



ANNUAL REPORT 2017-2018



- Powering payments.

Table of contents

Chairman & CEO report	2
Operating highlights	5
Corporate Governance report	6
Directors' report	12
Lead auditor's independence declaration	18
Statements of profit or loss and other comprehensive income	20
Statements of financial position	21
Statements of changes in equity	22
Statements of cash flows	24
Notes to the financial statements	25
Directors' declaration	62
Independent auditor's report	63

Reimagining the future.

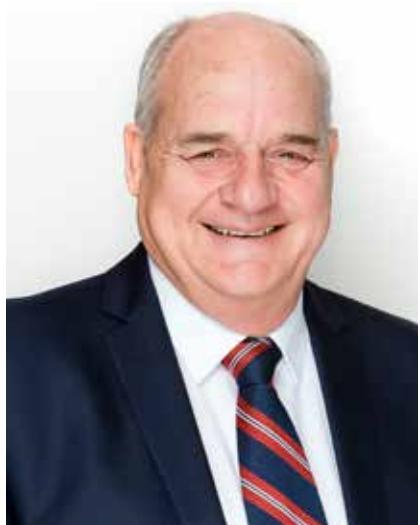
This financial report covers both Indue Ltd as an individual entity and the consolidated entity consisting of Indue Ltd and its controlled entities. A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report.

The financial statements were authorised for issue by the Directors on 31 August 2018. 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



Leading Payments Change

Indue's clients were at the forefront of the launch of the New Payments Platform (NPP) ushering in real-time payments for the first time in Australia. Indue was one of a few industry participants ready for the "Day 1" launch with our NPP Solution.

A complex and demanding investment program on "future state" payment processing was undertaken over the course of FY18. NPP remains a long-term strategic venture and represents a key milestone in Indue's maturity as a payments provider operating a 24 x 7 real time payments gateway.

Immediate payments has increased the potential for payment fraud and Indue has significantly invested in re-positioning its market leading outsourced financial crime services to accommodate the world of fast payments. We are proud to have launched our next generation 'machine learning' real-time fraud system, designed to combat the fraud of the future in a real time payments world.

This fraud solution assists our clients to achieve a competitive advantage in both fraud minimisation, cost management and improved customer experience.

The solution launched in line with NPP making Indue the first NPP agency provider to provide a real time fraud solution. The investment will continue over FY19 to complete the migration of other payment channels onto the "future state" platform. This will deliver a centralised cross channel view of fraud for our clients.

The delivery of the real time fraud strategy earned Indue the honour of an IBM Beacon Award, the Watson Financial Services Global Business Partner of the year. We were proud to accept the award at their 2018 annual global conference Think!

Business Strategy

We are 18 months into a refreshed strategic direction which is framed by a rapidly changing payments environment. The strategy is built around our future as the leading e-payments partner to our customers, while driving competitive advantage for them.

The sharpened strategic focus over this time has included divestments of assets not aligned to our core e-payment strategy, which continued this year with the divestment of our Leasing business and the winding up of our Trinity Securitisation Program. This substantially closes out the divestment of non-core business lines.

The asset sales lay a platform for growth as capital is re-invested in core business lines to replace the revenue lost as a result of the asset sales. The asset sale strategy has impacted near term profitability outlook but has improved the balance sheet strength and increased shareholder value.

Digital transformation continues to disrupt the payments industry with digital wallet evolution central to this story. With mobile payments slowly taking its place as a new payments channel, investment commenced on a solution for our customer base in FY18 and we look forward to launching this in the near future.

The other areas that round out the investment program are the replacement of our customer B2B portal (Indue Online) with a significantly improved platform (Indue Connect) as well as investments in our operational excellence and cyber security programs. The remaining key work stream in the year ahead will be the migration of our valued pre-paid card programs onto our modern, feature rich Nucleus issuing platform.

With cash payments continuing to migrate to e-payments the key strategic focus area for Indue remains the vertical growth of core business lines. This will provide lower costs to our customers and provide a balanced return to shareholders.

Business Performance

Indue has maintained strong underlying business performance after accounting for the impact of divested businesses. The PBT of \$5.1m (\$4.4.m excluding Asset sales) was a healthy result after accounting for divestments over the past 18 months. It was sufficient to enable necessary investment in the business whilst providing a balanced return to shareholders. It is pleasing to report continued solid performance after a period of re-focus and significant change over the last two financial years.

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

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

Balanced Returns

The focus of our strategy and our value equation for our owners is to deliver value through a mix of relevant product capability, dividends, share price growth and cost reductions.

In relation to dividends, Indue has a strong record of delivering value to owners for the risks they take through the provision of investment capital to Indue. Indue is ever aware that our mutual shareholders have strong competing needs for the capital to grow their businesses and to maintain their relevance in the Australian financial services market. A fair return on this capital to provide our owners with the financial resources needed to support their future aspirations and continue to support the financial needs of their members is implicit in the approach to dividends.

The Board was pleased to again declare a fully franked dividend of \$10 per share for FY18. This dividend balanced the needs of Indue to support product investment for our customers with the needs of owners to have resources to invest back into their own businesses.

Chairman & CEO report continued

People

Our Directors have made a significant contribution to Indue over the past year. Their professionalism, expertise and commitment around the Board table, in the extensive committee work and generally around the organisation underpins the strength, sustainability and good governance of the organisation. It is important to acknowledge the contributions of George Bell and Stephen Capello who retired from the Board during the year, both of whom made significant contributions during their tenure. We were able to retain the expertise of George Bell as chair of the Board's Information Systems Committee and he has continued to make a valuable contribution in this role. We welcomed to the Board two new independent Directors in Robin Burns and Peter Wright and we look forward to their contribution in the years ahead.

Indue's strength and continued success comes very much from its high quality people. We have an experienced and capable CEO in Derek Weatherley, strongly supported by a capable Executive Leadership Team.

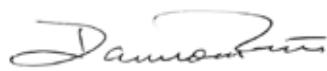
We also acknowledge the Senior Leadership Team and all the highly committed and professional staff at Indue who make it such a great place to work. The results this year are significant and a reflection of collective achievement from a great team.

Looking ahead

Digital technology and consumer expectation are driving a continued need for extensive product investment to maintain a contemporary service for our customers and we thank you for engaging with us and supporting us through this journey.

As the existing transformation program is bedded down, an eye must be on the future to ensure we are positioning to meet these challenges. The introduction of open data regulation, QR code based payments, payment device evolution, tokenisation, NPP overlays, digital wallet evolution and the phasing out of cheques are all areas that will impact our strategy. We look forward to supporting our customers to position them for a better tomorrow and we are confident Indue is well placed to continue to provide new and effective business solutions to our customers.

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



R D Petie
Chairman



D R Weatherley
Chief Executive Officer

31 August 2018

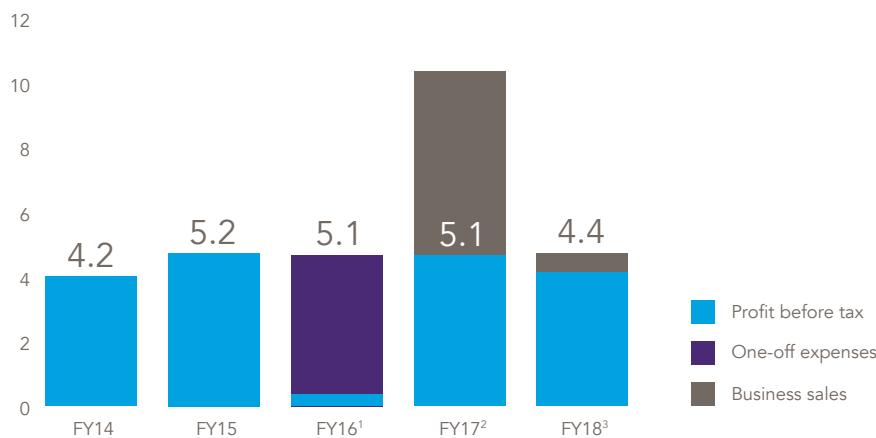
Operating highlights

The 2018 financial year was materially focused on the implementation of the strategy to both expand the business in core segments and simplify the residual business. During the year the New Payments Platform (NPP) was launched with 10 agency customers currently live on the system enabling their customers to make real-time payments. To protect those transactions a real-time fraud monitoring solution was implemented in parallel with 24x7 monitoring. During the year the simplification strategy was further progressed with the divestment of the Lease Aggregation business and the closing down of the Trinity Securitisation program.

In the year Indue:

- Delivered a headline Profit before Tax of \$5.1m including the divestment of the Leasing Aggregation Business
- Underlying profit before tax of \$4.4m was down as a result of the loss of income from divested businesses and the initial loss on NPP with limited volume in initial months of operation
- Revenue was down 8% as a result of divestments, excluding impact of divestments it was up 1%
- Processed transactions held at 150 million transactions with organic growth offsetting the business simplification impact

- Over 130,000 hours were spent developing and implementing new solutions for customers, enhancing and maintaining capabilities including NPP, Real-time Fraud for NPP and Indue Connect
- Over 180 million transactions for fraud through the 24x7 financial crimes monitoring service
- Over 230 million transactions were monitored for potential Anti-Money Laundering/Counter Terrorism risk



Underlying profit before tax (\$m)

1 One-off expenses of \$4.9m

2 ATM business sale benefit of \$6.1m

3 IAS business sale benefit of \$0.6m

Corporate Governance report

Overview

The Board is committed to sound and prudent standards of corporate governance for Indue and the Governance, Remuneration & Nominations Committee ('Committee') is responsible for advising the Board and monitoring Indue's compliance with these standards. The Board maintains a statement of corporate governance principles, which defines the framework under which 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 Governance Prudential Standard. 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 Committee oversees the appointment of new directors to the Board. To ensure that the Board has the necessary and desirable competencies, when considering any recommended appointments to the Board the Committee takes into consideration the mix of skills, experience, expertise, diversity and other qualities of the existing Directors and assesses the skills required to discharge competently the Board's duties having regard to the 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.

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 Leadership Team 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. Group Two Directors, referred to as 'Independent Directors' must not be officers, employees or associates of a member. Industry Directors are not remunerated by the 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 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 18.

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 Committee, sets the remuneration and performance objectives of the Chief Executive Officer, Executive Leadership Team and Specially Designated Positions. Remuneration is reviewed within a Board-established framework, which includes base remuneration, the short-term performance incentive program and, for key executives, a long-term retention program. The Committee is assisted by independent experts providing advice and benchmarking data.

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

Corporate Governance report continued

Access to Management

Board members have complete and open access to management. The 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.

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

The 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 function has a direct reporting line to the Chair of the Audit Committee.

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

Board Committees

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

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

* Corporate Governance Committee, Remuneration Committee and Nominations Committee were amalgamated into one (Governance, Remuneration & Nominations Committee) on 28 September, 2017.

* Capital Management Committee amalgamated with the Risk Committee on 30 November, 2017.

* Information Steering Committee ceased to be a Board committee, and became a management committee, on 28 September, 2017.

H – # of meetings eligible to attend

A – # of meetings attended

Audit Committee

Principal Responsibilities

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

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

	H	A
Chair		
F Gullone*	2	2
R B O Burns*	3	3
Members		
S R Capello*	4	4
R D Petie*	1	1
P R Townsend	5	5

* S R Capello resigned from the Board on 20 April, 2018.

* F Gullone re-allocated to other Indue committee on 27 October, 2017.

* R B O Burns commenced as Chair of the Committee on 27 October, 2017.

* R D Petie commenced as a member of the Committee on 27 April, 2018.

- support the oversight and promotion of the risk culture of Indue;
- review assurances to enable the Board and the Risk Committee to make declarations on risk management to APRA as required;
- review management's plans to mitigate material risks faced by the Group;
- make recommendations to the Board concerning the Group's current and future risk appetite, risk management strategy and particular risks or risk management practices;
- provide oversight of the implementation, effectiveness and operation of Indue's compliance management function and systems;
- consider the adequacy of the Group's credit, liquidity, large exposure, operational and market risk controls in compliance with APRA Prudential Standards.
- advise the Board on impacts of strategy and regulatory change on the Group's capital position and the future project capital adequacy of the Group.

Risk Committee

Principal Responsibilities

- provide oversight of the implementation, effectiveness and operation of the Group's risk management function and systems (which includes all material risks as defined in Indue's risk management strategy);
- oversight of the Group's risk profile and assessment of this alignment with the Board's Risk Appetite Statement;

Corporate Governance report continued

Risk Committee	H	A
Chair		
G F Bell*	2	2
F Gullone*	3	3
Members		
S R Capello*	2	2
S C Collier*	2	2
A Cull*	3	3
M F Currie*	3	3

- * G F Bell resigned on 2 October, 2017.
- * F Gullone commenced as Chair of the Committee on 27 October, 2017.
- * A Cull commenced as member of the Committee on 27 October, 2017.
- * M F Currie commenced as member of the Committee on 27 October, 2017.
- * S R Capello re- allocated to other Indue Committee on 27 October, 2017.
- * S Collier re-allocated to other Indue Committee on 27 October, 2017.

On 30 November, 2017, the Capital Strategy Committee amalgamated with the Risk Committee.

Capital Strategy Committee	H	A
Chair		
S C Collier	2	2
Members		
A Cull	2	2
R D Petie	2	2
F Gullone	2	2

Governance, Remuneration & Nominations Committee

Principal Responsibilities

- review the Board's committee structure and establish principles under which they operate in accordance with the constitution and good corporate governance principles;
- develop and recommend to the Board for its approval, an annual evaluation process of the Board and its committees;
- evaluate the skills required to discharge the Board's duties having regard to the Group's strategic direction, performance and financial position;
- undertake the process for considering and recruiting new Board members and recommend preferred candidates to the Board;
- oversee the annual retirement and appointment of directors as part of the re-election processes as set out in the Constitution;
- develop and recommend succession planning for Directors;
- develop and recommend to the Board for its approval the Group's Remuneration Policy;

- make annual recommendations to the Board in respect of the remuneration of the CEO, the Executive Leadership Team, those occupying Special Designated Positions, any other person whose remuneration is designated by APRA as being required to be reviewed by the Board;
- annually review the Company's Succession Planning activities for the Chief Executive Officer and other key Executive Management roles.

From 28 September, 2017, the Corporate Governance, Remuneration and Nominations Committees were amalgamated into a single Governance, Remunerations & Nominations Committee:

Governance, Remuneration & Nomination Committee	H	A
Chair		
S C Collier	3	3
Members		
S R King	3	1
R D Petie	3	3

Until 28 September, 2017, the duties of the Governance, Remuneration & Nominations Committee were performed by 3 separate committees, the Corporate Governance Committee, the Remuneration Committee and the Nominations Committee. No meetings of the Corporate Governance or Nominations Committee occurred during the period from 1 July 2017 to 28 September 2017.

H – # of meetings eligible to attend

A – # of meetings attended

Corporate Governance Committee	
Chair	H A
R D Petie	2 2
Members	
P R Townsend	2 2
A Cull	2 2
Nominations Committee	
Chair	H A
R D Petie	2 2
Members	
S R King	2 2
G F Bell*	2 2

* G F Bell resigned on 2 October, 2017.

Remuneration Committee	
Chair	H A
R D Petie	2 2
Members	
S R King	2 2
G F Bell*	2 1

* G F Bell resigned on 2 October, 2017.

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.

On 28 September, 2017, the Information Steering Committee ceased to be a Board committee. It is now an internal management committee, chaired by G F Bell as an independent external consultant.

Information Steering Committee	H	A
Chair		
G F Bell*	2	2
Members		
D R Weatherley	2	2
J Hinton	2	2
I Taylor	2	2

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

R D Petie
Chairman, Board

S C Collier
Chair, Governance, Remuneration & Nominations Committee

31 August 2018

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 2018.

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), Sally Clare Collier, Aileen Cull, Michael Francis Currie, Frank Gullone, Scott Rodney King and Peter Robert Townsend.

George Finlay Bell resigned as a Director on 2 October 2017. Stephen Robert Capello resigned as a Director on 20 April 2018. Robin Buick Orr Burns was appointed as a Director on 2 October 2017 and Peter Hooper Wright was appointed as a Director on 1 August 2018.



Robert Dawson Petie
FAICD, FASFA

Director since 01.09.08 and
Chairman since 02.11.12

Other Directorships Held (at date of report)

Director, Indue
Securitisation Pty Ltd
Director, Lynx Financial
Systems Pty Ltd
Director, Trinity
Securities Pty Ltd
Director, Ivey Pty Ltd
Director, Indue Data
Services Pty Ltd
Director, Ocwen Energy Pty Ltd
Director, Nortec Employment
and Training Limited

**Robin Buick
Orr Burns**
ACA, FAICD

Director since 02.10.17

Other Directorships Held (at date of report)

Director, Indue
Securitisation Pty Ltd
Director, Weary Dunlop
Rugby Foundation
Director, 8IP Emerging
Companies Limited
Director, Lynx Financial
Systems Pty Ltd
Compliance Committee
member, PIMCO Australia
Management Ltd



Sally Clare Collier
B.Ec, GAICD

Director since 30.10.15

**Other Directorships Held
(at date of report)**

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



Aileen Cull
FCPA, GAICD, MAMI

Director since 01.03.09

**Other Directorships Held
(at date of report)**

Director, Indue
Securitisation Pty Ltd
Director, Bentree
Superannuation Pty Ltd
Director, Wacuse Pty Ltd



**Michael Francis
Currie**

B.Bus, MAppFin,
GradDipFinPlan, F Fin
FAICD

Director since 20.06.17

**Other Directorships Held
(at date of report)**

Director, Lynx Financial
Systems Pty Ltd
Director, Indue
Securitisation 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
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, The Queen Elizabeth
Centre (QEC) Victoria



Scott Rodney King
B.Ec, ACA

Director since 23.04.02

**Other Directorships
Held (at date of report)**

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, The Kempsey
Golf Club Ltd



**Peter Hooper
Wright**
MBA, MAICD

Director since 01.08.18

**Other Directorships
Held (at date of report)**

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

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	<ul style="list-style-type: none">• Solicitor since 2006;• Indue Ltd Group Company Secretary since February 2012; and• Currently General Counsel, Chief Risk Officer & Company Secretary, Indue Ltd.
Stacey Lea-Ann Hester	LLB, LLM	<ul style="list-style-type: none">• Solicitor since 1997;• Appointed Indue Ltd Group Company Secretary January 2017; and• Currently Head of Legal & Compliance and Company Secretary, Indue Ltd.

Director's Meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of Indue Ltd during the year ended 30 June 2018 are set out in the table below.

Directors	Board meetings		Committee meetings	
	# of meetings eligible to attend	# of meetings attended	# of meetings eligible to attend	# of meetings attended
George F Bell*	2	2	6	5
Robin B O Burns	8	8	3	3
Stephen R Capello*	7	7	6	6
Sally C Collier	10	10	7	7
Aileen Cull	10	10	5	5
Michael F Currie	10	9	3	3
Frank Gullone	10	10	7	7
Scott R King	10	9	5	3
Robert D Petie	10	10	8	8
Peter R Townsend	10	10	5	5

* George Bell resigned as a Director on 2 October, 2017.

* Stephen Capello resigned as a Director on 20 April, 2018.

* Robin Burns was appointed as a Director on 2 October, 2017.

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, settlement and monitoring services in relation to financial access products including:

- Cards (Credit, Debit, Gift and Prepaid card programs) and
- Payments (NPP, Bpay, Chequing & Direct Entry – counter-party settlement, dispute management, stock production and transaction reporting).

Additional services include:

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

Dividends

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

	2017/18 \$'000	2016/17 \$'000
Final ordinary dividend for the year ended 30 June 2017 of 10 dollars per fully paid share (A & B Class) paid on 31 October 2017	1,240	–

Review of Operations

A consolidated operating profit after tax of \$3.726 million (2017: \$8.243 million) was achieved this year, with the parent entity returning an operating profit after tax of \$0.931 million (2017: \$8.017 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 2016/191, issued by the Australian Securities & Investments Commission on 24 March 2016, relating to the 'rounding off' of amounts in the Directors' report and financial statements. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor's Independence Declaration

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

Non-Audit Services

The 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:

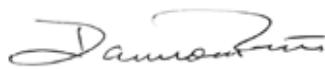
- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in The Code of Ethics for Professional Accountants APES 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
Chairman, Board



S R King
Deputy Chairman, Board
Brisbane
31 August 2018



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 2018 there have been:

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

KPMG

KPMG

A handwritten signature in blue ink that reads "Scott Guse".

Scott Guse

Partner

Brisbane

31 August 2018



FINANCIAL STATEMENTS 2017-2018

Statements of profit or loss and other comprehensive income

For the year ended 30 June 2018

	Note	Consolidated 2018 \$'000	2017 \$'000	Parent Entity 2018 \$'000	2017 \$'000
Interest revenue		6,915	6,776	6,909	6,776
Interest expense		(3,405)	(3,429)	(3,405)	(3,429)
Net interest income		3,510	3,347	3,504	3,347
Non-interest revenues	3	85,049	93,364	79,596	84,763
Revenue from continuing operations		88,559	96,711	83,100	88,110
Fees		(33,480)	(36,594)	(32,541)	(35,646)
IT services		(2,608)	(1,823)	(2,608)	(1,823)
Depreciation & amortisation		(4,148)	(3,458)	(4,148)	(3,285)
Employee benefits expense		(22,977)	(22,017)	(22,853)	(21,832)
Professional services		(839)	(1,372)	(833)	(1,372)
Rent paid		(6,290)	(8,868)	(1,963)	(1,900)
Project expenses		(6,132)	(2,509)	(6,132)	(2,509)
Write-down in investment in subsidiary	18	–	–	(2,754)	–
Other expenses		(7,010)	(8,895)	(7,006)	(8,891)
Operating profit from continuing operations before income tax		5,074	11,175	2,262	10,852
Income tax (expense)/benefit	4	(1,349)	(2,932)	(1,331)	(2,835)
Operating profit from continuing operations after income tax		3,726	8,243	931	8,017
Profit attributable to the owners of Indue Ltd		3,726	8,243	931	8,017
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Changes in reserves	17	(11)	36	(11)	36
Total comprehensive income attributable to the owners of Indue Ltd		3,715	8,279	920	8,053

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 2018

	Note	Consolidated		Parent Entity	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Assets					
Cash and cash equivalents	6	105,072	84,439	105,072	84,439
Loans and advances		767	8,057	767	8,057
Receivables due from other financial institutions		32,090	22,683	32,090	22,683
Trade and other receivables	7	10,631	5,998	10,631	5,994
Investments held to maturity		236,641	237,178	236,641	237,178
Current tax asset		453	788	453	788
Other assets	12	3,111	1,096	3,111	1,093
Property, plant and equipment	9	6,885	8,670	6,885	8,656
Other financial assets	10	2,000	2,000	2,000	10,401
Intangible assets	8	17,645	16,865	17,645	12,715
Total assets		415,296	387,774	415,296	392,003
Liabilities					
Deposits	13	329,009	304,120	329,009	305,637
Payables due to other financial institutions		22,513	20,973	22,513	20,973
Creditors and other liabilities	14	3,862	5,422	3,862	5,382
Provisions	15	5,572	6,120	5,572	6,120
Net deferred tax liability/(asset)	11	2,335	1,582	2,335	1,582
Total liabilities		363,290	338,218	363,290	339,695
Net assets		52,006	49,557	52,006	52,309
Equity					
Contributed equity	16	17,265	17,265	17,265	17,265
Reserves	17	1,235	1,246	1,235	1,246
Retained earnings		33,506	31,046	33,506	33,798
Total equity		52,006	49,557	52,006	52,309

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 2018

Consolidated	Notes	Contributed equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2016 – Consolidated		17,265	1,210	24,043	42,518
Profit for the Period		–	–	8,243	8,243
Total other comprehensive income		–	36	–	36
Total comprehensive income for the year as reported in the 2017 financial statements		–	36	8,243	8,279
Dividends provided for or paid	15	–	–	(1,240)	(1,240)
Balance at 30 June 2017 – Consolidated		17,265	1,246	31,046	49,557
Profit for the Period		–	–	3,726	3,726
Total other comprehensive income		–	(11)	–	(11)
Total comprehensive income for the year as reported in the 2018 financial statements		–	(11)	3,726	3,715
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	15	–	–	(1,266)	(1,266)
Balance at 30 June 2018 – Consolidated		17,265	1,235	33,506	52,006

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 2018

Parent	Notes	Contributed equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2016 – Parent		17,265	1,210	27,021	45,496
Profit for the Period		–	–	8,017	8,017
Total other comprehensive income		–	36	–	36
Total comprehensive income for the year as reported in the 2017 financial statements		–	36	8,017	8,053
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	15	–	–	(1,240)	(1,240)
Balance at 30 June 2017 – Parent		17,265	1,246	33,798	52,309
Profit for the Period		–	–	931	931
Total other comprehensive income		–	(11)	–	(11)
Total comprehensive income for the year as reported in the 2018 financial statements		–	(11)	931	920
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	15	–	–	(1,223)	(1,223)
Balance at 30 June 2018 – Parent		17,265	1,235	33,506	52,006

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 2018

	Consolidated		Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash flows from operating activities				
Interest received	6,915	6,776	6,909	6,776
Interest paid	(3,405)	(3,429)	(3,405)	(3,429)
Receipts from customers (incl of GST)	76,874	101,126	71,867	91,395
Payments to suppliers and employees (incl of GST)	(88,432)	(93,440)	(82,447)	(84,372)
Income tax refunds received	633	3,118	633	3,118
Income taxes paid	(906)	(934)	(906)	(934)
Loans and investments	7,827	(29,266)	7,827	(29,266)
Deposits	24,890	8,154	23,372	8,817
Net cash inflow/(outflow) from operating activities	24,392	(7,895)	23,850	(7,895)
Cash flows from investing activities				
Payments for intangible assets	(3,011)	(5,808)	(3,011)	(5,808)
Payments for property, plant and equipment	(132)	(2,057)	(132)	(2,057)
Purchased shares	–	(1,019)	–	(1,019)
Net Proceeds from Business Sale	624	6,079	624	6,079
Net cash inflow/(outflow) from investing activities	(2,519)	(2,805)	(2,519)	(2,805)
Cash flows from financing activities				
Dividends paid to company's shareholders	(1,240)	–	(1,240)	–
Dividends received from subsidiaries	–	–	41	–
Shares repaid to parent	–	–	500	–
Cost of Financing	–	(129)	–	(129)
Net cash inflow/(outflow) from financing activities	(1,240)	(129)	(699)	(129)
Net increase/(decrease) in cash and cash equivalents held	20,637	(10,829)	20,633	(10,829)
Cash and cash equivalents at the beginning of the financial year	84,439	95,268	84,439	95,268
Cash and cash equivalents at the end of the financial year	105,072	84,439	105,072	84,439

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 2018

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. 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 31 August 2018.

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(t). 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.

Changes in Comparatives

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

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.

Notes to the financial statements continued

For the year ended 30 June 2018

b) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Indue as at 30 June 2018 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(u)).

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 advances

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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.

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.

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.

Notes to the financial statements continued

For the year ended 30 June 2018

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.

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. Where we have a receivable from another financial institution and have contractual offset rights, amounts in Trade receivables are not discounted. 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 or receivable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 R&D tax incentive whereby the non-refundable incentive is offset against the income tax expense in the profit or loss.

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

Notes to the financial statements continued

For the year ended 30 June 2018

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 20). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

i) Impairment of Assets

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

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

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.

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) 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 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.

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 2.

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.

Notes to the financial statements continued

For the year ended 30 June 2018

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 2018, but have not been applied preparing this financial report. The Group is assessing the impact on its consolidated financial statements resulting from the application of the new standards. The potential effects of these standards are yet to be determined.

AASB 9 Financial Instruments

AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group plans to apply AASB 9 initially in its financial statements for the year ending 30 June 2019. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and includes revised guidance on the classification and measurement of financial instruments, a new 'expected credit loss' ("ECL") model for calculating impairment on financial assets and new general hedge accounting requirements.

The Group has undertaken a preliminary impact assessment regarding the adoption of AASB 9. Given the Group does not hold complex financial instruments or long dated receivables, it does not expect any material impact on its financial statements on application on 1 July 2018.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 Revenue and AASB 111 Construction Contracts. AASB 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company plans to adopt AASB 15 in its consolidated financial statements for the year ending 30 June 2019.

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group recognises revenue from the sale of internally developed intangible assets, Transactional fee income and Interest income.

The Group's current accounting policies for the recognition and measurement of revenue are disclosed in note 1(l). The Group has completed a preliminary assessment of the application of AASB 15 and does not believe the new requirements will have a material impact on the financial results or the position of the Group on adoption on 1 July 2018.

AASB 16 Leases

AASB 16 makes changes to the accounting for leases by Lessees. Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 substantially carries forward the Lessor accounting requirements in AASB 117.

Accordingly, a Lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. AASB 16 is effective for annual periods beginning on or after 1 January 2019. The financial impact of these changes is unknown at this time.

t) 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 8 in respect of Intangible Assets and note 9 for Property, Plant and Equipment.

u) 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 straightline basis over periods generally between 5 and 7 years.

IT development costs include only those costs directly attributable to the program build and are recognised following completion of technical feasibility and where the 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 straightline basis over its useful life, which vary from 5 to 7 years.

v) 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.

Notes to the financial statements continued

For the year ended 30 June 2018

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.

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 and Parent

	At 30 June 2018	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	105,072		–	–	–	–	105,072
Receivables due from other financial institutions		–		–	–	–	32,090	32,090
Investments held to maturity		–	224,652	11,988		–	–	236,641
Loans & advances		767		–	–	–	–	767
Trade or other receivables	7	–		–	–	–	10,631	10,631
Other financial assets	10	–		–	–	–	2,000	2,000
			105,839	224,652	11,988	–	44,722	387,202
Weighted average interest rate*			1.66%	2.28%	2.01%			

Consolidated

	At 30 June 2017	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	84,439		–	–	–	–	84,439
Receivables due from other financial institutions		–		–	–	–	22,683	22,683
Investments held to maturity		–	227,372	9,806		–	–	237,178
Loans & advances		8,057		–	–	–	–	8,057
Trade or other receivables	7	–		–	–	–	5,998	5,998
Other financial assets	10	–		–	–	–	2,000	2,000
			92,496	227,372	9,806	–	30,681	360,356
Weighted average interest rate*			1.67%	2.00%	1.76%			

* Average rate at 30 June

Notes to the financial statements continued

For the year ended 30 June 2018

Financial Assets

Parent At 30 June 2017	Notes	Floating Interest Rate \$'000	Fixed interest maturing in:					Total \$'000
			90 Days or less \$'000	90 Days to 1 Year \$'000	Over 1 to 5 Years \$'000	Non- interest bearing \$'000		
Cash and cash equivalents	6	84,439	—	—	—	—	—	84,439
Receivables due from other financial institutions		—	—	—	—	—	22,683	22,683
Investments held to maturity		—	227,372	9,806	—	—	—	237,178
Loans & advances		8,057	—	—	—	—	—	8,057
Trade or other receivables	7	—	—	—	—	—	5,994	5,994
Other financial assets	10	—	—	—	—	—	10,401	10,401
		92,496	227,372	9,806	—	39,078	368,752	
Weighted average interest rate*		1.67%	2.00%	1.76%				

* Average rate at 30 June

Financial Liabilities

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

Consolidated and Parent

At 30 June 2018	Notes	Floating Interest Rate \$'000	Fixed interest maturing in:					Total \$'000
			90 Days or less \$'000	90 Days to 1 Year \$'000	Over 1 to 5 Years \$'000	Non-interest Bearing \$'000		
Payables due to other financial institutions		–	–	–	–	22,513	22,513	
Settlement funds	13	171,115	–	–	–	–	–	171,115
Term deposits	13	–	145,946	11,948	–	–	–	157,894
Creditors and other liabilities	14	–	–	–	–	3,862	3,862	
		171,115	145,946	11,948	–	26,375	355,384	
Weighted average interest rate*		0.04%	1.99%	2.03%				

Consolidated

At 30 June 2017

Payables due to other financial institutions		–	–	–	–	20,973	20,973
Settlement funds	13	139,764	–	–	–	–	139,764
Term deposits	13	–	154,550	9,806	–	–	164,356
Creditors and other liabilities	14	–	–	–	–	5,422	5,422
		139,764	154,550	9,806	–	26,395	330,515
Weighted average interest rate*		0.03%	1.73%	1.72%			

* Average rate at 30 June

Notes to the financial statements continued

For the year ended 30 June 2018

Financial Liabilities

Parent At 30 June 2017	Notes	Floating Interest Rate \$'000	Fixed interest maturing in:					Total \$'000
			90 Days or less \$'000	90 Days to 1 Year \$'000	Over 1 to 5 Years \$'000	Non- interest bearing \$'000		
Payables due to other financial institutions		—	—	—	—	—	20,973	20,973
Settlement funds	13	141,281	—	—	—	—	—	141,281
Term deposits	13	—	154,550	9,806	—	—	—	164,356
Creditors and other liabilities	14	—	—	—	—	5,382	5,382	
		141,281	154,550	9,806	—	26,355	331,993	
Weighted average interest rate*		0.03%	1.73%	1.72%				

*Average rate at 30 June

Sensitivity Analysis

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

Variable	Movement in Variable	Consolidated		Parent Entity	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Interest Income	+100 bp	3,361	3,205	3,361	3,205
	-100 bp	(3,361)	(3,205)	(3,361)	(3,205)
Interest Expense	+100 bp	3,166	3,000	3,173	3,012
	-100 bp	(3,166)	(3,000)	(3,173)	(3,012)
Net Interest Income	+100 bp	195	204	188	192
	-100 bp	(195)	(204)	(188)	(192)

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. Funds are invested in line with requirements stipulated in the approved Board Policies.

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 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.

Financing arrangements

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

Notes to the financial statements continued

For the year ended 30 June 2018

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 2018				
	90 Days or less \$'000	90 Days to 1 Year \$'000	Over 1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
Consolidated and Parent					
Payables due to other financial institutions	22,513	–	–	–	22,513
Settlement funds	171,115	–	–	–	171,115
Term deposits	145,946	11,948	–	–	157,894
Creditors and other liabilities	3,862	–	–	–	3,862
	343,436	11,948	–	–	355,384

	Financial Liabilities as at 30 June 2017				
	90 Days or less \$'000	90 Days to 1 Year \$'000	Over 1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
Consolidated					
Payables due to other financial institutions	20,973	–	–	–	20,973
Settlement funds	139,764	–	–	–	139,764
Term deposits	154,550	9,806	–	–	164,356
Creditors and other liabilities	5,422	–	–	–	5,422
	320,710	9,806	–	–	330,516

Maturities of financial liabilities

Parent	Financial Liabilities as at 30 June 2017				
	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	20,973	–	–	–	20,973
Settlement funds	141,282	–	–	–	141,282
Term deposits	154,550	9,806	–	–	164,356
Creditors and other liabilities	5,382	–	–	–	5,382
	322,188	9,806	–	–	331,994

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.

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 in Note 2 (a).

Notes to the financial statements continued

For the year ended 30 June 2018

3. Profit from continuing operations

	Consolidated		Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Profit from continuing activities before income tax expense includes the following specific net gains and expenses:				
Crediting as revenue				
Interest on investments	6,915	6,776	6,909	6,776
Other fee income	69,906	70,262	69,741	69,602
Net profit on Business Sale	636	6,079	636	6,079
Sundry income	6,154	5,462	5,381	4,798
Sales	3,614	4,262	3,614	4,262
Rental income	4,739	7,299	225	22
Total non-interest revenue	85,049	93,364	79,596	84,763
Total revenue	91,964	100,140	86,505	91,539
Charging as expenses				
Interest expense	3,405	3,429	3,405	3,429
Fee expenses	33,480	36,594	32,541	35,646
IT services	2,608	1,823	2,608	1,823
Depreciation	1,917	2,073	1,917	2,073
Amortisation	2,231	1,385	2,231	1,212
Employee benefits expense	22,977	22,017	22,853	21,832
Professional services	839	1,372	833	1,372
Rental expense	6,290	8,868	1,963	1,900
Project expenses	6,132	2,509	6,132	2,509
Other expenses	7,010	8,895	7,006	8,891
Write-down in investment in subsidiary	—	—	2,754	—
Total expenses	86,889	88,965	84,243	80,688
Profit from continuing activities	5,074	11,175	2,262	10,852

4. Income tax expense

	Consolidated		Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
a) Income tax expense/(benefit)				
Current tax	607	(389)	590	(261)
Deferred tax	741	3,321	741	3,096
	1,349	2,932	1,331	2,835
Income tax expense is attributable to:				
Profit from continuing operations	1,349	2,932	1,331	2,835
Aggregate income tax expense	1,349	2,932	1,331	2,835
Deferred tax (revenue)/expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets	222	2,217	222	1,992
(Decrease)/increase in deferred tax liabilities	520	1,103	520	1,104
	741	3,321	741	3,096
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	5,074	11,175	2,262	10,852
Tax at the Australian tax rate of 30% (2017-30%)	1,522	3,351	678	3,256
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Tax effect of write-down of investment in subsidiary	–	–	826	–
Research & Development expense	(407)	(531)	(407)	(531)
Sundry items	73	13	73	13
	1,188	2,832	1,171	2,737
Under/(Over) provision in previous years	161	100	161	98
Income tax expense	1,349	2,932	1,331	2,835

Notes to the financial statements continued

For the year ended 30 June 2018

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	11	(36)	11	(36)
	11	(36)	11	(36)

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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Franking Credits available for subsequent periods based on a tax rate of 30% (2017: 30%)	6,388	7,109	6,388	7,109

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.

5. Remuneration of auditor

	Consolidated		Parent Entity	
	2018 \$	2017 \$	2018 \$	2017 \$
Assurance services				
Group auditor – KPMG Australia				
Audit of financial statements under the Corporations Act 2001	145,690	142,240	145,690	142,240
Audit of Regulatory returns	52,090	50,820	52,090	50,820
IT General Controls assurance	73,853	84,090	73,853	84,090
Total Remuneration for Audit Services	271,633	277,150	271,633	277,150
Other advisory services				
Group auditor – KPMG Australia				
Accounting advisory	–	8,051	–	8,051
AML independent review	–	136,128	–	136,128
Risk advisory	6,848	58,451	6,848	58,451
Business advisory	25,527	24,796	25,527	24,796
Total remuneration for other advisory services	32,375	227,426	32,375	227,426

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	
	2018 \$'000	2017 \$'000
Bank Deposits – at call	39,572	16,439
Bank Deposits – 11am investments	65,500	68,000
	105,072	84,439

Deposits

The deposits at call are bearing interest rates at 1.45% at 30 June 2018 (2017: 1.28%).

The 11am investments are bearing interest rates at 1.78% at 30 June 2018 (2017: 1.77%)

Notes to the financial statements continued

For the year ended 30 June 2018

7. Trade and other receivables

	Consolidated		Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Interest receivable	995	855	995	855
Trade debtors	9,636	5,143	9,636	5,139
	10,631	5,998	10,631	5,994

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:

At 30 June 2018	Financial Assets as at 30 June 2018						Total	
	Amount not past due	\$'000						
		Less than 1 month	Between 1m – 3m	Between 3m – 6m	Over 6 months			
Consolidated	9,240	65	109	223	–	9,636		
Parent Entity	9,240	65	109	223	–	9,636		

At 30 June 2017	Financial Assets as at 30 June 2017						Total	
	Amount not past due	\$'000						
		Less than 1 month	Between 1m – 3m	Between 3m – 6m	Over 6 months			
Consolidated	4,743	242	13	146	–	5,143		
Parent Entity	4,796	243	13	87	–	5,139		

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 (2017: nil).

8. Intangible assets

		Capital		
		Goodwill	Initiatives	Total
		\$'000	\$'000	\$'000
Consolidated				
At 30 June 2018				
Opening net book amount		4,061	12,804	16,865
Additions		–	3,011	3,011
Amortisations		–	(2,231)	(2,231)
Closing net book amount		4,061	13,584	17,645
At 30 June 2017				
Opening net book amount		4,061	8,375	12,436
Additions		–	5,814	5,814
Amortisations		–	(1,385)	(1,385)
Closing net book amount		4,061	12,804	16,865
Parent				
At 30 June 2018				
Opening net book amount		–	12,715	12,715
Additions		4,061	3,100	7,161
Amortisations		–	(2,231)	(2,231)
Closing net book amount		4,061	13,584	17,645
At 30 June 2017				
Opening net book amount		–	8,113	8,113
Additions		–	5,814	5,814
Amortisations		–	(1,212)	(1,212)
Closing net book amount		–	12,715	12,715

Notes to the financial statements continued

For the year ended 30 June 2018

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).

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% (2017: 2%);
- a post tax discount rate of 8.80% (2017: 8.54%).

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 2018 (2017: nil). There is sufficient headroom to absorb reasonable changes to the cash flows. Management has determined there are no reasonably possible changes that could occur in the key assumptions that would cause the carrying amount of the CGU to exceed its recoverable amount.

b) Capital Initiatives

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

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

A recoverable value of the assets in excess of its carrying value is supported and therefore the asset was not impaired at the 30 June 2018 (2017: nil).

9. Property, plant and equipment

	Cost or Valuation		Accumulated Depreciation		Written Down Value	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Consolidated						
Land at Valuation	1,143	1,143	–	–	1,143	1,143
Building at Valuation	3,380	3,398	1,609	1,273	1,771	2,125
Plant & Equipment at cost	14,666	14,504	10,695	9,102	3,971	5,402
	19,190	19,045	12,305	10,375	6,885	8,670
Parent Entity						
Land at Valuation	1,143	1,143	–	–	1,143	1,143
Building at Valuation	3,380	3,398	1,609	1,273	1,771	2,125
Plant & Equipment at cost	14,666	14,312	10,695	8,924	3,971	5,388
	19,190	18,853	12,305	10,197	6,885	8,656

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

The fair value of land and buildings was determined by external, independent property valuers, having appropriately recognised professional qualifications and recent experience in the location, sales evidence, leasing opportunities and category of the property being valued. Market valuation was used to revalue the assets using comparable sales. In accordance with the Board policy in relation to valuation of land and buildings in note 1(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.

Notes to the financial statements continued

For the year ended 30 June 2018

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 2016	1,143	2,452	5,099	8,694
Additions	–	15	2,236	2,251
Disposals	–	–	(192)	(192)
Depreciation expense	–	(343)	(1,740)	(2,083)
Carrying amount at 30 June 2017	1,143	2,124	5,403	8,670
Additions	–	–	132	132
Disposals	–	(12)	–	(12)
Depreciation expense	–	(343)	(1,563)	(1,905)
Carrying amount at 30 June 2018	1,143	1,771	3,971	6,885

Parent Entity

Carrying amount at 1 July 2016	1,143	2,452	5,085	8,680
Additions	–	15	2,236	2,251
Disposals	–	–	(192)	(192)
Depreciation expense	–	(343)	(1,740)	(2,083)
Carrying amount at 30 June 2017	1,143	2,124	5,389	8,656
Additions	–	–	146	146
Disposals	–	(12)	–	(12)
Depreciation expense	–	(343)	(1,563)	(1,905)
Carrying amount at 30 June 2018	1,143	1,771	3,971	6,885

For both the Group and the Company, if Land and Buildings were carried at cost, Freehold Land would be \$225,000 (2017: \$225,000), Buildings would be \$825,000 (2017: \$825,000) and accumulated depreciation would be \$474,375 (2017: \$453,750).

10. Other financial assets

	Consolidated		Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Shares in subsidiaries	—	—	—	8,401
Shares in other entities	2,000	2,000	2,000	2,000
	2,000	2,000	2,000	10,401

11. Net deferred tax liability/asset

	Consolidated		Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000

Tax asset

The balance comprises temporary differences attributable to:

Amounts recognised in Profit or Loss				
Employee benefits	1,238	1,281	1,238	1,281
Other	247	425	247	425
	1,485	1,706	1,485	1,706

Movements:

Opening balance at 1 July	1,706	3,924	1,706	3,698
Charged to the Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	(222)	(2,217)	(222)	(1,992)
Closing balance at 30 June	1,485	1,706	1,485	1,706
Set-off of deferred tax liabilities pursuant to set-off provisions	(3,819)	(3,289)	(3,819)	(3,289)
Net deferred tax (liability)/asset	(2,335)	(1,582)	(2,335)	(1,582)

Tax liability

The balance comprises temporary differences attributable to:

Amounts recognised in Profit or Loss				
Intangible Assets	3,780	3,223	3,780	3,223
Land	215	215	215	215
Building	353	375	353	375
Plant & Equipment	(727)	(586)	(727)	(586)
Other	198	62	198	62
	3,819	3,289	3,819	3,289

Notes to the financial statements continued

For the year ended 30 June 2018

11. Net deferred tax liability/asset (continued)

Tax liability	Consolidated		Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Movements:				
Opening balance at 1 July	3,289	2,221	3,289	2,221
Charged to Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	520	1,103	520	1,104
Charged to equity (note 16)	11	(36)	11	(36)
Closing balance 30 June	3,819	3,289	3,819	3,289

12. Other assets

	Consolidated		Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Inventory – current	47	50	47	50
Prepayments – current	3,064	1,046	3,064	1,043
	3,111	1,096	3,111	1,093

13. Deposits

	Consolidated		Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Settlement funds	171,115	139,764	171,115	141,281
Term deposits	157,894	164,356	157,894	164,356
	329,009	304,120	329,009	305,637

14. Creditors and other liabilities

	Consolidated		Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade creditors – current	3,370	5,012	3,370	4,972
Accrued interest payable – current	492	410	492	410
	3,862	5,422	3,862	5,382

15. Provisions

	Consolidated		Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Employee entitlements – Current	3,541	3,582	3,541	3,582
– Non Current	584	689	584	689
Dividends	1,262	1,240	1,262	1,240
Other	185	609	185	609
	5,572	6,120	5,572	6,120

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

Consolidated & Parent	Dividends \$'000	Other \$'000	Total \$'000
Carrying amount at 1 July 2016	–	1,115	1,115
Additional provisions recognised	1,240	684	1,924
Amounts used during the period	–	(1,190)	(1,190)
Carrying amount at 30 June 2017	1,240	609	1,849
Additional provisions recognised	1,262	157	1,419
Amounts used during the period	(1,240)	(583)	(1,824)
Carrying amount at 30 June 2018	1,262	183	1,444

a) Employee entitlements

The current provision for employee entitlements includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service. For these employees, the entire amount of the provision is presented as current, since the 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.

Notes to the financial statements continued

For the year ended 30 June 2018

16. Contributed equity

	Consolidated & Parent Entity		Consolidated & Parent Entity	
	2018 Shares	2017 Shares	2018 \$'000	2017 \$'000
Ordinary A Class Shares on issue	111,431	111,431	15,522	15,522
Ordinary B Class Shares on issue	14,751	14,751	1,743	1,743
	126,182	126,182	17,265	17,265

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

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

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

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

Capital risk management

The 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:

	30 June 2018 \$	30 June 2017 \$
Tier 1 Capital		
Paid-up shares	17,265,060	17,265,060
Reserves	1,235,557	1,246,307
Retained Earnings, including Current Year Earnings	33,505,883	31,041,944
<i>Deductions from Tier 1 Capital</i>		
Total deductions (including goodwill, and investments)	(19,664,674)	(18,864,760)
Tier 2 Capital		
Total Tier 2 Capital (net of deductions)	—	—
Total Capital	32,361,826	30,688,551

The Group managed its total Capital Adequacy Ratio to an internal minimum (Management trigger) of 14.5% (2017:14.5%) 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

	30 June 2018 %	30 June 2017 %
Capital Adequacy Ratio – Group		
Tier 1 Capital Adequacy Ratio	17.77	17.88
Total Capital Adequacy Ratio	17.77	17.88

Notes to the financial statements continued

For the year ended 30 June 2018

17. Reserves

	Consolidated & Parent Entity	
	2018 \$'000	2017 \$'000
Asset revaluation surplus		
Balance 1 July	1,246	1,210
Revaluation – gross (note 9)	–	–
Deferred tax (note 4)	(11)	36
Balance 30 June	1,235	1,246

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

18. Related party information

Wholly owned Group

The wholly owned Group consists of Indue Ltd (Indue) and its wholly owned and controlled subsidiaries as detailed below. All entities are incorporated in Australia and all shares held are Ordinary shares. The entities have had capital repatriated during the year and are in the process of being de-registered at the date of this report.

Subsidiaries	No of Shares		Value of Shares		Equity holding	
	2018	2017	2018	2017	2018	2017
Lynx Financial Systems Pty Ltd*	1	350,000	\$1	\$350,000	100%	100%
Indue Securitisation Pty Ltd	1	100,000	\$1	\$100,000	100%	100%
Indue Aggregation Services Pty Ltd	–	50,000	–	\$50,000	–	100%
Indue Data Services Pty Ltd	1	1,000	\$1	\$1,000	100%	100%
Ivey Pty Ltd	3	3	\$3	\$3	100%	100%
Trinity Securities Pty Ltd	1	1	\$1	\$1	100%	100%

* The business operations of this entity were transferred to the parent, resulting in a write-down of investment in the subsidiary of \$2.8m.

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 and no financial support is provided to the Trust. The Company does hold the residual income unit holder which entitles Indue to receive distributions from the Trust. The Company also receives Manager fees. The operations of the Trust ceased in May 2018 and on 30 June 2018 the Directors of Indue Securitisation Pty Ltd resolved to voluntarily deregister the entity.

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.

Parent Entity	Transaction value 30 June		Balance outstanding as at 30 June	
	2018	2017	2018	2017
Tax consolidation legislation	\$	\$	\$	\$
Current tax payable assumed from wholly-owned tax consolidated entities	843,863	(126,995)	–	–

Notes to the financial statements continued

For the year ended 30 June 2018

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 (resigned 2 October 2017)
R Burns (appointed 2 October 2017)
S R Capello (resigned 20 April 2018)
S C Collier
A Cull
M Currie
F Gullone
S R King
P R Townsend

Key management personnel

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

Name	Position	Employer
D Weatherley	Chief Executive Officer	Indue Ltd
A Crane	Chief Financial Officer	Indue Ltd
J Hinton	General Counsel & Chief Risk Officer	Indue Ltd
L Wilson	Group Executive – Sales & Relationships	Indue Ltd
D Hemingway	Group Executive – Product & Marketing	Indue Ltd
I Taylor	Group Executive – Chief Information Officer	Indue Ltd
K Lugg	Group Executive – Delivery	Indue Ltd
B Comrie	Chief Risk Officer (Acting)	Indue Ltd

Key management personnel compensation

	Consolidated & Parent Entity	
	2018	2017
	\$	\$
Short-term employee benefits	3,142,380	3,118,837
Post employment benefits	189,322	172,957
	3,331,702	3,291,794

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

19. Cash flow information

	Consolidated		Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'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	105,072	84,439	105,072	84,439
	105,072	84,439	105,072	84,439
Reconciliation of net cash flows from operating activities to operating profit after income tax				
Operating profit after income tax	3,726	8,243	931	8,017
Decrease/(increase) in sundry debtors and interest revenue accrued	(16,056)	(1,603)	(15,219)	(1,874)
Depreciation and amortisation	4,148	3,458	4,148	3,285
Increase/(decrease) in tax payable	1,076	5,116	1,213	5,019
Increase/(decrease) in trade, other creditors and interest expense accrued	(1,215)	(1,997)	(1,175)	(1,892)
Decrease/(increase) in loans and investments	7,827	(29,266)	7,827	(29,266)
Increase/(decrease) in deposits	24,890	8,154	23,372	8,816
Write-down in investment in subsidiary	–	–	2,754	–
Net cash flows from operating activities	24,392	(7,895)	23,850	(7,895)

20. Contingent liabilities

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

Notes to the financial statements continued

For the year ended 30 June 2018

21. Lease commitments

Non-cancellable operating lease commitments: Group as lessor

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

	Consolidated & Parent Entity	2018 \$'000	2017 \$'000
Lease income expected/Commitments for minimum lease income in relation to non-cancellable operating leases are receivable as follows:			
Within one year	135	129	
Later than one year but not later than five years	411	546	
	546	675	

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	2018 \$'000	2017 \$'000
Sub lease income expected/Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year	1,803	1,748	
Later than one year but not later than five years	6,742	7,194	
Later than five years	575	1,944	
	9,120	10,886	

Prior to the sale of Indue Aggregation Services Pty Ltd in March 2018, the Group through the operations of this subsidiary, leased various offices which were sublet by the Group. These leases and subleases had 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 at the end of the prior financial year.

	Consolidated		Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	–	4,072	–	–
Later than one year but not later than five years	–	9,732	–	–
Later than five years	–	1,748	–	–
	–	15,552	–	–

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 61 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 2018 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



S R King
Deputy Chairman, Board

Brisbane
31 August 2018

Independent auditor's report

To the shareholders of Indue Ltd

Opinion

We have audited the *Financial Report* of Indue Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group** and Company's financial position as at 30 June 2018 and of their financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The *Financial Report* comprises:

- Statements of financial position as at 30 June 2018;
- Statements of profit or loss and other comprehensive income, Statement of changes in equity, and Statements of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

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

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

Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Chairman's & CEO's report, Operating Highlights, Corporate Governance report and Directors' report.

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

Independent auditor's report

To the shareholders of Indue Ltd

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG



Scott Guse
Partner
Brisbane
31 August 2018



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