ANNUAL REPORT 2016-2017


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and fully customise client solutions.

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 1 September 2017. 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

Business Strategy

A refresh of our strategic direction in response to a rapidly changing payments environment has been a key theme of this year. Indue now has a clear and focused strategic plan. This is built around our future as the leading e-payments partner to our customers while driving competitive advantage for them.

The sharpened strategic focus includes divestment of assets not aligned to our core strategy, the sale of our ATM business being a key achievement.

The NPP is driving a new paradigm in payments processing, with real time digital payments creating a shifting landscape for financial institutions and challenging established systems. The NPP is a long-term strategic venture for Indue. It represents a key milestone in our maturity as a payments provider operating our own payments gateway hub. We are well advanced in the solution build phase and FY18 will be dominated by the transition to go-live of NPP.

With NPP entering the market, the card schemes continue to invest to respond to the NPP transformation with digital platforms developing apace. Indue has designed its own mobile payments solution for all of our customers irrespective of core banking platform. This allows the broadest customer reach and therefore the most cost effective and transportable solution. We look forward to implementing this solution with our customers.

Faster payments means a much greater need for managing fraud. The financial crime cartels are increasingly sophisticated and the defence systems of financial institutions must keep pace or already large losses will rise significantly.

Indue is market leading in outsourced financial crime services. We are well advanced in a next generation ‘continual learning’ fraud system, designed to combat the fraud of the future in a faster payments world. This new system will launch initially in line with NPP and then will evolve to underpin cards and other channels.

This solution is a key for our clients to drive a competitive advantage in both fraud minimisation, cost management and frictionless customer experience.

Cash is in decline and there is generational change to e-payments. In response, two key strategic focus areas for Indue are the minimisation of costs for our members as well as the growth in our commercial business to assist cost reduction and maximise shareholder returns.

Indue’s core strategic focus is solutions that assist our customers to have a competitive advantage in this evolving landscape, be that a cost or a capability advantage. A new fraud solution, mobile payments and NPP capability are some of our initiatives designed to maintain payments relevance for our customers in the most cost effective manner available.

Business Performance

Indue has an admirable record of strong consistent business performance. It is pleasing to report that we have returned to strong performance after a period of re-focus and significant change last financial year.

A combination of strong financial discipline and clear strategic focus has resulted in a significant turnaround in business performance with underlying performance returning to historical levels, with an operating result before tax of $5.1m. There was a very strong consolidated aggregate profit before tax of $11.2m, with a large contribution from the ATM business sale.

Other key business metrics such as product investment, risk & regulatory, dividends, capital depth, business growth and future growth pipeline are all healthy and all trended positively over the year.

There has been stability in our Board and Executive Leadership Team since the restructuring at the start of the financial year and stable governance has delivered strong employee engagement.

With a clear and focused business strategy, 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 our 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 mutual owners with the financial resources needed to support their future aspirations and continue to support the financial needs of their members is implicit in our approach to dividends.

The Board was pleased to declare a fully franked dividend of $10 per share this year. This declaration balanced the needs of Indue to support product investment for our customers with the needs of our owners to have resources to invest back into their business to enable them to continue to provide a viable banking alternative.

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. We acknowledge the contribution of Grant Devine who retired from the Board during the year. Mike Currie has joined the Board and we look forward to Mike's contribution in the years ahead.

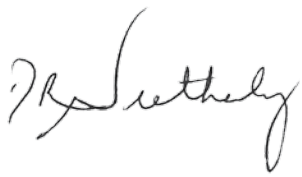
Indue's strength and continued success comes very much from its high quality people. We have an experienced and capable Executive Leadership Team. We also acknowledge the Senior Leadership Team and all the highly committed and professional staff at Indue who make it such a great place to work. The results this year are significant and a reflection of collective achievement from a great team.

Looking Ahead

Thank you to our customers, owners and staff for your support of Indue as we navigate our way through a fast-paced and ever-changing payments industry. Digital technology in particular is driving the need for extensive product re-investment in the year ahead to maintain currency for our customers and we thank you for engaging with us and supporting us through this journey. This investment is essential to the long-term sustainability of Indue, in the short-term it will result in slightly subdued financial performance.

Industry change provides significant opportunity for Indue and we are well placed to continue to provide new and effective business solutions to our customers.

R D Petie
Chairman



D R Weatherley
Chief Executive Officer

1 September 2017

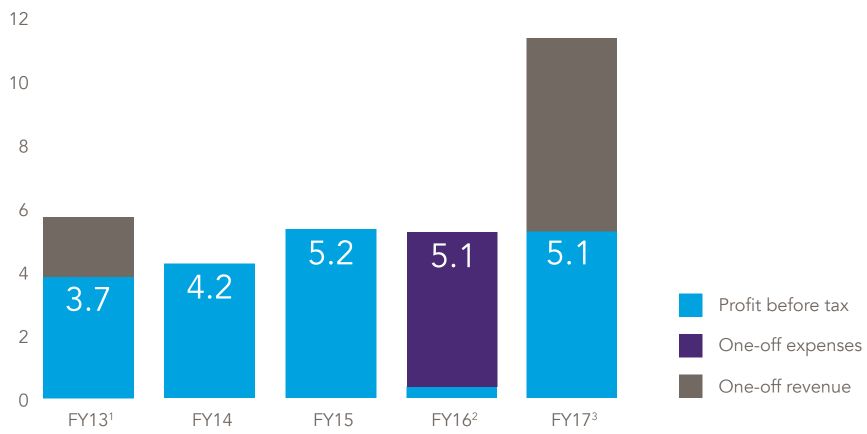
Operating highlights

The 2017 financial year saw further progress in the tightening of focus on core businesses. The ATM business was divested during the year with retention of the core settlement and switching services. Other non-core services relating to non-core banking hosting and recurring payments were closed down during the year.

The year saw a balance between growing the core operations and investing in the future – particularly the material investment in NPP and market leading fraud capabilities. The underlying performance of the business has stabilised after the re-focus and significant change of the prior year.

In the year Indue:

- delivered a headline Profit Before Tax of $11.2m including the ATM sale
- maintained a stable underlying profit before tax of $5.1m
- grew revenue by over 9%
- processed over 150 million transactions
- spent over 115,000 hours developing and implementing new solutions for customers, enhancing and maintaining capabilities
- monitored over 150 million transactions for fraud
- materially outperformed the benchmark for Fraud losses resulting in a prevention of over $100m in potential fraud; and
- monitored over 220 million transactions for potential Anti-Money Laundering/ Counter Terrorism risk.



Underlying profit before tax ($m)

1 Visa share sale benefit of $1.8m
2 One-off expenses of $4.9m
3 ATM business sale benefit of $6.1m

Corporate Governance report

Overview

The Board is committed to sound and prudent standards of corporate governance for Indue and the Corporate Governance Committee is responsible for advising the Board and monitoring Indue's compliance with these standards. The Board maintains a statement of corporate governance principles, which defines the framework under which the Group is directed. The implementation of this disciplined governance structure ensures appropriate development, prioritisation and delivery of business strategies, as well as consistent and informed decision making to conduct the Group's activities and achieve its objectives. In addition, the Committee continues to ensure that Indue complies with APRA's Corporate Governance Prudential Standards. The Board of Directors of Indue is accountable to the Company to ensure the safety of shareholder funds and that the Group operates in a sustainable and responsible way.

The Board aims to achieve these objectives through:

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

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

Board Meetings

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

New Directors, Induction and Continuing Education

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

Corporate Governance report continued

Performance Evaluation

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

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

For the reporting period, the Board undertook this evaluation process by commissioning an external assessment process.

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

Remuneration of Directors

The constitution of the Group provides for two Groups of Directors, both elected in accordance with the constitution. Group One Directors, referred to as 'Industry Directors', must be officers, employees or associates of a member credit union/mutual bank. Group Two Directors, referred to as 'Independent Directors' must not be officers, employees or associates of a member credit union/mutual bank. Industry Directors are not remunerated by the Group. Independent Directors are remunerated by the Group, with shareholders determining the maximum annual aggregate amount of remuneration that may be provided to them at the Annual General Meeting. From this amount individual Directors are remunerated based on a policy of compensation towards the middle quartile of the general market, which is appropriate to the size and complexity of the Group. The Remuneration Committee receives advice from independent experts on appropriate levels of director remuneration and guides the Board in this regard. The remuneration of key personnel is disclosed in note 18.

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

Performance & Remuneration of Senior Executives

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

Access to Management

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

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

Risk Management & Internal Audit

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

The Group has an independent internal audit function that reports to the Audit Committee. The internal audit function is responsible for evaluating, testing and reporting on the adequacy and effectiveness of the Group's internal controls. To ensure independence, the Group's Internal Audit function has a direct reporting line to the Chairman of the Audit Committee.

Board Committees

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

- Audit Committee;
- Risk Committee;
- Corporate Governance Committee;
- Capital Strategy Committee;
- Remuneration Committee;
- Nominations Committee; and
- Information Steering Committee.

Audit Committee

Principal Responsibilities

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

The internal auditors may include an internal audit department resourced by internal auditors as employees of Indue, a fully outsourced internal audit function or a co-sourced internal audit function.

	H	A
Chair		
F Gullone	5	5
Members		
S R Capello	5	5
P R Townsend	5	5

Risk Committee

Principal Responsibilities

- provide oversight of Indue's risk management function and systems for the purposes of reviewing the effectiveness of the company's internal risk management systems and functions;
- review the Group's risk management practices and assess their alignment with the Board's Risk Appetite Statement;
- support the oversight of the risk culture of Indue;
- oversee and appraise the effectiveness of the internal risk management program conducted by the company's risk department;
- consider the adequacy of the company's credit, operational and market risk controls and compliance with APRA Prudential Standards; and
- undertake any role assigned to the Committee in accordance with any Board policy, Due Diligence Policy, Provisioning, Write off Policy and Risk Appetite Statement.

	H	A
Chair		
G F Bell	8	8
Members		
S R Capello	8	6
S C Collier	8	8

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

Corporate Governance Committee

Principal Responsibilities

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

	H	A
Chair		
G P Devine*	2	2
R D Petie*	2	2
Members		
P R Townsend	4	4
A Cull	4	4

* G P Devine resigned on 28 November 2016.

* R D Petie joined this Committee on 31 January 2017.

Nominations Committee

Principal Responsibilities

- to evaluate the skills required to discharge the Board's duties having regard to the Company's strategic direction, performance and financial position;
- to develop and implement processes to assess whether the necessary and desirable competencies and skills are represented on the Board;
- to undertake the process for considering and recruiting new Directors and recommend preferred candidates to the Board;
- to implement and review annually the Board's nominations policy;
- to oversee the annual retirement and appointment of Directors; and
- to consider succession at the Director level.

	H	A
Chair		
R D Petie	1	1
Members		
G P Devine*	–	–
S R King	1	1
G F Bell*	1	1

* G P Devine resigned on 28 November 2016.

* G F Bell joined this Committee on 31 January 2017.

Remuneration Committee

Principal Responsibilities

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

	H	A
Chair		
R D Petie	2	2
Members		
G P Devine*	–	–
S R King	2	2
G F Bell*	2	2

* G P Devine resigned on 28 November 2016.

* G F Bell joined this Committee on 31 January 2017.

Corporate Governance report continued

Capital Strategy Committee

Principal Responsibilities

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

	H	A
Chair		
S C Collier	8	8
Members		
F Gullone	8	7
A Cull	8	8
R D Petie	8	8

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

Information Steering Committee

Principal Responsibilities

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

	H	A
Chair		
G F Bell	5	5
Members		
D R Weatherley	5	4
S A Johnson*	1	1
J E Hinton	5	5
I M Taylor**	4	4

* S A Johnson ceased membership of this committee 3 August 2016.

** I M Taylor joined this committee on 29 June 2016.

R D Petie
Chairman of the Board and Corporate Governance Committee

1 September 2017

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 2017.

Directors

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

Grant Peter Devine resigned as a Director on 28 November 2016. Michael Francis Currie was appointed as a director on 20 June 2017.

Robert Dawson Petie

FAICD, FASFA

Director since 1.09.08 and Chairman since 02.11.12

Other Directorships Held (at date of report)

Director, Indue Aggregation Services Pty Ltd
Director, Indue Securitisation Pty Ltd
Director, Lynx Financial Systems Pty Ltd
Director, UnitingCare Queensland
Director, Trinity Securities Pty Ltd
Director, Ivey Pty Ltd
Director, Indue Data Services Pty Ltd
Director, Ocwen Energy Pty Ltd

George Finlay Bell

MSC, MAICD

Director since 06.05.13

Other Directorships Held (at date of report)

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

Stephen Robert Capello

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

Director since 01.05.15 and Deputy Chairperson from 02.12.16

Other Directorships Held (at date of report)

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

Sally Clare Collier

B.Ec, GAICD

Director since 30.10.15

Other Directorships Held (at date of report)

Director, Indue Aggregation Services Pty Ltd
Director, Indue Securitisation Pty Ltd
Director, Lynx Financial Systems Pty Ltd
Director Collier Investments Pty Ltd
Director Utilities of Australia Pty Ltd
Director CU Foundation Pty Limited as trustee of the Clayton Utz Foundation

Michael Francis Currie

B.Bus, MAppFin, GradDipFinPlan, F Fin

Director since 20.06.17

Other Directorships Held (at date of report)

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

Aileen Cull

FCPA, F Fin, GAICD, MAMI

Director since 1.03.09 and Deputy Chairperson from 30.10.15 to 04.11.16

Other Directorships Held (at date of report)

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

Scott Rodney King

B.Ec, ACA

Director since 23.04.02

Other Directorships Held (at date of report)

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

Peter Robert Townsend

MBA, MAICD, FAMI, JP

Director since 22.08.01

Other Directorships Held (at date of report)

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

Directors' report continued

Company Secretary

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

Name	Qualifications	Experience
Jane Elizabeth Hinton	LLB	• Solicitor since 2006; • Indue Ltd Group Company Secretary since February 2012; and • Currently General Counsel, Chief Risk Officer & Company Secretary, Indue Ltd.
Stacey Lea-Ann Hester	LLB, LLM	• 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 2017 are set out in the table below.

	Board meetings		Committee meetings	
Directors	# of meetings eligible to attend	# of meetings attended	# of meetings eligible to attend	# of meetings attended
George F Bell	11	11	16	16
Stephen R Capello	11	10	13	11
Sally C Collier	11	11	16	16
Aileen Cull	11	11	12	12
Michael F Currie*	1	1	–	–
Grant P Devine*	4	3	2	2
Frank Gullone	11	11	13	12
Scott R King	11	10	3	3
Robert D Petie	11	11	13	13
Peter R Townsend	11	11	9	9

* Grant Devine resigned as a Director on 28 November 2016.

* Michael Currie was appointed as a Director on 20 June 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:

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

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

Dividends

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

	2016/17 $'000	2015/16 $'000
Final ordinary dividend for the year ended 30 June 2016 of nil (prior year: 6 dollars) per fully paid share (A & B Class) paid prior year 9 November 2015	–	749

Review of Operations

A consolidated operating profit after tax of $8.243 million (2016: $1.010 million) was achieved this year, with the parent entity returning an operating profit after tax of $8.017 million (2016: $5.921 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
Director

S R Capello
Director

Brisbane
1 September 2017

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 2017 there have been:

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

KPMG

KPMG

Brisbane
1 September 2017

Scott Guse
Partner

FINANCIAL STATEMENTS 2016-2017

Statements of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000	Parent Entity 2017 $'000	Parent Entity 2016 $'000
Interest revenue		6,776	7,302	6,776	7,302
Interest expense		(3,429)	(4,073)	(3,429)	(4,073)
Net interest income		3,347	3,229	3,347	3,229
Non-interest revenues		98,917	90,312	90,316	83,363
Revenue from continuing operations		**102,264**	**93,541**	**93,663**	**86,591**
Fees		(42,647)	(37,055)	(41,699)	(45,180)
IT services		(1,823)	(1,394)	(1,823)	(1,146)
Depreciation & amortisation		(3,458)	(2,524)	(3,285)	(2,351)
Employee benefits expense		(22,017)	(28,014)	(21,832)	(16,943)
Professional services		(1,372)	(804)	(1,372)	(803)
Rent paid		(8,868)	(9,257)	(1,900)	(935)
Project expenses		(2,009)	(6,446)	(2,009)	(5,989)
Other expenses		(8,895)	(7,876)	(8,891)	(7,566)
Operating profit from continuing operations before income tax		**11,175**	**171**	**10,852**	**5,677**
Income tax (expense)/benefit	4	(2,932)	839	(2,835)	243
Operating profit from continuing operations after income tax		**8,243**	**1,010**	**8,017**	**5,921**
Profit attributable to the owners of Indue Ltd		8,243	1,010	8,017	5,921
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Changes in reserves	17	36	284	36	284
Total comprehensive income attributable to the owners of Indue Ltd		**8,279**	**1,294**	**8,053**	**6,205**

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 2017

		Consolidated		Parent Entity	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Assets					
Cash and cash equivalents	6	84,442	95,275	84,442	95,275
Loans and advances		8,057	601	8,057	601
Receivables due from other financial institutions		22,683	18,578	22,683	18,578
Trade and other receivables (rounding)	7	6,582	8,531	6,578	8,533
Investments held to maturity		237,178	215,363	237,178	215,363
Current tax asset		788	2,583	788	2,583
Other assets	12	1,096	1,648	1,093	1,494
Property, plant and equipment	9	8,670	8,695	8,656	8,681
Other financial assets	10	2,000	981	10,401	9,382
Intangible assets	8	16,865	12,436	12,715	8,113
Total assets		**388,361**	**364,692**	**392,590**	**368,604**
Liabilities					
Deposits	13	304,120	295,966	305,637	296,821
Borrowings		3	7	3	7
Payables due to other financial institutions		20,973	19,495	20,973	19,495
Creditors and other liabilities	14	6,006	4,597	5,966	5,203
Provisions	15	6,120	3,815	6,120	3,063
Net deferred tax liability / (asset)	11	1,582	(1,702)	1,582	(1,479)
Total liabilities		**338,804**	**322,177**	**340,281**	**323,110**
Net assets		**49,557**	**42,518**	**52,309**	**45,496**
Equity					
Contributed equity	16	17,265	17,265	17,265	17,265
Reserves	17	1,246	1,210	1,246	1,210
Retained earnings		31,046	24,043	33,798	27,021
Total equity		**49,557**	**42,518**	**52,309**	**45,496**

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 2017

Consolidated	Notes	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2015 – Consolidated		**16,190**	**926**	**23,033**	**40,149**
Profit for the Period		–	–	1,010	1,010
Total other comprehensive income		–	284	–	284
Total Comprehensive income for the year as reported in the 2016 financial statements		–	284	1,010	1,294
Shares Issued		1,075	–	–	1,075
Balance at 30 June 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
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	15	–	–	(1,240)	(1,240)
Balance at 30 June 2017 – Consolidated		**17,265**	**1,246**	**31,046**	**49,557**

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 2017

Parent	Notes	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2015 – Parent		**16,190**	**926**	**21,100**	**38,216**
Profit for the Period		–	–	5,921	5,921
Total other comprehensive income		–	284	–	284
Total comprehensive income for the year as reported in the 2016 financial statements		–	284	5,921	6,205
Transactions with owners in their capacity as owners:					
Shares Issued		1,075	–	–	1,075
Balance at 30 June 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**

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 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000	Parent Entity 2017 $'000	Parent Entity 2016 $'000
Cash flows from operating activities					
Interest received		6,776	7,302	6,776	7,302
Interest paid		(3,429)	(4,073)	(3,429)	(4,073)
Receipts from customers (incl of GST)		101,126	97,614	91,395	86,266
Payments to suppliers and employees (inclusive of GST)		(93,440)	(100,703)	(84,372)	(90,889)
Income tax refunds received		3,118	–	3,118	–
Income taxes paid		(934)	(2,233)	(934)	(2,728)
Loans and investments		(29,266)	33,391	(29,266)	33,391
Deposits		8,154	20,780	8,817	19,289
Net cash inflow/ (outflow) from operating activities	19	**(7,895)**	**52,078**	**(7,895)**	**48,558**
Cash flows from investing activities					
Payments for intangible assets		(5,808)	(3,069)	(5,808)	(3,069)
Payments for property, plant and equipment		(2,057)	(4,156)	(2,057)	(4,156)
Purchased shares		(1,019)	(296)	(1,019)	(296)
Net Proceeds from ATM Business Sale		6,079	–	6,079	–
Net cash inflow/ (outflow) from investing activities		**(2,805)**	**(7,521)**	**(2,805)**	**(7,521)**
Cash flows from financing activities					
Dividends paid to company's shareholders		–	(749)	–	(749)
Dividends received from subsidiaries		–	–	–	3,520
Shares Issued		–	1,075	–	1,075
Cost of Financing		(129)	–	(129)	–
Net cash inflow/ (outflow) from financing activities		**(129)**	**326**	**(129)**	**3,846**
Net increase/(decrease) in cash and cash equivalents held		(10,829)	44,883	(10,829)	44,883
Cash and cash equivalents at the beginning of the financial year		95,268	50,385	95,268	50,385
Cash and cash equivalents at the end of the financial year	19	**84,439**	**95,268**	**84,439**	**95,268**

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 2017

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, except for the changes in accounting policies as explained in Note 1(a). The financial statements include separate financial statements for Indue Ltd (Indue) as an individual entity and the consolidated entity consisting of Indue Ltd and its subsidiaries (the Group). Indue is a for-profit entity and primarily operates in the payment services industry offering white labelled and transactional products to commercial business, government departments and financial institutions.

a) Basis of preparation

Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of Indue Ltd are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

The consolidated financial statements were authorised for issue by the Board of Directors on 1 September 2017.

Historical cost convention

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

Critical accounting estimates

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

Changes in accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by all entities in the Group.

AASB 1053 *Application of Tiers of Australian Accounting Standards*

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

Functional and presentation currency

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

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

Notes to the financial statements continued

For the year ended 30 June 2017

b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Indue as at 30 June 2017 and the results of all subsidiaries for the year then ended. Indue and its subsidiaries are referred to in these financial statements as the consolidated entity or the Group.

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

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

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

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

c) Investments and other financial assets

Classification

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

Loans and receivables

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

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

Impairment

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

d) Fair value estimation

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

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

e) Property, plant and equipment

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

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

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

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

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

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

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

f) Receivables

Trade receivables

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

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

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

Receivables due from other financial institutions

Receivables from other financial institutions are amounts receivable from counterparties for the purposes of funding daily settlement. Refer to note 2.

g) Income tax

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

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

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

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

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

Tax consolidation legislation

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

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

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

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

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

Non-refundable Research and Development tax incentive

The Group has applied AASB 112 *Income Taxes* with respect to its accounting treatment of the 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.

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 21). 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.

Notes to the financial statements continued

For the year ended 30 June 2017

k) Inventories

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

l) Revenue recognition

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

Interest income

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

Fee income

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

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

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

Sales income

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

Rental income

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

m) Cash and cash equivalents

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

n) Trade and other payables

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

o) Dividends

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

p) Deposits and other financial liabilities

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

Deposits

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

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.

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 2017, but have not been applied preparing this financial report. The Group is assessing the impact on it's 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 (2010)*, AASB 9 *Financial Instruments (2009)*

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

AASB 15 *Revenue from Contracts with Customers*

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

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. AASB16 is effective for annual periods beginning on or after 1 January 2019. The financial impact of these changes is unknown at this time.

t) Borrowings

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

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

u) Critical accounting estimates and judgments

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

v) Intangible assets

Goodwill

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

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include internal directly attributable costs, external direct costs of materials and service. Amortisation is calculated on a straight line basis over periods generally between 2.5 and 7 years.

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

Research and development

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

w) Foreign currency translation

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

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

x) Goods and Services Tax (GST)

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

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

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

2. Financial risk management

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

a) Accounting classifications and fair values

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

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

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

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

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For the year ended 30 June 2017

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			Fixed interest maturing in:				
At 30 June 2017	Notes	Floating Interest Rate $'000	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Non-interest Bearing $'000	Total $'000
Cash and cash equivalents	6	84,442	–	–	–	–	84,442
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	–	–	–	–	6,582	6,582
Other financial assets	10	–	–	–	–	2,000	2,000
		92,499	**227,372**	**9,806**	**–**	**31,265**	**360,942**
Weighted average interest rate		**1.67%**	**2.00%**	**1.76%**			
At 30 June 2016							
Cash and cash equivalents	6	95,275	–	–	–	–	95,275
Receivables due from other financial institutions		–	–	–	–	18,578	18,578
Investments held to maturity		–	185,728	10,635	19,000	–	215,363
Loans & advances		601	–	–	–	–	601
Trade or other receivables	7	–	–	–	–	8,531	8,531
Other financial assets	10	–	–	–	–	981	981
		95,877	**185,728**	**10,635**	**19,000**	**28,090**	**339,330**
Weighted average interest rate		**1.78%**	**2.27%**	**2.07%**	**3.13%**		

Parent			**Fixed interest maturing in:**				
At 30 June 2017	Notes	Floating Interest Rate $'000	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Non-interest Bearing $'000	Total $'000
Cash and cash equivalents	6	84,442	–	–	–	–	84,442
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	–	–	–	–	6,578	6,578
Other financial assets	10	–	–	–	–	10,401	10,401
		92,499	**227,372**	**9,806**	**0**	**39,662**	**369,339**
Weighted average interest rate		**1.67%**	**2.00%**	**1.76%**			
At 30 June 2016							
Cash and cash equivalents	6	95,275	–	–	–	–	95,275
Receivables due from other financial institutions		–	–	–	–	18,578	18,578
Investments held to maturity		–	185,728	10,635	19,000	–	215,363
Loans & advances		601	–	–	–	–	601
Trade or other receivables	7	–	–	–	–	8,533	8,533
Other financial assets	10	–	–	–	–	9,382	9,382
		95,877	**185,728**	**10,635**	**19,000**	**36,493**	**347,733**
Weighted average interest rate		**1.78%**	**2.27%**	**2.07%**	**3.13%**		

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

Financial Liabilities

Consolidated			**Fixed interest maturing in:**				
At 30 June 2017	Notes	Floating Interest Rate $'000	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Non-interest Bearing $'000	Total $'000
Payables due to other financial institutions		–	–	–	–	20,973	20,973
Bank overdrafts		3	–	–	–	–	3
Settlement funds	13	139,764	–	–	–	–	139,764
Term deposits	13	–	154,550	9,806	–	–	164,356
Creditors and other liabilities	14	–	–	–	–	6,006	6,006
		139,767	**154,550**	**9,806**	**–**	**26,979**	**331,102**
Weighted average interest rate		**0.03%**	**1.73%**	**1.72%**			
At 30 June 2016							
Payables due to other financial institutions		–	–	–	–	19,495	19,495
Bank overdrafts		7	–	–	–	–	7
Settlement funds	13	125,477	–	–	–	–	125,477
Term deposits	13	–	159,854	10,635	–	–	170,489
Creditors and other liabilities	14	–	–	–	–	4,597	4,597
		125,484	**159,854**	**10,635**	**–**	**24,092**	**320,065**
Weighted average interest rate		**0.07%**	**2.03%**	**2.07%**			

Parent

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
Payables due to other financial institutions		–	–	–	–	20,973	20,973
Bank overdrafts		3	–	–	–	–	3
Settlement funds	13	141,281	–	–	–	–	141,281
Term deposits	13	–	154,550	9,806	–	–	164,356
Creditors and other liabilities	14	–	–	–	–	5,966	5,966
		141,284	**154,550**	**9,806**	**–**	**26,939**	**332,579**
Weighted average interest rate		**0.03%**	**1.73%**	**1.72%**			
At 30 June 2016							
Payables due to other financial institutions		–	–	–	–	19,495	19,495
Bank overdrafts		7	–	–	–	–	7
Settlement funds	13	126,332	–	–	–	–	126,332
Term deposits	13	–	159,854	10,635	–	–	170,489
Creditors and other liabilities	14	–	–	–	–	5,203	5,203
		126,339	**159,854**	**10,635**	**–**	**24,698**	**321,526**
Weighted average interest rate		**0.07%**	**2.03%**	**2.07%**			

Sensitivity Analysis

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

		Consolidated		Parent Entity	
Variable	Movement in Variable	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Interest Income	+100 bp	3,205	3,055	3,205	3,055
	-100 bp	(3,205)	(3,055)	(3,205)	(3,055)
Interest Expense	+100 bp	3,000	2,856	3,012	2,776
	-100 bp	(3,000)	(2,856)	(3,012)	(2,776)
Net Interest Income	+100 bp	204	199	192	183
	-100 bp	(204)	(199)	(192)	(183)

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

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Group manages liquidity risk in accordance with the Liquidity and Large Exposure Policies set by the Board and agreed with the Australian Prudential Regulation Authority (APRA). The Group undertakes daily monitoring of actual cash flows and forecasts cash requirements daily. The Group substantially matches the maturity profiles of financial assets and liabilities, and aim to ensure that a ready supply of liquidity is available as financial liabilities fall due. Board Policy requires that funds are only invested in high quality liquid assets with Authorised Deposit Taking Institutions (ADIs) with a Standard and Poor's rating of A-2/BBB or higher.

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

Settlement risk

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

Notes to the financial statements continued

For the year ended 30 June 2017

Financing arrangements

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

Maturities of financial liabilities

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

Financial Liabilities as at 30 June 2017

Consolidated	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Over 5 Years $'000	Total $'000
Payables due to other financial institutions	20,973	–	–	–	20,973
Bank overdrafts	3	–	–	–	3
Settlement funds	139,764	–	–	–	139,764
Term deposits	154,550	9,806	–	–	164,356
Creditors and other liabilities	6,006	–	–	–	6,006
	321,296	**9,806**	**–**	**–**	**331,102**

Financial Liabilities as at 30 June 2016

Consolidated	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Over 5 Years $'000	Total $'000
Payables due to other financial institutions	19,495	–	–	–	19,495
Bank overdrafts	7	–	–	–	7
Settlement funds	125,477	–	–	–	125,477
Term deposits	159,854	10,635	–	–	170,489
Creditors and other liabilities	4,597	–	–	–	4,597
	309,430	**10,635**	**–**	**–**	**320,065**

Parent	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Over 5 Years $'000	Total $'000
	Financial Liabilities as at 30 June 2017				
Payables due to other financial institutions	20,973	–	–	–	20,973
Bank overdrafts	3	–	–	–	3
Settlement funds	141,282	–	–	–	141,282
Term deposits	154,550	9,806	–	–	164,356
Creditors and other liabilities	5,966	–	–	–	5,966
	322,774	**9,806**	**–**	**–**	**332,580**

Parent	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Over 5 Years $'000	Total $'000
	Financial Liabilities as at 30 June 2016				
Payables due to other financial institutions	19,495	–	–	–	19,495
Bank overdrafts	7	–	–	–	7
Settlement funds	126,332	–	–	–	126,332
Term deposits	159,854	10,635	–	–	170,489
Creditors and other liabilities	5,203	–	–	–	5,203
	310,891	**10,635**	**–**	**–**	**321,526**

d) Credit risk

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

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

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

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

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on page 34.

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

	Consolidated		Parent Entity	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash and Cash equivalents				
Counterparties with external credit rating (Standards and Poor's)				
AAA	13,924	42,902	13,924	42,902
AA-	70,518	50,373	70,518	50,373
A-	–	2,000	–	2,000
	84,442	**95,275**	**84,442**	**95,275**
Due from other financial institutions				
Counterparties with external credit rating (Standards and Poor's)				
AA-	200,517	177,885	200,517	177,885
A-	–	23,564	–	23,564
BBB+	12,985	13,914	12,985	13,914
BBB	23,676	–	23,676	–
	237,178	**215,363**	**237,178**	**215,363**
Loans and advances and other financial assets				
Unrated				
Shares in subsidiary	–	–	8,401	8,401
Loans and advances	8,057	601	8,057	601
Shares in other entities	2,000	981	2,000	981
	10,057	**1,582**	**18,458**	**9,983**
Other				
Interest accrued				
AA-	749	646	749	646
A-	–	80	–	80
BBB+	41	50	41	50
BBB	65	–	65	–
	855	**776**	**855**	**776**
Other				
Unrated				
Debtors	6,515	7,755	6,383	7,757
Receivables	22,683	18,578	22,683	18,578
	29,198	**26,333**	**29,066**	**26,335**

Notes to the financial statements continued

For the year ended 30 June 2017

3. Profit from continuing operations

	Consolidated		Parent Entity	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Profit from continuing activities before income tax expense includes the following specific net gains and expenses:				
Crediting as revenue				
Interest on investments	6,776	7,302	6,776	7,302
Other fee income	75,815	76,569	75,155	74,983
Net proceeds from ATM Business Sale	6,079	–	6,079	–
Sundry income	5,462	1,979	4,798	1,024
Sales	4,262	3,834	4,262	3,834
Rental income	7,299	7,930	22	–
Dividend income	–	–	–	3,521
Total non-interest revenue	98,917	90,312	90,316	83,363
Total revenue	**105,693**	**97,614**	**97,092**	**90,664**
Charging as expenses				
Interest expense	3,429	4,073	3,429	4,073
Fee expenses	42,647	37,055	41,699	45,180
IT services	1,823	1,394	1,823	1,146
Depreciation	2,073	1,631	2,073	1,631
Amortisation	1,385	893	1,212	720
Employee benefits expense	22,017	28,014	21,832	16,943
Professional services	1,372	804	1,372	803
Rental expense	8,868	9,257	1,900	935
Project expenses	2,009	6,446	2,009	5,989
Other expenses	8,895	7,876	8,891	7,566
Total expenses	**94,518**	**97,443**	**86,240**	**84,987**
Profit from continuing activities	**11,175**	**171**	**10,852**	**5,677**

4. Income tax expense

	Consolidated		Parent Entity	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
a) Income tax expense/(benefit)				
Current tax	(389)	(813)	(261)	(182)
Deferred tax	3,321	(26)	3,096	(61)
	2,932	**(839)**	**2,835**	**(243)**
Income tax expense is attributable to:				
Profit from continuing operations	2,932	(839)	2,835	(243)
Aggregate income tax expense	2,932	(839)	2,835	(243)
Deferred tax (revenue)/expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets	2,217	(2,013)	1,992	(2,047)
(Decrease)/increase in deferred tax liabilities	1,103	21,987	1,104	1,987
	3,321	**(26)**	**3,096**	**(60)**
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	11,175	171	10,852	5,677
Tax at the Australian tax rate of 30% (2016 – 30%)	3,351	49	3,256	1,703
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Dividend income	–	–	–	(1,056)
Research & Development expense	(531)	(886)	(531)	(886)
Sundry items	13	33	13	31
	2,832	(804)	2,737	(208)
Under/(Over) provision in previous years	100	(35)	98	(35)
Income tax expense	**2,932**	**(839)**	**2,835**	**(243)**
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	(36)	120	(36)	120
	(36)	**120**	**(36)**	**120**

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Franking Credits available for subsequent periods based on a tax rate of 30% (2016: 30%)	7,109	7,918	7,109	7,918

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 auditors

	Consolidated		Parent Entity	
	2017 $	2016 $	2017 $	2016 $
Assurance services				
Group auditor – KPMG Australia				
Audit of financial statements under the *Corporations Act 2001*	142,240	139,460	142,240	139,460
Audit of Regulatory returns	50,820	49,820	50,820	49,820
IT General Controls assurance	84,090	76,430	84,090	76,430
Total Remuneration for Audit Services	**277,150**	**265,710**	**277,150**	**265,710**
Other advisory services				
Group auditor - KPMG Australia				
CPS 220 / ICAAP review	–	45,310	–	45,310
Accounting advisory	8,051	–	8,051	–
AML independent review	136,128	–	136,128	–
Risk advisory	58,451	–	58,451	–
Business advisory	24,796	–	24,796	–
Total remuneration for other advisory services	**227,426**	**45,310**	**227,426**	**45,310**

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	
	2017 $'000	2016 $'000
Bank Deposits – at call	16,442	47,275
Bank Deposits – 11am investments	68,000	48,000
	84,442	**95,275**

b) Deposits

The deposits at call are bearing interest rates at 1.28% at 30 June 2017 (2016: 1.51%).

The 11am investments are bearing interest rates at 1.77% at 30 June 2017 (2016: 2.04%)

7. Trade and other receivables

	Consolidated		Parent Entity	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Interest receivable	855	776	855	776
Trade debtors	5,727	7,755	5,723	7,757
	6,582	**8,531**	**6,578**	**8,533**

This note should be read in conjunction with note 2.

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

	Financial Assets As at 30 June 2017 $'000					
	Amount not past due	Less than 1 month	Between 1m – 3m	Between 3m – 6m	Over 6 months	Total
Consolidated	5,326	242	13	146	–	5,727
Parent Entity	5,380	243	13	87	–	5,723

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

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 (2016: nil).

8. Intangible assets

Consolidated	Goodwill $'000	Capital Initiatives $'000	Total $'000
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**
At 30 June 2016			
Opening net book amount	4,061	6,195	10,256
Additions	–	3,073	3,073
Amortisations	–	(893)	(893)
Closing net book amount	**4,061**	**8,375**	**12,436**

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

a) Goodwill

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

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

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

- the projected future cash flows in Indue's 5 year strategic plan;
- a terminal value calculated using the cash flows forecast to be generated in year 5 with a residual growth rate of 2% (2016: 2%);
- a post tax discount rate of 8.54% (2016: 8.46%).

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 2017 (2016: 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 the Domino Core Banking system (acquired as part of the Lynx acquisition) and the internally generated Card Management System.

The Domino Core Banking system is being amortised over 10 years with 6 months remaining, reflecting the economic life and value added by this acquired software asset.

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

A recoverable value of the assets in excess of its carrying value is supported and therefore the asset was not impaired at the 30 June 2017 (2016: nil).

9. Property, plant and equipment

	Cost or Valuation		Accumulated Depreciation		Written Down Value	
Consolidated	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Land at Valuation	1,143	1,143	–	–	1,143	1,143
Building at Valuation	3,398	3,383	1,273	930	2,125	2,453
Plant & Equipment at cost	14,504	13,438	9,102	8,339	5,402	5,099
	19,045	**17,964**	**10,375**	**9,269**	**8,670**	**8,695**

	Cost or Valuation		Accumulated Depreciation		Written Down Value	
Parent Entity	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Land at Valuation	1,143	1,143	–	–	1,143	1,143
Building at Valuation	3,398	3,383	1,273	930	2,125	2,453
Plant & Equipment at cost	14,312	12,387	8,924	7,302	5,388	5,085
	18,853	**16,913**	**10,197**	**8,232**	**8,656**	**8,681**

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

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 2015	1,143	1,666	3,148	5,957
Additions	–	669	3,487	4,156
Disposals	–	–	(179)	(179)
Revaluation increment/(decrement)	–	404	–	404
Depreciation expense	–	(287)	(1,357)	(1,644)
Carrying amount at 30 June 2016	**1,143**	**2,452**	**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**
Parent Entity				
Carrying amount at 1 July 2015	1,143	1,666	3,134	5,943
Additions	–	669	3,487	4,156
Disposals	–	–	(179)	(179)
Revaluation increment/(decrement)	–	404	–	404
Depreciation expense	–	(287)	(1,357)	(1,644)
Carrying amount at 30 June 2016	**1,143**	**2,452**	**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**

For both the Group and the Company, if Land and Buildings were carried at cost, Freehold Land would be $225,000 (2016: $225,000), Buildings would be $825,000 (2016: $825,000) and accumulated depreciation would be $453,750 (2016: $433,125).

10. Other financial assets

	Consolidated		Parent Entity	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Shares in subsidiaries	–	–	8,401	8,401
Shares in other entities	2,000	981	2,000	981
	2,000	**981**	**10,401**	**9,382**

11. Net deferred tax liability / asset

	Consolidated		Parent Entity	
Tax asset	2017 $'000	2016 $'000	2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in Profit or Loss				
Employee benefits	1,281	810	1,281	584
Other	425	3,114	425	3,114
	1,706	3,924	1,706	3,698
Movements:				
Opening balance at 1 July	3,924	1,911	3,698	1,651
Charged to the Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	(2,217)	2,013	(1,992)	2,047
Closing balance at 30 June	1,706	3,924	1,706	3,698
Set-off of deferred tax liabilities pursuant to set-off provisions	(3,289)	(2,221)	(3,289)	(2,221)
Net deferred tax (liability) /asset	**(1,582)**	**1,702**	**(1,582)**	**1,479**

Tax liability	Consolidated 2017 $'000	Consolidated 2016 $'000	Parent Entity 2017 $'000	Parent Entity 2016 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in Profit or Loss				
Intangible Assets	3,223	–	3,223	–
Land	215	215	215	215
Building	375	391	375	391
Plant & Equipment	(586)	1,548	(586)	1,548
Other	62	67	62	66
	3,289	2,221	3,289	2,221
Movements:				
Opening balance at 1 July	2,221	114	2,221	114
Charged to Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	1,103	1,987	1,104	1,987
Charged to equity (note 16)	(36)	120	(36)	120
Closing balance 30 June	3,289	2,221	3,289	2,221

12. Other assets

	Consolidated		Parent Entity	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Inventory (ATMs and Modems) – current	50	316	50	316
Prepayments – current	1,046	1,332	1,043	1,179
	1,096	**1,648**	**1,093**	**1,494**

13. Deposits

	Consolidated		Parent Entity	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Settlement funds	139,764	125,477	141,281	126,332
Term deposits	164,356	170,489	164,356	170,489
	304,120	**295,966**	**305,637**	**296,821**

14. Creditors and other liabilities

	Consolidated		Parent Entity	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade creditors	5,596	4,139	5,556	4,745
Accrued interest payable	410	458	410	458
	6,006	**4,597**	**5,966**	**5,203**

15. Provisions

	Consolidated		Parent Entity	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Employee entitlements				
– Current	3,582	2,076	3,582	1,538
– Non Current	689	623	689	410
Dividends	1,240	–	1,240	–
Other	609	1,115	609	1,115
	6,120	**3,815**	**6,120**	**3,063**

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

Consolidated & Parent	Dividends $'000	Other $'000	Total $'000
Carrying amount at 1 July 2016	728	147	875
Additional provisions recognised	21	1,344	1,365
Amounts used during the period	(749)	(376)	(1,125)
Carrying amount at 30 June 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**

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.

b) Dividends

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

There were no dividends paid to members during the financial year.

16. Contributed equity

	Consolidated & Parent Entity		Consolidated & Parent Entity	
	2017 Shares	2016 Shares	2017 $'000	2016 $'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. The holders of ordinary shares are entitled to participate in the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

Indue's constitution requires that no individual shareholder acquires more than 15 percent of Class A shares. The reinvestment and additional shares issued in the current year has resulted in a reallocation of Class A and Class B shares for all shareholders. There is no financial impact of this reallocation as the only difference is the voting right attached to the Class A shares. At 30 June 2017 there were 2,105 suspended A class shares.

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 2017 $	30 June 2016 $
Tier 1 Capital		
Paid-up shares	17,265,060	17,265,060
Reserves	1,246,307	1,210,475
Retained Earnings, including Current Year Earnings	31,041,944	24,043,020
Deductions from Tier 1 Capital		
Total deductions (including goodwill, and investments)	(18,864,760)	(15,119,295)
Tier 2 Capital		
Total Tier 2 Capital (net of deductions)	–	–
Total Capital	**30,688,551**	**27,399,260**

The Group managed its total Capital Adequacy Ratio to an internal minimum (Management trigger) of 14.5% (2016:14.5%) during the year, as compared to the risk weighted assets. The Group has exceeded this minimum requirement throughout the financial year. The Group's actual Capital Adequacy Ratio at financial year ends are as follows:

Capital Adequacy Ratio – Group	30 June 2017 %	30 June 2016 %
Tier 1 Capital Adequacy Ratio	17.88	15.91
Total Capital Adequacy Ratio	**17.88**	**15.91**

17. Reserves

	Consolidated & Parent Entity	
	2017 $'000	2016 $'000
Asset revaluation surplus		
Balance 1 July	1,210	926
Revaluation – gross (note 9)	–	404
Deferred tax (note 4)	36	(120)
Balance 30 June	**1,246**	**1,210**

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.

	No of Shares		Value of Shares		Equity holding	
Subsidiaries	2017	2016	2017	2016	2017	2016
Lynx Financial Systems Pty Ltd	350,000	350,000	$350,000	$350,000	100%	100%
Indue Securitisation Pty Ltd	100,000	100,000	$100,000	$100,000	100%	100%
Indue Aggregation Services Pty Ltd	50,000	50,000	$50,000	$50,000	100%	100%
Indue Data Services Pty Ltd	1,000	1,000	$1,000	$1,000	100%	100%
Ivey Pty Ltd	3	3	$3	$3	100%	100%
Trinity Securities Pty Ltd	1	1	$1	$1	100%	100%

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

Involvement with unconsolidated structured entities

Indue Securitisation Pty Ltd acts as Manager to the Trinity Mortgage Trust No1 which is a securitisation vehicle for loans and advances for various credit unions. Trinity Mortgage Trust No 1 is not consolidated into the Indue Group. The Company does hold the residual income unit holder which entitles Indue to receive distributions from the Trust. The Company also receives Manager fees. Trade receivables associated with these distributions and fees of $50,577 (2016: $19,757) is recognised at year end. No financial support is provided to the Trust.

Transactions with related parties

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

	Transactions value year ended 30 June		Balance outstanding as at 30 June	
Parent Entity	2017 $	2016 $	2017 $	2016 $
Purchases of goods and services				
Purchases of software and maintenance from subsidiaries	–	9,337,895	–	1,277,119
Tax consolidation legislation				
Current tax payable assumed from wholly-owned tax consolidated entities	(126,995)	(630,982)	–	–

Notes to the financial statements continued

For the year ended 30 June 2017

Directors

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

Chairman – Non Executive
R D Petie

Non Executive Directors
G F Bell
S R Capello
S C Collier
A Cull
M F Currie (appointed 20 June 2017)
G P Devine
(resigned 28 November 2016)
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 (appointed 18 July 2016)	Indue Ltd
A Crane	Chief Financial Officer	Indue Ltd
J Hinton	General Counsel & Chief Risk Officer	Indue Ltd
L Wilson	Group Executive – Sales & Relationships (appointed 5 Sept 2016)	Indue Ltd
D Hemingway	Group Executive – Product & Marketing (appointed 5 Sept 2016)	Indue Ltd
I Taylor	Group Executive – Chief Information Officer (appointed 5 Sept 2016)	Indue Ltd
K Lugg	Group Executive – Delivery (appointed 5 Sept 2016)	Indue Ltd

Key management personnel compensation

	Consolidated & Parent Entity	
	2017 $	2016 $
Short-term employee benefits	3,291,794	2,876,046
Termination benefits	–	1,643,394
	3,291,794	**4,519,440**

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

19. Cash flow information

	Consolidated		Parent Entity	
	2017 $'000	2016 $'000	2017 $'000	2016 $'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	84,442	95,275	84,442	95,275
Deduct bank overdraft	(3)	(7)	(3)	(7)
	84,439	**95,268**	**84,439**	**95,268**
Reconciliation of net cash flows from operating activities to operating profit after income tax				
Operating profit after income tax	8,243	1,010	8,017	5,921
Decrease/(increase) in sundry debtors and interest revenue accrued	(1,603)	(1,729)	(1,874)	(1,560)
Depreciation and amortisation	3,458	2,524	3,285	2,351
Increase/(decrease) in tax payable	5,116	(3,072)	5,019	(2,971)
Increase/(decrease) in trade, other creditors and interest expense accrued	(1,997)	(826)	(1,892)	(7,863)
Decrease/(increase) in loans and investments	(29,266)	33,391	(29,266)	33,391
Increase/(decrease) in deposits	8,154	20,780	8,816	19,289
Net cash flows from operating activities	**(7,895)**	**52,078**	**(7,895)**	**48,558**

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 2017

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	
	2017 $'000	2016 $'000
Lease income expected/Commitments for minimum lease income in relation to non-cancellable operating leases are receivable as follows:		
Within one year	129	–
Later than one year but not later than five years	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	
	2017 $'000	2016 $'000
Sub lease income expected/Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1,748	1,906
Later than one year but not later than five years	7,194	7,624
Later than five years	1,944	3,206
	10,886	**12,736**

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

	Consolidated		Parent Entity	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	4,072	5,177	–	–
Later than one year but not later than five years	9,732	10,216	–	–
Later than five years	1,748	2,549	–	–
	15,552	**17,942**	**–**	**–**

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 19 to 57 are in accordance with the *Corporations Act 2001*, including;

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

   (ii) giving a true and fair view of the Company’s and Group’s financial position as at 30 June 2017 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 Capello
Director

Brisbane
1 September 2017

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 2017 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 2017;
- Statements of profit or loss and other comprehensive income, Statements 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 and 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.

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.

KPMG

Independent auditor's report

To the shareholders of Indue Ltd

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate 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.qov.au/auditorsfiles/ar7.pdf.
This description forms part of our Auditor's Report.

KPMG

KPMG

Scott Guse
Partner

Brisbane
1 September 2017

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