holdings Limited
Director, Collier Investments Pty Ltd
Director, Utilities of Australia Pty Ltd
Director, CU Foundation Pty Limited as trustee of the Clayton Utz Foundation

Michael Francis Currie

B.Bus, MAppFin, GradDipFinPlan, F Fin, GAICD

Director since 20.06.17

Other Directorships Held (at date of report)

N/A

Frank Gullone

B. Bus(Acc), Grad. Dip. SI, AMP (Harvard), FCPA, F Fin, FAICD

Director since 02.04.13

Other Directorships Held (at date of report)

Director, Gullone Group Pty Ltd
Director, Gullone Commercial Solutions Pty Ltd
Chair, Kinetic Super Advisory Committee with Sunsuper Pty Ltd and Sunsuper Superannuation Fund
Board member, The Queen Elizabeth Centre (QEC) Victoria

Scott Rodney King

B.Ec, ACA

Director since 23.04.02

Other Directorships Held (at date of report)

N/A

Peter Robert Townsend

MBA, MAICD, FAMI, JP

Director since 22.08.01

Other Directorships Held (at date of report)

Director, The Kempsey Golf Club Ltd

Peter Hooper Wright

MBA, MAICD

Director since 01.08.18

Other Directorships Held (at date of report)

Director, MINT Payments Limited
Managing Director, PHW Consulting Pty Ltd
Chair, IPG Group (Hong Kong)
Advisory Board Member, IPG International (Hong Kong)

Anthony De Fazio

B.Com, CPA

Director since 04.07.19

Other Directorships Held (at date of report)

Director, Victoria Police Legacy Scheme Incorporated

Directors' report continued

Company Secretary

The details of the Company Secretaries holding office at the end of the reporting period are disclosed below:

Name	Qualifications	Experience
Jane Elizabeth Hinton	LLB	• Solicitor since 2006; • Indue Ltd Company Secretary since February 2012; and • Currently General Counsel, Chief Risk Officer & Company Secretary, Indue Ltd.
Stacey Lea-Ann Hester	LLB, LLM	• Solicitor since 1997; • Appointed Indue Ltd Company Secretary January 2017; and • Currently Head of Legal & Compliance and Company Secretary, Indue Ltd.

Director's Meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of Indue Ltd during the year ended 30 June 2019 are set out in the table below.

	Board meetings		Committee meetings	
Directors	# of meetings eligible to attend	# of meetings attended	# of meetings eligible to attend	# of meetings attended
Robin B O Burns*	10	10	5	5
Sally C Collier	10	9	7	6
Aileen Cull*	7	6	5	5
Michael F Currie*	10	8	7	7
Frank Gullone	10	10	9	9
Scott R King*	10	4	4	1
Robert D Petie*	4	4	3	3
Peter R Townsend	10	9	4	4
Peter Wright*	10	9	7	7

* A Cull resigned from the Board on 29 March, 2019.
* M F Currie appointed as Deputy Chairman on 30 November, 2018.
* S R King resigned as Deputy Chairman on 30 November, 2018.
* R B O Burns appointed as Chairman on 30 November, 2018.
* R D Petie resigned from the Board on 30 November, 2018.
* P Wright appointed as a Director on 1 August, 2018.

All Directors requested and were granted leave for meetings they were unable to attend.

Principal Activities

The principal activities of the Company during the year were the provision of processing, settlement and monitoring services in relation to financial access products including:

- cards (Credit, Debit, Gift and Prepaid card programs); and
- payments (NPP, BPAY, Chequing & Direct Entry – counter-party settlement, dispute management, stock production and transaction reporting).

Additional services include:

- financial crimes – mitigating fraud and AML; and
- the supply of software applications (principally banking software) and related professional services.

Dividends

Dividends paid to members during the financial year were as follows:

	2018–19 $'000	2017–18 $'000
Final ordinary dividend for the year ended 30 June 2018 of 10 dollars (prior year: 10 dollars) per fully paid share (A & B Class) paid on 31 October 2018 (prior year: 31 October 2017)	1,241	1,240

Review of Operations

An operating profit after tax of $3.249 million (2018: $3.726 million) was achieved this year. A full review of operations is contained in the Chairman's report.

Significant Changes in the State of Affairs

No significant changes occurred in the state of affairs of the Company during the year not otherwise disclosed in this report, or the financial report.

Events Subsequent to Balance Date

The Directors are not aware of any matter or circumstance not otherwise dealt with in the report that has significantly, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years, since the end of the financial year.

Directors' report continued

Likely Developments

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

Director's Benefits

No Director of Indue Ltd has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors shown in the accounts) by reason of a contract made by the Company, or a related body corporate with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

Insurance of Officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors, Secretaries and specified employees of the Company. In accordance with normal commercial practice, disclosure of the total amount of the premium paid, and the terms of the policy, are prohibited from being disclosed by a confidentiality clause in the contract of insurance.

Rounding of Amounts

The Company is of a kind referred to in Class Order 2016/191, issued by the Australian Securities & Investments Commission on 24 March 2016, relating to the 'rounding off' of amounts in the Directors' report and financial statements. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of the amounts paid or payable to the auditor (KPMG) for audit and non-audit services provided during the year are set out in Note 5.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in The Code of Ethics for Professional Accountants APES 110, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Environmental Regulation

The Company's operations are not subject to any particular or significant environmental regulation under any law of the Commonwealth or of a State or Territory.

This report is made out in accordance with a resolution of the Directors.

For and on behalf of the Board.

R B O Burns
Chairman, Board

M F Currie
Deputy Chairman, Board

Brisbane
30 August 2019

Lead auditor's independence declaration

Under section 307c of the *Corporations Act 2001*

To the Directors of Indue Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Indue Limited for the financial year ended 30 June 2019 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

KPMG

Scott Guse
Partner

30 August 2019

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FINANCIAL STATEMENTS 2018-2019

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Interest revenue		7,628	6,915
Interest expense		(3,818)	(3,405)
Net interest income		3,810	3,510
Non-interest revenues	3	84,552	85,049
Revenue from continuing operations		**88,362**	**88,559**
Fees		(32,616)	(32,206)
IT services		(3,217)	(2,608)
Depreciation & amortisation		(4,184)	(4,148)
Employee benefits expense		(25,029)	(22,977)
Professional services		(916)	(839)
Rent paid		(2,022)	(6,290)
Project expenses		(3,346)	(6,132)
Other expenses		(12,752)	(8,285)
Operating profit from continuing operations before income tax		**4,280**	**5,074**
Income tax (expense)/benefit	4	(1,031)	(1,348)
Operating profit from continuing operations after income tax		**3,249**	**3,726**
Profit attributable to the owners of Indue Ltd		3,249	3,726
Other comprehensive income			
Changes in reserves	16	177	(11)
Total comprehensive income attributable to the owners of Indue Ltd		**3,426**	**3,715**

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2019

	Note	2019 $'000	2018 $'000
Assets			
Cash and cash equivalents	6	129,902	105,072
Loans and receivables		1,256	767
Receivables due from other financial institutions		38,586	32,090
Trade and other receivables	7	9,335	10,631
Other financial assets at amortised cost		233,111	–
Held to maturity		–	236,642
Current tax asset		141	453
Other assets	11	3,570	3,111
Property, plant and equipment	9	6,244	6,885
Intangible assets	8	22,282	19,645
Total Assets		**444,427**	**415,296**
Liabilities			
Deposits	12	353,587	329,009
Payables due to other financial institutions		22,829	22,512
Creditors and other liabilities	13	7,295	5,124
Provisions	14	4,211	4,310
Net deferred tax liability	10	2,314	2,335
Total Liabilities		**390,236**	**363,290**
Net Assets		**54,191**	**52,006**
Equity			
Contributed equity	15	17,265	17,265
Reserves	16	1,412	1,235
Retained earnings		35,514	33,506
Total Equity		**54,191**	**52,006**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2019

	Notes	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2017		**17,265**	**1,246**	**31,046**	**49,557**
Profit for the Period		–	–	3,726	3,726
Total other comprehensive income		–	(11)	–	(11)
Total comprehensive income for the year as reported in the 2018 financial statements		–	(11)	3,726	3,715
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		–	–	(1,266)	(1,266)
Balance at 30 June 2018		**17,265**	**1,235**	**33,506**	**52,006**
Profit for the Period		–	–	3,249	3,249
Total other comprehensive income		–	177	–	177
Total comprehensive income for the year as reported in the 2019 financial statements		–	177	3,249	3,426
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		–	–	(1,241)	(1,241)
Balance at 30 June 2019		**17,265**	**1,412**	**35,514**	**54,191**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Interest received		7,628	6,915
Interest paid		(3,818)	(3,405)
Receipts from customers (inclusive of GST)		87,348	76,870
Payments to suppliers and employees (inclusive of GST)		(85,944)	(88,432)
Income tax refunds received		455	633
Income taxes paid		(1,266)	(906)
Loans and investments		3,040	7,827
Deposits		24,577	24,890
Net cash inflow/(outflow) from operating activities		**32,020**	**24,392**
Cash flows from investing activities			
Payments for intangible assets		(5,283)	(3,011)
Payments for property, plant and equipment		(666)	(132)
Net Proceeds from Business Sale		–	624
Net cash inflow/ (outflow) from investing activities		**(5,949)**	**(2,519)**
Cash flows from financing activities			
Dividends paid to company's shareholders		(1,241)	(1,240)
Net cash inflow/(outflow) from financing activities		**(1,241)**	**(1,240)**
Net increase/(decrease) in cash and cash equivalents held		24,830	20,633
Cash and cash equivalents at the beginning of the financial year		105,072	84,439
Cash and cash equivalents at the end of the financial year		**129,902**	**105,072**

Notes to the financial statements

For the year ended 30 June 2019

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented. During the current financial year Indue deregistered all remaining subsidiary entities. As these entities were not operating for the current financial year the results have been prepared at the single entity level and comparisons have been provided on the same basis. Indue is a for-profit entity and primarily operates in the payment services industry offering white labelled and transactional products to commercial business, government departments and financial institutions.

a) Basis of preparation

Statement of Compliance

The financial statements of the Company 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 financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 30 August 2019.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(r). Estimates and underlying assumptions are reviewed on an ongoing basis.

Changes in Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the new accounting standards adopted during the year.

Changes in Comparatives

Where applicable prior year figures have been adjusted in accordance with current year disclosures.

Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

b) Financial assets

Recognition and de-recognition

Regular purchases of financial assets are recognised on trade-date, the date on which the Company commits to purchase the asset. Financial assets are initially recognised at fair value plus transaction costs directly attributable to the acquisition of the financial asset, for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership or the Company has neither transferred nor retained substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Classification

On initial recognition, a financial asset is classified as measured at amortised cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost include loans and receivable, trade and other receivables, receivables due from other financial institutions, and other financial assets at amortised cost.

Trade and other receivables are receivables from contracts with customers and includes accruals and clearing accounts.

Receivables from other financial institutions are amounts receivable from counterparties for the purposes of funding daily settlement.

Other financial assets at amortised cost are short term deposits and fixed term notes.

Subsequent measurement

Financial Assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

c) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. Refer to note 2(a).

d) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.
All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

The fair value of land and buildings must be estimated for disclosure purposes. The Company discloses the fair value measurements by level using the following fair value measurement hierarchy:

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

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset. All other decreases are charged to the profit and loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight line basis, (with the exception of motor vehicles which are depreciated using the diminishing value method) to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Assets	Years
Buildings	40 years
Vehicles	3–6 years
IT Hardware and Software	2.5–5 years
Furniture, fittings and equipment	5–15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss. When revalued assets are sold, it is Company policy to transfer the amounts included in reserves in respect of those assets to retained earnings.

e) Impairment of financial assets and contract assets

The Company has applied the simplified approach to measuring expected credit losses (ECLs) on financial assets and contract assets, which uses a lifetime expected loss allowance. Loss allowance on financial assets and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of the financial asset and contract asset has increased significantly, the Company considers reasonable and supportable information and analysis, based on historical experience, an informed credit assessment including forward-looking information.

The Company assumes that the credit risk on a financial asset and contract asset has increased significantly if it is more than 30 days past due; and in default when the counterparty is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due. Where the Company has a receivable from another financial institution and contractual offset rights are in place, amounts in Trade receivables are not discounted. Trade receivables are generally due for settlement within 14 days or in some cases 30 days.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls and discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of the assets. The amount of the expected credit loss is recognised in the profit or loss within other expenses.

Credit impaired assets

Financial assets are reviewed on an ongoing basis for collectability or credit impairment. An asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Asset write off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

f) Income tax

The income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Non-refundable Research and Development tax incentive

The Company has applied AASB 112 Income Taxes with respect to its accounting treatment of the R&D tax incentive whereby the non-refundable incentive is offset against the income tax expense in the profit or loss.

Where a rebate is received relating to research and development costs that have been expensed, the non-refundable R&D tax offsets are first used to reduce any income tax payable and any excess is carried forward to offset future tax payable (i.e. non-refundable). Where a rebate is received relating to research and development costs that have been capitalised, the rebate is deducted from the carrying value of the underlying asset when the grant becomes receivable and the Company complies with all attached conditions.

Notes to the financial statements continued

For the year ended 30 June 2019

g) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 20). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

h) Impairment of Assets

Goodwill has an indefinite useful life and is not subject to amortisation. It is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Refer to note 8 for information on the determination of recoverable amount in relation to goodwill.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

i) Employee benefits

Wages, salaries and annual leave

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay these incentives as a result of past service provided by the employee and the obligation can be estimated reliably.

Long service Leave

A liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Short term and long term incentive payments

A liability for short term and long term incentive payments is recognised in the provision for employee benefits for the amount expected to be paid if the Company has a present legal or constructive obligation to pay these incentives as a result of past service provided by the employee and the obligation can be estimated reliably.

j) Revenue recognition

Prior to 1 July 2018, Revenue is measured at the fair value of the consideration received or receivable and includes interest income on short term monetary investments and proceeds from service fees.

From 1 July 2018, the Company recognises revenue when it transfers control over a good or service to a customer. Revenue is measured based on the consideration specified in a contract with a customer.

Revenue is recognised for the major business activities as follows:

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. The calculation of the effective interest rate includes all fixed costs and fees and payments paid or received that are an integral part of the effective interest rate.

Fee income

Fee income (excluding amounts that are integral to the effective interest rate) is recognised in the period in which the services are rendered. Fee income includes licence fees and software support services fees. Licence and software support services fees are billed on a monthly basis.

Sales income

Contract revenue includes income generated for the development and / or implementation of payment software systems under specifically negotiated contracts with customers.

The Company recognises contract revenue based on an assessment of the work performed against the individual component of the contracted statement of works at the reporting date.

Rental income

Rental income from operating leases is recognised on a straight line basis over the lease term.

Contract balances

The timing of revenue recognition, billing and cash collection results in billed accounts receivable, unbilled receivables (contract assets), and customer advances (contract liabilities). Sales income or revenue for customised software development is billed as work in progress in accordance with agreed contractual terms either at periodic intervals or achievement of contractual milestones.

k) Cash and Cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks, net of outstanding bank overdrafts.

l) Trade and other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

m) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

n) Deposits and other financial liabilities

Deposits and other financial liabilities are initially recognised at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

Deposits

Deposits are funds lodged by customers for the purposes of funding daily transaction settlement and as security deposits for providing cash security against settlement risk directly attributable to settlement activity undertaken by the Company on their behalf.

Interest is brought to account on an accruals basis.

Payables to other financial institutions

Payables due to financial institutions are amounts due to counterparties for the purposes of funding daily settlement for the various payment markets in which the Company participates. Refer to note 2.

Interest is brought to account on an accruals basis.

o) Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

p) Contributed equity

Ordinary shares are classified as share capital.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Notes to the financial statements continued

For the year ended 30 June 2019

q) New accounting standards and interpretations

Changes in Significant Accounting Policies

The Company has adopted *AASB 15 Revenue from Contracts with Customers* and *AASB 9 Financial Instruments* from 1 July 2018.

AASB 9 Financial Instruments

The Company has adopted AASB 9 which 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 de-recognition of financial instruments from AASB 139.

The Company has assessed the impact on its financial statements resulting from the application of AASB 9. The adoption of this standard has had no material impact on the financial results of the Company.

The Company has also considered the impairment of financial assets at 30 June 2018 and 30 June 2019 under the forward looking 'expected credit loss' model required under AASB9 and there was no material impact on the financial results from this assessment.

On adoption of AASB 9, the Company classified financial assets and financial liabilities either at amortised cost or at fair value. There were no changes in the measurement of the Company's financial assets. There was no impact on the Company's financial liabilities as the new requirement only affects accounting for financial liabilities designated at fair value. The classifications are shown in the table below.

Presented in the Statement of Financial Position	AASB 139 Classification	AASB 9 Classification
Cash and cash equivalents	Loans and receivables	At amortised cost
Receivables due from other financial institutions	Loans and receivables	At amortised cost
Held to maturity	Held to maturity	At amortised cost
Other financial assets at amortised cost	Loans and receivables	At amortised cost
Loans and receivables	Loans and receivables	At amortised cost
Trade and other receivables	Loans and receivables	At amortised cost

AASB 15 Revenue from Contracts with Customers

The Company has initially applied AASB 15 from 1 July 2018. Under the transition method chosen, comparative information is not restated.

AASB15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations.

To determine the impact on the Company's results the following has been completed:

- detailed assessments of the Company's products, services and performance obligations, including both revenues and related contract costs; and
- specific evaluations of all incomplete contracts and revenue treatments as at 30 June 2018 and 30 June 2019.

The assessment has also addressed the standard's requirements regarding incremental costs of obtaining a contract and costs to fulfil a contract and the disaggregation of reported revenue.

Change in Revenue Recognition

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The Company's products and services were assessed in detail and the following typical performance obligations and measurement methodologies were identified and have been used in the preparation of these financial statements.

Type of Performance Obligation	Revenue Category	Obligation Satisfied	Methodology
Licence Fees – Upfront Fee	Other Fee Income	Over Time	Output Method
Licence Fees – Monthly Fee	Other Fee Income	Point in Time	N/A
Licence Fees – Transactional Fees	Other Fee Income	Point in Time	N/A
Revenue for customised software development	Sales	Over Time	Input Method
Software Support Services – Upfront Fee	Other Fee Income	Over Time	Output Method
Software Support Services – Monthly Fee	Other Fee Income	Point in Time	N/A

If it is determined that a contract does not exist, the Company will recognise any consideration received from the customer as a deposit (liability).

The Company has assessed the impact on its financial statements resulting from the application of AASB 15. The adoption of this standard has not had a material impact on the financial results of the Company.

Notes to the financial statements continued

For the year ended 30 June 2019

New Standards and interpretations not yet adopted

AASB 16 Leases

AASB16 is effective for annual periods beginning on or after 1 January 2019. AASB 16 makes changes to the accounting for leases by Lessees. Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 substantially carries forward the Lessor accounting requirements in AASB 117. Accordingly, a Lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The financial impact of these changes to the Company's financial statements is not expected to be material.

r) Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The estimates and assumptions that may have a significant risk of causing material adjustments are in respect of goodwill or intangibles and Property, Plant and Equipment. For the details of these assumptions refer to note 8 in respect of Intangible Assets and note 9 for Property, Plant and Equipment.

s) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include internal directly attributable costs, external direct costs of materials and service. Amortisation is calculated on a straight line basis over periods generally between 5 and 7 years.

IT development costs include only those costs directly attributable to the program build and are recognised following completion of technical feasibility and where the Company has an intention and ability to use the asset and where the Company expects to derive future economic benefits.

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials and services. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life, which vary from 5 to 7 years.

t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flows.

2. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk, liquidity risk, credit risk (principally settlement risk) and fair value estimation. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Risk management is carried out in accordance with policies approved by the Board of Directors. The Company uses different methods to measure different types of risk to which it is exposed. The Board provides written principles for overall risk management, as well as written policies covering specific areas including liquidity management and large exposures.

a) Accounting classifications and fair values

The Company discloses the fair value measurements by level using the following fair value measurement hierarchy:

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

The Company has not disclosed the fair values for financial instruments including cash, trade receivables/payables, amounts due from/to other financial institutions, loans and advances and investments/term deposits as they are assumed to approximate their fair values due to their short-term nature.

There were no changes in the Company's approach to Financial Risk Management during the year.

b) Market risk

Foreign exchange risk

Company policy restricts investments and transactions in foreign currencies to avoid exposure to exchange rate movements.

Interest rate risk

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables. The Company manages its interest rate risk by matching the investment portfolio to the terms of deposits held. Investment mismatches greater than 30 days are subject to Chief Financial Officer approval.

Exposures arise predominantly from assets bearing variable interest rates as the Company intends to hold fixed rate assets to maturity.

Notes to the financial statements continued

For the year ended 30 June 2019

Financial Assets — **Fixed interest maturing in:**

At 30 June 2019	Notes	Floating Interest Rate $'000	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Non-interest Bearing $'000	Total $'000
Cash and cash equivalents	6	129,902	–	–	–	–	129,902
Receivables due from other financial institutions		–	–	–	–	38,586	38,586
Other financial assets at amortised cost		–	218,044	15,067	–	–	233,111
Loans & receivables		1,256	–	–	–	–	1,256
Trade & other receivables	7	–	–	–	–	9,335	9,335
		131,158	**218,044**	**15,067**	**–**	**47,921**	**412,190**
Weighted average interest rate		**1.64%**	**2.21%**	**1.98%**			

Financial Assets — **Fixed interest maturing in:**

At 30 June 2018	Notes	Floating Interest Rate $'000	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Non-interest Bearing $'000	Total $'000
Cash and cash equivalents	6	105,072	–	–	–	–	105,072
Receivables due from other financial institutions		–	–	–	–	32,090	32,090
Held to maturity*		–	224,654	11,988	–	–	236,642
Loans & receivables		767	–	–	–	–	767
Trade & other receivables	7	–	–	–	–	10,631	10,631
		105,839	**224,654**	**11,988**	**–**	**42,721**	**385,202**
Weighted average interest rate*		**1.66%**	**2.28%**	**2.01%**			

* This has now been classified as Other financial assets at amortised cost under AASB 9. The comparative information has not been restated. Refer to note q.

Exposures arise predominantly from liabilities bearing variable interest rates as the Company intends to hold fixed rate liabilities to maturity.

Financial Liabilities			Fixed interest maturing in:				
At 30 June 2019	Notes	Floating Interest Rate $'000	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Non-interest Bearing $'000	Total $'000
Payables due to other financial institutions		–	–	–	–	22,829	22,829
Settlement funds	12	199,265	–	–	–	–	199,265
Term deposits	12	–	139,254	15,067	–	–	154,321
Creditors and other liabilities	13	–	–	–	–	7,295	7,295
		199,265	**139,254**	**15,067**	**–**	**30,124**	**383,710**
Weighted average interest rate		**0.04%**	**1.96%**	**1.95%**			

Financial Liabilities			Fixed interest maturing in:				
At 30 June 2018	Notes	Floating Interest Rate $'000	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Non-interest Bearing $'000	Total $'000
Payables due to other financial institutions		–	–	–	–	22,513	22,513
Settlement funds	12	171,115	–	–	–	–	171,115
Term deposits	12	–	145,946	11,948	–	–	157,894
Creditors and other liabilities	13	–	–	–	–	5,124	5,124
		171,115	**145,946**	**11,948**	**–**	**27,637**	**356,646**
Weighted average interest rate		**0.04%**	**1.99%**	**2.03%**			

Sensitivity Analysis

The table below describes the impact to the Statements of Profit or Loss and Other Comprehensive Income if interest rates had changed by –/+ 100 basis points from the year-end rates with all other variables held constant.

Variable	Movement in Variable	2019 $'000	2018 $'000
Interest Income	+100 bp	3,534	3,361
	-100 bp	(3,534)	(3,361)
Interest Expense	+100 bp	3,413	3,166
	-100 bp	(3,413)	(3,166)
Net Interest Income	+100 bp	121	195
	-100 bp	(121)	(195)

This sensitivity analysis has been prepared using the underlying average monthly balance of financial assets and liabilities and modelling the impact of an interest rate movement on the resultant interest income and expense. This approach has been consistently applied each period.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Company manages liquidity risk in accordance with the Liquidity and Large Exposure Policies set by the Board and agreed with the Australian Prudential Regulation Authority (APRA). The Company undertakes daily monitoring of actual cash flows and forecasts cash requirements daily. The Company substantially matches the maturity profiles of financial assets and liabilities, and aim to ensure that a ready supply of liquidity is available as financial liabilities fall due. Funds are invested in line with requirements stipulated in the approved Board Policies.

To further mitigate liquidity risk, the Company's large exposure policy restricts the total amount of its liquid assets that can be held with a single counterparty. These limits vary depending upon the creditworthiness of the counterparty with the exception of the Reserve Bank of Australia (100% limit) and a specially approved limit to Westpac Banking Corporation (WBC). The Company has an extensive settlement agency relationship with WBC and therefore is required to hold a substantial proportion of its liquidity with WBC to settle the Company's daily cash settlement obligations and to satisfy WBC's requirement for cash security. A limit is imposed by Company policy which caps the exposure to WBC at an aggregate dollar limit, which is set in consultation with the Australian Prudential Regulation Authority (APRA).

Settlement risk

As a provider of settlement services, the Company is exposed to liquidity risk associated with settlement. Settlement risk is the risk that clients will be unable to honour their settlement obligations arising from daily transactional activity, exposing the Company to potentially having insufficient liquidity to settle with the market on behalf of the clients of the Company. The Company has established criteria having regard to the potential risks associated with volume and volatility of settlement transactions undertaken. Daily settlement positions are modelled at a client level to ensure each client will have sufficient liquidity in their settlement account to meet their next day settlement obligations. In addition, cash security deposits are held by the Company from each client to act as security against any unforeseen unfunded settlement positions and action plans are in place to aim to ensure that timely action is taken to cease all settlement activity on behalf of a client in the event that the client is unable to continue to fund its own settlement obligations.

Financing arrangements

The Company does not have any financing arrangements in place apart from an overdraft.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest on the liabilities.

Financial Liabilities

At 30 June 2019	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Over 5 Years $'000	Total $'000
Payables due to other financial institutions	22,829	–	–	–	22,829
Settlement funds	199,265	–	–	–	199,265
Term deposits	140,109	15,154	–	–	155,263
Creditors and other liabilities	6,631	–	–	–	6,631
	368,834	**15,154**	**–**	**–**	**383,988**

Financial Liabilities

At 30 June 2018	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Over 5 Years $'000	Total $'000
Payables due to other financial institutions	22,513	–	–	–	22,513
Settlement funds	171,115	–	–	–	171,115
Term deposits	146,742	12,040	–	–	158,782
Creditors and other liabilities	4,632	–	–	–	4,632
	345,002	**12,040**	**–**	**–**	**357,042**

d) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. In particular, the Company is exposed to settlement risk, the risk of the Company completing financial settlement with the market on behalf of a client, where the client is unable to fund these settlement obligations back to the Company.

To mitigate credit risk associated with the specific function of settlement, the Board has set specific security policies that require minimum levels of security to be held, matched to the credit standing of the customer based on internal credit risk review and the relevant settlement stream they participate in. Security is held in the form of cash and in some cases a mix of cash and a fixed and floating equitable charge over the assets of the client.

Compliance with credit limits by customers is regularly monitored by the Company's treasury team and the Company's risk management team undertakes stress testing of the settlement risk exposure on a monthly basis and reports its findings to the Board on a monthly basis.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in Note 2 (b).

3. Profit from continuing operations

	2019 $'000	2018 $'000
Profit from continuing activities before income tax expense includes the following specific net gains and expenses:		
Crediting as revenue		
Interest on investments	7,628	6,915
Fee income	71,488	69,906
Net profit on Business Sale	–	636
Sundry income	9,347	6,154
Sales	3,478	3,614
Rental income	239	4,739
Total non-interest revenue	84,552	85,049
Total revenue	**92,180**	**91,964**
Charging as expenses		
Interest expense	3,818	3,405
Fee expenses	32,616	32,206
IT services	3,217	2,608
Depreciation	1,538	1,917
Amortisation	2,646	2,231
Employee benefits expense	25,029	22,977
Professional services	916	839
Rental expense	2,022	6,290
Project expenses	3,346	6,132
Other expenses	12,752	8,285
Total expenses	87,900	86,890
Profit from continuing activities	**4,280**	**5,074**

4. Income tax expense

	2019 $'000	2018 $'000
a) Income tax expense/(benefit)		
Current tax	1,123	607
Deferred tax	(92)	741
	1,031	**1,348**
Income tax expense is attributable to:		
Profit from continuing operations	1,031	1,348
Aggregate income tax expense	1,031	1,348
Deferred tax (revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(155)	221
(Decrease)/increase in deferred tax liabilities	63	520
	(92)	**741**

b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit from continuing operations before income tax expense	4,280	5,074
Tax at the Australian tax rate of 30% (2018 – 30%)	1,284	1,522
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Research & Development expense	(264)	(407)
Sundry items	11	73
	1,031	1,188
Under/(Over) provision in previous years	–	160
Income tax expense	**1,031**	**1,348**

Notes to the financial statements continued

For the year ended 30 June 2019

c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity

Net deferred tax – debited (credited) directly to equity (note 16)	71	11
	71	**11**

Franking Account

Franking Credits available for subsequent years based on a tax rate of 30%.

	2019 $'000	2018 $'000
Franking Credits available for subsequent periods based on a tax rate of 30% (2018: 30%)	6,565	6,388

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- franking credits that may be prevented from being distributed in subsequent financial years.

5. Remuneration of auditor

	2019 $	2018 $
Assurance services		
Company auditor – KPMG Australia		
Audit of financial statements under the *Corporations Act 2001*	131,200	145,690
Audit of Regulatory returns	55,650	52,090
IT General Controls assurance	86,683	73,853
Total Remuneration for Audit Services	273,533	271,633
Other advisory services		
Company auditor – KPMG Australia		
Risk advisory	–	6,848
Business advisory	–	25,527
Total remuneration for other advisory services	–	32,375

During the year the above fees were paid or payable for services provided by the auditor.

6. Cash and cash equivalents

	2019 $'000	2018 $'000
Bank Deposits – at call	26,902	39,572
Bank Deposits – 11am investments	103,000	65,500
	129,902	**105,072**

Deposits

The deposits at call are bearing interest rates at 1.45% at 30 June 2019 (2018: 1.45%).

The 11am investments are bearing interest rates at 1.73% at 30 June 2019 (2018: 1.78%).

7. Trade and other receivables

	2019 $'000	2018 $'000
Interest receivable		995
Trade debtors – from contracts with customers	5,026	9,636
Contract asset	4,309	–
	9,335	**10,631**

This note should be read in conjunction with note 2.

The ageing analysis of trade debtors that are past due but not impaired can be assessed by reference to the following table:

Financial Assets

	Amount not past due $'000	Less than 1 month $'000	Between 1m – 3m $'000	Between 3m – 6m $'000	Over 6 months $'000	Total $'000
At 30 June 2019	7,954	80	58	–	101	8,193
At 30 June 2018	9,239	65	109	223	–	9,636

There were no individually impaired financial assets at the reporting date, nor any financial assets that would otherwise be past due or impaired whose terms have been renegotiated (2018: nil). There was no movement in credit loss allowance during the year or amounts written off.

8. Intangible assets

	Goodwill $'000	Capital Initiatives in Use $'000	Capital Initiatives in Progress $'000	Total $'000
At 30 June 2019				
Opening net book amount	4,061	14,289	1,295	19,645
Internally generated	–	–	5,283	5,283
Internally generated transfer to in use	–	475	(475)	–
Amortisations	–	(2,646)	–	(2,646)
Closing net book amount	**4,061**	**12,118**	**6,103**	**22,282**
At 30 June 2018				
Opening net book amount	4,061	7,078	5,726	16,865
Internally generated	–	–	3,011	3,011
Internally generated transfer to in use	–	7,442	(7,442)	–
Acquisition of licence	–	2,000	–	2,000
Amortisations	–	(2,231)	–	(2,231)
Closing net book amount	**4,061**	**14,289**	**1,295**	**19,645**

a) Goodwill

Goodwill relates to the acquisition of Lynx Financial Systems Pty Ltd (Lynx) whose operations have been fully integrated with the Company. The recoverable amount of goodwill (including customer contracts and software acquired) was determined based on value-in-use calculations at acquisition date and is tested for impairment in accordance with note 1(h).

The assumptions used in the value-in-use calculations, which reflect past performance and external source of information, are set out below:

- the projected future cash flows in the Company's 5 year strategic plan;
- a terminal value calculated using the cash flows forecast to be generated in year 5 with a residual growth rate of 2% (2018: 2%); and
- a post tax discount rate of 7.96% (2018: 8.80%).

A recoverable value of the assets in excess of its carrying value is supported and therefore the asset was not impaired at the 30 June 2019 (2018: nil). There is sufficient headroom to absorb reasonable changes to the cash flows. Management has determined there are no reasonably possible changes that could occur in the key assumptions that would cause the carrying amount of the CGU to exceed its recoverable amount.

b) Capital Initiatives

Other intangible assets are comprised of internally generated software including the Nucleus Card Management software, Orion Fraud software and the New Payments Platform (NPP) software assets.

The Nucleus Software which is being amortised over 7 years is a core driver of the Company's future growth strategy. The Orion software and NPP software assets are being amortised over 7 years and represent investment in the Company's newest lines of business.

A recoverable value of the assets in excess of its carrying value is supported and therefore the asset was not impaired at the 30 June 2019 (2018: nil).

9. Property, plant and equipment

	Cost or Valuation		Accumulated Depreciation		Written Down Value	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Land at Valuation	1,143	1,143	–	–	1,143	1,143
Building at Valuation	3,630	3,380	1,945	1,609	1,685	1,771
Plant & Equipment at cost	14,745	13,820	11,677	10,695	3,068	3,125
Under construction at cost	348	846	–	–	348	846
	19,866	**19,189**	**13,622**	**12,304**	**6,244**	**6,885**

The Company discloses the fair value measurements by level using the following fair value measurement hierarchy as outlined in Note 1 (d). All Fair Value assets are classified at level 3.

The fair value of land and buildings was determined by external, independent property valuers, having appropriately recognised professional qualifications and recent experience in the location, sales evidence, leasing opportunities and category of the property being valued. Market valuation was used to revalue the assets using comparable sales. In accordance with the Board policy in relation to valuation of land and buildings in note 1(d), a valuation was undertaken by Trivett and Associates (QLD Registration Number – 1654) on 5 March 2019 which valued the 6 Moorak Street Taringa property at $2,520,000 (18 May 2016: $2,485,000). The difference between the valuation of $2,520,000 and the value represented for land and buildings in the table above is attributed to the leasehold property improvements at the Head Office at 601 Coronation Drive, Toowong and the Sydney Office at 821 Pacific Highway, Chatswood; which do not form part of the valuation of the freehold land and buildings. These assets are included in level 3.

This fair value methodology is consistent year on year.

Notes to the financial statements continued

For the year ended 30 June 2019

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Land $'000	Buildings $'000	Plant & equipment $'000	Under construction $'000	Total $'000
Carrying amount at 1 July 2017	**1,143**	**2,124**	**5,139**	**264**	**8,670**
Transfer between asset classes	–	–	(450)	(236)	(686)
Additions	–	–	–	818	818
Disposals	–	(12)	–	–	(12)
Revalue increments	–	–	–	–	–
Depreciation	–	(341)	(1,564)	–	(1,905)
Carrying amount at 30 June 2018	**1,143**	**1,771**	**3,125**	**846**	**6,885**
Transfer between asset classes	–	2	1,162	(1,186)	(22)
Additions	–	–	–	688	688
Disposals	–	–	(17)	–	(17)
Revalue increments	–	248	–	–	248
Depreciation	–	(336)	(1,202)	–	(1,538)
Carrying amount at 30 June 2019	**1,143**	**1,685**	**3,068**	**348**	**6,244**

If Land and Buildings were carried at cost, Land would be $225,000 (2018: $225,000), Buildings would be $825,000 (2018: $825,000) and accumulated depreciation would be $495,000 (2018: $474,375).

10. Net deferred tax liability

	2019 $'000	2018 $'000
Tax asset		
The balance comprises temporary differences attributable to:		
Amounts recognised in Profit or Loss		
Employee benefits	1,235	1,238
Other	405	247
	1,640	**1,485**
Movements:		
Opening balance at 1 July	1,485	1,706
Charged to the Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	155	(221)
Closing balance at 30 June	1,640	1,485
Set-off of deferred tax liabilities pursuant to set-off provisions	(3,954)	(3,820)
Net deferred tax (liability)/asset	**(2,314)**	**(2,335)**
Tax liability		
The balance comprises temporary differences attributable to:		
Amounts recognised in Profit or Loss		
Intangible Assets	3,829	3,780
Land	215	215
Building	406	353
Plant & Equipment	(622)	(727)
Other	126	199
	3,954	**3,820**
Movements:		
Opening balance at 1 July	3,820	3,289
Charged to Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	63	520
Charged to equity (note 16)	71	11
Closing balance 30 June	**3,954**	**3,820**

11. Other assets

	2019 $'000	2018 $'000
Inventory – current	46	47
Prepayments – current	3,524	3,064
	3,570	**3,111**

12. Deposits

	2019 $'000	2018 $'000
Settlement funds	199,265	171,115
Term deposits	154,322	157,894
	353,587	**329,009**

13. Creditors and other liabilities

	2019 $'000	2018 $'000
Trade creditors – current	6,631	4,632
Accrued interest payable – current	664	492
	7,295	**5,124**

14. Provisions

	2019 $'000	2018 $'000
Employee entitlements – Current	3,293	3,541
– Non Current	823	584
Other	95	185
	4,211	**4,310**

Movements in each class of provision during the financial year, other than employee entitlements are set out below:

	Other $'000
Carrying amount at 1 July 2017	609
Additional provisions recognised	157
Amounts used during the period	(581)
Carrying amount at 30 June 2018	**185**
Additional provisions recognised	144
Amounts used during the period	(234)
Carrying amount at 30 June 2019	**95**

a) Employee entitlements

The current provision for employee entitlements includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service. For these employees, the entire amount of the provision is presented as current, since the Company does not have an unconditional right to defer settlement for any of these obligations. Based on past experience, the Company does not expect all employees to take the full amount of accrued leave or require payment of the current provision within the next 12 months. The non-current provision for long service leave covers all other employees where the required period of service has not yet been completed.

Notes to the financial statements continued

For the year ended 30 June 2019

15. Contributed equity

	Shares		$'000	
	2019	2018	2019	2018
Ordinary A Class Shares on issue	111,431	111,431	15,522	15,522
Ordinary B Class Shares on issue	14,751	14,751	1,743	1,743
	126,182	**126,182**	**17,265**	**17,265**

There were no issues of share capital during the financial year.

The Company's Authorised Share Capital is $17.265 million. All issued shares are fully paid.

The holders of ordinary A class shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. The holders of ordinary B class shares are entitled to receive dividends as declared from time to time, but do not carry the right to vote. The Company's constitution requires that no individual shareholder acquires more than 15 percent of Class A shares.

The holders of ordinary shares are entitled to participate in the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

Capital risk management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to maximise the beneficial use of available capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new capital instruments or change the composition of its investments.

The Australian Prudential Regulation Authority (APRA) sets and monitors capital requirements under APS 110 Capital Adequacy. Under the standard the Company must maintain minimum levels of Tier 1 capital and may also hold Tier 2 capital up to certain prescribed limits.

Tier 1 capital comprises the highest quality components of capital that must fully satisfy the following characteristics:

- Provide a permanent and unrestricted commitment of funds;
- Are freely available to absorb losses;
- Do not impose any unavoidable servicing charges against earnings; and
- Rank behind claims of depositors and creditors in the event of a winding up.

Tier 2 capital comprises capital instruments that to varying degrees, fall short of the quality of Tier 1 capital, but exhibit some of the features of equity, and contribute to the overall strength of the Company as a going concern.

Capital in the Company is made up as follows:

	30 June 2019 ($)	30 June 2018 ($)
Tier 1 Capital		
Paid-up shares	17,265,060	17,265,060
Reserves	1,412,200	1,235,557
Retained Earnings, including Current Year Earnings	35,514,348	33,505,883
Deductions from Tier 1 Capital		
Total deductions (including goodwill, and investments)	(22,282,336)	(19,644,674)
Tier 2 Capital		
Total Tier 2 Capital (net of deductions)	–	–
Total Capital	**31,909,272**	**32,361,826**

The Company managed its total Capital Adequacy Ratio to an internal minimum (Management trigger) of 14.5% (2018:14.5%) during the year, as compared to the risk weighted assets. The Company has exceeded this minimum requirement throughout the financial year. The Company's actual Capital Adequacy Ratio at financial year ends are as follows:

Capital Adequacy Ratio	30 June 2019 (%)	30 June 2018 (%)
Tier 1 Capital Adequacy Ratio	16.59	17.98
Total Capital Adequacy Ratio	16.59	17.98

16. Reserves

	2019 $'000	2018 $'000
Asset revaluation surplus		
Balance 1 July	1,235	1,246
Revaluation – gross (note 9)	248	–
Deferred tax (note 4)	(71)	(11)
Balance 30 June	**1,412**	**1,235**

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(d).

17. Related party information

Wholly owned Group

The entities capital was repatriated in FY18 and de-registered in FY19.

	No of Shares		Value of Shares		Equity holding	
Subsidiaries	2019	2018	2019	2018	2019	2018
Lynx Financial Systems Pty Ltd*	–	1	–	$1	–	100%
Indue Securitisation Pty Ltd	–	1	–	$1	–	100%
Indue Data Services Pty Ltd	–	1	–	$1	–	100%
Ivey Pty Ltd	–	3	–	$3	–	100%
Trinity Securities Pty Ltd	–	1	–	$1	–	100%

The Company does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which Authorised Deposit-taking Institutions operate.

Transactions with related parties are conducted on an arm's length basis.

Directors

The following persons were Directors of Indue Ltd during the financial year:

Chairman – Non executive
R B O Burns
R D Petie (resigned 30 November 2018)

Non executive Directors
S C Collier
A Cull (resigned 29 March 2019)
M Currie
F Gullone
S R King
P R Townsend
P Wright (appointed 1 August 2018)

Key management personnel

The following persons had authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year:

Name	Position	Employer
D Weatherley	Chief Executive Officer	Indue Ltd
A Crane	Chief Financial Officer	Indue Ltd
J Hinton	General Counsel & Chief Risk Officer	Indue Ltd
L Wilson	Chief Customer Officer	Indue Ltd
D Hemingway	Chief Commercial Officer	Indue Ltd
I Taylor	Chief Information Officer	Indue Ltd
K Lugg	Chief Delivery Officer	Indue Ltd
B Comrie	Chief Risk Officer (Acting) (resigned 9 November 2018)	Indue Ltd

Key management personnel compensation

	2019 $	2018 $
Short-term employee benefits	3,146,287	3,142,380
Post employment benefits	200,212	189,322
	3,346,499	**3,331,702**

There are no other benefits for key management personnel other than those disclosed above.

Notes to the financial statements continued

For the year ended 30 June 2019

18. Cash flow information

	2019 $'000	2018 $'000
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank and petty cash	129,902	105,072
	129,902	**105,072**
Reconciliation of net cash flows from operating activities to operating profit after income tax		
Operating profit after income tax	3,249	3,726
Decrease/(increase) in sundry debtors and interest revenue accrued	(5,658)	(16,056)
Depreciation and amortisation	4,184	4,148
Increase/(decrease) in tax payable	219	1,076
Increase/(decrease) in trade, other creditors and interest expense accrued	2,409	(1,218)
Decrease/(increase) in loans and investments	3,040	7,827
Increase/(decrease) in deposits	24,577	24,889
Net cash flows from operating activities	**32,020**	**24,392**

19. Contingent liabilities

There are no present obligations that have arisen from past events which have not been recognised, nor are there possible obligations arising by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

20. Lease commitments

Non-cancellable operating lease commitments: Group as lessor

The Company leases its premises at 6 Moorak Street Taringa under a non-cancellable operating lease which expires in 2022.

	2019 $'000	2018 $'000
Lease income expected/Commitments for minimum lease income in relation to non-cancellable operating leases are receivable as follows:		
Within one year	140	135
Later than one year but not later than five years	271	411
	411	**546**

Non-cancellable operating lease commitments: Group as lessee

The Company leases various offices under non-cancellable operating leases expiring within six to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2019 $'000	2018 $'000
Sub lease income expected/Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1,896	1,803
Later than one year but not later than five years	5,420	6,742
Later than five years	–	575
	7,316	**9,120**

Directors’ declaration

In the opinion of the directors of Indue Ltd (‘the Company’):

a) the Company financial statements and notes set out on pages 19 to 53 are in accordance with the *Corporations Act 2001*, including;

   (i) complying with Accounting Standards and the Corporations Regulations 2001; and

   (ii) giving a true and fair view of the Company’s financial position as at 30 June 2019 and of its performance, for the financial year ended on that date; 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.

The Directors draw attention to Note 1(a) to the financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

R B O Burns
Chairman, Board

M F Currie
Deputy Chairman, Board

Brisbane
30 August 2019

KPMG

Independent auditor's report

To the shareholders of Indue Ltd

Opinion

We have audited the ***Financial Report*** of Indue 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 Company's financial position as at 30 June 2019 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:

- Statement of financial position as at 30 June 2019
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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 Company 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.

Other Information

Other Information is financial and non-financial information in Indue 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.

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.

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Independent auditor’s report

To the shareholders of Indue Ltd

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor’s responsibilities for the audit of the Financial Report

Our objective is:

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

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

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor’s Report.

KPMG

KPMG

Scott Guse
Partner

30 August 2019

www.indue.com.au

Indue Ltd
PO Box 523, Toowong QLD 4066
phone +61 7 3258 4222
fax +61 7 3258 4211

ABN 97 087 822 464