ANNUAL REPORT 2020-2021

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 27 August 2021. 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

Chair's and CEO's report

Year in Review

2021 has been a very successful year. Our central measure of this success is the quality and strength of the partnerships we have with our clients and business partners and we would like to acknowledge and thank them for the relationship we have enjoyed throughout the year.

Indue continues to develop our unique value proposition: our people focused culture, strong relationships, industry leadership, innovative thinking, payments expertise and mutual heritage.

During the year we maintained our focus on striving for service excellence across the business. This focus on relationships and engagement has solidified our position as the payments partner of choice for our clients.

Key highlights include the implementation and execution of a more agile service delivery model to align with client priorities as they shift deeper into digital banking. We were successful in launching mobile payment services across a variety of platforms, as well as delivering the first real-time, multi-channel fraud offering in the Australian market. Finally, we enabled the significant lifting of data security and certifications, providing the highest levels of security for our clients and their data.

Our people continue to be core to our success. The health and wellbeing of our people was paramount during a difficult year where we all had to contend with COVID-19 related restrictions and health issues. The working environment became more flexible and adaptable to the changing environment. We are very proud of our team. Their resilience and their commitment to achieving outcomes for our clients are significant success factors for the business.

Vision, Mission and Focus

Our vision is to be the leading partner of payment solutions to our clients. We realise this vision through strong client advocacy and a product set deeply integrated to their needs.

Our mission is to drive competitive advantage for our clients by helping people pay.

Our focus is on achieving our mission through quality client engagement, stability, relevant products, consistently excellent service delivery and driving cost of service down through efficiency and scaling.

This year we have closed out the second year of our FOCUS 2023 strategy, which was framed around our client relationships, product alignment, optimisation of our technology and a significant uplift in efficiency, security and resilience.

FOCUS 2023 is centred on:

- Client Relationships – driving client advocacy through an engaged client base. We have continued to deliver on our digital and real-time fraud roadmap and have clearly aligned our client engagement model with our customer needs. We have invested in resources and capabilities to support clients through rapid regulatory and industry change.
- People and Culture – maintaining a positive, resilient, client-centric and risk-aware culture. Creating pathways to success has never been more critical in a turbulent and hyper-competitive labour market.

- **Risk Management** – aligning risk frameworks to business strategy, lowering risks through controls, and promoting a positive risk culture.
- **Operational Excellence** – delivering improved product and service outcomes to clients at ever more competitive pricing. This is critical to be able to deliver long-term stability and sustainability.

As we complete the final year of FOCUS 2023, we are well on our way to completing our digitised, real-time payments transformation with a model for strong, trusted and rewarding client partnerships.

Operating Highlights

A Fresh Approach

This year, we took a new direction in our client survey, including deep-dive client interviews. We were pleased with the positive trend in results in all areas and the detailed feedback received through the process to assist in calibrating our service delivery model.

We were particularly encouraged by the positive response to our renewed focus on delivering quality and consistency in client outcomes; increased investment in supporting our clients with industry compliance; a significantly expanded engagement model; and a change in approach to third-party management. Clients are appreciating the opportunity to have focused time to understand objectives and product roadmaps, strengthening our relationships and ability to plan together for the future.

Operational Performance

This year was bigger than ever from an operational perspective, as the economic recovery drove transaction volume. Key highlights include:

- Monitoring over 430 million fraud and AML transactions as part of our Orion Crimes 24/7 service. This delivered over $165 million in fraud savings for our clients – a 43% increase on FY20. The biggest increase in fraud activity over the year was in relation to scams which were up 84% on FY20 and Indue is working with our clients to strengthen defences against all types of scams in all payment channels;
- Over 190,000 hours spent on developing and enhancing solutions for our clients;
- Launching a major Australian bank on our NPP service;
- Launching nine new digital wallets for new and existing clients, as part of the ongoing development of the mobile payments platform;
- Settling approximately 182 million transactions, up 11% on FY20; and
- Increasing product revenue by 9.5%, through the on-boarding of new clients as a direct result of investment in new products in recent years.

Eyes on PCI

We officially attained our Payment Card Industry Data Security Standard (PCI-DSS) and ISO27001 Information Security Management System Standard certifications this year. These standards are both broad and deep across our full range of technology assets, policies, processes and controls.

Certification against these standards provides assurance to our clients that Indue is a safe pair of hands to store, manage and process their sensitive data – an issue which is of critical importance in our industry.

Chair's and CEO's report continued

Financial Performance

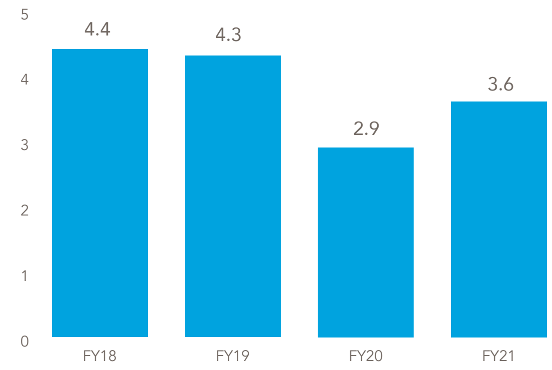
It is pleasing to report a lift in profit, despite the ongoing influence of the COVID-19 pandemic. The 'V-shaped recovery' of the past year, driven by strong government support measures, has boosted consumer confidence and payment volumes.

A more positive outlook has contributed to our improved performance, with a Profit Before Tax (PBT) result of $3.6 million, an increase of 24% over the previous year.

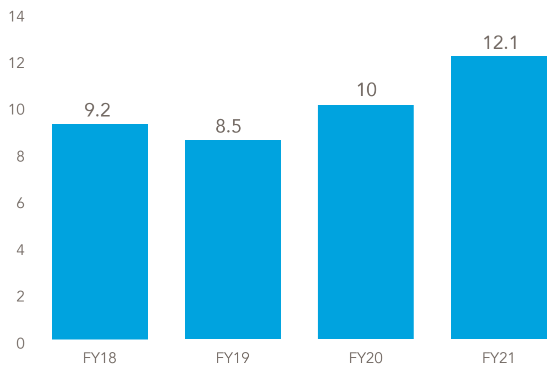
Our focus on efficiency has helped to grow our cash earnings, as we continue to pay-down investments in our digitisation transformation. Growth remains strong, with continued acquisition of new clients, particularly across our Mobile, New Payments Platform and Financial Crimes products. Our investment in these products is allowing us to stand out in the market, with a high-quality bundle of payment assets, integrated with our market-leading Financial Crimes Service.

Indue's capital position remains sound. Our Tier 1 ratio rose to 15.5% at the end of FY21, an increase of 35 basis points on last year.

In relation to dividends, we have a good record of rewarding owners for providing investment capital. With an improved economic outlook and stronger financial performance, we are pleased to be able to declare a fully franked dividend of $7.50 per share for FY22.



Underlying Profit Before Tax ($m's)



Cash Earnings ($m's)

Looking Ahead

Digital technology, consumer expectations and market innovation continue to drive changes within our sector. Aligning product development to the needs of our clients will be critical to delivering on our vision.

We are positioned to meet continuing challenges in the market, such as the introduction of PayTo, open data, digital identity, QR code payments, payment device evolution, tokenisation and digital wallet evolution. We are also managing the decline in legacy payment systems such as cheques and direct entry. These are all areas that will impact our resource allocation and require ongoing investment and stewardship. We will continue to support our clients, so they can focus on growing their businesses – while we navigate the changed world of payments on their behalf.

The economic forecast is in stark contrast to this time last year, where we faced economic uncertainty driven by nationwide COVID-19 lockdowns, predictions of a material rise in unemployment, and consumer confidence at an all-time low.

Less than 12 months later, the government is targeting unemployment of less than 5% and providing economic support measures that have driven consumer confidence to an all-time high. Vaccination rates are accelerating and the economic outlook remains positive. On the other hand, COVID-19 remains a concern, isolated outbreaks are likely to continue and international border closures are driving a tight labour market, so a continued prudent approach to financial management is required.

The impact of regulation continues to be felt and is expected to remain a structural factor in the cost and delivery of payments services. Payment security threats are more active than they have ever been and we continue to invest in protecting our clients' customers. We expect these headwind conditions to persist for the medium-term. Notwithstanding, we are forecasting moderate medium term earnings growth. Client acquisition remains strong, which is driving volume growth and continuing to improve our underlying performance.

Our NPP offering continues to grow, with some notable new clients being brought on board in FY21, positioning Indue for strong future year growth as this channel matures in the market.

After nearly 50 years, our partnership with Westpac is coming to an end in 2022. We are moving to become a Tier 1 provider for Direct Entry services, which is well-aligned to our strategy. We look forward to continuing to support our clients in this important payment channel.

Our core focus continues to be delivering sustainable value for our clients and shareholders, through balanced outcomes of service, product, returns and security.

Chair's and CEO's report continued

Acknowledgements

Both Robin Burns and Sally Collier stepped down from the Indue Board as Non-Executive Directors during the year. The Board would like to acknowledge their significant contribution and thank them for their service.

We rely on our people to actively anticipate and meet the changing needs of a diverse client base. In a dynamic environment that demands high levels of stability and security of service, our people remain the centrepiece of our ongoing success and we want to acknowledge the significant contribution they make to the quality of service we provide every day to our clients.

We have a stable, experienced and capable leadership group, supported by a highly committed and professional team. Everyone at Indue makes an important contribution to making it a great place to work. The success of this year is a significant reflection of the achievement of a great team, focused on ensuring our clients provide quality payment experiences for millions of Australians.

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

F Gullone
Chair, Board

D R Weatherley
Chief Executive Officer

27 August 2021

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 the Australian Prudential Regulation Authority's (APRA) Governance Prudential Standards. The Board of Directors of Indue is accountable to the Company to ensure the safety of shareholder funds and that the Company operates in a sustainable and responsible way. The Board aims to achieve these objectives through:

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

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

Board Meetings

The number of Board meetings and each Director's attendance at those meetings is set out in the report of the Directors. Directors are expected to prepare 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 office 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. This material covers 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 provides additional information sessions for Directors about the Company, and the factors impacting, or likely to impact, the businesses. These assist the Directors to gain a broader understanding of the Company and its industry. Directors are also encouraged to keep up to date on topical issues.

Corporate Governance report continued

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 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 performance of its Chair.

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

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

Remuneration of Directors

The constitution of the Company provides for two Groups of Directors, both elected in accordance with the constitution. Group One Directors, referred to as 'Industry Directors', must be officers, employees or associates of a member. Group Two Directors, referred to as 'Independent Directors' must not be officers, employees or associates of a member. Industry Directors are not remunerated by the Company. Independent Directors are remunerated by the Company, with shareholders determining the maximum annual aggregate amount of remuneration that may be provided to them at the Annual General Meeting. The Committee receives advice from independent experts on appropriate levels of director remuneration and guides the Board in this regard. The remuneration of key personnel is disclosed in note 17.

Performance & Remuneration of Senior Executives

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

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

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. In addition, each Director is entitled to seek independent professional advice at the Company's expense, with the prior approval of the Chair. The Board can conduct or direct any investigation to fulfil its responsibilities and can retain, at the Company's expense, any legal, accounting or other services, it considers necessary to perform its duties.

Risk Management & Internal Audit

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

The Company has an independent internal audit function (currently outsourced to professional services firm, PricewaterhouseCoopers) 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.

Board Committees

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

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

* Information Steering Committee reverted back to a Board Committee on 30 April 2021

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.

The number of meetings of the Audit Committee held during the financial year and the number of meetings attended by the Committee members were as follows:

Audit Committee	H	A
Chair		
S Collier[1]	1	1
S Rix[2]	2	2
Members		
A De Fazio	3	3
F Gullone[3]	1	1
P R Townsend	3	2
A Cheadle[4]	2	2

1 S Collier resigned from the Board on 27 November 2020

2 S Rix was appointed to the Committee on 8 January 2021

3 F Gullone re-allocated to other Indue committees on 28 August 2020

4 A Cheadle was appointed to the Committee on 8 January 2021 and resigned from the Board 27 May 2021

The meetings held during the year indicate the number of meetings held during the period the individual was a Committee member.

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;

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

- 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 Internal Capital Adequacy Assessment Process (ICAAP) and Capital Stress Testing; and
- 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.

The number of meetings of the Risk Committee held during the financial year and the number of meetings attended by the Risk Committee members were as follows:

Risk Committee	H	A
Chair		
F Gullone[1]	3	3
A Cheadle[2]	2	2
P Wright[3]	3	3
Members		
S Collier[4]	6	4
M F Currie	8	7
S Rix[5]	2	2
P Wright[3]	5	5
F Gullone[1]	3	3

1 F Gullone stepped down as Committee Chair following his appointment to Chair of the Board on 28 August 2020 and re-allocated to another Indue Committee on 27 November 2020

2 A Cheadle was appointed to the Committee as Chair on 8 January 2021 and resigned from the Board on 27 May 2021

3 P Wright was appointed Committee Chair on 28 August 2020 and stepped down as Chair on 16 December 2020

4 S Collier resigned from the Board on 27 November 2020

5 S Rix was appointed to the Committee on 8 January 2021

The meetings held during the year indicate the number of meetings held during the period the individual was a Committee member.

Governance, Remuneration & Nominations (GRN) 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 Chief Executive Officer and other key Executive Management roles.

The number of meetings of the GRN Committee held during the financial year and the number of meetings attended by the GRN Committee members were as follows:

Governance, Remuneration & Nomination (GRN) Committee	H	A
Chair		
R Burns[1]	2	2
F Gullone[2]	4	4
Members		
M Currie	6	6
P Wright[3]	3	3
A De Fazio[4]	4	4
P Townsend[5]	4	4

1 R Burns stepped down as Committee Chair on 28 August 2020 and resigned from the Board on 27 November 2020

2 F Gullone was appointed Committee Chair on 28 August 2020

3 P Wright re-allocated to other Indue Committees on 26 October 2020

4 A De Fazio was appointed to the Committee on 16 December 2020

5 P Townsend was appointed to the Committee on 16 December 2020

The meetings held during the year indicate the number of meetings held during the period the individual was a Committee member.

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

Information Steering Committee

Principal Responsibilities

- assist the board of Directors in fulfilling its responsibilities relating to the Information Technology (IT) Management and reporting practices of the Company;
- ensure effectiveness of enterprise IT strategy;
- ensure strategic alignment and ongoing health of the portfolio of IT Investment; and
- monitor effectiveness of compliance with IT and related business policies.

On 30 April 2021 it was resolved by the Board that the ISC would revert back from a Management Committee to a Board Committee.

The number of meetings of the ISC held during the financial year and the number of meetings attended by the ISC members were as follows:

Information Steering Committee	H	A
Chair		
P Wright	5	5
Members		
A Cheadle[1]	1	1
D Weatherley[2]	4	3
J Hinton[2]	4	4
I Taylor[2, 3]	3	3
K Lugg[2]	4	4
R Spain[2]	4	4

1 A Cheadle was appointed to the Committee on 30 April 2021 & resigned from the Board on 27 May 2021

2 Management stepped down as Committee members upon the ISC reverting back to a Board Committee on 30 April 2021

3 I Taylor returned from a leave of absence on 7 August 2020

The meetings held during the year indicate the number of meetings held during the period the individual was a committee member.

Frank Gullone
Chair, Board

27 August 2021

Directors' report

The Directors submit the following report on Indue Ltd in respect of the financial year ended 30 June 2021.

Directors

The names of the persons who have been Directors, or appointed as Directors, during the period since 1 July 2020 and up to the date of this report are: Frank Gullone (Chair), Michael Currie, Peter Townsend, Peter Wright, Anthony De Fazio, Susan Rix (appointed as a Director on 8 January 2021), Robin Burns (retired as a Director on 27 November 2021), Sally Collier (retired as a Director on 27 November 2021) and Abigail Cheadle (appointed as a Director on 8 January 2021 and retired as a Director on 27 May 2021).

Particulars of the Directors as at the date of this Report, including all other directorships held by the Director, are as follows.

Frank Gullone

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

Director since 02.04.13
and Chair since 28.08.20

Other Directorships Held (at date of report)

Director, Gullone Group Pty Ltd
Director, Gullone Commercial Solutions Pty Ltd
Board Member, The Queen Elizabeth Centre (QEC), Victoria

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

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)

Susan Rix AM

B. Fin Admin (UNE), FCA and FAICD

Director since 08.01.21

Other Directorships Held (at date of report – excluding personal entities)

Chair, AEIOU Foundation Ltd
Director, Harcourts Group of Companies
Director, BDO Services Pty Ltd
Director, BDO Private Wealth Advisers Pty Ltd
Committee Member, Premier and Cabinet Audit and Risk

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.
Liam Roger Fairhall	LLB (Hons), BMedRadSc	• Solicitor since 2009; • Appointed Indue Ltd Company Secretary March 2021; and • Currently Head of Legal – Business Development & 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 2021 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**
Frank Gullone (Chair)[1]	13	13	11	11
Michael Currie	13	13	14	13
Peter Townsend	13	13	7	6
Peter Wright	13	13	21	21
Anthony De Fazio	13	13	7	7
Susan Rix[2]	6	6	4	4
Former Directors				
Robin Burns[3]	7	6	2	2
Sally Collier[4]	7	6	7	5
Abigail Cheadle[5]	4	3	5	5

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

1 F Gullone was appointed Chair of the Board on 28 August 2020

2 S Rix was appointed as a Director on 8 January 2021

3 R Burns resigned from the Board on 27 November 2020

4 S Collier resigned from the Board on 27 November 2020

5 A Cheadle was appointed as a Director on 8 January 2021 and resigned from the Board on 27 May 2021

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:

	2020–21 $'000	2019–20 $'000
No dividend declared for the year 2019-20 (prior year: paid 31 October 2019)	—	1,241

Review of Operations

An operating profit after tax of $2.583 million (2020: $2.091 million) was achieved this year. A full review of operations is contained in the Chair'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 also note that at the date of approving these financial statements, Indue has proposed to enter into a share buyback arrangement for a small number of issued shares. An Extraordinary General Meeting was held on the 27 August 2021 and the buyback approved. The buyback will reduce the available cash balance by $217,100, the Tier 1 Capital Adequacy Ratio by 9 basis points and the franking account by $65,796.

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.

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 59.

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.

F Gullone
Chair, Board

M F Currie
Deputy Chair, Board

Brisbane
27 August 2021

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 2021 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

Ben Flaherty
Partner

Brisbane
27 August 2021

FINANCIAL STATEMENTS 2020 – 2021

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000 Restated*
Interest revenue		1,261	4,258
Interest expense		(225)	(1,766)
Net interest income		1,036	2,492
Non-interest revenues	3	96,478	90,342
Revenue from continuing operations		**97,514**	**92,834**
Fees		(37,794)	(34,164)
IT services		(4,063)	(3,852)
Depreciation & amortisation		(8,529)	(7,165)
Employee benefits expense		(28,044)	(26,789)
Professional services		(995)	(1,137)
Project expenses		(6,159)	(3,550)
Other expenses		(8,323)	(13,300)
Operating profit from continuing operations before income tax		**3,607**	**2,877**
Income tax (expense)/benefit	4	(1,024)	(786)
Operating profit from continuing operations after income tax		**2,583**	**2,091**
Profit attributable to the owners of Indue Ltd		2,583	2,091
Other comprehensive income			
Changes in reserves	16	(172)	(21)
Total comprehensive income attributable to the owners of Indue Ltd		**2,411**	**2,070**

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

* The comparative information was restated upon adoption of the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on configuration or customisation costs in a cloud computing arrangement. See Note 1q.

Statement of financial position

As at 30 June 2021

	Note	2021 $'000	2020 $'000 Restated*
Assets			
Cash and cash equivalents	6	207,638	170,571
Receivables due from other financial institutions		71,929	27,340
Trade and other receivables	7	12,723	11,540
Other financial assets at amortised cost		327,273	264,815
Intangible assets	8	22,295	23,972
Property, plant and equipment	9	9,161	11,671
Other assets	11	3,885	4,249
Total Assets		**654,904**	**514,158**
Liabilities			
Deposits	12	551,261	417,849
Payables due to other financial institutions		26,009	21,200
Creditors and other liabilities	13	11,817	12,276
Provisions	14	5,157	3,968
Current tax liability		1,551	568
Net deferred tax liability	10	459	2,058
Total Liabilities		**596,254**	**457,919**
Net Assets		**58,650**	**56,239**
Equity			
Contributed equity	15	17,265	17,265
Reserves	16	1,219	1,391
Retained earnings		40,166	37,583
Total Equity		**58,650**	**56,239**

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

* The comparative information was restated upon adoption of the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on configuration or customisation costs in a cloud computing arrangement. See Note 1q.

Statement of changes in equity

For the year ended 30 June 2021

	Notes	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 30 July 2019 as previously reported*		**17,265**	**1,412**	**35,514**	**54,191**
Impact of restatement		–	–	(22)	(22)
Balance at 30 June 2019 as restated*		**17,265**	**1,412**	**35,492**	**54,169**
Profit for the Period (restated)*		–	–	2,091	2,091
Total other comprehensive income/(loss)		–	(21)	–	(21)
Total comprehensive income/(loss) for the year as reported (restated)*		–	(21)	2,091	2,070
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		–	–	–	–
Balance at 30 June 2020 as restated*		**17,265**	**1,391**	**37,583**	**56,239**
Profit for the Period		–	–	2,583	2,583
Total other comprehensive income/(loss)		–	(172)	–	(172)
Total comprehensive income/(loss) for the year as reported		–	(172)	2,583	2,411
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		–	–	–	–
Balance at 30 June 2021		**17,265**	**1,219**	**40,166**	**58,650**

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

* The comparative information was restated upon adoption of the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on configuration or customisation costs in a cloud computing arrangement. See Note 1q.

Statement of cash flows

For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000 Restated*
Cash flows from operating activities			
Interest received		1,261	4,258
Interest paid		(118)	(1,766)
Receipts from customers (inclusive of GST)		60,716	110,171
Payments to suppliers and employees (inclusive of GST)		(87,773)	(93,210)
Income tax refunds received		–	67
Income taxes paid		(1,737)	(373)
Loans and investments		(62,458)	(32,770)
Deposits		133,412	64,262
Net cash inflow/(outflow) from operating activities		**43,303**	**50,639**
Cash flows from investing activities			
Payments for intangible assets		(2,840)	(5,088)
Payments for property, plant and equipment		(1,369)	(1,635)
Net Proceeds from Business Sale		51	–
Net cash inflow/(outflow) from investing activities		**(4,158)**	**(6,723)**
Cash flows from financing activities			
Payment of lease liabilities		(2,078)	(2,006)
Dividends paid to company's shareholders		–	(1,241)
Net cash inflow/(outflow) from financing activities		**(2,078)**	**(3,247)**
Net increase/(decrease) in cash and cash equivalents held		37,067	40,669
Cash and cash equivalents at the beginning of the financial year		170,571	129,902
Cash and cash equivalents at the end of the financial year		**207,638**	**170,571**

* The comparative information was restated upon adoption of the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on configuration or customisation costs in a cloud computing arrangement. See Note 1q.

Notes to the financial statements

For the year ended 30 June 2021

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 financial institutions, commercial business and government departments.

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 27 August 2021.

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.

Rounding

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 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, contract assets, other accruals and clearing accounts. Contract assets primarily relate to the Company's right to consideration for work completed but not billed at the reporting date on customised software development. Contract assets are transferred to Trade Debtors when the rights become unconditional and usually occurs when an invoice is issued to the customer.

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

Expected credit losses (ECLs) are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination. The Company's ECL is the product of credit risk factors such as probability of default, exposure at default, and loss given default. The credit risk factors are adjusted for current and forward-looking information using macro-economic variables. 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.

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

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.

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

Software-as-a-Service (SaaS) Cloud Computing Arrangements

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements under IAS 38 Intangible Assets:

- Customer's right to receive access to the supplier's software hosted on the cloud – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- Configuration or customisation costs in a cloud computing arrangement– this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

As such, any implementation costs associated with the configuration of a SaaS Cloud Arrangement, where the Company does not have control of the asset, must be immediately expensed.

Historically, the Company's accounting policy has recognised the implementation cost associated with the configuration of a SaaS Cloud Arrangement as an intangible asset in the Statement of Financial Position. The adoption of the above agenda decisions has resulted in the reclassification of these costs from an intangible asset in the Statement of Financial Position to an expense in the Statement of Comprehensive Income. Costs relating to the prior financial years have been adjusted through opening Retained Earnings.

Historical financial information has been restated to account for the impact of the change in accounting policy in relation to SaaS arrangements, as follows:

Statement of Financial Position

30 June 2020	As previously reported $'000	Adjustments $'000	As restated $'000
Intangible assets	24,235	(263)	23,972
Property, plant and equipment	11,688	(17)	11,671
Total Assets	**514,439**	**(280)**	**514,159**
Net deferred tax liability	2,142	(84)	2,058
Total Liabilities	**458,003**	**(84)**	**457,919**
Net Assets	**56,435**	**(196)**	**56,239**
Retained Earnings	37,779	(196)	37,583
Total Equity	**56,435**	**(196)**	**56,239**

1 July 2019	As previously reported $'000	Adjustments $'000	As restated $'000
Property, plant and equipment	6,244	(26)	6,218
Total Assets	**444,427**	**(26)**	**444,401**
Net deferred tax liability	2,314	(4)	2,310
Total Liabilities	**390,236**	**(4)**	**390,232**
Net Assets	**54,191**	**(22)**	**54,169**
Retained Earnings	35,514	(22)	35,492
Total Equity	**54,191**	**(22)**	**54,169**

Notes to the financial statements continued

For the year ended 30 June 2021

Statement of Profit and loss and other comprehensive income

30 June 2020	As previously reported $'000	Adjustments $'000	As restated $'000
IT services	(3,589)	(263)	(3,852)
Depreciation & Amortisation	(7,178)	13	(7,165)
Operating profit from continuing operations before income tax	**3,127**	**(250)**	**2,877**
Income tax expense	(862)	76	(786)
Operating profit from continuing operations after income tax	**2,265**	**(174)**	**2,091**

Statement of cash flows

30 June 2020	As previously reported $'000	Adjustments $'000	As restated $'000
Payments to suppliers and employees	(92,943)	(267)	(93,210)
Net cash inflow/(outflow) from operating activities	**50,906**	**(267)**	**50,639**
Payment for intangible assets	(5,351)	263	(5,088)
Payment for Property, Plant & equip	(1,639)	4	(1,635)
Net cash inflow/(outflow) from investing activities	**(6,990)**	**267**	**(6,723)**

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

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 or financial position, 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 future economic benefits.

Notes to the financial statements continued

For the year ended 30 June 2021

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. As such the Company does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Accounting Treatment	Type of Cost Incurred
Recognise as an operating expense over the term of the service contract	• Fee for use of application software • Customisation costs
Recognise as an operating expense as the service is received	• Configuration costs • Data conversion and migration costs • Testing costs • Training costs

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

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

Government grants, including JobKeeper, are recognised when there is a reasonable assurance that the Company will comply with the conditions attached to the grant, and the grant will be received.

The Company became eligible for JobKeeper in June 2020 after meeting the specific obligations, and remained eligible until September 2020. All expected grant payments were received by October 2020.

The Company has elected to present the grant as net of the related expense; therefore, this is recognised in profit and loss and other comprehensive income as a credit to employee benefits.

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's 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 2021

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

At 30 June 2021	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	207,638	–	–	–	–	207,638
Receivables due from other financial institutions		440	–	–	–	71,489	71,929
Other financial assets at amortised cost		–	258,849	68,424	–	–	327,273
Trade & other receivables	7	1,975	–	–	–	10,748	12,723
		210,053	**258,849**	**68,424**	**–**	**82,237**	**619,563**
Weighted average interest rate		**0.18%**	**0.33%**	**0.10%**			

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		192	–	–	–	27,148	27,340
Other financial assets at amortised cost		–	243,953	20,862	–	–	264,815
Trade & other receivables	7	2,130	–	–	–	9,410	11,540
		172,893	**243,953**	**20,862**	**–**	**36,558**	**474,266**
Weighted average interest rate		**0.78%**	**1.14%**	**0.98%**			

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 2021	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		–	–	–	–	26,009	26,009
Settlement funds	12	379,538	–	–	–	–	379,538
Term deposits	12	–	103,554	68,169	–	–	171,723
Creditors and other liabilities	13	–	–	–	–	11,817	11,817
		379,538	**103,554**	**68,169**	**–**	**37,826**	**589,087**
Weighted average interest rate		**0.00%**	**0.13%**	**0.06%**			

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%**			

Notes to the financial statements continued

For the year ended 30 June 2021

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	2021 $'000	2020 $'000
Interest Income	+100 bp	4,875	4,010
	-100 bp	(4,875)	(4,010)
Interest Expense	+100 bp	4,845	3,857
	-100 bp	(4,845)	(3,857)
Net Interest Income	+100 bp	30	153
	-100 bp	(30)	(153)

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 2021	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	26,009	–	–	–	26,009
Settlement funds	379,538	–	–	–	379,538
Term deposits	103,555	68,192	–	–	171,747
Creditors and other liabilities	11,807	–	–	–	11,807
	520,909	**68,192**	**–**	**–**	**589,101**

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**

Notes to the financial statements continued

For the year ended 30 June 2021

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. Revenue from continuing operations

	2021 $'000	2020 $'000
Revenue from continuing activities before income tax expense includes the following specific net gains.		
Revenue from contracts with customers		
Other Fee income	84,899	75,389
Sundry income	4,472	9,030
Sales	6,917	5,703
	96,288	**90,122**
Rental income	190	220
Total non-interest revenue	**96,478**	**90,342**

4. Income tax expense

	2021 $'000	2020 $'000 Restated*
a) Income tax expense/(benefit)		
Current tax	2,796	1,054
Deferred tax	(1,772)	(268)
	1,024	**786**
Income tax expense is attributable to:		
Profit from continuing operations	1,024	786
Aggregate income tax expense	1,024	786
Deferred tax (revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	142	(1,602)
(Decrease)/increase in deferred tax liabilities	(1,914)	1,334
	(1,772)	**(268)**

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

	2021	2020
Profit from continuing operations before income tax expense	3,607	2,877
Tax at the Australian tax rate of 30% (2020 – 30%)	1,082	862
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Research & Development expense	11	(91)
Sundry items	4	15
	1,097	786
Under/(Over) provision in previous years	(73)	–
Income tax expense	**1,024**	**786**

Notes to the financial statements continued

For the year ended 30 June 2021

c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity		
Net deferred tax – debited (credited) directly to equity (note 16)	172	21
	172	**21**

* The comparative information was restated upon adoption of the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on configuration or customisation costs in a cloud computing arrangement. See Note 1q.

Franking Account

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

	2021 $'000	2020 $'000
Franking Credits available for subsequent periods based on a tax rate of 30% (2020: 30%)	10,423	7,522

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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

	2021 $	2020 $
Assurance services		
Company auditor – KPMG Australia		
Audit of financial statements under the *Corporations Act 2001*	205,265	219,808
Audit of regulatory returns	58,000	58,650
Total remuneration for audit services	263,265	278,458
Other advisory services		
Company auditor – KPMG Australia		
Risk advisory	5,878	7,844
Total remuneration for other advisory services	5,878	7,844

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

6. Cash and cash equivalents

	2021 $'000	2020 $'000
Bank Deposits – at call	158,128	51,571
Bank Deposits – 11am investments	49,510	119,000
	207,638	**170,571**

Deposits

The deposits at call are bearing average interest rates of 0.02% for 2021 (2020: 0.42%).

The 11am investments are bearing average interest rates of 0.38% for 2021 (2020: 0.91%).

7. Trade and other receivables

	2021 $'000	2020 $'000
Trade debtors – from contracts with customers	3,007	4,201
Contract asset	7,598	4,585
Other receivables	2,118	2,130
Government grants	–	624
	12,723	**11,540**

This note should be read in conjunction with note 2.

The Company became eligible for the JobKeeper grant in June 2020 and remained eligible until September 2020. The grant is recognised as a credit to Employee benefits expense on the Statement of Profit or Loss and Other Comprehensive Income and amounted to $1,491,300 for the year ended 30 June 2021 (2020: $623,700).

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 2021	2,889	40	78	–	–	3,007
At 30 June 2020	3,798	15	191	34	163	4,201

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 (2020: nil). There was no movement in credit loss allowance during the year or amounts written off.

8. Intangible assets

	Goodwill $'000	Capital Initiatives in Use $'000	Capital Initiatives in Progress $'000	Total $'000
At 30 June 2021				
Opening net book amount	4,061	15,859	4,052	23,972
Internally generated	–	–	2,841	2,841
Internally generated transfer to in use	–	4,604	(4,604)	–
Amortisations	–	(4,518)	–	(4,518)
Closing net book amount	**4,061**	**15,945**	**2,289**	**22,295**
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 as previously reported	4,061	15,859	4,315	24,235
Impact of restatement*	–	–	(263)	(263)
Closing net book amount as restated*	**4,061**	**15,859**	**4,052**	**23,972**

* The comparative information was restated upon adoption of the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on configuration or customisation costs in a cloud computing arrangement. See Note 1q.

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 fair value less cost of disposal calculations at acquisition date and is tested for impairment in accordance with note 1(h).

The assumptions used in the fair value less cost of disposal 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 2.5% (2020: 2.0%);
- a post-tax discount rate of 9.75% (2020: 11.0%).

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 2021 (2020: 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 5 and 7 years respectively.

A recoverable value of the assets in excess of its carrying value is supported and therefore the assets are not impaired at 30 June 2021 (2020: nil).

9. Property, plant and equipment

	Cost or Valuation		Accumulated Depreciation		Written Down Value	
	2021 $'000	2020 $'000 Restated*	2021 $'000	2020 $'000 Restated*	2021 $'000	2020 $'000 Restated*
Land at Valuation	1,143	1,143	–	–	1,143	1,143
Building at Valuation	4,104	3,892	2,771	2,298	1,333	1,594
Right of Use Asset	7,253	7,322	3,892	2,015	3,361	5,307
Plant & Equipment at cost	17,475	16,118	14,569	13,023	2,906	3,095
Under construction at cost	418	532	–	–	418	532
	30,393	**29,007**	**21,232**	**17,336**	**9,161**	**11,671**

* The comparative information was restated upon adoption of the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on configuration or customisation costs in a cloud computing arrangement. See Note 1q.

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 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 as previously reported	1,143	1,685	7,322	3,068	348	13,566
Impact of restatement*	–	–	–	(26)	–	(26)
Adjusted balance at 1 July 2019 as restated*	1,143	1,685	7,322	3,042	348	13,540
Transfer between asset classes	–	–	–	1,494	(1,497)	(3)
Additions	–	262	–	–	1,681	1,943
Disposals	–	–	–	(42)	–	(42)
Revalue increments	–	–	–	–	–	–
Depreciation	–	(353)	(2,015)	(1,399)	–	(3,767)
Carrying amount at 30 June 2020	**1,143**	**1,594**	**5,307**	**3,095**	**532**	**11,671**
Transfer between asset classes	–	13	118	1,354	(1,483)	2
Additions	–	200	(69)	–	1,369	1,500
Disposals	–	–	–	–	–	–
Revalue increments	–	–	–	–	–	–
Depreciation	–	(474)	(1,995)	(1,543)	–	(4,012)
Carrying amount at 30 June 2021	**1,143**	**1,333**	**3,361**	**2,906**	**418**	**9,161**

* The comparative information was restated upon adoption of the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on configuration or customisation costs in a cloud computing arrangement. See Note 1q.

If Land and Buildings were carried at cost, Land would be $225,000 (2020: $225,000), Buildings would be $825,000 (2020: $825,000) and accumulated depreciation would be $536,250 (2020: $515,625).

10. Net deferred tax liability

	2021 $'000	2020 $'000 Restated*
Tax asset		
The balance comprises temporary differences attributable to:		
Amounts recognised in Profit or Loss		
Employee benefits	1,376	1,081
Other	1,724	2,161
	3,100	**3,242**
Movements:		
Opening balance at 1 July	3,242	1,640
Charged to the Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	(142)	1,602
Closing balance at 30 June	3,100	3,242
Set-off of deferred tax liabilities pursuant to set-off provisions	(3,559)	(5,300)
Net deferred tax (liability)/asset	**(459)**	**(2,058)**
Tax liability		
The balance comprises temporary differences attributable to:		
Amounts recognised in Profit or Loss		
Intangible Assets	2,372	3,279
Land	307	215
Building	363	383
Plant & Equipment	(523)	(543)
Right of Use	1,008	1,592
Make Good	31	55
Other	1	319
	3,559	**5,300**
Movements:		
Opening balance at 1 July	5,301	3,945
Charged to Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	(1,914)	1,334
Charged to equity (note 16)	172	21
Closing balance 30 June	**3,559**	**5,300**

* The comparative information was restated upon adoption of the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on configuration or customisation costs in a cloud computing arrangement. See Note 1q

11. Other assets

	2021 $'000	2020 $'000
Inventory – current	13	26
Prepayments – current	3,872	4,223
	3,885	**4,249**

12. Deposits

	2021 $'000	2020 $'000
Settlement funds – current	379,538	262,927
Term deposits – non-current	171,723	154,922
	551,261	**417,849**

13. Creditors and other liabilities

	2021 $'000	2020 $'000
Current		
Trade creditors	7,449	5,904
Lease liability	1,532	1,984
Contract liabilities	384	334
Accrued interest payable	10	151
Non-current		
Trade creditors	429	425
Lease liability	2,013	3,478
	11,817	12,276

The contract liabilities primarily relate to advance consideration received from customers for which revenue is recognised over time when the related service is received by the customer. For the year ended 30 June 2021, the Company recognised as revenue $203,929 included in contract liabilities at 30 June 2020 (2020: $243,254). No information is provided about remaining performance obligations at year end that have an original expected duration of one year or less, as allowed by AASB 15.

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

14. Provisions

	2021 $'000	2020 $'000
Current		
Employee entitlements	3,714	2,751
Other	96	97
Non-current		
Employee entitlements	873	852
Make good	474	268
	5,157	3,968

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

	Other $'000
Carrying amount at 30 June 2019	**95**
Additional provisions recognised	177
Amounts used during the period	(175)
Carrying amount at 30 June 2020	**97**
Additional provisions recognised	71
Amounts used during the period	(72)
Carrying amount at 30 June 2021	**96**

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.

15. Contributed equity

	Shares		$'000	
	2021	2020	2021	2020
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.

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

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

- Provide a permanent and unrestricted commitment of funds;
- Are freely available to absorb losses;
- Do not impose any unavoidable servicing charges against earnings;
- 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 2021 ($)	30 June 2020 ($)
Tier 1 Capital		
Paid-up shares	17,265,060	17,265,060
Reserves	1,218,444	1,390,871
Retained Earnings, including Current Year Earnings	40,165,085	37,583,507
Deductions from Tier 1 Capital		
Total deductions (including goodwill, and investments)	(22,295,214)	(24,497,970)
Tier 2 Capital		
Total Tier 2 Capital (net of deductions)	–	–
Total Capital	**36,353,375**	**31,741,468**

The Company managed its total Capital Adequacy Ratio to an internal minimum (Management trigger) of 14.50% (2020:14.50%) 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 2021 (%)	30 June 2020 (%) Restated*
Tier 1 Capital Adequacy Ratio	15.52	15.07
Total Capital Adequacy Ratio	15.52	15.07

* The comparative information was restated upon adoption of the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on configuration or customisation costs in a cloud computing arrangement. See Note 1q.

16. Reserves

	2021 $'000	2020 $'000
Asset revaluation surplus		
Balance 1 July	1,391	1,412
Deferred tax (note 4)	(172)	(21)
Balance 30 June	**1,219**	**1,391**

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:

Chair – Non executive
F Gullone (appointed 28 August 2020)
R Burns (resigned 27 November 2020)

Non executive Directors
S Collier (resigned 27 November 2020)
M Currie
P Townsend
P Wright
A De Fazio
S Rix (appointed 8 January 2021)
A Cheadle (appointed 8 January 2021, resigned 27 May 2021)

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 Buckley	Chief Financial Officer	Indue Ltd
J Hinton	General Counsel & Chief Risk Officer	Indue Ltd
I Doig	Chief Customer Officer	Indue Ltd
D Hemingway	Chief Commercial Officer	Indue Ltd
I Taylor	Chief Information Officer (leave of absence to 7 August 2020)	Indue Ltd
R Spain	Chief Information Officer (Acting) (to 7 August 2020)	Indue Ltd
K Lugg	Chief Delivery Officer	Indue Ltd

Key management personnel compensation

	2021 $	2020 $
Short-term employee benefits	3,154,869	3,060,894
Post employment benefits	192,512	223,772
	3,347,381	**3,284,666**

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

18. Cash flow information

	2021 $'000	2020 $'000 Restated*
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 and cash equivalents	207,638	170,571
	207,638	**170,571**
Reconciliation of net cash flows from operating activities to operating profit after income tax		
Operating profit after income tax	2,583	2,091
Decrease/(increase) in trade and other receivables, receivables due from other financial institutions and other assets	(45,408)	10,683
Depreciation and amortisation	8,529	7,166
Increase/(decrease) in current tax payable	(665)	593
Increase/(decrease) in creditors and other liabilities, payables due to other financial institutions and provisions	7,310	(1,386)
Decrease/(increase) in other financial assets at amortised cost	(62,458)	(32,770)
Increase/(decrease) in deposits	133,412	64,262
Net cash flows from operating activities	**43,303**	**50,639**

* The comparative information was restated upon adoption of the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on configuration or customisation costs in a cloud computing arrangement. See Note 1q.

19. Contingent liabilities

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

20. Lease commitments

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.

	2021 $'000	2020 $'000
Maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date as follows:		
Within one year	126	146
Later than one year but not later than five years	–	126
	126	**272**

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	Building $'000	Equipment $'000	Total $'000
Balance at 1 July 2020	**5,106**	**201**	**5,307**
Additions		(69)	(69)
Depreciation charge for the year	(1,914)	37	(1,877)
Balance at 30 June 2021	**3,192**	**169**	**3,361**

Amounts recognised in profit and loss	2021 $'000	2020 $'000
Leases under AASB 16:		
Interest on lease liabilities	106	148

Amounts recognised in cash flow	$'000
Total cash outlay for leases	2,078

21. Subsequent Events

The Directors note that at the date of approving these financial statements, Indue has proposed to enter into a share buyback arrangement for a small number of issued shares. An Extraordinary General Meeting was held on the 27 August 2021 and the buyback approved. The buyback will reduce the available cash balance by $217,100, the Tier 1 Capital Adequacy Ratio by 9 basis points and the franking account by $65,796.

Directors' declaration

In the opinion of the directors of Indue Ltd ('the Company'):

a) the Company financial statements and notes set out on pages 21 to 57 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 2021 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:

F Gullone
Chair, Board

M F Currie
Deputy Chair, Board

Brisbane
27 August 2021

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 2021 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 2021
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Indue Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

KPMG

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor’s responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

KPMG

Ben Flaherty
Partner

Brisbane
27 August 2021

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