ANNUAL REPORT 2015-2016

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We value and place our client relationships above all else.

This financial report covers both Indue Ltd as an individual entity and the consolidated entity consisting of Indue Ltd and its controlled entities. A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report.

The financial statements were authorised for issue by the Directors on 2 September 2016. The Directors have the power to amend and reissue the financial statements.

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

Its registered office and principal place of business is:

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

Chairman & CEO report

Performance and strategy

The 2015/16 year was a year of consolidation as we continued our focus on the future direction of the Indue business. There was significant change at the executive level of the company and a renewed emphasis on sustainable growth, building on the strength of our current products and services. Indue has an extraordinary record of business growth and financial strength and we expect this to continue in a measured and sustainable manner.

We also took the opportunity to undertake a financial consolidation during the financial year. The Board considered the future impact on earnings of our significant investment program in Indue's technology applications and products. This lead us to expense $2.9 million in one-off software investments. We believe that this is a prudent step, the benefits of which will flow through over the coming years.

The Board also supported a restructure of resourcing levels within the business. This impacted on the financial results for the last financial year but should set the company up for a stronger 2016/17 year.

Given these changes Indue's final net profit before tax, on a consolidated basis for the 2015/16 year was $0.2 million. Our underlying net profit before tax, on a consolidated basis, was $5.1 million. Importantly the decline in profitability does not reflect an easing in the demand for our products and services or in the opportunities available to us. Rather it represents a sensible readjustment in the business.

As a consequence of these changes and Indue's future capital considerations, the Board considered it prudent not to declare a dividend but to retain the earnings. We have previously noted with our shareholders that Indue has returned through very significant historical dividends, 98% of all capital invested in Indue to its shareholders including the capital raised last year. This is a very significant achievement and one that has been delivered through our long-term diversification strategy. This has enabled Indue to grow income from new markets to balance changes in our heritage business.

2015/16 was a strong business year for Indue in strengthening our new product segment. We successfully launched the Coles Prepaid Card Program in late 2015, which also saw us launch full card program management services completing our 'one-stop-shop' card program offering. We developed and launched the Australian Government's Cashless Debit Card program which is a world leading customised spend program for welfare delivery. We also launched our NextGen Prepaid System a modern, flexible and feature rich platform which lays an important foundation for our growth strategy and continues our journey as the end-to-end card program provider of choice. Throughout the year we have continued to lead our competitors in what we are able to bring to market in a creative and innovative way.

Our software house is a core part of our business capability and helps underpin our future success. Throughout this year, we have made a significant investment in our processing platforms across all areas. There has been substantial investment in particular in prepaid, debit and financial crimes monitoring this year due to the national retail and government programs that have been delivered. We continue to refine our investment strategy to ensure we invest in creating future opportunities for Indue and our customers including continuing to invest in our New Payments Platform solution, further enhancing our financial crimes monitoring, bringing enhanced spend controls to our core cards platforms and upgrading our business B2B Portal, Indue Online.

The importance of sustainable, consistent financial performance is a primary consideration for the Indue Board. With the changes made during the year, continued focus on our mutual business and measured implementation of our diversification strategy, we have confidence in a strong future for Indue. We also have other significant new business opportunities which give us confidence for our future earnings potential.

We see great potential in the New Payments Platform for our customers. Our industry is well progressed towards making real-time payments a reality in the Australian payments system. This is a significant project for Indue to deliver new capability to our customers.

We need to fund our growth and maintain our capital base. The Board has been considering options to strengthen our capital position including the use of a qualifying debt instrument.

The Board clearly understands that growth and diversification into new markets, while reducing our concentration risk and improving our resilience, can pose other challenges including heightened operational and reputational risks. We have a strong focus on our risk management capability as well as IT security and governance.

Board and management

I thank my fellow Directors for their significant contribution to Indue over the past year. I appreciate their professionalism, expertise and commitment, both around the Board table and in the extensive committee work.

Following the retirement of David Grace, Sally Collier joined the Board in October 2015. Sally brings extensive global financial services experience to the Board.

Indue's strength and continued success comes very much from its high quality people. Our long-standing Chief Executive Manuel Garcia left Indue in August 2016 and I would like to acknowledge his significant contribution to the growth and success of Indue.

I welcome our new CEO Derek Weatherley who brings to the role a wealth of knowledge and experience. Derek has held a number of senior executive positions in Indue.

I would also like to thank our senior management team and all Indue staff for their contribution to the company during a year of change and consolidation.

Looking ahead

Thank you to our shareholders for your support of Indue during the year and for your honest feedback and advice. We also greatly value our expanding customer group.

We are planning for a year of managed growth and solid earnings. We are also confident that we will continue to provide great value and service to our customers.

We are excited about the many new opportunities for Indue as we continue to diversify our business and embrace innovation in the payments industry.

R D Petie
Chairman

D R Weatherley
Chief Executive Officer

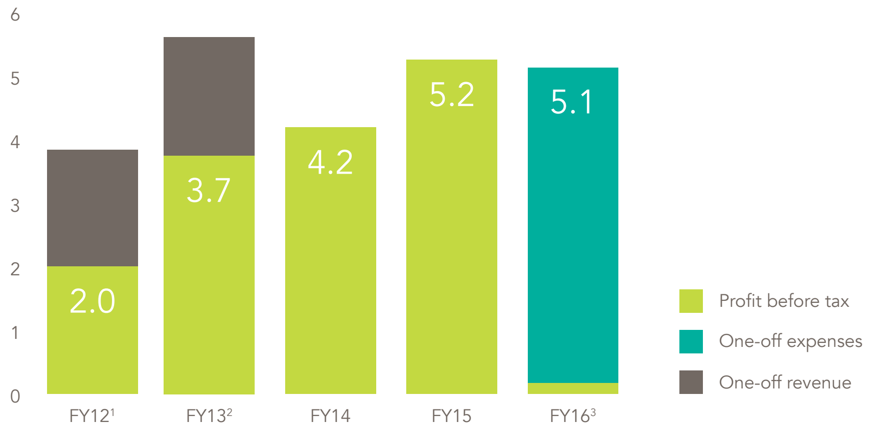
2 September 2016

Operating highlights

The 2016 financial year was a period of transition as the business continued its progress towards a balanced portfolio of services to its shareholders and services to other institutions. For the first time the share of net income from outside the mutual business increased to over 50%. The 2016 year also saw an accelerated investment in building out the capabilities in the card processing systems and card program management services; this resulted in some one-off software investment and as the build phase wound down some restructuring costs to align the business to the revised capabilities. The underlying performance of the business was sound.

In the year Indue:

- Delivered an underlying profit before tax of $5.1m^
- Grew revenue by over 15%
- Increased the share of income from outside the mutual business to over 50%
- Processed over 140 million transactions
- Spent over 110,000 hours developing and implementing new solutions for customers and enhancing capabilities
- Monitored over 130 million transactions for fraud
- Materially outperformed the benchmark for fraud losses resulting in a prevention of over $80m in potential fraud
- Monitored almost 50 million transactions for potential Anti-Money Laundering/ Counter Terrorism risk



Underlying profit before tax ($m)

1 Visa share sale benefit of $1.8m
2 Visa share sale benefit of $1.8m
3 One-off expenses of $4.9m

^ After adjusting for one-off software investment and restructuring expenses.

Corporate Governance report

Overview

The Board is committed to sound and prudent standards of corporate governance for Indue and the Corporate Governance 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 the Group 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 Group's activities and achieve its objectives. In addition, the Committee continues to ensure that Indue complies with APRA's Corporate Governance Prudential Standards. The Board of Directors of Indue is accountable to the Company to ensure the safety of shareholder funds and that the Group 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 Group and senior management;
- ensuring the annual review of succession planning;
- identifying and monitoring the management of the principal risks and the financial performance of Indue; and
- putting appropriate procedures in place to satisfy its corporate and legal responsibilities whilst conducting its business in compliance with all laws and in an honest, open and ethical manner.

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

Board Meetings

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

New Directors, Induction and Continuing Education

The Board Nominations 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 this 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 Group's performance, financial position and strategic direction. Management, working with the Board, provides an orientation program for new Directors. The program includes discussions with executives and management, and where requested, the external auditor, and reading material. These cover the Group's strategic plans, its significant financial, accounting and risk management issues, compliance programs, management structure, internal and external audit programs, and Directors rights, duties and responsibilities. Management periodically conducts additional information sessions for Directors about the Group, and the factors impacting, or likely to impact, on its businesses. These assist the Directors to gain a broader understanding of the Group. 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 appropriate management of risks faced by the Group;
- the range and standard of skills available at Board level;
- the collective and individual performance of Directors, and the scope of Directors contributions; and
- the performance of its Chairman.

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

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

Remuneration of Directors

The constitution of the Group 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 credit union/mutual bank. Group Two Directors, referred to as 'Independent Directors' must not be officers, employees or associates of a member credit union/mutual bank. Industry Directors are not remunerated by the Group. Independent Directors are remunerated by the Group, with shareholders determining the maximum annual aggregate amount of remuneration that may be provided to them at the Annual General Meeting. From this amount individual Directors are remunerated based on a policy of compensation towards the middle quartile of the general market, which is appropriate to the size and complexity of the Group. The Remuneration 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 29.

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

Performance & Remuneration of Senior Executives

The Group's performance management framework covers all senior executives of the Group, 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 Remuneration Committee, sets the remuneration and performance objectives of the Chief Executive Officer, Senior Executive Management 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 Remuneration Committee is assisted by independent experts providing advice and benchmarking data.

Access to Management

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

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

Risk Management & Internal Audit

The Board is responsible for reviewing and approving the overall risk management strategy, including determining the Group's appetite for risk. The CEO and Senior Executive 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 Group has an independent internal audit function that reports to the Audit Committee. The internal audit function is responsible for evaluating, testing and reporting on the adequacy and effectiveness of the Group's internal controls. To ensure independence, the Group's Internal Audit Manager has a direct reporting line to the Chairman 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;
- Corporate Governance Committee;
- Capital Strategy Committee;
- Remuneration Committee;
- Nominations Committee; and
- Information Steering Committee.

Audit Committee

Principal Responsibilities

- to provide oversight of Indue's audit function for purposes of reviewing the effectiveness of the Group's internal financial controls and risk management systems, function and processes. As part of this oversight, the Committee recognises that the company's internal audit provides independent assurance to the Board and would not be party to any decision taken by the business;
- to oversee and appraise the effectiveness of the audit program conducted by the Group's internal and external auditors;
- to monitor the Group's processes for compliance with financial reporting laws and regulations;
- to maintain, by scheduling regular meetings, 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 oversee and appraise the quality of the internal and external audits;
- to serve as an independent and objective party to review the financial information presented by management to shareholders and regulators; and
- to consider the adequacy of the Group's administrative operating and accounting controls, in line with audit reports and where the Committee considers appropriate, report to the Board on recommended changes to relevant regulations and standards.

	H	A
Chair		
F Gullone	4	4
Members		
S R Capello*	3	3
P R Townsend	4	4
R D Petie*	1	1
S R King*	1	1

* S R Capello joined this committee on 30 October 2015.

* R D Petie and S R King ceased membership of this committee on 30 October 2015.

Risk Committee

Principal Responsibilities

- provide oversight of Indue's risk management function and systems for the purposes of reviewing the effectiveness of the company's internal risk management functions systems and functions;
- review the Groups Risk Management practices and assess their alignment with the Board's Risk Appetite Statement;
- set and oversee the risk culture of Indue;
- oversee and appraise the effectiveness of the internal risk management program conducted by the company's risk department;

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

- consider the adequacy of the company's credit, operational and market risk controls and compliance with APRA Prudential Standards; and
- undertake any role assigned to the Committee in accordance with any Board policy, Due Diligence Policy, Provisioning, Write off policy and Risk Appetite Statement.

	H	A
Chair		
G F Bell	6	6
Members		
S R Capello	6	6
S C Collier*	4	4
S R King*	2	1
D J Grace*	2	2

* S C Collier joined this committee on 30 October 2015.

* S R King ceased membership of this Committee on 30 October 2015.

* D J Grace ceased membership of this Committee on 30 October 2015.

Corporate Governance Committee

Principal Responsibilities

- to advise the Board in relation to the Board's adopted statement of corporate governance principles;
- to review the Board's committee structure and to establish principles under which they operate in accordance with the constitution and good corporate governance principles;
- to develop and recommend to the Board for its approval, an annual evaluation process of the Board and its committees;
- to review the Board's meeting procedures, including the appropriateness and adequacy of the information supplied to directors prior to and during Board meetings; and
- to review outside directorships in other companies held by senior Group officials.

	H	A
Chair		
G P Devine*	2	2
Members		
P R Townsend*	1	1
A Cull	2	2
D J Grace*	1	1

* G P Devine was appointed Committee Chair on 7 April 2016.

* P R Townsend joined this Committee on 30 October 2015.

* D J Grace (Committee Chair) ceased membership of this committee on 30 October 2015.

Nominations Committee

Principal Responsibilities

- to implement and review annually the Board's nominations policy;
- to oversee the annual retirement and appointment of Directors; and
- consider succession at the Director level.

	H	A
Chair		
R D Petie	1	1
Members		
G P Devine	1	1
S R King	1	1

Corporate Governance report continued

Remuneration Committee

Principal Responsibilities

- to develop, maintain and recommend to the Board for its approval a Remuneration Policy;
- to review the effectiveness and compliance of the Group and the Remuneration Policy with the requirements and intent of CPS 510; and
- in accordance with the Remuneration Policy, to make annual recommendations to the Board in respect of the remuneration of the CEO, the Senior Executive Management Team and those occupying Special Designated Positions or any other special circumstance.

	H	A
Chair		
R D Petie	4	4
Members		
G P Devine	4	4
S R King	4	2

Capital Strategy Committee

Principal Responsibilities

- advising the Board on the impact its strategic direction will have on the company relative to its capitalisation, the composition of its capital base and the ownership structure of the company;
- advising the Board on the impacts of regulatory change on the company relative to its capitalisation and composition of its capital base;
- advising the Board on the future projected Capital Adequacy of the company;
- advising the Board on the various alternatives that the company may have in capitalising itself;
- management of future capital raising activities.
- provide an annual revision of the Cost of Capital for the company;
- provide an annual revision of assumptions underlying the 5 year Capital Adequacy forecast;
- oversee the Company's Internal Capital Adequacy Assessment Process (ICAAP) and Capital Stress Testing;
- review and recommend to the Board changes to the Capital Management Policy, Dividend Policy and Internal Capital Adequacy Assessment Process (ICAAP) Document on an annual basis;
- review and recommend to the Board changes to the Large Exposures Policy and Liquidity Management Policy; and
- recommend Dividend payments to the Board in-line with the Dividend Policy.

	H	A
Chair		
S C Collier*	3	3
Members		
F Gullone	3	3
A Cull*	3	3
R D Petie*	3	3
P R Townsend*	0	0

* S C Collier joined this committee on 30 October 2015 and became Committee Chair on 30 June 2016.

* A Cull ceased being Committee Chair on 30 June 2016.

* R D Petie joined this committee on 30 October 2015.

* P R Townsend ceased being member of this committee on 30 October 2015.

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

Information Steering Committee

Principal Responsibilities

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

	H	A
Chair		
G F Bell	6	6
Members		
M Garcia	6	3
D R Weatherley	6	4
M D Hynes	6	5
J R Tait*	4	4
C Wilson*	3	3
S Johnson*	3	3
J E Hinton*	2	2

* J R Tait ceased membership of this committee on 10 March 2016.

* C Wilson ceased membership of this committee on 3 December 2015.

* S Johnson joined this committee on 10 March 2016.

* J E Hinton joined this committee on 28 April 2016.

R D Petie
Chairman of the Board

G P Devine
Chairman Corporate Governance Committee

2 September 2016

Directors' report

At Indue, we know that the best way to create success is by building meaningful partnerships with our customers and stakeholders and listening to their needs.

The Directors submit the following report on the consolidated entity consisting of Indue Ltd and its controlled entities, in respect of the financial year ended 30 June 2016.

Directors

The following persons were Directors of Indue Ltd during the whole of the financial year and up to the date of this report: Robert Dawson Petie (Chairman), George Finlay Bell, Stephen Robert Capello, Aileen Cull, Grant Peter Devine, Frank Gullone, Scott Rodney King, and Peter Robert Townsend.

David James Grace resigned as a Director on 30 October 2015. Sally Clare Collier was appointed as a director on 30 October 2015.

Robert Dawson Petie

FAICD, FASFA

Director since 1.09.08 and Chairman since 02.11.12

Other Directorships Held (at date of report)

Director, Indue Aggregation Services Pty Ltd
Director, Indue Securitisation Pty Ltd
Director, Lynx Financial Systems Pty Ltd
Director, UnitingCare Queensland
Director, Trinity Securities Pty Ltd
Director, Uniting Church Superannuation Pty Ltd
Director, Ivey Pty Ltd
Director, Indue Data Services Pty Ltd
Director, Community Services Industry Alliance Ltd
Director, Ocwen Energy Pty Ltd

George Finlay Bell

MSC, MAICD

Director since 06.05.13

Other Directorships Held (at date of report)

Director, Indue Aggregation Services Pty Ltd
Director, Lynx Financial Systems Pty Ltd
Director, Indue Securitisation Pty Ltd

Stephen Robert Capello

B.Com (Acct), MBA (Distinction), Grad. Cert. (Bus), FCPA

Director since 01.05.15

Other Directorships Held (at date of report)

Director, Indue Aggregation Services Pty Ltd
Director, Indue Securitisation Pty Ltd
Director, Lynx Financial Systems Pty Ltd

Sally Clare Collier

B.Ec, GAICD

Director since 30.10.15

Other Directorships Held (at date of report)

Director, Indue Aggregation Services Pty Ltd
Director, Indue Securitisation Pty Ltd
Director, Lynx Financial Systems Pty Ltd
Director, Collier Investments Pty Ltd
Director, Utilities of Australia Pty Ltd

Aileen Cull

FCPA, F Fin, GAICD, MAMI

Director since 1.03.09 and Deputy Chairperson since 30.10.15

Other Directorships Held (at date of report)

Director, Indue Aggregation Services Pty Ltd
Director, Indue Securitisation Pty Ltd
Director, Bentree Superannuation Pty Ltd
Director, Wacuse Pty Ltd
Director, Billsumo Pty Ltd

Grant Peter Devine

MBA, CPA, FAICD

Director since 15.04.10

Other Directorships Held (at date of report)

Director, Indue Aggregation Services Pty Ltd
Director, Indue Securitisation Pty Ltd
Director, Lynx Financial Systems Pty Ltd

Frank Gullone

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

Director since 02.04.13

Other Directorships Held (at date of report)

Director, Indue Aggregation Services Pty Ltd
Director, Indue Securitisation Pty Ltd
Director, Lynx Financial Systems Pty Ltd
Director, Gullone Group Pty Ltd
Director, Gullone Commercial Solutions Pty Ltd
Director, Kinetic Superannuation Ltd
Director, Kinetic Group Ltd

Scott Rodney King

B.Ec, ACA

Director since 23.04.02

Other Directorships Held (at date of report)

Director, Indue Aggregation Services Pty Ltd
Director, Indue Securitisation Pty Ltd
Director, Lynx Financial Systems Pty Ltd

Peter Robert Townsend

MBA, MAICD, FAMI, JP

Director since 22.08.01

Other Directorships Held (at date of report)

Director, Lynx Financial Systems Pty Ltd
Director, Indue Securitisation Pty Ltd
Director, Indue Aggregation Services Pty Ltd
Director, The Kempsey Golf Club Ltd

The following person retired as Director during the reporting period:

David James Grace

Director from 1 September 2008 and resigned as a Director on 30 October 2015.

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 Group Company Secretary since February 2012; and • Currently General Counsel, Chief Risk Officer & Company Secretary, Indue Ltd.
Derek Ross Weatherley	B.Com, M.Acc	• 15 years company secretarial experience; • Indue Ltd Group Company Secretary since January 2001; and • Currently Chief Executive Officer, 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 2016 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
George F Bell	11	11	12	12
Stephen R Capello	11	11	9	9
Sally C Collier*	8	6	7	7
Aileen Cull	11	11	5	5
Grant P Devine	11	9	7	7
Frank Gullone	11	11	7	7
David J Grace*	3	3	3	3
Scott R King	11	9	8	5
Robert D Petie	11	11	9	9
Peter R Townsend	11	11	5	5

* David Grace retired as a Director on 30 October 2015.

* Sally Collier was appointed as a Director on 30 October 2015.

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

Principal Activities

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

- plastic cards (proprietary debit, scheme debit, scheme credit, gold and business credit cards, gift cards and prepaid cards);
- transactional business services (chequing, corporate banking, direct entry, BPAY™ Biller & Payer);
- recurring payments (via credit card or direct entry); and
- automatic teller machines.

Additional activities of the consolidated entity include the provision of securitisation services and computer bureau facilities principally for hosting banking software, the supply of software applications (principally banking software) and related professional services, lease and property management services, fraud and anti-money laundering services, corporate credit cards, co-branded retail deposit accounts and loyalty programs.

The consolidated entity commenced the provision of Program Management Services and a Cashless Debit Card product.

Dividends

Dividends Paid

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

	2015/16 $'000	2014/15 $'000
Final ordinary dividend for the year ended 30 June 2015 of 6 dollars (prior year: 6 dollars) per fully paid share (A & B Class) paid on 9 November 2015 (prior year: 7 November 2014)	749	464
Interim ordinary dividend for the year ended 30 June 2016 of nil (prior year: 6 dollars) per fully paid share (A & B Class) (paid prior year: 30 April 2015)	–	484

Review of Operations

A consolidated operating profit after tax of $1.010 million (2015: $3.958 million) was achieved this year, with the parent entity returning an operating profit after tax of $5.921 million (2015: $3.478 million). A full review of operations is contained in the Chairman's report.

Significant Changes in the State of Affairs

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

Events Subsequent to Balance Date

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

Directors' report continued

Likely Developments

Information on likely developments in the operations of the Group 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 Group.

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 Group paid a premium in respect of a contract insuring the Directors, Secretaries and specified employees of the Group. 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 Group is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission on 10 July 1998, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor's Independence Declaration

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

Non-Audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group 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 Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

Environmental Regulation

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

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

For and on behalf of the Board.

R D Petie
Director

A Cull
Director

Brisbane
2 September 2016

Lead auditor's independence declaration

Under section 307c of the *Corporations Act 2001*

To: the Directors of Indue Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

1. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Brisbane
2 September 2016

Scott Guse

Scott Guse
Partner

FINANCIAL STATEMENTS 2015-2016

Statements of profit or loss and other comprehensive income

For the year ended 30 June 2016

		Consolidated		Parent Entity	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Interest revenue	3	7,302	8,383	7,302	8,383
Interest expense	3	(4,073)	(4,963)	(4,073)	(4,963)
Net interest income		3,229	3,420	3,229	3,420
Non-interest revenues	3	90,312	77,270	83,363	66,197
Revenue from continuing operations	**3**	**93,541**	**80,690**	**86,591**	**69,617**
Fees	3	(37,055)	(32,037)	(45,180)	(37,751)
IT services	3	(1,394)	(1,141)	(1,146)	(962)
Depreciation & amortisation	3	(2,524)	(1,583)	(2,351)	(1,402)
Employee benefits expense	3	(28,014)	(22,145)	(16,943)	(14,749)
Professional services	3	(804)	(774)	(803)	(706)
Rent paid	3	(9,257)	(8,581)	(935)	(702)
Project expenses	3	(6,446)	(1,889)	(5,989)	(1,889)
Other expenses	3	(7,876)	(7,312)	(7,566)	(6,912)
Operating profit from continuing operations before income tax	**3**	**171**	**5,228**	**5,677**	**4,544**
Income tax (expense)/benefit	4	839	(1,271)	243	(1,066)
Operating profit from continuing operations after income tax		**1,010**	**3,958**	**5,921**	**3,478**
Profit attributable to the owners of Indue Ltd		1,010	3,958	5,921	3,478
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Changes in reserves	24	284	(6)	284	(6)
Total comprehensive income attributable to the owners of Indue Ltd		**1,294**	**3,952**	**6,205**	**3,473**

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

Statements of financial position

As at 30 June 2016

		Consolidated		Parent Entity	
		2016	2015	2016	2015
	Note	$'000	$'000	$'000	$'000
Assets					
Cash and cash equivalents	6	95,275	50,457	95,275	50,457
Receivables due from other financial institutions	7	18,578	17,608	18,578	17,608
Trade and other receivables	8	8,531	8,324	8,533	8,486
Investments held to maturity	9	215,363	249,015	215,363	249,015
Loans and advances	11	601	275	601	275
Other financial assets	13	981	685	9,382	9,086
Other assets	15	1,648	1,096	1,494	951
Property, plant and equipment	12	8,695	5,957	8,681	5,943
Intangible assets	10	12,436	10,256	8,113	5,761
Net deferred tax asset	14	1,702	1,796	1,479	1,537
Total assets		**363,813**	**345,470**	**367,501**	**349,120**
Liabilities					
Deposits	18	295,966	275,186	296,821	277,532
Borrowings	17	7	72	7	72
Payables due to other financial institutions	16	19,495	19,732	19,495	19,732
Creditors and other liabilities	19	4,597	3,403	5,203	7,640
Provisions	20	3,815	6,346	3,063	5,481
Current tax liability	21	(2,583)	583	(2,583)	447
Total liabilities		**321,296**	**305,321**	**322,006**	**310,904**
Net assets		**42,518**	**40,149**	**45,496**	**38,216**
Equity					
Contributed equity	23	17,265	16,190	17,265	16,190
Reserves	24	1,210	926	1,210	926
Retained earnings	25	24,043	23,033	27,021	21,100
Total equity		**42,518**	**40,149**	**45,496**	**38,216**

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

Statements of changes in equity

For the year ended 30 June 2016

Consolidated	Notes	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2014		**7,739**	**932**	**20,288**	**28,959**
Profit for the Period		–	–	3,958	3,958
Total other comprehensive income		–	(6)	–	(6)
Total Comprehensive income for the year as reported in the 2015 financial statements		–	(6)	3,958	3,952
Shares Issued	23	8,451	–	–	8,451
Dividends provided for or paid	20(a)	–	–	(1,212)	(1,212)
Balance at 30 June 2015		**16,190**	**926**	**23,033**	**40,149**
Profit for the Period		–	–	1,010	1,010
Total other comprehensive income	24	–	284	–	284
Total comprehensive income for the year as reported in the 2016 financial statements		–	284	1,010	1,294
Transactions with owners in their capacity as owners:					
Shares Issued	23	1,075	–	–	1,075
Dividends provided for or paid	25	–	–	–	–
Balance at 30 June 2016		**17,265**	**1,210**	**24,043**	**42,518**

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

Statements of changes in equity continued

For the year ended 30 June 2016

Parent	Notes	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2014		**7,739**	**932**	**18,834**	**27,505**
Profit for the Period		–	–	3,478	3,478
Total other comprehensive income		–	(6)	–	(6)
Total comprehensive income for the year as reported in the 2015 financial statements		–	(6)	3,478	3,473
Transactions with owners in their capacity as owners:					
Shares Issued	23	8,451	–	–	8,451
Dividends provided for or paid	20(a)	–	–	(1,212)	(1,212)
Balance at 30 June 2015		**16,190**	**926**	**21,100**	**38,216**
Profit for the Period		–	–	5,921	5,921
Total other comprehensive income	24	–	284	–	284
Total comprehensive income for the year as reported in the 2016 financial statements		–	284	5,921	6,205
Transactions with owners in their capacity as owners:					
Shares Issued	23	1,075	–	–	1,075
Dividends provided for or paid	25	–	–	–	–
Balance at 30 June 2016		**17,265**	**1,210**	**27,021**	**45,496**

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

Statements of cash flows

For the year ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Cash flows from operating activities					
Interest received		7,302	8,383	7,302	8,383
Interest paid		(4,073)	(4,963)	(4,073)	(4,963)
Receipts from customers (inclusive of GST)		97,614	73,428	86,266	53,465
Payments to suppliers and employees (inclusive of GST)		(100,703)	(81,916)	(90,889)	(60,459)
Income taxes paid		(2,233)	(2,014)	(2,728)	(2,014)
Loans and investments		33,391	(51,051)	33,391	(51,051)
Deposits		20,780	1,456	19,289	(41)
Net cash inflow/(outflow) from operating activities	**28**	**52,078**	**(56,677)**	**48,558**	**(56,680)**
Cash flows from investing activities					
Payments for intangible assets		(3,073)	(4,211)	(3,073)	(4,211)
Payments for property, plant and equipment		(4,156)	(2,873)	(4,156)	(2,872)
Purchased shares		(296)	(685)	(296)	(685)
Net cash inflow/(outflow) from investing activities		**(7,525)**	**(7,769)**	**(7,525)**	**(7,767)**
Cash flows from financing activities					
Dividends paid to company's shareholders		(749)	(949)	(749)	(949)
Dividends received from subsidiaries		–	–	3,521	–
Shares Issued		1,075	8,451	1,075	8,451
Net cash inflow/(outflow) from financing activities		**327**	**7,502**	**3,849**	**7,502**
Net increase/(decrease) in cash and cash equivalents held		44,883	(56,945)	44,883	(56,945)
Cash and cash equivalents at the beginning of the financial year		50,385	107,330	50,385	107,330
Cash and cash equivalents at the end of the financial year	**6(a)**	**95,268**	**50,385**	**95,268**	**50,385**

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 30 June 2016

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, except for the changes in accounting policies as explained in Note 1(a). The financial statements include separate financial statements for Indue Ltd (Indue) as an individual entity and the consolidated entity consisting of Indue Ltd and its subsidiaries (the Group). Indue is a for-profit entity and primarily operates in the payment services industry offering white labelled and transactional products to commercial business, government departments and financial institutions.

a) Basis of preparation

Statement of Compliance

The consolidated financial statements of the Group and the separate financial statements of Indue Ltd 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).

In addition the Group has elected to apply the relief in Class Order 10/654 which allows the Group to continue to include parent entity financial statements in the financial report. As part of this relief the Group is not required to present the summary parent entity information required by regulation 2M.3.01 of the *Corporations Act 2001*.

The consolidated financial statements were authorised for issue by the Board of Directors on 2 September 2016.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and 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 Group'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(u). 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, and have been applied consistently by all entities in the Group.

AASB 1053 *Application of Tiers of Australian Accounting Standards*
Amendments to AASB 1053 applied on or after 1 July 2014 and clarified that AASB 1053 only relates to general purpose financial statements, clarifies various options for transition to and between tiers and specifies certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements. These amendments have not impacted the financial statements.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Indue's functional and presentation currency.

The Group 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) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Indue as at 30 June 2016 and the results of all subsidiaries for the year then ended. Indue and its subsidiaries are referred to in these financial statements as the consolidated entity or the Group.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(v)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Indue.

c) Investments and other financial assets

Classification

The Group classifies its financial assets into three categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in receivables in the Statements of Financial Position. Refer to note 11.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Refer to note 9.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Statements of Profit or Loss and Other Comprehensive Income.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Statements of Profit or Loss and Other Comprehensive Income as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. Impairment losses recognised in the Statements of Profit or Loss and Other Comprehensive Income on equity instruments classified as available-for-sale are not reversed through the profit or loss.

d) 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 Group for similar financial instruments. Refer to note 2(a).

e) 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 Group 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 Group 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 Group policy to transfer the amounts included in reserves in respect of those assets to retained earnings.

Notes to the financial statements continued

For the year ended 30 June 2016

f) Receivables

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 14 days or in some cases 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the impairment loss is recognised in the profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

Receivables due from other financial institutions

Receivables from other financial institutions are amounts receivable from counterparties for the purposes of funding daily settlement. Refer to note 7.

g) Income tax

The income tax expense or revenue for the period is the tax payable 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 consolidated 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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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.

Tax consolidation legislation

Indue Ltd and its wholly-owned Australian controlled entities implemented the tax consolidation legislation.

The head entity, Indue Ltd, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Indue Ltd also recognised the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 4(d).

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Non-refundable Research and Development tax incentive

The Group has applied AASB 112 *Income Taxes* with respect to its accounting treatment of the Research and Development (R&D) tax incentive whereby the 40% non-refundable incentive is offset against the income tax expense in the profit or loss.

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

Tax expense adjustment to prior year

Income tax expense for the Group in 2015 has been adjusted from $1.593 million to $1.271 million. The adjustment relates to a change in the recognition of non-refundable R&D tax incentive which was accounting for as income rather than below the EBIT line in income tax expense. In 2015, the substance of the non-refundable tax incentive showed the equivalent of an additional reduction in tax payable over the normal 30% that would have been applied if the expenditure had been otherwise claimed as a deduction. As a result, the additional 10% base R&D tax incentive has been retrospectively removed from the Statements of Profit or Loss and Other Comprehensive Income, including any income tax affect, in accordance with AASB 108 (note 4).

h) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 31). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

i) 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 note 10 for information on the determination of recoverable amount in relation to goodwill.

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

j) Employee benefits

Wages and 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 Group 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.

Notes to the financial statements continued

For the year ended 30 June 2016

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 Group 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.

k) Inventories

All inventories are stated at the lower of cost and net realisable value.

l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and includes interest income on short term monetary investments and proceeds from service fees. Revenue is recognised for the major business activities as follows:

Interest income

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

Fee income

Fee income (excluding amounts that are integral to the effective interest rate) is recognised in the period in which the services are rendered.

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

The Group 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.

Sales income

Sales income is recognised when an invoice has been raised for the provision of a product and the significant risks and rewards of ownership have been transferred to the buyer, and the collectability of the related receivable is probable.

Rental income

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

m) Cash and Cash equivalents

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

n) Trade and other Payables

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

o) 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.

p) 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 Group on their behalf. Refer to note 18.

Interest is brought to account on an accruals basis, in arrears.

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 Group participates. Refer to note 16.

Interest is brought to account on an accruals basis, in arrears.

q) Provisions

Provisions are recognised when the Group 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.

r) 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.

s) New accounting standards and interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2016, but have not been applied preparing this financial report. The Group is assessing the potential impact on it's consolidated financial statements resulting from the application of the new standards.

AASB 9 *Financial Instruments (2010)*, AASB 9 *Financial Instruments (2009)*

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) has added requirements for the classification and measurement of financial liabilities that are generally consistent with the equivalent requirements in AASB 139 in respect of the fair value option; and certain derivatives linked to unquoted equity investments. AASB 9 (2009) and (2010) will become mandatory for the Group's 30 June 2019 financial statements with retrospective application.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised. AASB 15 is effective for annual periods beginning on or after 1 January 2018.

t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. No fees have been paid on the establishment of loan facilities.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

u) Critical accounting estimates and judgments

The Group 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 10 in respect of Intangible Assets and note 12 for Property, Plant and Equipment.

Notes to the financial statements continued

For the year ended 30 June 2016

v) Intangible assets

Goodwill

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

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include internal directly attributable costs, external direct costs of materials and service. Amortisation is calculated on a straight line basis over periods generally between 2.5 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 Group has an intention and ability to use the asset and where the Group expects to derive future economic benefits.

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials and services. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life, which vary from 2.5 to 7 years.

w) Foreign currency translation

Foreign currency transactions are translated into Australian Dollars using the exchange rates prevailing at the dates of the transactions.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

x) Goods and Services Tax (GST)

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

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

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

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, liquidity risk, credit risk (principally settlement risk) and fair value estimation. The Group'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 Group. Risk management is carried out in accordance with policies approved by the Board of Directors. The Group 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 Group 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 Group 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 Group's approach to Financial Risk Management during the year.

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial Assets				
Cash and cash equivalents	95,275	50,457	95,275	50,457
Receivables due from other financial institutions	18,578	17,608	18,578	17,608
Loans and advances	601	275	601	275
Trade or other receivables	8,531	8,324	8,533	8,486
Investments held-to-maturity	215,363	249,015	215,363	249,015
Other financial assets	981	685	9,382	9,086
	339,330	**326,365**	**347,733**	**334,928**
Financial Liabilities				
Deposits	295,966	275,186	296,821	277,532
Borrowings	7	72	7	72
Payables due to other financial institutions	19,495	19,732	19,495	19,732
Creditors and other liabilities	4,597	3,403	5,203	7,640
	320,065	**298,392**	**321,526**	**304,976**

Notes to the financial statements continued

For the year ended 30 June 2016

b) Market risk

Foreign exchange risk

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

Interest rate risk

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

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

Financial Assets

Consolidated Group			Fixed interest maturing in:				
2016	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	95,275	–	–	–	–	95,275
Receivables due from other financial institutions	7	–	–	–	–	18,578	18,578
Investments held to maturity	9	–	185,728	10,635	19,000	–	215,363
Loans & advances	11	601	–	–	–	–	601
Trade or other receivables	8	–	–	–	–	8,531	8,531
Other financial assets	13	–	–	–	–	981	981
		95,877	**185,728**	**10,635**	**19,000**	**28,090**	**339,330**
Weighted average interest rate		**1.78%**	**2.27%**	**2.07%**	**3.13%**		
2015							
Cash and cash equivalents	6	50,457	–	–	–	–	50,457
Receivables due from other financial institutions	7	–	–	–	–	17,608	17,608
Investments held to maturity	9	–	247,551	1,463	–	–	249,015
Loans & advances	11	275	–	–	–	–	275
Trade or other receivables	8	–	–	–	–	8,324	8,324
Other financial assets	13	–	–	–	–	685	685
		50,733	**247,551**	**1,463**	**–**	**26,617**	**326,365**
Weighted average interest rate		**2.11%**	**2.29%**	**2.19%**			

Parent

2016	Notes	Floating Interest Rate $'000	Fixed interest maturing in: 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	95,275	–	–	–	–	95,275
Receivables due from other financial institutions	7	–	–	–	–	18,578	18,578
Investments held to maturity	9	–	185,728	10,635	19,000	–	215,363
Loans & advances	11	601	–	–	–	–	601
Trade or other receivables	8	–	–	–	–	8,533	8,533
Other financial assets	13	–	–	–	–	9,382	9,382
		95,877	**185,728**	**10,635**	**19,000**	**36,493**	**347,733**
Weighted average interest rate		**1.78%**	**2.27%**	**2.07%**	**3.13%**		
2015							
Cash and cash equivalents	6	50,457	–	–	–	–	50,457
Receivables due from other financial institutions	7	–	–	–	–	17,608	17,608
Investments held to maturity	9	–	247,551	1,465	–	–	249,015
Loans & advances	11	275	–	–	–	–	275
Trade or other receivables	8	–	–	–	–	8,486	8,486
Other financial assets	13	–	–	–	–	9,086	9,086
		50,733	**247,551**	**1,465**	**–**	**35,180**	**334,928**
Weighted average interest rate		**2.11%**	**2.29%**	**2.19%**			

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

Financial Liabilities

Consolidated Group			Fixed interest maturing in:				
2016	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	16	–	–	–	–	19,495	19,495
Bank overdrafts	17	7	–	–	–	–	7
Settlement funds	18	125,477	–	–	–	–	125,477
Term deposits	18	–	159,854	10,635	–	–	170,489
Creditors and other liabilities	19	–	–	–	–	4,597	4,597
		125,484	**159,854**	**10,635**	**–**	**24,092**	**320,065**
Weighted average interest rate		**0.07%**	**2.03%**	**2.07%**			
2015							
Payables due to other financial institutions	16	–	–	–	–	19,732	19,732
Bank overdrafts	17	72	–	–	–	–	72
Settlement funds	18	106,274	–	–	–	–	106,274
Term deposits	18	–	168,882	30	–	–	168,912
Creditors and other liabilities	19	–	–	–	–	3,403	3,403
		106,346	**168,882**	**30**	**–**	**23,134**	**298,392**
Weighted average interest rate		**0.11%**	**2.16%**	**2.65%**			

Parent

2016	Notes	Floating Interest Rate $'000	Fixed interest maturing in: 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	16	–	–	–	–	19,495	19,495
Bank overdrafts	17	7	–	–	–	–	7
Settlement funds	18	126,332	–	–	–	–	126,332
Term deposits	18	–	159,854	10,635	–	–	170,489
Creditors and other liabilities	19	–	–	–	–	5,203	5,203
		126,339	**159,854**	**10,635**	**–**	**24,698**	**321,526**
Weighted average interest rate		**0.07%**	**2.03%**	**2.07%**			
2015							
Payables due to other financial institutions	16	–	–	–	–	19,732	19,732
Bank overdrafts	17	72	–	–	–	–	72
Settlement funds	18	108,620	–	–	–	–	108,620
Term deposits	18	–	168,882	30	–	–	168,912
Creditors and other liabilities	19	–	–	–	–	7,640	7,640
		108,693	**168,882**	**30**	**–**	**27,371**	**304,976**
Weighted average interest rate		**0.11%**	**2.16%**	**2.65%**			

Notes to the financial statements continued

For the year ended 30 June 2016

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.

		Consolidated		Parent Entity	
Variable	Movement in Variable	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Interest Income	+100 bp	3,055	3,027	3,055	3,027
	-100 bp	(3,055)	(3,027)	(3,055)	(3,027)
Interest Expense	+100 bp	2,856	2,745	2,776	2,776
	-100 bp	(2,856)	(2,745)	(2,776)	(2,776)
Net Interest Income	+100 bp	199	283	183	251
	-100 bp	(199)	(283)	(183)	(251)

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 Group manages liquidity risk in accordance with the Liquidity and Large Exposure Policies set by the Board and agreed with the Australian Prudential Regulation Authority (APRA). The Group undertakes daily monitoring of actual cash flows and forecasts cash requirements daily. The Group substantially matches the maturity profiles of financial assets and liabilities, and aim to ensure that a ready supply of liquidity is available as financial liabilities fall due. Board Policy requires that funds are only invested in high quality liquid assets with Authorised Deposit Taking Institutions (ADIs) with a Standard and Poor's rating of A-2/BBB+ or higher.

To further mitigate liquidity risk, the Group'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 but are subject to a maximum of 35% to any one counterparty, with the exception of the Reserve Bank of Australia (100% limit) and a specially approved limit to Westpac Banking Corporation (WBC). The Group 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 Group's daily cash settlement obligations and to satisfy WBC's requirement for cash security. A limit is imposed by Group policy which caps the exposure to WBC at an aggregate dollar limit, which is set in consultation with the Australian Prudential Regulation Authority (APRA).

Settlement risk

As a provider of settlement services, the Group 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 Group to potentially having insufficient liquidity to settle with the market on behalf of the clients of the Group. The Group 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 Indue from each client to act as security against any unforeseen unfunded settlement positions and action plans are in place to aim to ensure that timely action is taken to cease all settlement activity on behalf of a client in the event that client is unable to continue to fund its own settlement obligations.

Notes to the financial statements continued

For the year ended 30 June 2016

Financing arrangements

The Group and the parent entity do not have any financing arrangements in place apart from an overdraft.

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity'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.

	Financial Liabilities as at 30 June 2016				
Consolidated	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	19,495	–	–	–	19,495
Bank overdrafts	7	–	–	–	7
Settlement funds	125,477	–	–	–	125,477
Term deposits	159,854	10,635	–	–	170,489
Creditors and other liabilities	4,597	–	–	–	4,597
	309,430	**10,635**	**–**	**–**	**320,065**

	Financial Liabilities as at 30 June 2015				
Consolidated	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	19,732	–	–	–	19,732
Bank overdrafts	72	–	–	–	72
Settlement funds	106,274	–	–	–	106,274
Term deposits	168,882	30	–	–	168,912
Creditors and other liabilities	3,403	–	–	–	3,403
	298,362	**30**	**–**	**–**	**298,392**

	Financial Liabilities as at 30 June 2016				
Parent	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	19,495	–	–	–	19,495
Bank overdrafts	7	–	–	–	7
Settlement funds	126,332	–	–	–	126,332
Term deposits	159,854	10,635	–	–	170,489
Creditors and other liabilities	5,203	–	–	–	5,203
	310,891	**10,635**	**–**	**–**	**321,526**

	Financial Liabilities as at 30 June 2015				
Parent	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	19,732	–	–	–	19,732
Bank overdrafts	72	–	–	–	72
Settlement funds	108,620	–	–	–	108,620
Term deposits	168,882	30	–	–	168,912
Creditors and other liabilities	7,640	–	–	–	7,640
	304,946	**30**	**–**	**–**	**304,976**

d) Credit risk

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

For placements with banks and financial institutions, only independently rated parties with a minimum rating of 'A-2/BBB+' are accepted.

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 Group treasury and Group risk management 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 on page 33.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings where available or to historical information about counterparty default rates.

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash and Cash equivalents				
Counterparties with external credit rating (Standards and Poor's)				
AAA	42,902	–	42,902	–
AA-	50,373	50,457	50,373	50,457
A-	2,000	–	2,000	–
	95,275	**50,457**	**95,275**	**50,457**
Due from other financial institutions				
Counterparties with external credit rating (Standards and Poor's)				
AA-	177,885	163,873	177,885	163,873
A-	23,564	53,341	23,564	53,340
BBB+	13,914	31,801	13,914	31,801
	215,363	**249,015**	**215,363**	**249,015**
Loans and advances and other financial assets				
Unrated				
Shares in subsidiary	–	–	8,401	8,401
Loans and advances	601	275	601	275
Shares in other entities	981	685	981	685
	1,582	**960**	**9,983**	**9,361**
Other				
Interest accrued				
AA-	646	582	646	582
A-	80	125	80	125
BBB+	50	87	50	87
	776	**793**	**776**	**793**
Other				
Unrated				
Debtors	7,755	–	7,757	–
Receivables	18,578	17,608	18,578	17,608
	26,333	**17,608**	**26,335**	**17,608**

Notes to the financial statements continued

For the year ended 30 June 2016

3. Profit from continuing operations

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Profit from continuing activities before income tax expense includes the following specific net gains and expenses:				
Crediting as revenue				
Interest on investments	7,302	8,383	7,302	8,383
Other fee income	76,569	64,119	74,983	61,948
Sundry income	1,979	1,973	1,024	798
Sales	3,834	3,451	3,834	3,451
Rental income	7,930	7,728	–	–
Dividend income	–	–	3,521	–
Total non-interest revenue	90,312	77,270	83,363	66,197
Total revenue	**97,614**	**85,654**	**90,664**	**74,580**
Charging as expenses				
Interest expense	4,073	4,963	4,073	4,963
Fee expenses	37,055	32,037	45,180	37,751
IT services	1,394	1,141	1,146	962
Depreciation	1,631	1,195	1,631	1,014
Amortisation	893	388	720	388
Employee benefits expense	28,014	22,145	16,943	14,749
Professional services	804	774	803	706
Rent paid	9,257	8,581	935	702
Project expenses	6,446	1,889	5,989	1,889
Other expenses	7,876	7,312	7,566	6,912
Total expenses	**97,443**	**80,426**	**84,987**	**70,036**
Profit from continuing activities	**171**	**5,228**	**5,677**	**4,544**

4. Income tax expense

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
a) Income tax expense/(benefit)				
Current tax	(813)	1,619	(182)	1,482
Deferred tax	(26)	(348)	(61)	(416)
	(839)	**1,271**	**(243)**	**1,066**
Income tax expense is attributable to:				
Profit from continuing operations	(839)	1,271	(243)	1,066
Aggregate income tax expense	(839)	1,271	(243)	1,066
Deferred tax (revenue)/expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (note 14)	(2,826)	(326)	(2,861)	(388)
(Decrease)/increase in deferred tax liabilities (note 22)	2,800	(22)	2,800	(28)
	(26)	**(348)**	**(61)**	**(416)**
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	171	5,228	5,677	4,544
Tax at the Australian tax rate of 30% (2015 – 30%)	49	1,569	1,703	1,363
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Dividend income	–	–	(1,056)	–
Research & Development expense	2,659	1,082	2,659	1,082
Research & Development tax credit	(3,546)	(1,442)	(3,546)	(1,442)
Sundry items	33	23	31	24
	(804)	1,232	(208)	1,027
Under/(Over) provision in previous years	(35)	39	(35)	39
Income tax expense	**(839)**	**1,271**	**(243)**	**1,066**
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 24)	(120)	(6)	(120)	(6)
	(120)	**(6)**	**(120)**	**(6)**

Notes to the financial statements continued

For the year ended 30 June 2016

Reconciliation of Effective Tax Rate

	Consolidated		Parent Entity	
	2016 %	2016 $'000	2016 %	2016 $'000
Profit after tax for the period		1,010		5,921
Total tax expense		(839)		(243)
Profit excluding tax		**171**		**5,677**
Tax using the Company's domestic tax rate	30.00%	49	30.00%	1,703
Non-deductible R&D expenses	1558.07%	2,659	46.84%	2,659
Non-assessable income and tax Incentives	(2077.43%)	(3,546)	(81.06%)	(4,602)
Other	(1.02%)	(2)	(0.07%)	(4)
	(491.55%)	**(839)**	**(4.28%)**	**(243)**

	Consolidated		Parent Entity	
	2015 %	2015 $'000	2015 %	2015 $'000
Profit after tax for the period		3,958		3,478
Total tax expense		1,271		1,066
Profit excluding tax		**5,228**		**4,544**
Tax using the Company's domestic tax rate	30.00%	1,569	30.00%	1,363
Non-deductible R&D expenses	20.69%	1,082	23.81%	1,082
Non-assessable income and tax Incentives	(27.59%)	(1,442)	(31.74%)	(1,442)
Other	1.19%	62	1.36%	62
	24.29%	**1,271**	**23.43%**	**1,066**

d) Tax Consolidation Legislation

Indue Ltd and its wholly-owned entities have implemented tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated Group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Indue Ltd. The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Indue Ltd for any current tax payable assumed and are compensated by Indue Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Indue Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

Franking Account

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

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Franking Credits available for subsequent periods based on a tax rate of 30% (2015: 30%)	7,918	8,739	7,918	8,739

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.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of controlled entities were paid as dividends.

Notes to the financial statements continued

For the year ended 30 June 2016

5. Remuneration of auditors

	Consolidated		Parent Entity	
	2016 $	2015 $	2016 $	2015 $
Assurance services				
Group auditor				
KPMG Australia				
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	139,460	158,825	139,460	150,225
Total Remuneration for Audit Services	**139,460**	**158,825**	**139,460**	**150,225**
Other assurance services				
Group auditor				
KPMG Australia				
Audit of regulatory returns	49,820	48,700	49,820	48,700
IT general control opinion	76,430	65,573	76,430	65,573
CPS 220 / ICAAP review	45,310	–	45,310	–
Total remuneration for other assurance services	**171,560**	**114,273**	**171,560**	**114,273**

During the year the above fees were paid or payable for services provided by the auditor of the parent entity and its related practices.

6. Cash and cash equivalents

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Bank Deposits – at call	47,275	18,457	47,275	18,457
Bank Deposits – 11am investments	48,000	32,000	48,000	32,000
	95,275	**50,457**	**95,275**	**50,457**

a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balances as above	95,275	50,457	95,275	50,457
Bank overdraft (note 17)	(7)	(72)	(7)	(72)
Balances per statement of cash flows	**95,268**	**50,385**	**95,268**	**50,385**

b) Deposits

The deposits at call are bearing interest rates at 1.51% at 30 June 2016 (2015: 1.75%).

The 11am investments are bearing interest rates at 2.04% at 30 June 2016 (2015: 2.00%)

7. Receivables due from other financial institutions

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Settlements due from financial institutions	18,578	17,608	18,578	17,608
	18,578	**17,608**	**18,578**	**17,608**

Notes to the financial statements continued

For the year ended 30 June 2016

8. Trade and other receivables

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Interest receivable	776	793	776	793
Trade debtors	7,755	7,532	7,757	7,694
	8,531	**8,324**	**8,533**	**8,486**

This note should be read in conjunction with note 2.

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

	Financial Assets as at 30 June 2016 $'000					
	Amount not past due	Less than 1 month	Between 1m – 3m	Between 3m – 6m	Over 6 months	Total
Group	7,641	83	30	–	–	7,755
Parent Entity	7,643	83	30	–	–	7,757

	Financial Assets as at 30 June 2015 $'000					
	Amount not past due	Less than 1 month	Between 1m – 3m	Between 3m – 6m	Over 6 months	Total
Group	7,311	39	169	13	–	7,532
Parent Entity	7,473	39	169	13	–	7,694

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 (2015: nil).

9. Investments held to maturity

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Investments	215,363	249,015	215,363	249,015
	215,363	**249,015**	**215,363**	**249,015**

10. Intangible assets

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Goodwill	4,061	4,061	–	–
Other Intangible assets	8,375	6,195	8,113	5,761
	12,436	**10,256**	**8,113**	**5,761**

Consolidated	Goodwill $'000	Other $'000	Total $'000
At 30 June 2016			
Opening net book amount	4,061	6,195	10,256
Additions	–	3,073	3,073
Amortisations	–	(893)	(893)
Closing net book amount	**4,061**	**8,375**	**12,436**
At 30 June 2015			
Opening net book amount	4,061	2,545	6,606
Additions	–	4,211	4,211
Amortisations	–	(560)	(560)
Closing net book amount	**4,061**	**6,195**	**10,256**

Parent			
At 30 June 2016			
Opening net book amount	–	5,761	5,761
Additions	–	3,073	3,073
Amortisations	–	(720)	(720)
Closing net book amount	**–**	**8,113**	**8,113**
At 30 June 2015			
Opening net book amount	–	1,938	1,938
Additions	–	4,211	4,211
Amortisations	–	(388)	(388)
Closing net book amount	**–**	**5,761**	**5,761**

Notes to the financial statements continued

For the year ended 30 June 2016

a) Goodwill

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

Indue and Lynx are regarded as one Cash Generating Unit (CGU) for impairment testing purposes due to the integrated nature of the two businesses.

The assumptions used in the value-in-use calculations are set out below:

- the projected future cash flows in Indue'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% (2015: 2%);
- a post tax discount rate of 8.46% (2015: 8.63%).

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 2016 (2015: nil). There is sufficient headroom to absorb reasonable changes to the cash flows.

b) Other intangible assets

Other intangible assets are comprised of the Domino Core Banking system (acquired as part of the Lynx acquisition) and the internally generated Card Management System.

The Domino Core Banking system is being amortised over 10 years with 18 months remaining, reflecting the economic life and value added by this acquired software asset.

The internally generated card management system which is being amortised over 7 years is the core driver of Indue's future growth strategy.

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 2016 (2015: nil).

Change in accounting estimate

At 30 June 2016, as a result of detailed analysis undertaken in respect of the Card Management System (CMS), the entity reassessed the useful life of its 2016 CMS intangible asset at 7 years (previously 5 years) from the date of commissioning. This had the effect of decreasing the amortisation expense for the year ended 30 June 2016 by \$157,339 (previously \$550,685 per annum, now \$393,346 per annum). Amortisation for each of the next 6 years is expected to be similarly affected by this change in accounting estimates and future CMS assets commissioned are expected to be amortised over 7 years. No changes were made in respect of CMS assets commissioned in prior years, however the written down value at 30 June 2015 is being amortised in line with the estimated useful life of the 2016 CMS assets commissioned.

11. Loans and advances

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Loans and advances	601	275	601	275
	601	**275**	**601**	**275**

This should be read in conjunction with note 2. There were no impaired or past due balances at 30 June 2016.

12. Property, plant and equipment

	Cost or Valuation		Accumulated Depreciation		Written Down Value	
Consolidated	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Land at Valuation	1,143	1,143	–	–	1,143	1,143
Building at Valuation	3,383	2,310	931	644	2,453	1,666
Plant & Equipment at cost	13,261	9,919	8,161	6,771	5,099	3,148
	17,787	**13,372**	**9,092**	**7,415**	**8,695**	**5,957**

	Cost or Valuation		Accumulated Depreciation		Written Down Value	
Parent	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Land at Valuation	1,143	1,143	–	–	1,143	1,143
Building at Valuation	3,383	2,310	931	644	2,453	1,666
Plant & Equipment at cost	12,387	9,046	7,302	5,912	5,085	3,134
	16,914	**12,499**	**8,232**	**6,556**	**8,681**	**5,943**

The Group discloses the fair value measurements by level using the following fair value measurement hierarchy as outlined in Note 2 (a).

Notes to the financial statements continued

For the year ended 30 June 2016

The following tables present the Group's and the parent entity's assets measured and recognised at fair value at 30 June 2016.

Consolidated & Parent – 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	–	–	1,143	1,143
Buildings	–	–	2,453	2,453

Consolidated & Parent – 2015				
Assets				
Land	–	–	1,143	1,143
Buildings	–	–	1,666	1,666

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(e), a valuation was undertaken by Trivett and Associates (QLD Registration Number – 1654) on 18 May 2016 which valued the 6 Moorak Street Taringa property at $2,485,000 (6 March 2014: $2,130,000). The difference between the valuation of $2,485,000 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.

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.

Consolidated	Freehold land $'000	Buildings $'000	Plant & Equipment $'000	Total $'000
Carrying amount at 1 July 2014	1,143	1,089	1,959	4,191
Additions	–	772	2,100	2,872
Disposals	–	(14)	(68)	(82)
Revaluation increment/(decrement)	–	–	–	–
Depreciation expense	–	(181)	(842)	(1,023)
Carrying amount at 30 June 2015	**1,143**	**1,666**	**3,148**	**5,957**
Carrying amount at 1 July 2015	1,143	1,666	3,148	5,957
Additions	–	669	3,487	4,156
Disposals	–	–	(179)	(179)
Revaluation increment/(decrement)	–	404	–	404
Depreciation expense	–	(287)	(1,357)	(1,644)
Carrying amount at 30 June 2016	**1,143**	**2,453**	**5,099**	**8,695**

Parent Entity				
Carrying amount at 1 July 2014	1,143	1,089	1,937	4,169
Additions	–	772	2,100	2,872
Disposals	–	(14)	(69)	(83)
Revaluation increment/(decrement)	–	–	–	–
Depreciation expense	–	(181)	(834)	(1,015)
Carrying amount at 30 June 2015	**1,143**	**1,666**	**3,134**	**5,943**
Carrying amount at 1 July 2015	1,143	1,666	3,134	5,943
Additions	–	669	3,487	4,156
Disposals	–	–	(179)	(179)
Revaluation increment/(decrement)	–	404	–	404
Depreciation expense	–	(287)	(1,357)	(1,644)
Carrying amount at 30 June 2016	**1,143**	**2,453**	**5,085**	**8,681**

For both the Group and the Company, if Land and Buildings were carried at cost, Freehold Land would be $225,000 (2015: $225,000), Buildings would be $825,000 (2015: $825,000) and accumulated depreciation would be $433,125 (2015: $412,500).

Notes to the financial statements continued

For the year ended 30 June 2016

13. Other financial assets

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Shares in subsidiaries (note 27)	–	–	8,401	8,401
Shares in other entities	981	685	981	685
	981	**685**	**9,382**	**9,086**

14. Deferred tax assets

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Employee benefits	810	1,642	584	1,382
Other	3,927	269	3,927	269
	4,737	1,911	4,512	1,651
Set-off of deferred tax liabilities pursuant to set-off provisions (note 22)	(3,034)	(115)	(3,033)	(114)
Net deferred tax assets	**1,702**	**1,796**	**1,479**	**1,537**
Movements:				
Opening balance at 1 July	1,911	1,585	1,651	1,263
Charged to the Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	2,826	326	2,861	388
Closing balance at 30 June	**4,737**	**1,911**	**4,511**	**1,651**

15. Other assets

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Inventory (ATMs and Modems) – current	316	263	316	263
Prepayments – current	1,332	833	1,179	688
	1,648	**1,096**	**1,494**	**951**

16. Payables due to other financial institutions

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Settlements due to financial institutions	**19,495**	**19,732**	**19,495**	**19,732**

This note should be read in conjunction with note 2.

17. Borrowings

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Bank overdrafts – current	**7**	**72**	**7**	**72**

The amount of overdrafts represents unpresented cheques and settlements outstanding.

18. Deposits

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Settlement funds	125,477	106,274	126,332	108,620
Term deposits	170,489	168,912	170,489	168,912
	295,966	**275,186**	**296,821**	**277,532**

This note should be read in conjunction with note 2.

Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in note 2.

19. Creditors and other liabilities

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade creditors	4,139	2,911	4,745	7,148
Accrued interest payable	458	492	458	492
	4,597	**3,403**	**5,203**	**7,640**

20. Provisions

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Employee entitlements				
– Current	1,140	5,251	770	4,462
– Non Current	1,559	221	1,178	144
Dividends	–	728	–	728
Other	1,115	147	1,115	147
	3,815	**6,346**	**3,063**	**5,481**

a) Dividends

Provision is made for dividends declared but not distributed at the end of the reporting period.

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

	2015/16 $'000	2014/15 $'000
Final ordinary dividend for the year ended 30 June 2015 of 6 dollars (prior year: 6 dollars) per fully paid share (A & B Class) paid on 7 November 2015 (prior year: 7 November 2014)	749	464
Interim ordinary dividend for the year ended 30 June 2016 of nil (prior year: 6 dollars paid 30 April 2015) per fully paid A & B Class share	–	484
	749	**948**

During the period all shareholders were eligible to participate in a dividend reinvestment, whereby each shareholder was able to reinvest their dividends as share capital.

b) 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 and also those where employees are entitled to pro-rata payments in certain circumstances. For these employees, the entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. Based on past experience, the Group 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.

c) Movements

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

Consolidated – 2016	Dividends $'000	Other $'000	Total $'000
Carrying amount at start of year	728	147	874
Additional provisions recognised	21	1,344	1,365
Amounts used during the period	(749)	(376)	(1,124)
Carrying amount at end of year	**–**	**1,115**	**1,115**
Consolidated – 2015			
Carrying amount at start of year	464	67	531
Additional provisions recognised	1,212	333	1,544
Amounts used during the period	(948)	(253)	(1,201)
Carrying amount at end of year	**728**	**147**	**874**
Parent – 2016			
Carrying amount at start of year	728	147	874
Additional provisions recognised	21	1,342	1,363
Amounts used during the period	(749)	(376)	(1,124)
Carrying amount at end of year	**–**	**1,115**	**1,115**
Parent – 2015			
Carrying amount at start of year	464	67	531
Additional provisions recognised	1,212	333	1,544
Amounts used during the period	(948)	(253)	(1,201)
Carrying amount at end of year	**728**	**147**	**874**

21. Current tax liability

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current tax liability	(2,583)	583	(2,583)	447
	(2,583)	**583**	**(2,583)**	**447**

22. Deferred tax liability

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in Profit or Loss				
Land	215	215	215	215
Building	391	288	391	288
Plant & Equipment	1,548	(388)	1,548	(389)
Other	880	–	878	–
	3,034	115	3,033	114
Set-off of deferred tax assets pursuant to set-off provisions (note 14)	(4,737)	(1,911)	(4,511)	(1,651)
	(1,702)	**(1,796)**	**(1,479)**	**(1,537)**
Movements:				
Opening balance at 1 July	115	131	114	136
Charged to Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	2,800	(22)	2,800	(28)
Charged to equity (note 24)	120	6	120	6
Closing balance 30 June	**3,034**	**115**	**3,033**	**114**

Notes to the financial statements continued

For the year ended 30 June 2016

23. Contributed equity

	Consolidated & Parent Entity		Consolidated & Parent Entity	
	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Share Capital				
Ordinary A Class Shares on issue	111,431	106,807	15,522	15,947
Ordinary B Class Shares on issue	14,751	14,584	1,743	243
	126,182	**121,391**	**17,265**	**16,190**

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

The holders of ordinary A Class shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. The holders of ordinary B Class shares are entitled to receive dividends as declared from time to time, but do not carry the right to vote. The 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.

Indue's constitution requires that no individual shareholder acquires more than 15 percent of Class A shares. The reinvestment and additional shares issued in the current year has resulted in a reallocation of Class A and Class B shares for all shareholders. There is no financial impact of this reallocation as the only difference is the voting right attached to the Class A shares.

Movements in share capital (consolidated and parent):

Date	Details	Number of Shares	Issue Price $	$'000
1 Jul 14	Opening Balance	77,385	100	7,739
15 May 15	Shares Issued	3,351	100	335
15 May 15	Shares Issued	30,000	200	6,000
12 Jun 15	Shares Issued	9,909	200	1,982
12 Jun 15	Shares Issued	746	180	134
30 Jun 15	Closing Balance	121,391	–	16,190
1 July 15	Opening Balance	121,391	–	16,190
17 Aug 15	Shares Issued	1,420	330	468
7 Nov 15	Shares Issued	3,371	180	607
30 Jun 16	Closing Balance	126,182	–	17,265

Capital risk management

The Group's and the parent entity'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 Group 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 Parent Entity 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 Group as a going concern.

Capital in the Group is made up as follows:

Tier 1 Capital – Group	30 June 2016 $	30 June 2015 $
Paid-up shares	17,265,060	16,189,680
Reserves	1,210,475	925,469
Retained Earnings, including Current Year Earnings	24,043,020	23,033,346
Deductions from Tier 1 Capital		
Total deductions (including goodwill, and investments)	(15,119,295)	(12,737,530)
Tier 2 Capital – Group		
Total Tier 2 Capital (net of deductions)	–	–
Total Capital	**27,399,260**	**27,410,966**

The Group managed its total Capital Adequacy Ratio to an internal minimum (Management trigger) of 14.5% (2015:14.5%) during the year, as compared to the risk weighted assets. The Group has exceeded this minimum requirement throughout the financial year. The Group's actual Capital Adequacy Ratio at financial year ends are as follows:

Capital Adequacy Ratio – Group	30 June 2016 %	30 June 2015 %
Tier 1 Capital Adequacy Ratio	15.91	17.25
Total Capital Adequacy Ratio	**15.91**	**17.25**

24. Reserves

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Asset revaluation surplus	1,210	926	1,210	926
Total reserves	**1,210**	**926**	**1,210**	**926**
Movements:				
Asset revaluation surplus				
Balance 1 July	926	932	926	932
Revaluation – gross (note 12)	404	–	404	–
Deferred tax (note 4)	(120)	(6)	(120)	(6)
Balance 30 June	**1,210**	**926**	**1,210**	**926**

Nature and purpose of reserves

Asset revaluation surplus

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

25. Retained earnings

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balance 1 July	23,033	20,288	21,100	18,834
Net profit for the year	1,010	3,958	5,921	3,478
Dividends received/(paid)	–	(1,212)	–	(1,212)
Balance 30 June	**24,043**	**23,033**	**27,021**	**21,100**

26. Related party information

Wholly owned Group

The wholly owned Group consists of Indue Ltd (Indue) and its wholly owned and controlled entities Indue Securitisation Pty Ltd (ISPL), Indue Aggregation Services Pty Ltd (IAS), Indue Data Services Pty Ltd (IDS), Ivey Pty Ltd (IPL), Trinity Securities Pty Ltd (TSPL) and Lynx Financial Systems Pty Ltd (Lynx). Indue owns 100,000 shares in ISPL ($100,000, prior year $100,000), 50,000 shares in IAS ($50,000, prior year $50,000), 1,000 shares in IDS ($1,000, prior year $1,000), 3 shares in IPL ($3, prior year $3), 1 share in TSPL ($1, prior year $1) and 350,000 shares in Lynx ($8,250,000, prior year $8,250,000).

Subsidiaries

Interests in Subsidiaries are set out in note 27.

Key management personnel

Disclosures relating to key management personnel are set out in note 29.

Transactions with related parties

All transactions with related parties are at arm's length. No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

	Transactions value year ended 30 June		Balance outstanding as at 30 June	
Parent Entity	2016 $	2015 $	2016 $	2015 $
Purchases of goods and services				
Purchases of software and maintenance from subsidiaries	9,337,895	7,174,832	1,277,119	4,019,315
Tax consolidation legislation				
Current tax payable assumed from wholly-owned tax consolidated entities	(630,982)	136,132	–	–

27. Subsidiaries

	Country of Incorporation	Class of Share	Equity holding 2016 %	Equity holding 2015 %
Indue Securitisation Pty Ltd	Australia	Ordinary	100%	100%
Indue Aggregation Services Pty Ltd	Australia	Ordinary	100%	100%
Indue Data Services Pty Ltd	Australia	Ordinary	100%	100%
Ivey Pty Ltd	Australia	Ordinary	100%	100%
Trinity Securities Pty Ltd	Australia	Ordinary	100%	100%
Lynx Financial Systems Pty Ltd	Australia	Ordinary	100%	100%

The Group 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.

Involvement with unconsolidated structured entities

Indue Securitisation Pty Ltd acts as Manager to the Trinity Mortgage Trust No1 which is a securitisation vehicle for loans and advances for various credit unions. Trinity Mortgage Trust No 1 is not consolidated into the Indue Group. The Company does hold the residual income unit holder which entitles Indue to receive distributions from the Trust. The Company also receives Manager fees. Trade receivables associated with these distributions and fees of $19,757 (2015: $11,453) is recognised at year end. No financial support is provided to the Trust.

Notes to the financial statements continued

For the year ended 30 June 2016

28. Cash flow information

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:				
Cash at bank and petty cash	95,275	50,457	95,275	50,457
Deduct bank overdraft	(7)	(72)	(7)	(72)
	95,268	**50,385**	**95,268**	**50,385**
Reconciliation of net cash flows from operating activities to operating profit after income tax				
Operating profit after income tax	1,010	3,958	5,921	3,478
Decrease/(increase) in sundry debtors and interest revenue accrued	(1,729)	(11,906)	(1,560)	(13,719)
Depreciation and amortisation	2,524	1,583	2,351	1,402
Increase/(decrease) in tax payable	(3,072)	(726)	(2,971)	(529)
Increase/(decrease) in trade, other creditors and interest expense accrued	(825)	10	(7,863)	3,778
Decrease/(increase) in loans and investments	33,391	(51,051)	33,391	(51,051)
Increase/(decrease) in deposits	20,780	1,456	19,289	(41)
Net cash flows from operating activities	**52,078**	**(56,677)**	**48,558**	**(56,680)**

29. Key management personnel disclosures

Directors

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

Chairman – Non executive
R D Petie

Non executive Directors
G F Bell
S R Capello
S C Collier (appointed 30 October 2015)
A Cull
G P Devine
D J Grace (resigned 30 October 2015)
F Gullone
S R King
P R Townsend

Key management personnel

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

Name	Position	Employer
M Garcia	Chief Executive Officer	Indue Ltd
D Weatherley	Executive Director – Product & Sales	Indue Ltd
J Tait	Executive Director Distribution & Marketing Services (left 20 April 2016)	Indue Ltd
D Childs	Chief Financial Officer (left 5 February 2016)	Indue Ltd
A Crane	Chief Financial Officer (appointed 18 April 2016)	Indue Ltd
M Hynes	Chief Information Officer	Indue Ltd
S Johnson	Executive Director – Systems and Technology (appointed 1 February 2016)	Indue Ltd
P Anderson	Chief Risk Officer and General Counsel (left 17 July 2015)	Indue Ltd
J Hinton	General Counsel (appointed 17 July 2015) Chief Risk Officer (appointed 1 April 2016) & Company Secretary	Indue Ltd

Key management personnel compensation

	Consolidated		Parent Entity	
	2016 $	2015 $	2016 $	2015 $
Short-term employee benefits	2,876,046	3,829,556	2,876,046	3,666,669
Termination benefits	1,643,394	0	1,643,394	0
	4,519,439	**3,829,556**	**4,519,439**	**3,666,669**

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

Notes to the financial statements continued
For the year ended 30 June 2016

30. 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.

31. Commitments

Lease Commitments

Non-cancellable operating lease commitments: Group as lessee

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

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Sub lease income expected/Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	1,906	1,125	1,906	1,125
Later than one year but not later than five years	7,624	3,936	7,624	3,936
Later than five years	3,206	467	3,206	467
	12,735	**5,528**	**12,735**	**5,528**

The Group through the operations of its subsidiary Indue Aggregation Services Pty Ltd, leases various offices which are sublet by the Group. These leases and subleases have varying terms, escalation clauses and renewal rights. The following represents the additional commitments payable by Indue as well as the sublease income expected to be received.

	Consolidated		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	5,177	4,117	–	–
Later than one year but not later than five years	10,216	4,781	–	–
Later than five years	2,549	1,326	–	–
	17,943	**10,224**	**–**	**–**

Directors' declaration

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

a) the Company and Group financial statements and notes set out on pages 20 to 70 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 and Group's financial position as at 30 June 2016 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 consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

R D Petie
Director

A Cull
Director

Brisbane
2 September 2016

Independent auditor's report

to the members of Indue Ltd

We have audited the accompanying financial report of Indue Ltd (the Company), which comprises the statements of financial position as at 30 June 2016, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company and the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1[a], the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Indue Ltd is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1[a].

KPMG

KPMG
Brisbane
2 September 2016

Scott Guse

Scott Guse
Partner

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