ANNUAL REPORT 2019-2020


Powering 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 28 August 2020.

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 growing scale to drive service cost down.

Operating Highlights

We have closed out the first year of our three year revised strategy *'FOCUSS 2023: Technology Transformation'*. This is framed around a strategic focus on optimisation of our re-invented product set and incorporates an uplift in technology capability, efficiency, availability, and resilience. Heightened regulation has been a key theme of this year.

Indue is well placed to continue to provide quality service to our customers notwithstanding the on-going pace of change and heightened regulation headwinds from the broader market.

Over the course of the 2020 financial year Indue has:

- Monitored over 280 million fraud transactions as part of our Orion Crimes 24*7 service. This is up 26% on prior year and delivered over $115 million in fraud savings for our customers;
- Spent over 170,000 hours developing and enhancing solutions for our customers, as well as delivering step changes to our risk environment;
- Successfully transitioned 90% of the workforce to "work from home" capability including the roll out of networking tools to assist in maintaining productivity;
- Achieved a significant milestone in our financial crime prevention strategy with the broadening of our uplifted machine learning capability to monitor across multiple channels;
- Launched 12 new digital wallets for our customers as part of the ongoing roll out of the mobile payments platform;
- Supported customers hit hardest by the COVID-19 pandemic through payment plans or waiver of fixed charges;
- Settled approximately 165 million transactions, up 5% on last year;
- Launched the first 'digital only' Visa gift card in Australia, marking another historical innovation milestone for the company;

- Product revenue was up 7% driven in the main by the onboarding of new customers, as a direct result of the product investment in earlier years; and
- Achieved ISO 27001 certification for Information Security Management and made substantial progress towards achieving certification against the Payment Card Industry Data Security Standard (PCI-DSS).

Business Performance

We foreshadowed last year that we expected deteriorating trading conditions in FY20 and this has come to fruition through significant recessionary conditions prevalent during the year and a material reduction in interest rates. The COVID-19 pandemic impacted the industry significantly, not only by driving a rapid change in consumer behavior, but also through a contraction in consumer spending particularly during the early stages. Against this backdrop Indue delivered a before tax profit of $3.127 million, a solid result given the prevailing headwinds.

Key highlights for the year include the acquisition of new customers, who are driving increased volume and demonstrating the value of the product investment in recent years. There are positive trends continuing in areas such as staff engagement, risk culture, capital depth and business growth. The difficult trading conditions are challenging but Indue is well positioned to meet these Industry level impacts.

The focus of our strategy and our value equation for our shareholders is to continue to deliver value through a mix of relevant product capability, dividends and scale efficiencies.

In relation to dividends, Indue has a good record of delivering value to owners for the risks they take through the provision of investment capital to Indue. Indue is ever aware that our mutual shareholders have strong competing needs for capital to grow their businesses and to maintain their relevance in the Australian financial services market. However, we are also aware, that in a year when the COVID-19 pandemic has reshaped the business landscape in Australia, the need for prudent capital management is paramount. As a result Indue has made the decision to not declare a dividend this year.

Payments Landscape

The most significant event in the year just closed was the advent of the COVID-19 pandemic in February 2020, which, along with its wider social, economic and business effects has had unprecedented impacts on the payments landscape. Trends in consumer behaviour to avoid contact payments and move away from cash and ATM transactions, were accelerated as a result of the pandemic. In addition, general spending levels dropped sharply. Whilst restrictions will lift in time and a recovery in spending may return to prior levels, many of the impacts of the pandemic on consumer payment behaviour and the way we work are expected to be permanent.

With this backdrop, the payment landscape continued to evolve apace, with the key theme of digitisation dominating. Indue has continued to deliver on its core product transformation agenda throughout FY20. With customer expectations aligned towards scalability, security and efficiency our product transformation agenda is well placed to further deliver on this through FY21.

Leading Payments Security

The increasing speed of payments drives an increasing need for sophisticated solutions to ensure payments are secure. The past year saw increasing fraud events perpetuated, resulting in multi-million dollar losses and reputational damage across the payments sector. 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.

The last year saw the evolution of the Orion platform to operate cross channel bringing a central, real time view of fraud across multiple channels for our customers. In early FY21, we will also see anti-money laundering (AML) monitoring launch on the platform and later in the year the platform will evolve to all channels, completing our vision for Orion as a real time, multi-channel Fraud and AML monitoring and management solution for our clients.

Chairman's & CEO's report continued

Mobile & Card Scheme Payment Evolution

Payment channels continue to evolve offerings to support customer demand, particularly digital payment initiatives. Digital wallets remain a key battle ground and competition for the transaction remains intense.

Indue successfully launched 12 customers on our Visa Mobile Payments product in FY20 across both Apple Pay and Google Pay. We expect to launch eftpos mobile payments, push provisioning and instant issuance services in 2020. In addition, the year ahead will see the development and launch of consumer card control technology for our customers.

Consumer adoption of mobile payments technology has started to take hold and we expect to see mobile payments gain broader consumer acceptance into 2021, a trend given impetus by COVID-19.

New Payments Platform (NPP)

The New Payments Platform has been an important strategic investment for Indue and for our clients. Our solution differentiates itself with a fully integrated market leading Artificial Intelligence (AI) based fraud system and an integrated case management system for simplified operations.

Indue has continued to grow scale but progress and consumer adoption has been slow. Innovation plans are being explored by the industry to enable the continued migration of Direct Entry, Cheques and Cash to the more future state platform. Initiation and processing of debit transactions is likely to remain a focus to drive evolution of the platform.

System volumes remain below expectations as a result of the larger player's slow rollout across all channels, addresses and brands but it will continue to evolve and we expect that it will become the dominant platform for domestic payment processing over the next 5 years.

Looking Ahead

Digital technology, consumer expectations and market innovation continue to drive changes in our sector. The pace of change is accelerating, with digital identity and payment device evolution competing with tokenisation, NPP overlays, digital wallets, the phasing out of cheques and open data regulation. Indue is focused on ensuring our customers are well placed to navigate these changes and deliver on our mission to be the leading partner of payment solutions to our customers.

The economic climate has undergone unprecedented shocks in the year just ended. This backdrop is expected to continue throughout the year ahead and will impact financial performance. Whilst these conditions are challenging, Indue remains in a sound financial position.

We will continue to implement major initiatives across a number of business activities to enhance our existing and future product offering. 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 what was a historic, challenging and unusual year. We commenced a strategic work package in 2020 to re-organise our company to produce better, more consistent customer outcomes and we look forward to working with you more closely in the year ahead as we execute on these initiatives.

The Board saw one change during the year, but it was a significant one with the retirement of Scott King after 17 years on the Indue Board. Scott was a strong voice for innovation and growth, with a passion for the ethos of 'people before profit'. The Board would like to acknowledge his significant contribution and thank him for his long service.

In recent weeks I have decided to step down from the Board at this year's AGM to focus on my growing commitments elsewhere. I was pleased to announce the Board's appointment of Frank Gullone to succeed me. Frank has a strong and diverse skill set well suited to the role and a deep understanding of Indue, its customers and external climate gained through his past 7 years on the Board. I wish Frank all the best in transition and thank you for the opportunity to have served Indue and its stakeholders.

Indue's strength and success is driven by its 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 an experienced and capable Leadership group, supported by a highly committed and professional team at Indue in which everyone contributes to make it 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.

Thank you to our customers, owners and staff for your support of Indue as we navigate the way through a fast-paced and ever-changing payments industry.

R B O Burns
Chairman

D R Weatherley
Chief Executive Officer

28 August 2020

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 Australian Prudential Regulation Authority's (APRA) 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 (CEO).

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. Where travel restrictions prevent physical attendance at meetings, the Board meets via online videoconference facilities.

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 business. 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 CEO 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 CEO, 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: www2.indue.com.au/regulatory-disclosures

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 confirm 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, Ernst & Young (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: www2.indue.com.au/regulatory-disclosures

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.

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 communications 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 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		
S Collier	5	5
Members		
A De Fazio#	4	4
F Gullone	5	5
P R Townsend	5	5

Effective from 30 August, 2019 Board meeting.

Risk Committee

Principal Responsibilities

- 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 Internal Capital Adequacy Assessment Process (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;
- provide oversight of the implementation, effectiveness and operation of Indue's compliance management function and systems;
- oversee the Company's compliance with APRA prudential standards;
- review significant findings of any internal and external compliance reports, consider the adequacy of management responses and ensure that risks are mitigated in line with the Company's risk appetite statement and risk management strategy;

- 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;
- advise the Board on the alternatives for capitalisation and impacts of regulatory change on the Company relative to its capitalisation and composition of its capital base;
- recommend dividend payments to the Board in line with the Company's Dividend Policy;
- oversee the Company's ICAAP and Capital Stress Testing;
- make appropriate recommendations to the Board so that it is aware of matters that may impact the Company's ability to remain adequately capitalised in the future.

Risk Committee	H	A
Chair		
F Gullone	7	7
Members		
S Collier	7	6
M F Currie	7	5
P Wright	7	7

Governance, Remuneration & Nominations Committee

Principal Responsibilities

- develop and recommend to the Board for approval 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;
- review and recommend to the Board for its approval an Accountability Matrix for the Company and Accountability Statements for each Executive and Board member;
- review outside directorships in other companies held by senior company officials;
- 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;
- develop and recommend to the Board for its approval the Company's Nominations Policy and the manner and processes in which the Board reviews and selects potential directors and determines director tenure, Board composition and Board size;
- 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;
- annually review the effectiveness and compliance of the Company and the Remuneration Policy with the requirements of governance prudential standards;
- 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; and
- annually review the Company's Succession Planning activities for the CEO and other key Executive Management roles.

Governance, Remuneration & Nomination Committee	H	A
Chair		
R B O Burns	7	7
Members		
M Currie#	6	5
S R King*	1	1
P Wright	7	7

* S King resigned from the Board on 6 September, 2019

\# Effective from 26 September, 2019.

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;
- ensure strategic alignment and ongoing health of the portfolio of IT Investment; and
- monitor effectiveness of compliance with IT and related business policies.

Information Steering Committee	H	A
Chair		
P Wright	4	4
Members		
A Buckley#	2	2
I Doig##	1	1
J Hinton	4	4
K Lugg	4	4
R Spain#	2	2
I Taylor*	2	2
D Weatherley	4	4

\# Effective from 27 February, 2020

\## Effective from 28 May, 2020

* I Taylor on leave of absence from 27 February, 2020.

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

28 August 2020

Directors' report

The Directors submit the following report on Indue Ltd in respect of the financial year ended 30 June 2020.

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, Peter Robert Townsend, Peter Hooper Wright and Anthony De Fazio.

Scott Robert King retired as a Director of the Company on 6 September 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, 8IP Emerging Companies Limited
Director, BT Funds Management Limited
Director, BT Funds Management No. 2 Limited
Director, Defence Health Ltd
Director, Westpac Securities Administration Limited
Compliance Committee Member, PIMCO Australia Management 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

Anthony De Fazio

B.Com, FCPA

Director since 04.07.19

Other Directorships Held (at date of report)

Director, Victoria Police Legacy Scheme Incorporated

Frank Gullone

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

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
Director, Country Universities Centre

Peter Hooper Wright

MBA, MAICD

Director since 01.08.18

Other Directorships Held (at date of report)

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

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 2020 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	13	13	7	7
Sally C Collier	13	13	12	11
Michael F Currie	13	12	13	10
Frank Gullone	13	13	12	12
Scott R King	2	1	1	1
Peter R Townsend	13	12	5	5
Peter Wright	13	12	18	18
Anthony De Fazio	13	13	4	4

* S King resigned from the Board on 6 September, 2019.

* A De Fazio appointed as Director on 4 July, 2019.

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:

	2019–20 $'000	2018–19 $'000
Final ordinary dividend for the year ended 30 June 2019 of 10 dollars (prior year: 10 dollars) per fully paid share (A & B Class) paid on 31 October 2019 (prior year: 31 October 2018)	1,241	1,241

Review of Operations

An operating profit after tax of $2.265 million (2019: $3.249 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

At the date of approving these financial statements, the Directors are of the view the effects of COVID-19 do not change the significant estimates, judgements and assumptions in the preparation of the financial statements (refer note 1 (r)), however COVID-19 and its associated economic impacts remain uncertain. The Directors and management continue to closely monitor developments with a focus on potential financial and operational impacts and note that the situation is continuing to evolve.

The Directors are not aware of any other 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 auditors' 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.

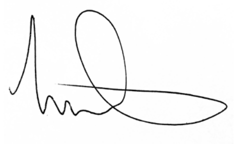
Environmental Regulation

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
28 August 2020

KPMG

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 2020 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

Scott Guse
Partner

Brisbane
28 August 2020

FINANCIAL STATEMENTS 2019-2020

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Interest revenue		4,258	7,628
Interest expense		(1,766)	(3,818)
Net interest income		2,492	3,810
Non-interest revenues	3	90,342	84,552
Revenue from continuing operations		**92,834**	**88,362**
Fees		(34,164)	(32,616)
IT services		(3,589)	(3,217)
Depreciation & amortisation		(7,178)	(4,184)
Employee benefits expense		(26,789)	(25,029)
Professional services		(1,137)	(916)
Rent paid		–	(2,022)
Project expenses		(3,550)	(3,346)
Other expenses		(13,300)	(12,752)
Operating profit from continuing operations before income tax		**3,127**	**4,280**
Income tax (expense)/benefit	4	(862)	(1,031)
Operating profit from continuing operations after income tax		**2,265**	**3,249**
Profit attributable to the owners of Indue Ltd		2,265	3,249
Other comprehensive income			
Changes in reserves	16	(21)	177
Total comprehensive income attributable to the owners of Indue Ltd		**2,244**	**3,426**

The above Statements 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 2020

	Note	2020 $'000	2019 $'000
Assets			
Cash and cash equivalents	6	170,571	129,902
Loans and receivables		2,322	1,256
Receivables due from other financial institutions		27,149	38,586
Trade and other receivables	7	9,410	9,335
Other financial assets at amortised cost		264,815	233,111
Current tax asset		–	141
Other assets	11	4,249	3,570
Property, plant and equipment	9	11,688	6,244
Intangible assets	8	24,235	22,282
Total Assets		**514,439**	**444,427**
Liabilities			
Deposits	12	417,849	353,587
Payables due to other financial institutions		21,200	22,829
Creditors and other liabilities	13	12,276	7,295
Provisions	14	3,968	4,211
Current tax liability		568	–
Net deferred tax liability	10	2,143	2,314
Total Liabilities		**458,004**	**390,236**
Net Assets		**56,435**	**54,191**
Equity			
Contributed equity	15	17,265	17,265
Reserves	16	1,391	1,412
Retained earnings		37,779	35,514
Total Equity		**56,435**	**54,191**

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

Statement of changes in equity

For the year ended 30 June 2020

	Notes	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 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**
Profit for the Period		–	–	2,265	2,265
Total other comprehensive income		–	(21)	–	(21)
Total comprehensive income for the year as reported in the 2020 financial statements		–	(21)	2,265	2,244
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		–	–	–	–
Balance at 30 June 2020		**17,265**	**1,391**	**37,779**	**56,435**

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

Statement of cash flows

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Interest received		4,258	7,628
Interest paid		(1,766)	(3,818)
Receipts from customers (inclusive of GST)		110,171	87,348
Payments to suppliers and employees (inclusive of GST)		(92,943)	(85,944)
Income tax refunds received		67	455
Income taxes paid		(373)	(1,266)
Loans and investments		(32,770)	3,040
Deposits		64,262	24,577
Net cash inflow/(outflow) from operating activities		**50,906**	**32,020**
Cash flows from investing activities			
Payments for intangible assets		(5,351)	(5,283)
Payments for property, plant and equipment		(1,639)	(666)
Net cash inflow/(outflow) from investing activities		**(6,990)**	**(5,949)**
Cash flows from financing activities			
Payment of lease liabilities		(2,006)	–
Dividends paid to company's shareholders		(1,241)	(1,241)
Net cash inflow/(outflow) from financing activities		**(3,247)**	**(1,241)**
Net increase/(decrease) in cash and cash equivalents held		40,669	24,830
Cash and cash equivalents at the beginning of the financial year		129,902	105,072
Cash and cash equivalents at the end of the financial year		**170,571**	**129,902**

Notes to the financial statements

For the year ended 30 June 2020

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. 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 28 August 2020.

Historical cost convention

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

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.

g) Leases

As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocated the consideration on the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of non-interest revenue (note 20).

As a lessee

Policy applicable before 1 July 2019

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.

Policy applicable from 1 July 2019

The Company has applied AASB 16 *Leases* using the modified retrospective approach and therefore the comparative information has not been restated.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate (note 20).

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 the 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 a consolidated level, with Indue being treated as a single cash generating unit (CGU).

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

The Company recognises revenue 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 have been 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).

Revenue recognition for the major business activities is 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 (Output Method). 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 (Input Method).

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.

Notes to the financial statements continued

For the year ended 30 June 2020

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.

q) New accounting standards and interpretations

Changes in Significant Accounting Policies

AASB 16 Leases

AASB 16 was issued in February 2016 and replaced *AASB 117 Leases and related Interpretations*. *AASB 16* introduced a single on-balance sheet lease accounting model for lessees which removed the operating or finance lease distinction for lessees under *AASB 117*. On transition to *AASB 16 Leases*, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Lessor accounting remains similar to the current standard and lessors will continue to classify leases as finance and operating.

Under *AASB 16*, the Company has recognised a right-of-use (ROU) asset representing its right to use the underlying asset, and a lease liability representing the present value of future lease payments. Consequently, the Company has recognised depreciation of the ROU asset and interest expense on the lease liability in the Statement of Profit or Loss and Other Comprehensive Income.

In comparison to *AASB 117*, the expense profile is generally larger in the earlier stages of the lease. This is due to the interest expense being determined on the lease liability which amortises over the lease term and depreciation on the ROU asset is in accordance with the methods prescribed under *AASB 116 Property, Plant and Equipment*. The ROU asset and lease liability is recognised for all leases with the exception of short-term leases (less than 12 months) and leases of low-value items which are exempted under *AASB 16*.

Transition

The Company has elected to transition to *AASB 16* on 1 July 2019 using the modified retrospective approach. Therefore, the cumulative effect of adopting *AASB 16* is recognised as an adjustment to the opening balance of retained earnings on 1 July 2019, with no restatement of comparative information.

In accordance with the modified retrospective approach the ROU asset is determined on a lease by lease basis, as either an amount equal to the lease liability or as if *AASB 16* has always been applied.

The difference between the ROU asset and the lease liability is recognised as an adjustment to the Company's retained earnings as at 1 July 2019.

Based on the elected transition method, the Company recognised a lease liability of $7.32 million, and a ROU asset of $7.32 million as at 1 July 2019. When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using an incremental borrowing rate at 1 July 2019. The weighted average rate applied is 2.3%.

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.

COVID-19 impact on the use of estimates and assumptions

On 11 March 2020, the World Health Organization declared COVID-19 a global pandemic. COVID-19 is an infectious disease that can cause respiratory illness. While COVID-19 is a health crisis, it has caused socio-economic disruption on a global scale. The Company has considered the impact of COVID-19 when preparing the financial statements and related note disclosures. While the effects of COVID-19 do not change the significant estimates, judgements and assumptions in the preparation of financial statements, it has resulted in increased estimation uncertainty and application of further judgement within those identified areas.

Climate Change Risk

Whilst the potential risks and related opportunities from climate change are considered as part of the Company's asset impairment review, based on what is currently known, Indue does not expect that this will have a significant impact on the Company's principal activities, particularly from an asset impairment standpoint.

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, however it 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 futureeconomic 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.

u) Government grants

The Company recognised a government grant related to JobKeeper in profit and loss and other comprehensive income as there was reasonable assurance the grant would be received. The Company became eligible in June 2020 and recognised a credit to employee benefits. Subsequently in July 2020, the first grant payment was received.

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 the Risk Appetite Statement (RAS) 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 2020

Financial Assets			Fixed interest maturing in:				
At 30 June 2020	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	170,571	–	–	–	–	170,571
Receivables due from other financial institutions		–	–	–	–	27,149	27,149
Other financial assets at amortised cost		–	243,953	20,862	–	–	264,815
Loans & receivables		2,322	–	–	–	–	2,322
Trade & other receivables	7	–	–	–	–	9,410	9,410
		172,893	**243,953**	**20,862**	**–**	**36,559**	**474,267**
Weighted average interest rate		**0.78%**	**1.14%**	**0.98%**			

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%**			

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 2020	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		–	–	–	–	21,200	21,200
Settlement funds	12	262,927	–	–	–	–	262,927
Term deposits	12	–	134,060	20,862	–	–	154,922
Creditors and other liabilities	13	–	–	–	–	12,276	12,276
		262,927	**134,060**	**20,862**	**–**	**33,476**	**451,325**
Weighted average interest rate		**0.00%**	**0.89%**	**0.77%**			

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	–	139,255	15,067	–	–	154,322
Creditors and other liabilities	13	–	–	–	–	7,295	7,295
		199,265	**139,255**	**15,067**	**–**	**30,124**	**383,711**
Weighted average interest rate		**0.04%**	**1.96%**	**1.95%**			

Notes to the financial statements continued

For the year ended 30 June 2020

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	2020 $'000	2019 $'000
Interest Income	+100 bp	4,010	3,534
	-100 bp	(4,010)	(3,534)
Interest Expense	+100 bp	3,857	3,413
	-100 bp	(3,857)	(3,413)
Net Interest Income	+100 bp	153	121
	-100 bp	(153)	(121)

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 APRA. The Company undertakes daily monitoring of cash flows. The Company substantially matches the maturity profiles of financial assets and liabilities, and aims 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 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 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 2020	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	21,200	–	–	–	21,200
Settlement funds	262,927	–	–	–	262,927
Term deposits	134,233	20,876	–	–	155,109
Creditors and other liabilities	12,124	–	–	–	12,124
	430,484	**20,876**	**–**	**–**	**451,360**

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**

Notes to the financial statements continued

For the year ended 30 June 2020

d) Credit risk

Credit risk arises from cash and cash equivalents, receivables due from other financial institutions, other financial assets at cost, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including trade and other 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

	2020 $'000	2019 $'000
Profit from continuing activities before income tax expense includes the following specific net gains and expenses:		
Crediting as revenue		
Interest on investments	4,258	7,628
Fee income	75,389	71,488
Sundry income	9,030	9,347
Sales	5,703	3,478
Rental income	220	239
Total non-interest revenue	90,342	84,552
Total revenue	**94,600**	**92,180**
Charging as expenses		
Interest expense	1,766	3,818
Fee expenses	34,164	32,616
IT services	3,589	3,217
Depreciation	3,779	1,538
Amortisation	3,399	2,646
Employee benefits expense	26,789	25,029
Professional services	1,137	916
Rental expense	–	2,022
Project expenses	3,550	3,346
Other expenses	13,300	12,752
Total expenses	91,473	87,900
Profit from continuing activities	**3,127**	**4,280**

4. Income tax expense

	2020 $'000	2019 $'000
a) Income tax expense/(benefit)		
Current tax	1,054	1,123
Deferred tax	(192)	(92)
	862	**1,031**
Income tax expense is attributable to:		
Profit from continuing operations	862	1,031
Aggregate income tax expense	862	1,031
Deferred tax (revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(1,602)	(155)
(Decrease)/increase in deferred tax liabilities	1,410	63
	(192)	**(92)**

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

	2020 $'000	2019 $'000
Profit from continuing operations before income tax expense	3,127	4,280
Tax at the Australian tax rate of 30% (2019 – 30%)	938	1,284
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Research & Development expense	(91)	(264)
Sundry items	15	11
	862	1,031
Under/(Over) provision in previous years	–	–
Income tax expense	**862**	**1,031**

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

	2020 $'000	2019 $'000
Net deferred tax – debited (credited) directly to equity (note 16)	21	71
	21	**71**

Notes to the financial statements continued

For the year ended 30 June 2020

Franking Account

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

	2020 $'000	2019 $'000
Franking Credits available for subsequent periods based on a tax rate of 30% (2019: 30%)	6,378	6,565

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

	2020 $	2019 $
Assurance services		
Company auditor – KPMG Australia		
Audit of financial statements under the *Corporations Act 2001*	131,200	131,200
Audit of Regulatory returns	58,650	55,650
IT general controls assurance	88,608	86,683
Total remuneration for audit services	278,458	273,533
Other advisory services		
Company auditor – KPMG Australia		
Risk advisory	7,844	–
Business advisory	–	–
Total remuneration for other advisory services	7,844	–

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

6. Cash and cash equivalents

	2020 $'000	2019 $'000
Bank Deposits – at call	51,571	26,902
Bank Deposits – 11am investments	119,000	103,000
	170,571	**129,902**

Deposits

The deposits at call are bearing average interest rates of 0.42% for 2020 (2019: 1.45%).

The 11am investments are bearing average interest rates of 0.91% for 2020 (2019: 1.73%).

7. Trade and other receivables

	2020 $'000	2019 $'000
Trade debtors – from contracts with customers	4,201	5,026
Contract asset	4,585	4,309
Government grants	624	–
	9,410	**9,335**

The Company became eligible for the JobKeeper grant in June 2020 and will remain eligible until the current legislative end date of 27 September 2020. The grant is recognised as a credit to Employee benefits expense on the Statement of Profit or Loss and Other Comprehensive Income for the period 25 May 2020 to 30 June 2020.

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 2020	3,798	15	191	34	163	4,201
At 30 June 2019	4,787	80	58	–	101	5,026

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 (2019: nil). There was no movement in credit loss allowance during the year or amounts written off.

Notes to the financial statements continued

For the year ended 30 June 2020

8. Intangible assets

	Goodwill $'000	Capital Initiatives in Use $'000	Capital Initiatives in Progress $'000	Total $'000
At 30 June 2020				
Opening net book amount	4,061	12,118	6,103	22,282
Internally generated	–	–	5,352	5,352
Internally generated transfer to in use	–	7,140	(7,140)	–
Amortisations	–	(3,399)	–	(3,399)
Closing net book amount	**4,061**	**15,859**	**4,315**	**24,235**
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**

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 2.0% (2019: 2.0%); and
- a post tax discount rate of 11.0% (2019: 7.96%).

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 2020 (2019: 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 assets are not impaired at 30 June 2020 (2019: nil).

9. Property, plant and equipment

	Cost or Valuation		Accumulated Depreciation		Written Down Value	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Land at Valuation	1,143	1,143	–	–	1,143	1,143
Building at Valuation	3,892	3,630	2,298	1,945	1,594	1,685
Right of Use Asset	7,322	–	2,015	–	5,307	–
Plant & Equipment at cost	16,153	14,745	13,041	11,677	3,112	3,068
Under construction at cost	532	348	–	–	532	348
	29,042	**19,866**	**17,354**	**13,622**	**11,688**	**6,244**

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.

The Company adopted AASB 16 from 1 July 2019. Refer to note 20 for the terms and conditions of the related lease arrangements.

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	Right of Use Asset $'000	Plant & equipment $'000	Under construction $'000	Total $'000
Carrying amount at 1 July 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/(decrement)	–	248	–	–	–	248
Depreciation expense	–	(336)	–	(1,202)	–	(1,538)
Carrying amount at 30 June 2019	**1,143**	**1,685**	**–**	**3,068**	**348**	**6,244**
Carrying amount at 1 July 2019	1,143	1,685	–	3,068	348	6,244
Adjusted on initial application of AASB16	–	–	7,322	–	–	7,322
Adjusted balance at 1 July 2019	**1,143**	**1,685**	**7,322**	**3,068**	**348**	**13,566**
Transfer between asset classes	–	–	–	1,499	(1,502)	(3)
Additions	–	262	–	–	1,686	1,948
Disposals	–	–	–	(42)	–	(42)
Revalue increments	–	–	–	–	–	–
Depreciation	–	(353)	(2,015)	(1,413)	–	(3,781)
Carrying amount at 30 June 2020	**1,143**	**1,594**	**5,307**	**3,112**	**532**	**11,688**

If Land and Buildings were carried at cost, Land would be $225,000 (2019: $225,000), Buildings would be $825,000 (2019: $825,000) and accumulated depreciation would be $515,625 (2019: $495,000).

10. Net deferred tax liability

	2020 $'000	2019 $'000
Tax asset		
The balance comprises temporary differences attributable to:		
Amounts recognised in Profit or Loss		
Employee benefits	1,081	1,235
Other	2,161	405
	3,242	**1,640**
Movements:		
Opening balance at 1 July	1,640	1,485
Charged to the Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	1,602	155
Closing balance at 30 June	3,242	1,640
Set-off of deferred tax liabilities pursuant to set-off provisions	(5,385)	(3,954)
Net deferred tax (liability)/asset	**(2,143)**	**(2,314)**
Tax liability		
The balance comprises temporary differences attributable to:		
Amounts recognised in Profit or Loss		
Intangible Assets	3,364	3,829
Land	215	215
Building	383	406
Plant & Equipment	(543)	(622)
Right of Use	1,592	–
Make Good	55	–
Other	319	126
	5,385	**3,954**
Movements:		
Opening balance at 1 July	3,954	3,820
Charged to Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	1,410	63
Charged to equity (note 16)	21	71
Closing balance 30 June	**5,385**	**3,954**

Notes to the financial statements continued

For the year ended 30 June 2020

11. Other assets

	2020 $'000	2019 $'000
Inventory – current	26	46
Prepayments – current	4,223	3,524
	4,249	**3,570**

12. Deposits

	2020 $'000	2019 $'000
Settlement funds – current	262,927	199,265
Term deposits – non-current	154,922	154,322
	417,849	**353,587**

13. Creditors and other liabilities

	2020 $'000	2019 $'000
Current		
Trade creditors	6,238	6,631
Right of use liability	1,984	–
Accrued interest payable	151	664
Non-current		
Trade creditors	425	–
Right of use liability	3,478	–
	12,276	7,295

Refer to note 20 for the terms and conditions of the related lease arrangements.

14. Provisions

	2020 $'000	2019 $'000
Current		
Employee entitlements	2,751	3,293
Other	97	95
Non-current		
Employee entitlements	852	823
Make good	268	–
	3,968	4,211

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 2018	185
Additional provisions recognised	144
Amounts used during the period	(234)
Carrying amount at 30 June 2019	**95**
Additional provisions recognised	178
Amounts used during the period	(175)
Carrying amount at 30 June 2020	**98**

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 2020

15. Contributed equity

	Shares		$'000	
	2020	2019	2020	2019
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. From time to time, under the constitution, the Directors may place shares into suspense, which precludes them from being eligible for a dividend. 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.

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 2020 ($)	30 June 2019 ($)
Tier 1 Capital		
Paid-up shares	17,265,060	17,265,060
Reserves	1,390,871	1,412,200
Retained Earnings, including Current Year Earnings	37,779,175	35,514,348
Deductions from Tier 1 Capital		
Total deductions (including goodwill, and investments)	(24,235,462)	(22,282,336)
Tier 2 Capital		
Total Tier 2 Capital (net of deductions)	–	–
Total Capital	**32,199,644**	**31,909,272**

The Company managed its total Capital Adequacy Ratio to an internal minimum (Management trigger) of 14.5% (2019:14.5%) during the year, as compared to the risk weighted assets. The Company's actual Capital Adequacy Ratio at financial year ends are as follows:

Capital Adequacy Ratio	30 June 2020 (%)	30 June 2019 (%)
Tier 1 Capital Adequacy Ratio	15.03	16.59
Total Capital Adequacy Ratio	15.03	16.59

16. Reserves

	2020 $'000	2019 $'000
Asset revaluation surplus		
Balance 1 July	1,412	1,235
Revaluation – gross (note 9)	–	248
Deferred tax (note 4)	(21)	(71)
Balance 30 June	**1,391**	**1,412**

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 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

Non executive Directors
S C Collier
M Currie
F Gullone
P R Townsend
P Wright
S R King (resigned 6 September 2019)
A De Fazio (appointed 4 July 2019)

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 (resigned 16 August 2019)	Indue Ltd
A Buckley	Chief Financial Officer (appointed 19 August 2019)	Indue Ltd
J Hinton	General Counsel & Chief Risk Officer	Indue Ltd
J Mantzios	Chief Customer Officer (appointed 8 October 2019, resigned 3 April 2020)	Indue Ltd
I Doig	Chief Customer Officer (Acting) (appointed 18 May 2020)	Indue Ltd
D Hemingway	Chief Commercial Officer	Indue Ltd
I Taylor	Chief Information Officer (leave of absence from 27 February 2020)	Indue Ltd
R Spain	Chief Information Officer (Acting) (appointed 10 February 2020)	Indue Ltd
K Lugg	Chief Delivery Officer	Indue Ltd

Key management personnel compensation

	2020 $	2019 $
Short-term employee benefits	3,060,894	3,146,287
Post employment benefits	223,772	200,212
Termination benefits	–	–
	3,284,666	**3,346,499**

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

18. Cash flow information

	2020 $'000	2019 $'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	170,571	129,902
	170,571	**129,902**
Reconciliation of net cash flows from operating activities to operating profit after income tax		
Operating profit after income tax	2,265	3,249
Decrease/(increase) in trade and other receivables, receivables due from other financial institutions and other assets	10,683	(5,658)
Depreciation and amortisation	7,178	4,184
Increase/(decrease) in current tax payable	669	219
Increase/(decrease) in creditors and other liabilities, payables due to other financial institutions and provisions	(1,380)	2,409
Decrease/(increase) in loans and receivables, and other financial assets at amortised cost	(32,770)	3,040
Increase/(decrease) in deposits	64,262	24,577
Net cash flows from operating activities	**50,907**	**32,020**

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.

Notes to the financial statements continued

For the year ended 30 June 2020

20. Lease commitments

Company as lessor

The Company leases its premises at 6 Moorak Street, Taringa under a non-cancellable operating lease which expires in 2022. The Company has classified this lease as an operating lease because it does not transfer all the risks and rewards incidental to the ownership of the asset.

	2020 $'000	2019 $'000
Maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date as follows:		
Within one year	146	140
Later than one year but not later than five years	126	271
	272	**411**

Company as lessee

The Company leases office premises which typically run for a period of 6-8 years, with an option to renew the lease after that date. The Company also leases office equipment with a contract term of 3 years.

Information about leases for which the Company is a lessee is below:

Right of use asset 2020	Building $'000	Equipment $'000	Total $'000
Balance at 1 July 2019	7,020	302	7,322
Depreciation charge for the year	(1,914)	(101)	(2,015)
Balance at 30 June 2020	5,106	201	5,307

Amounts recognised in profit and loss	$'000
2020 – Leases under AASB 16	
Interest on lease liabilities	148
2019 – Operating leases under AASB 117	
Lease expense	1,805

Amounts recognised in cash flow	$'000
Total cash outlay for leases	2,006

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 52 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 2020 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
28 August 2020

Independent Auditor's Report

To the shareholders of Indue Limited

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 2020 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 2020
- 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 (including Independence Standards) (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.

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

Scott Guse

Partner

Brisbane
28 August 2020

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