indue

Annual Report.

2021/2022

This financial report is for Indue Ltd. A description of the nature of the Company's operations and its principal activities is included in the Directors' Report. The financial statements were authorised for issue by the Directors on 26 August 2022. 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
(07) 3258 4222

www.indue.com.au

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We are only as good as the people we have.

Frank Gullone
Chair, Board

Derek Weatherley
Chief Executive Officer

Chair & CEO Report.

The 2021/22 financial year was characterised by Indue's successful delivery of innovative products and solutions for our customers that enhanced digital capability, increased security and supported business growth.

Indue has been in business for more than 50 years and was founded on the values of a customer-first, member service organisation, which are principles that still drive our team's success today.

We are immensely proud of Indue's success and the many remarkable achievements throughout the year.

Digital transition through innovation

This financial year was the third and final year of our 'FOCUSS 2023: Technology Transformation' program implementation, which resulted in significant advancements in our product technology capability, as well as improving efficiency, security and resilience across the business.

Our customers' digital transition through innovative payment products has been the shining achievement of this strategic program.

The mobile wallet is becoming ubiquitous in the market and Indue has taken considerable strides forward in enhancing the mobile wallet experience, providing solutions to create a more seamless and intuitive customer experience, greater customer control and visibility, while also upgrading the security that's available for payments transactions.

In response to market demand, we continued to enhance our mobile payment capability, with Instant Issuance of credit and debit cards, developing and implementing rich and more complex card holder controls and providing greater capability through our customer portal.

To support the program of innovation and digital transformation, we developed the Indue 'Innovation Hub', which enables Indue to codevelop new services with customers and share knowledge about global trends and insights to help them achieve their goals and effectively implement their strategy.

Enhancing customer capability

A major achievement this year was the completion of our multi-channel real-time fraud solution with the final migration of services onto a single real time fraud engine, enabling our clients to benefit from the industry's first true cognitive fraud and AML prevention tool across multiple channels.

Our flagship fraud solution Orion Financial Crimes Service continues to consistently outperform in financial crime prevention, and this will be further developed with biometrics technology enhancements planned in the year ahead.

Other significant achievements this year included largely completing our mobile program and phase one of our migration to cloud, which enabled Indue to activate better synergies and efficiencies and providing more seamless customer experiences.

We also launched a second issuer on the multi-issuer technology being used by government and continued to develop our market-leading technology based on the successful implementation of this program.

Other significant achievements this year included largely completing our mobile program and phase one of our migration to cloud...

Customer-first ethos

The strong growth of the business is grounded in our customer-first ethos and strong commitment to delivering for customers.

A major focus during the past year has been increasing our understanding of customer needs and in turn building stronger customer relationships. We have seen the benefits of this in the key customer insights received in this year's annual customer survey, with strong positive feedback and high levels of customer satisfaction and engagement.

In the 2022 customer survey, Indue set a new advocacy performance record, as the team continued to act on the feedback from our 2021 customer survey with a refocused and concerted long-term effort to better service and deliver for our customers.

In the survey our customers told us we offer great service and have great people to back up the service offering; we deliver quality outcomes; we have a preparedness to work on solutions for the benefit of all concerned; and we ensure help is always on hand when customers need it.

There is always scope for improvement and we are committed to continuing to improve customer service, deliver innovative products and ensure we provide market-leading payment solutions.

This year has seen many of our customers and their members experience significant hardship through natural disasters and emergency situations, most notably with the floods experienced in early 2022. We have strived to proactively support our customers through these challenging times to ensure they could maintain service and access to funds where needed.

We have also supported natural disaster relief as a core service provider for the Federal Government emergency benefit transfer payments, which provide immediate access to disaster relief type payments for people impacted by natural disasters.

Indue people driving success

It is our people that continue to be our greatest strength. The strong customer service and innovations in our product suite being delivered by our people are driving high levels of satisfaction among existing customers and assisting with securing new partnerships. Indeed, the positive customer feedback we receive is a testament to the dedicated work of the entire Indue team.

Our customer-first ethos is implemented through a dedicated customer engagement program that includes a range of engagement activities including monthly service quality meetings with strong attendance from across the business, Board briefings, executive strategy workshops, independent product meetings and project governance meetings.

It has been particularly pleasing to see the resilience and strength of the leadership team in responding to COVID-19, changing market conditions, the changing needs of clients and the competitive and rapidly changing market.

Furthering the strength of leadership in the business, we would like to welcome our newest Director Tim Oldham, who joined the Board in September 2021.

Growing our customer base

We achieved strong growth in our customer base this year with three new mutual banks - Auswide Bank, The Mutual Bank and the Bank of Us - partnering with Indue as their principal payments partner.

We see significant cultural alignment with all organisations being 'member first' – focused on serving their customers and communities – and we couldn't be more pleased to be partnering with these customers to help them continue to deliver outstanding service to their members and communities.

We continue to pursue opportunities to further grow our customer base, with a focus on selling our existing products to a growing and emerging market of people that want to access relevant real time data rich secure payment technology. This applies across a broad spectrum of prospective customers, from payment service providers, banks, other financial institutions, corporates, retail companies and government organisations.

Expanding our service offering

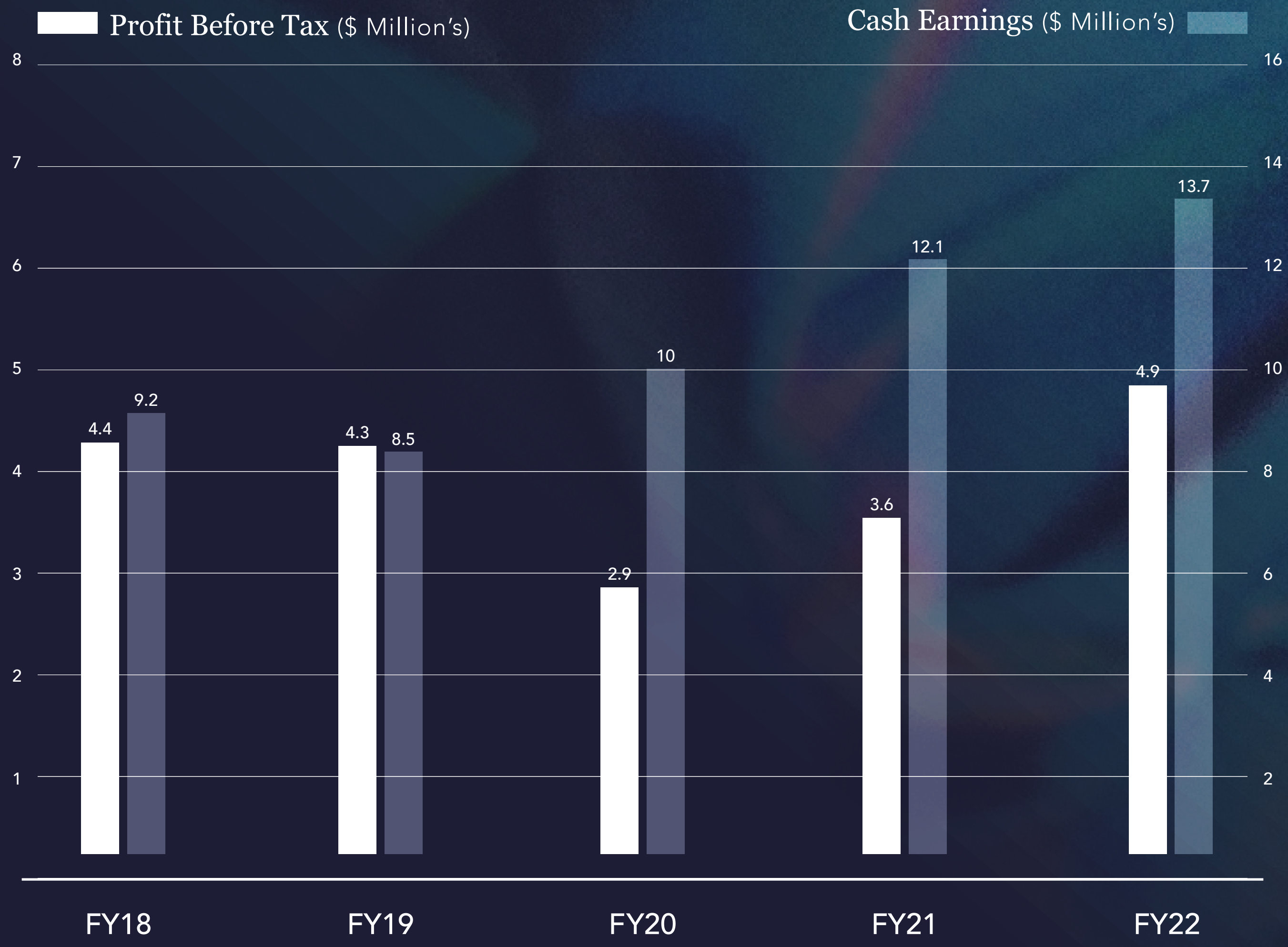
This year we transitioned from a Tier 2 to a Tier 1 participant Member of the Bulk Electronic Clearing System (BECS), which processes more than $14 trillion Direct Entry transactions annually.

This was a major industry change and went ahead without disruption to our clients, their customers or other industry participants. This change is also significant because organisations seeking a Tier 1 sponsor now have broader choice in a traditionally limited market.

This change rounds out our position as a Tier 1 provider of all account-to-account payment systems, complementing our New Payments Platform offering and our real time account to account Orion fraud solution.

We now control our own destiny in respect of Direct Entry service continuity for the future, as we no longer rely on other parties to assure service continuity. This is important to our clients as they navigate a shifting state of play in account-to-account payments in the coming years.

Back Row: Ryan Spain – Chief Technology Officer, Geraldine Rigo – Company Secretary, Fred Perry – Chief Customer Officer, Derek Weatherley – Chief Executive Officer
Front Row: Bill Cadzow – Head of People & Culture, Kevin Lugg – Chief Delivery Officer, Jane Hinton – General Counsel and Chief Risk Officer, Adrian Buckley – Chief Financial Officer



Key Operating Highlights from FY22 include:

- Investment in our Orion Financial Crimes reached a major milestone with the completion of the migration to Safer Payments. Scams and phishing prevention continue to be a large focus as fraudsters develop more advanced social engineering methods to obtain information from customers directly. We are monitoring over 375 million transactions per annum for detection of fraud and AML as part of our Orion Crimes 24/7 service. This delivered over $194 million in fraud savings for our clients – an 18% increase on FY21;
- Over 200,000 hours spent developing and enhancing solutions for our customers; and
- Settled approximately 191 million transactions, up 4% on FY22.

Indue recorded its strongest financial performance since 2017. This has enabled a program of accelerated investment across risk and product to deliver further benefits for our customers. Payment volumes continued to increase throughout the year, helping to deliver the 36% increase in Profit Before Tax (PBT) result of $4.9m.

Cash earnings grew 13% to a record $13.7m. The ongoing efficiency programs have enabled us to deliver scale benefits to our customers by lowering cost of service to support them in an always competitive market.

Our capital position remains sounds, with the Tier 1 ratio lifting to 16.27% at the end of FY22, an increase of 0.75% on last year.

We are pleased to be able to share this strong result with our owners and provide a return on their invested capital. We have declared a fully franked dividend of $9 an increase of 20% on last year.

FY23 industry outlook

From an industry-wide perspective, there are a range of challenges and opportunities we expect to see in the forthcoming year, including:

- The ongoing roll-out of PayTo will be a major focus for the payments industry generally in terms of enhancing capability and migrating volume from both international schemes to more domestic based transactions.
- Competition in the merchant ecosystem for both e-commerce and point of sale commerce.
- The enrichment of merchant payment wallets and merchant payment experiences to be increasingly digitised.
- An ongoing transition away from direct entry and cheques with the retirement of those two payment systems.
- Consolidation of BPay, EFTPOS and NPP into Australian Payments Plus, driving a natural, singular coordinated roadmap for the development of domestic payment system capability.
- Digital identity e.g. age verification, initiation of transactions, e-receipting, becoming more intertwined in payment experiences.

Indue recorded its **strongest** financial performance since 2017

375 million transactions monitored

$194 million in fraud savings

200,000 hours spent developing & enhancing solutions for our customers

191 million transactions settled, up 4%

FY23 Indue focus

Looking forward to FY23 and beyond, the focus for the Board and Executive team will be continuing to respond effectively to our customer's needs and market expectations. At a strategic level, the focus will be to continue delivering on our plans to improve service delivery, prudently achieve further organisational growth and enhance the standing of our customers in the industry. This underpins the full aspect of our vision to be the payments provider of choice to our customers and to be more resilient in a competitive and rapidly changing market.

Critical to our focus for FY23 will be staying at the forefront of introducing new payments technology in line with regulation changes and expectations of the industry.

We will continue our focus on lowering cost structures through automation, continuing to build relationships with all our customers through strong engagement, and supporting our clients over the long term by delivering first-rate services that are relevant to their needs and in line with their growth strategies.

The central focus areas for Indue over the forthcoming year will include:

- Continuing the evolution of our digital and mobile payment services for our customers.
- Ongoing implementation of the PayTo integrated digital payment solution, which will not only solve problems for our existing customers, but also for other emerging markets.
- Continuing our journey of digital transformation and transition to cloud.
- Continuing to remain the pre-eminent third party, fully managed fraud solution with further investments in biometric capability and biometric behavioural scoring.
- Launching and extending our capability in our business-to-business customer portal, particularly around high value payment capability.
- Investments in data, data insights and data strategy.

Indue is primed for continued growth over the next 12 months, and we are excited at the potential for embracing the opportunities and meeting the challenges ahead.

There is significant opportunity to capitalise on the rich vein of opportunity that exists in the market off the back of the substantial investment in leading edge digital real time payments technology in recent years.

Thank you to the Indue team for your valuable contributions this year. We firmly believe that our people are the key to our ongoing success. Thank you to our valued customers for your trust, collaboration and partnership. We look forward to supporting you in your service to your customers and community.

Frank Gullone
Chair, Board

Derek Weatherley
Chief Executive Officer

A sustainable business delivering positive social impact.

Indue is committed to embedding sustainable practices across our business, supporting initiatives that create positive community impact and implementing programs to enhance the wellbeing of our employees.

Three key pillars underpin our approach to operating a socially responsible business and leveraging our networks to deliver positive social outcomes:

Employee wellbeing

Fostering an organisational culture and delivering programs that enable our employees to achieve healthier & happier lives.

Sustainability

Implementing initiatives and working with our partners to drive responsible practices that address current environmental challenges and protect our planet for future generations.

Positive community impact

A commitment to social responsibility and partnering with our customers to support communities through initiatives that provide strong and positive impact.

Delivering positive community impact.

In the past five years Indue has raised more than $60,000 through participation and support of the Vinnies CEO Sleepout and their fight against homelessness.

We are also proud to have supported many other important causes close to our hearts through donations and volunteering, including Australian Red Cross Lifeblood, Drought Angels, Salvation Army Christmas Angels, The Kidney Foundation, OzHarvest, Movember, R U OK? Day and Australia's Biggest Morning Tea.

This year many of our customers were severely impacted by natural disaster. We were there to support them through this incredibly challenging time in any way we could to ensure their members and communities continued to have access to their critical banking services. We also continue to provide immediate access to disaster relief type payments for people impacted by natural disasters.

$60,000+
Raised through Vinnies CEO Sleepout

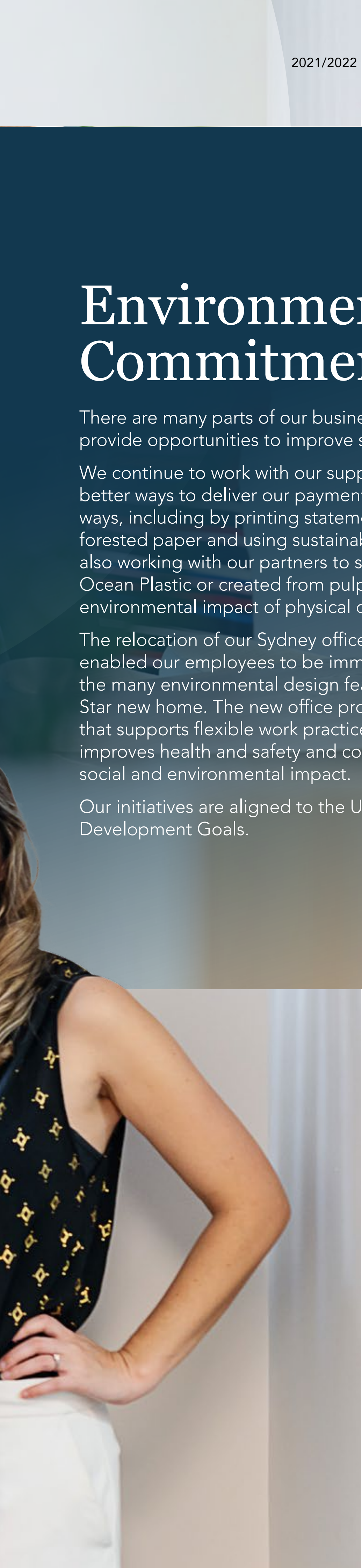
32 hours
Volunteering by Indue employees

6 lives saved
Australian Red Cross Lifeblood blood donations

$2,000
Raised through charity donations

A sustainable business delivering positive social impact

Indue is committed to embedding sustainable practices, supporting initiatives that create positive community impact & implementing programs to enhance human wellbeing.



Environmental Commitment

There are many parts of our business and supply chain that provide opportunities to improve sustainability.

We continue to work with our supply chain partners to explore better ways to deliver our payment services in sustainable ways, including by printing statements on responsibly forested paper and using sustainable ink processes. We are also working with our partners to start issuing cards made of Ocean Plastic or created from pulp to reduce waste and the environmental impact of physical cards.

The relocation of our Sydney office to 1 Denison Street has enabled our employees to be immersed in and benefit from the many environmental design features of our 5 Star Green Star new home. The new office provides a work environment that supports flexible work practices and leave policies, improves health and safety and contributes to Indue's positive social and environmental impact.

Our initiatives are aligned to the United Nations Sustainable Development Goals.

Community Commitment

We are proud to be building a business with a social conscience. Our commitment is to provide value for all our stakeholders, from our strong financial performance and growth, through to our various programs, initiatives and services focused on delivering positive impact for employees, environment, and community.

We look forward to continuing to work with our teams, partners, and customers to further enhance our social impact and sustainability initiatives in the future.

Corporate Governance report.

Overview

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

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

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

Board Meetings

The number of Board meetings and each Director's attendance at those meetings is set out in the report of the Directors. Directors are expected to prepare for, attend and participate at Board meetings and meetings of committees. The Board meets principally at either the head office in Brisbane or the Company's office in Sydney. Where travel restrictions or circumstances prevent physical attendance at meetings, the Board meets via online videoconference facilities.

New Directors, Induction and Continuing Education

The Committee oversees the appointment of new Directors to the Board. To ensure that the Board has the necessary and desirable competencies, when considering any recommended appointments to the Board the Committee takes into consideration the mix of skills, experience, expertise, diversity and other qualities of the existing Directors and assesses the skills required to discharge competently the Board's duties having regard to the Company's performance, financial position and strategic direction.

Management, working with the Board, provides an orientation program for new Directors. The program includes discussions with executives and management, and where requested, the external auditor, and reading material. This material covers the Company's strategic plans, its significant financial, accounting and risk management issues, compliance programs, management structure, internal and external audit programs, and Directors' rights, duties and responsibilities. Management periodically provides additional information sessions for Directors about the Company, and the factors impacting, or likely to impact, the businesses. These assist the Directors to gain a broader understanding of the Company and its industry. Directors are also encouraged to keep up to date on topical issues.

Performance Evaluation

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

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

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

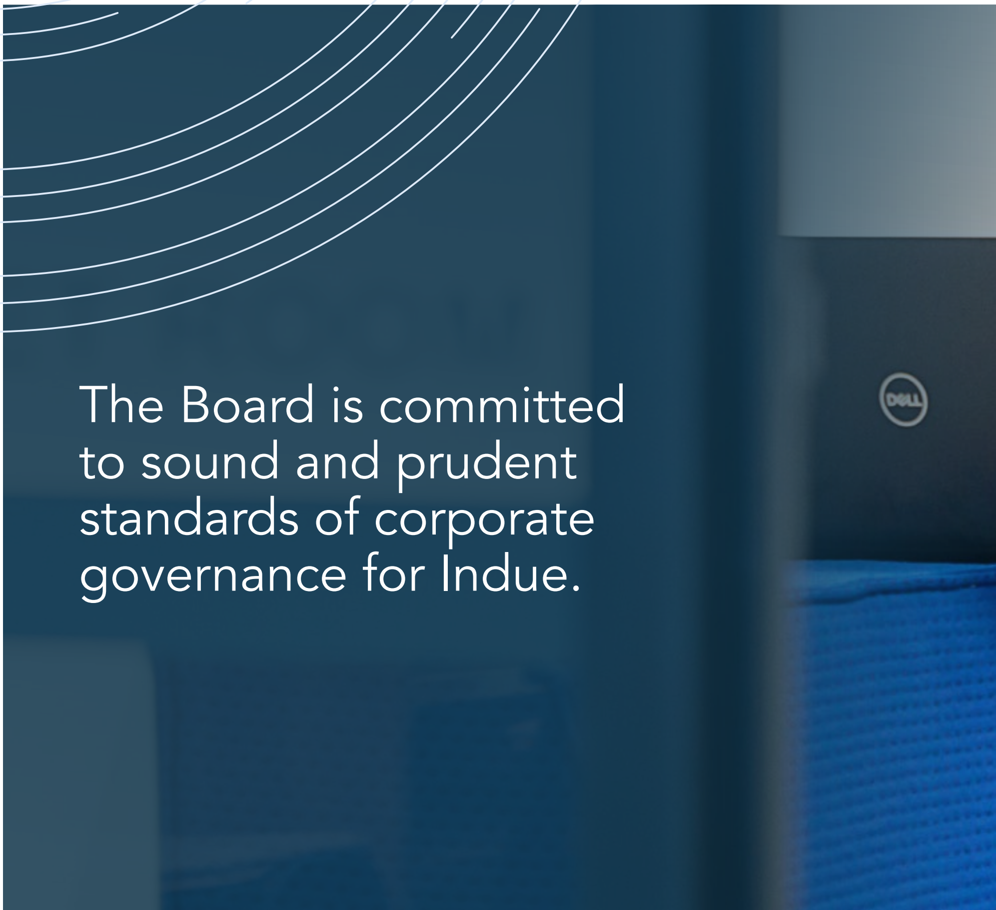
In addition, the Board assesses annually the performance of the Chief Executive Officer and Executive Leadership Team against agreed objectives.

Remuneration of Directors

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

Performance & Remuneration of Senior Executives

The Company’s performance management framework covers all senior executives of the Company and entails the setting of Key Result Areas (including both financial and non-financial measures). Performance discussions are conducted bi-annually between each senior executive and their manager, with a formal end of year review which includes comparing and calibrating each senior executive to the performance of peers. For the reporting period, this performance assessment process was conducted in



The Board is committed to sound and prudent standards of corporate governance for Indue.

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

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

Access to Management

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

Risk Management & Internal Audit

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

The Company has an independent internal audit function (currently outsourced to professional services firm, PricewaterhouseCoopers) that reports to the Audit Committee. The internal audit function is responsible for evaluating, testing and reporting on the adequacy and effectiveness of the Company's internal controls. To ensure independence, the Company's Internal Audit function has a direct reporting line to the Chair of the Audit Committee.

Board Committees

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

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

Audit Committee

Principal Responsibilities

to assist the Board in fulfilling its responsibilities, by providing an independent, objective, non-executive review of the effectiveness of reporting of financial information and the internal control environment;

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

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

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

Audit Committee		Held	Attended
Chair	S Rix	4	4
Members	A De Fazio	4	4
	P Townsend	4	3
	T Oldham[1]	3	3

(1) T Oldham was appointed to the Committee on 27 October 2021

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

Risk Committee

Principal Responsibilities

- provide oversight of the implementation, effectiveness and operation of the Company's risk management function and systems (which includes all material risks as defined in the Company's risk management strategy);
- oversight of the Company's risk profile and assessment of this alignment with the Board's Risk Appetite Statement;
- support the oversight and promotion of the risk culture of the Company;
- review assurances to enable the Board and the Risk Committee to make declarations on risk management to APRA as required;
- commission a comprehensive independent review (to be conducted every three years or as required by APRA) on the appropriateness, effectiveness and adequacy of the Company's risk management framework and Internal Capital Adequacy Assessment Process (ICAAP), and consider the results of the report;
- review management's plans to mitigate material risks faced by the Company;
- make recommendations to the Board concerning the Company's current and future risk appetite, risk management strategy and particular risks or risk management practices;
- consider new business opportunities, products or initiatives that have been assessed against the Company's Risk Appetite Statement and either approve, not approve or require additional work or activities be undertaken by management;
- provide oversight of the implementation, effectiveness and operation of Indue's compliance management function and systems;
- oversee the Company's compliance with APRA Prudential Standards;
- review significant findings of any internal and external compliance reports, consider the adequacy of management responses and ensure that risks are mitigated in line with the Company's risk appetite statement and risk management strategy;
- consider the adequacy of the Company's credit, liquidity, large exposure, operational and market risk controls in compliance with APRA Prudential Standards;
- advise the Board on the impact the Company's strategic direction will have on the Company relative to its capitalisation, the composition of its capital base and the ownership structure of the Company;
- advise the Board on the alternatives for capitalisation and impacts of regulatory change on the Company relative to its capitalisation and composition of its capital base;
- recommend dividend payments to the Board in line with the Company's Dividend Policy;
- oversee the Company's ICAAP and Capital Stress Testing; and
- make appropriate recommendations to the Board so that it is aware of matters that may impact the Company's ability to remain adequately capitalised in the future.

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

Risk Committee		Held	Attended
Chair	P Wright[1]	6	6
	T Oldham[2]	5	5
Members	M Currie	6	6
	S Rix	6	6

(1) P Wright stepped down as Committee Chair following the appointment of T Oldham on 27 October 2021

(2) T Oldham was appointed to the Committee as Chair on 27 October 2021.

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

Governance, Remuneration & Nominations (GRN) Committee

Principal Responsibilities

- develop and recommend to the Board for approval the Company's Statement of Corporate Governance Principles;
- review the Board's committee structure and establish principles under which they operate in accordance with the constitution and good corporate governance principles;
- develop and recommend to the Board for its approval, an annual evaluation process of the Board and its committees;
- review the Board's meeting procedures, including the appropriateness and adequacy of the information supplied to Directors prior to and during Board meetings;
- review and recommend to the Board for its approval an Accountability Matrix for the Company and Accountability Statements for each Executive and Board member;
- review outside directorships in other companies held by senior company officials;
- evaluate the skills required to discharge the Board's duties having regard to the Company's strategic direction, performance and financial position;
- develop and implement processes to assess whether the necessary and desirable competencies and skills are represented on the Board;
- undertake the process for considering and recruiting new Board members and recommend preferred candidates to the Board;
- develop and recommend to the Board for its approval the Company's Nominations Policy and the manner and processes in which the Board reviews and selects potential Directors and determines Director tenure, Board composition and Board size;
- oversee the annual retirement and appointment of Directors as part of the re-election processes as set out in the Constitution;
- develop and recommend succession planning for Directors;
- develop and recommend to the Board for its approval the Company's Remuneration Policy;
- annually review the effectiveness and compliance of the Company and the Remuneration Policy with the requirements of governance prudential standards;
- make annual recommendations to the Board in respect of the remuneration of the CEO, the Executive Leadership Team, those occupying Special Designated Positions, and any other person whose remuneration is designated by APRA as being required to be reviewed by the Board; and
- annually review the Company's Succession Planning activities for the CEO and other key Executive Management roles.

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

Governance, Remuneration & Nominations (GRN) Committee		Held	Attended
Chair	F Gullone	5	5
Members	M Currie	5	4
	A De Fazio	5	5
	P Townsend	5	5

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

Information Steering Committee (ISC)

Principal Responsibilities

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

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

Information Steering Committee		Held	Attended
Chair	P Wright	4	4
Members	T Oldham[1]	3	3

(1) T Oldham was appointed to the Committee on 27 October 2021

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

F Gullone
Chair, Board

26 August 2022

Financial Reports

Directors' Report

Back Row: Frank Gullone, Geraldine Rigo, Susan Rix, Peter Wright
Front Row: Tim Oldham, Mike Currie, Peter Townsend, Anthony De Fazio

The Directors submit the following report on Indue Ltd in respect of the financial year ended 30 June 2022.

Directors

The names of the persons who have been Directors, or appointed as Directors, during the period since 1 July 2021 and up to the date of this report are: Frank Gullone (Chair), Michael Currie, Anthony De Fazio, Peter Townsend, Peter Wright, Susan Rix and Timothy Oldham.

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

Directors' Report

Frank Gullone
B.Bus (Acc), GradDip SI, AMP (Harvard), FCPA, FAICD

Director since 02.04.13 and Chair since 28.08.20

Indue committees: Governance, Risk and Nominations.

Other Directorships Held (at date of report)

Director, Gullone Group Pty Ltd

Director, Gullone Commercial Solutions Pty Ltd

Board Member, The Queen Elizabeth Centre (QEC), Victoria

Geraldine Rigo
BCom BEcon

Company Secretary since 25 March 2022

Susan Rix AM
B. Fin Admin (UNE), FCA and FAICD

Director since 08.01.21

Indue committees: Audit; Risk.

Other Directorships Held (at date of report)

Chair, AEIOU Foundation Ltd

Director, Harcourts Group of Companies

Director, Cenet Limited

Director, SBR Consulting Pty Ltd

Director, UnitingCare Queensland

Director, The Bird Family Foundation Pty Ltd

Peter Hooper Wright
MBA, MAICD

Director since 01.08.18

Indue committees: Risk; Information Steering.

Other Directorships Held (at date of report)

Managing Director, PHW Consulting Pty Ltd

Timothy Oldman
B.Comm, GradDip SIA and GAICD

Director since 27.09.21

Indue committees: Risk; Information Steering.

Other Directorships Held (at date of report)

Director, Bank of China Limited

Director, Waves of Wellness Foundation

Director, Copo Pty Ltd

Director, Tudibaring Partners Pty Ltd

Michael Francis Currie
B.Bus, MAppFin, GradDip FinPlan, F Fin, GAICD

Director since 20.06.17

Indue committees: Governance, Risk and Nominations; Risk.

Other Directorships Held (at date of report)

N/A

Peter Robert Townsend
MBA, MAICD, FAMI, JP

Director since 22.08.01

Indue committees: Governance, Risk and Nominations; Audit.

Other Directorships Held (at date of report)

Director, The Kempsey Golf Club Ltd

Director, Country Universities Centre

Anthony De Fazio
B.Com, FCPA

Director since 04.07.19

Indue committees: Governance, Risk and Nominations; Audit.

Other Directorships Held (at date of report)

Director, Victoria Police Legacy Scheme Incorporated

Directors' Report

Company Secretary

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

Name	Qualifications	Experience
Jane Elizabeth Hinton	LLB	• Solicitor since 2006; • Indue Ltd Company Secretary since February 2012; and • Currently General Counsel, Chief Risk Officer & Company Secretary, Indue Ltd.
Geraldine Rigo	BCom, BEcon	• Appointed Indue Ltd Company Secretary March 2022; and • Currently Head of Risk Management & 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 2022 are set out in the table below.

	Board Meetings		Committee Meetings	
Directors	# of meetings eligible to attend	# of meetings attended	# of meetings eligible to attend	# of meetings attended
Frank Gullone (Chair)	13	13	5	5
Michael Currie	13	12	11	10
Peter Townsend	13	12	9	8
Peter Wright	13	12	10	10
Anthony De Fazio	13	11	9	9
Susan Rix	13	13	10	10
Tim Oldham[1]	11	11	11	11

(1) T Oldham was appointed as a Director on 27 September 2021

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

Principal Activities

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

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

Directors' Report

Additional services include:

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

Dividends

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

Name	2021-22 $'000	2020-21 $'000
Dividend Paid 28 October 2021 (prior year: no dividend declared for the year 2019-20)	810	-

Review of Operations

An operating profit after tax of $3.415 million (2021: $2.583 million) was achieved this year. A full review of operations is contained in the Chair and CEO's report.

Significant Changes in the State of Affairs

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

Events Subsequent to Balance Date

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

Likely Developments

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

Director's Benefits

No Director of Indue Ltd has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors shown in the accounts) by reason of a contract made by the Company, or a related body corporate with the Director, or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

Directors' Report

Insurance of Officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors, Secretaries and specified employees of the Company. In accordance with normal commercial practice, disclosure of the total amount of the premium paid, and the terms of the policy, are prohibited from being disclosed by a confidentiality clause in the contract of insurance.

Rounding of Amounts

The Company is of a kind referred to in Class Order 2016/191, issued by the Australian Securities & Investments Commission (ASIC) 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 21.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (KPMG) for audit and non-audit services provided during the year are set out in note 5.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in The Code of Ethics for Professional Accountants APES 110, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Directors' Report

Environmental Regulation

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

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

For and on behalf of the Board.

F Gullone Chair, Board	**M F Currie** Deputy Chair, Board

Brisbane
26 August 2022

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Indue Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Indue Limited for the financial year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Ben Flaherty
Partner

Brisbane
26 August 2022

Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 30 June 2022

	Notes	2022 $'000	2021 $'000
Interest revenue		1,229	1,261
Interest expense		(410)	(225)
Net interest income		819	1,036
Non-interest revenues	3	115,172	96,478
Revenue from continuing operations		**115,991**	**97,514**
Fees		(48,978)	(37,794)
IT services		(4,260)	(4,063)
Depreciation & amortisation		(8,812)	(8,529)
Employee benefits expense		(31,658)	(28,044)
Professional services		(1,164)	(995)
Project expenses		(7,108)	(6,159)
Other expenses		(9,109)	(8,323)
Operating profit from continuing operations before income tax		**4,902**	**3,607**
Income tax (expense)/benefit	4	(1,487)	(1,024)
Operating profit from continuing operations after income tax		**3,415**	**2,583**
Profit attributable to the owners of Indue Ltd		3,415	2,583
Other comprehensive income			
Changes in reserves	16	504	(172)
Total comprehensive income attributable to the owners of Indue Ltd		**3,919**	**2,411**

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

Statement of Financial Position

As at 30 June 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Cash and cash equivalents	6	305,882	207,638
Receivables due from other financial institutions		6,575	71,929
Trade and other receivables	7	15,197	12,723
Other financial assets at amortised cost	6	323,189	327,273
Intangible assets	8	20,933	22,295
Property, plant and equipment	9	10,745	9,161
Other assets	11	3,945	3,885
Net deferred tax asset		361	-
TOTAL ASSETS		686,827	654,904
LIABILITIES			
Deposits	12	571,948	551,261
Payables due to other financial institutions		5,728	26,009
Creditors and other liabilities	13	13,699	11,817
Borrowings	6	27,022	-
Provisions	14	5,537	5,157
Current tax liability		1,408	1,551
Net deferred tax liability	10	-	459
TOTAL LIABILITIES		625,342	596,254
NET ASSETS		61,485	58,650
EQUITY			
Contributed equity	15	16,991	17,265
Reserves	16	1,723	1,219
Retained earnings		42,771	40,166
TOTAL EQUITY		61,485	58,650

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

Statement of Changes in Equity

For The Year Ended 30 June 2022

	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2020	**17,265**	**1,391**	**37,583**	**56,239**
Profit for the Period	-	-	2,583	2,583
Total other comprehensive income/(loss)	-	(172)	-	(172)
Total comprehensive income/(loss) for the year as reported (restated)*	-	(172)	2,583	2,411
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	-	-
Balance at 30 June 2021	**17,265**	**1,219**	**40,166**	**58,650**
Profit for the Period			3,415	3,415
Total other comprehensive income/(loss)	-	504	-	504
Total comprehensive income/(loss) for the year as reported	-	504	3,415	3,919
Shares issued/repurchased	(274)	-	-	(274)
Dividends provided for or paid	-	-	(810)	(810)
Balance at 30 June 2022	**16,991**	**1,723**	**42,771**	**61,485**

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

Statement of Cash Flows

For The Year Ended 30 June 2022

	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	1,229	1,261
Interest paid	(291)	(118)
Receipts from customers (inclusive of GST)	189,570	60,716
Payments to suppliers and employees (inclusive of GST)	(133,269)	(87,773)
Income taxes paid	(2,666)	(1,737)
Loans and investments	4,084	(62,458)
Deposits	20,687	133,412
NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	**79,344**	**43,303**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for intangible assets	(3,699)	(2,840)
Payments for property, plant and equipment	(2,491)	(1,369)
Net Proceeds from Business Sale	-	51
NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	**(6,190)**	**(4,158)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(1,904)	(2,078)
Lease incentive received	1,056	-
Borrowings received	27,022	-
Dividends paid to company's shareholders	(810)	-
Share buyback	(274)	-
NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES	**25,090**	**(2,078)**
Net increase/(decrease) in cash and cash equivalents held	98,244	37,067
Cash and cash equivalents at the beginning of the financial year	207,638	170,571
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**305,882**	**207,638**

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

Notes To The Financial Statements

For The Year Ended 30 June 2022

1. Summary of Significant Accounting Policies

Indue Limited (the 'Company') is domiciled in Australia. The Company's registered office is at 601 Coronation Drive, Toowong, Queensland.

Indue is a for-profit entity and primarily operates in the payment services industry offering white labelled and transactional products to financial institutions, commercial businesses and government departments. 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.

(a) Basis of preparation

Statement of Compliance

The financial statements of the Company are general purpose financial statements which have been prepared on a standalone basis and in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 26 August 2022.

Historical cost convention

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

Critical accounting estimates

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

Changes in Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for any new accounting standards adopted during the current year.

Changes in Comparatives

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

Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Rounding

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

Notes To The Financial Statements

For The Year Ended 30 June 2022

(b) Financial assets

Recognition and de-recognition

Regular purchases of financial assets are recognised on trade-date, the date on which the Company commits to purchase the asset. Financial assets are initially recognised at fair value plus transaction costs directly attributable to the acquisition of the financial asset, for all financial assets not carried at fair value through the profit or loss.

Financial assets are derecognised when:

- the rights to receive cash flows from the financial assets have expired; or
- the rights to receive cash flows from the financial assets have been transferred and the Company has transferred substantially all the risks and rewards of ownership; or
- the Company has neither transferred nor retained substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Classification

On initial recognition, a financial asset is classified as measured at amortised cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost include trade and other receivables, receivables due from other financial institutions, and other financial assets at amortised cost.

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

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

Other financial assets at amortised cost are short term deposits and fixed term notes.

Subsequent measurement

Financial Assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on de-recognition is recognised in the profit or loss.

Notes To The Financial Statements

For The Year Ended 30 June 2022

(c) Fair value estimation

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

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

(d) Property, plant and equipment

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

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

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

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

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in the profit or loss, the increase is first recognised in the profit or 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 or 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.

Notes To The Financial Statements

For The Year Ended 30 June 2022

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

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

(e) Impairment of financial assets and contract assets

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls and discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of the assets. The amount of the expected credit loss is recognised in the profit or loss, within other expenses.

Credit impaired assets

Financial assets are reviewed on an ongoing basis for collectability or credit impairment. An asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Asset write off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

(f) Income tax

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

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

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

Current and deferred tax is recognised in the 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.

Notes To The Financial Statements

For The Year Ended 30 June 2022

(g) Leases

As a lessor

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

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

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

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

As a Lessee

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

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

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

(h) Impairment of Assets

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

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at a consolidated level, with Indue being treated as a single cash generating unit (CGU).

Notes To The Financial Statements

For The Year Ended 30 June 2022

(i) 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 Company has a present legal or constructive obligation to pay these incentives as a result of past service provided by the employee and the obligation can be estimated reliably.

Long service Leave

A liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Short term and long-term incentive payments

A liability for short term and long-term incentive payments is recognised in the provision for employee benefits for the amount expected to be paid if the Company has a present legal or constructive obligation to pay these incentives as a result of past service provided by the employee and the obligation can be estimated reliably.

(j) Revenue recognition

The Company recognises revenue when a customer obtains control of the goods or services.

Determining the timing of the transfer of control – at a point in time or over time – requires

judgement. The Company's products and services have been assessed in detail and the following typical performance obligations and measurement methodologies were identified and have been used in the preparation of these financial statements.

Type of Performance Obligation	Revenue Category	Obligation Satisfied	Methodology
Licence Fees – Upfront Fee	Other Fee Income	Over Time	Output Method
Licence Fees – Monthly Fee	Other Fee Income	Point in Time	N/A
Licence Fees – Transactional Fees	Other Fee Income	Point in Time	N/A
Revenue for customised software development	Sales	Over Time	Input Method
Software Support Services – Upfront Fee	Other Fee Income	Over Time	Output Method
Software Support Services – Monthly Fee	Other Fee Income	Point in Time	N/A

If it is determined that a contract does not exist, the Company will recognise any consideration received from the customer as a deposit (liability).

Notes To The Financial Statements

For The Year Ended 30 June 2022

Revenue recognition for the major business activities is as follows:

Interest income

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

Fee income

Fee income (excluding amounts that are integral to the effective interest rate) is recognised in the period in which the services are rendered (Output Method). Fee income includes licence fees and software support services fees. Licence and software support services fees are billed on a monthly basis.

Sales income

Contract revenue includes income generated for the development and / or implementation of payment software systems under specifically negotiated contracts with customers. The Company recognises contract revenue based on an assessment of the work performed against the individual component of the contracted statement of works at the reporting date (Input Method).

Rental income

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

Contract balances

The timing of revenue recognition, billing and cash collection results in billed accounts receivable, unbilled receivables (contract assets), and customer advances (contract liabilities). Sales income or revenue for customised software development is billed as work in progress in accordance with agreed contractual terms either at periodic intervals or on achievement of contractual milestones.

(k) Cash and Cash equivalents

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

(l) Trade and other Payables

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

(m) Dividends

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

Notes To The Financial Statements

For The Year Ended 30 June 2022

(n) Deposits and other financial liabilities

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

Deposits

Deposits are funds lodged by customers for the purposes of funding daily transaction settlement and as security deposits for providing cash security against settlement risk directly attributable to settlement activity undertaken by the Company on their behalf. Interest is brought to account on an accruals basis.

Payables to other financial institutions

Payables due to other financial institutions are amounts due to counterparties for the purposes of funding daily settlement for the various payment markets in which the Company participates. Refer to note 2. Interest is brought to account on an accruals basis.

(o) Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(p) Contributed equity

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(q) New accounting standards and interpretations

Changes in Significant Accounting Policies

A number of new standards are effective for the annual period beginning 1 July 2022 and earlier application is permitted. The Company has not early adopted the new or amended standards in preparing these financial statements. These new or amended standards are not expected to have a significant impact on the Company's financial statements.

(r) Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The estimates and assumptions that may have a significant risk of causing material adjustments are in respect of Goodwill, 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.

Climate Change Risk

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

Notes To The Financial Statements

For The Year Ended 30 June 2022

(s) Intangible assets

Goodwill

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

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include internal directly attributable costs and external direct costs of materials and services. Amortisation is calculated on a straightline basis over periods generally between 5 and 7 years.

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

Software-as-a-Service (SaaS) arrangements

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

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

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

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

Notes To The Financial Statements

For The Year Ended 30 June 2022

(t) Goods and Services Tax (GST)

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

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

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

(u) Government grants

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

The Company became eligible for JobKeeper in June 2020 after meeting the specific obligations and remained eligible until September 2020. All expected grant payments were received by October 2020. The Company has elected to present the grant as net of the related expense, therefore, this is recognised in the profit or loss and other comprehensive income as a credit to employee benefits (FY21: $1,491,300).

(v) Repurchase Agreements

Repurchase agreements involve the sale of securities with an undertaking to repurchase them on an agreed future date at an agreed price. The Company has elected to enter into a repurchase agreement with the Reserve Bank of Australia (RBA) and as part of the arrangements covering the Company's Exchange Settlement Account (ESA) with the RBA, the Company is required to sell qualifying securities with the RBA in exchange for the funds held in the ESA account to meet outflows of funds that may occur after the normal trading day. The interest-bearing securities transferred are included in Floating Rate Notes under Other Financial Assets at amortised cost because they Company retains the risks and rewards of ownership. The obligation to repurchase is included in Borrowings.

Notes To The Financial Statements

For The Year Ended 30 June 2022

2. Financial Risk Management

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

(a) Accounting classifications and fair values

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

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

The Company has not disclosed the fair values for financial instruments including cash and cash equivalents, trade receivables and other receivables, receivables due from other financial institutions, other financial assets at amortised cost, creditor and other liabilities, deposits, payables due to other financial institutions and borrowings as they are assumed to approximate their fair values due to their short-term nature. The fair values are considered to be Level 2.

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

(b) Market risk

Foreign exchange risk

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

Interest rate risk

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

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

Notes To The Financial Statements

For The Year Ended 30 June 2022

			Fixed interest maturing in:				
Financial Assets	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
At 30 June 2022							
Cash and cash equivalents	6	305,882	-	-	-	-	305,882
Receivables due from other financial institutions		927	-	-	-	5,648	6,575
Other financial assets at amortised cost		-	269,983	53,206	-	-	323,189
Trade & other receivables	7	1,721	-	-	-	13,476	15,197
		308,530	**269,983**	**53,206**	**-**	**19,124**	**650,843**
Weighted average interest rate		**0.08%**	**0.39%**	**0.43%**			

			Fixed interest maturing in:				
Financial Assets	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
At 30 June 2021							
Cash and cash equivalents	6	207,638	-	-	-	-	207,638
Receivables due from other financial institutions		440	-	-	-	71,489	71,929
Other financial assets at amortised cost		-	258,849	68,424	-	-	327,273
Trade & other receivables	7	1,975	-	-	-	10,748	12,723
		210,053	**258,849**	**68,424**	**-**	**82,237**	**619,563**
Weighted average interest rate		**0.18%**	**0.33%**	**0.10%**			

Notes To The Financial Statements

For The Year Ended 30 June 2022

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

			Fixed interest maturing in:				
Financial Liabilities	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
At 30 June 2022							
Payables due to other financial institutions		-	-	-	-	5,728	5,728
Settlement funds	12	408,750	-	-	-	-	408,750
Term deposits	12	-	109,992	53,206	-	-	163,198
Creditors and other liabilities	13	-	-	-	-	13,699	13,699
Borrowings	6	-	-	-	-	27,022	27,022
		408,750	**109,992**	**53,206**	**-**	**46,449**	**618,397**
Weighted average interest rate		**0.02%**	**0.15%**	**0.56%**			

			Fixed interest maturing in:				
Financial Liabilities	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
At 30 June 2021							
Payables due to other financial institutions		-	-	-	-	26,009	26,009
Settlement funds	12	379,538	-	-	-	-	379,538
Term deposits	12	-	103,554	68,169	-	-	171,723
Creditors and other liabilities	13	-	-	-	-	11,817	11,817
		379,538	**103,554**	**68,169**	**-**	**37,826**	**589,087**
Weighted average interest rate		**0.00%**	**0.13%**	**0.06%**			

Notes To The Financial Statements

For The Year Ended 30 June 2022

Sensitivity Analysis

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

Variable	Movement in Variable	2022 $'000	2021 $'000
Interest Income	+100 bp	5,845	4,875
	-100 bp	(1,229)	(1,261)
Interest Expense	+100 bp	3,612	2,392
	-100 bp	(410)	(225)
Net Interest Income	+100 bp	2,233	2,483
	-100 bp	(819)	(1,036)

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Company manages liquidity risk in accordance with the Liquidity and Large Exposure Policies set by the Board and agreed with APRA. The Company undertakes daily monitoring of cash flows. The Company substantially matches the maturity profiles of financial assets and liabilities and aims to ensure that a ready supply of liquidity is available as financial liabilities fall due. Funds are invested in line with requirements stipulated in the approved Board Policies.

With Indue becoming a Tier 1 participant in Direct Entry and BPAY during the year to 30 June 2022, the Company has sought to strengthen its liquidity position and ensure compliance with minimum ESA balance requirements by entering into an open security repurchase (open repo) arrangement with the RBA. This arrangement is reviewed monthly. See note 1(v).

To further mitigate liquidity risk, the Company's Large Exposure policy imposes concentration limits on the total amount of its liquid assets that can be held with a single counterparty. These limits vary depending upon the credit rating of the counterparty with the exception of the RBA (100% limit) and a specially approved limit with Westpac Banking Corporation (WBC). The Company historically held an extensive settlement agency relationship with WBC and was required to hold sufficient liquidity with WBC to settle the Company's daily cash settlement obligations and to satisfy WBC's requirement for cash security. With Indue becoming a Tier 1 participant in Direct Entry and BPAY during the year to 30 June 2022, exposure and concentration limits with WBC will be reviewed as part of the Large Exposure policy annual review process.

Notes To The Financial Statements

For The Year Ended 30 June 2022

Settlement risk

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

Financing arrangements

The Company's financing arrangements are limited to a single overdraft and the open repo arrangement.

Maturities of financial liabilities

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

Notes To The Financial Statements

For The Year Ended 30 June 2022

Financial Liabilities	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Over 5 Years $'000	Total $'000
At 30 June 2022					
Payables due to other financial institutions	5,728	-	-	-	5,728
Settlement funds	408,750	-	-	-	408,750
Term deposits	110,212	53,547	-	-	163,759
Creditors and other liabilities	13,506	-	-	-	13,506
Borrowings	27,022	-	-	-	27,022
	565,218	**53,547**	**-**	**-**	**618,765**

Financial Liabilities	90 Days or less $'000	90 Days to 1 Year $'000	Over 1 to 5 Years $'000	Over 5 Years $'000	Total $'000
At 30 June 2021					
Payables due to other financial institutions	26,009	-	-	-	26,009
Settlement funds	379,538	-	-	-	379,538
Term deposits	103,555	68,192	-	-	171,747
Creditors and other liabilities	11,807	-	-	-	11,807
	520,909	**68,192**	**-**	**-**	**589,101**

(d) Credit risk

Credit risk arises predominantly from exposure to settlement risk, the risk of the Company completing financial settlement with the market on behalf of a client, where the client is unable to fund these settlement obligations back to the Company.

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

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

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in note 2 (b).

Notes To The Financial Statements

For The Year Ended 30 June 2022

3. Revenue From Continuing Operations

	2022 $'000	2021 $'000
Revenue from continuing activities before income tax expense includes the following specific net gains:		
Revenue from contracts with customers		
Other fee income	102,519	84,899
Sundry income	4,533	4,472
Sales	7,884	6,917
	114,936	96,288
Rental income	236	190
Total non-interest revenue	115,172	96,478

Notes To The Financial Statements

For The Year Ended 30 June 2022

4. Income Tax Expense

	2022 $'000	2021 $'000
[a] Income tax expense/(benefit)		
Current tax	2,523	2,796
Deferred tax	(1,036)	(1,772)
	1,487	1,024
Income tax expense is attributable to:		
Profit from continuing operations	1,487	1,024
Aggregate income tax expense	1,487	1,024
Deferred tax (revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(830)	142
(Decrease)/increase in deferred tax liabilities	(206)	(1,914)
	(1,036)	**(1,772)**
[b] Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	4,902	3,607
Tax at the Australian tax rate of 30% (2021 – 30%)	1,471	1,082
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Research & Development expense	-	11
Sundry items	16	4
	1,487	1,097
Under/(Over) provision in previous years	-	(73)
Income tax expense	**1,487**	**1,024**
[c] Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity		
Net deferred tax – debited (credited) directly to equity (note 16)	216	172
	216	**172**

Notes To The Financial Statements

For The Year Ended 30 June 2022

Franking Account

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

	2022 $'000	2021 $'000
Franking Credits available for subsequent periods based on a tax rate of 30% (2021: 30%)	12,863	10,423

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- franking credits that may be prevented from being distributed in subsequent financial years.

5. Remuneration Of Auditor

	2022 $'000	2021 $'000
Assurance services		
Company auditor – KPMG Australia		
Audit of financial statements under the *Corporations Act 2001*	165,000	205,265
Audit of regulatory returns	58,100	58,000
Total remuneration for audit services	223,100	263,265
Other advisory services		
Company auditor – KPMG Australia		
Accounting advisory	12,500	-
Risk advisory	114,642	5,878
Total remuneration for other advisory services	127,142	5,878

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

Notes To The Financial Statements

For The Year Ended 30 June 2022

6. Cash And Cash Equivalents And Investment Securities

Cash and cash equivalents	2022 $'000	2021 $'000
Bank Deposits – at call	256,372	158,128
Bank Deposits – 11am investments	49,510	49,510
	305,882	207,638

The deposits at call are bearing average interest rates of 0.08% for 2022 (2021: 0.02%).

The 11am investments are bearing average interest rates of 0.07% for 2022 (2021: 0.38%).

Other financial assets at amortised cost	2022 $'000	2021 $'000
Term deposits	44,155	35,780
Certificates of deposit	40,773	46,887
Client Security Deposits	166,821	174,358
Floating Rate Note (FRN)	71,440	70,248
	323,189	327,273

Floating rate notes of $30 million (2021: $0) are sold under agreements to repurchase.

Transferred financial assets continue to be recognised in the statement of financial position if the Company is deemed to have retained substantially all the risks and rewards associated with the financial assets transferred. This arises when the Company enters into repurchase agreements. Transferred financial assets included in floating rate notes amounted to $30,000,000 while the carrying amount of associated financial liabilities in Borrowings amounted to $27,022,996.

Borrowings

The short-term borrowings have been obtained under a repurchase agreement with the RBA. The repurchase agreements have a term of one month, expiring on the first day of the month. The RBA has no recourse to the Company beyond the securities subject to the repurchase agreement.

Notes To The Financial Statements

For The Year Ended 30 June 2022

7. Trade and Other Receivables

	2022 $'000	2021 $'000
Trade debtors – from contracts with customers	5,855	3,007
Contract asset	7,157	7,598
Other receivables	2,185	2,118
	15,197	12,723

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 $'000	Amount not past due	Less than 1 month	Between 1m – 3m	Between 3m – 6m	Over 6 months	Total
At 30 June 2022	5,852	3	-	-	-	5,855
At 30 June 2021	2,889	40	78	-	-	3,007

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 (2021: nil). There was no movement in credit loss allowance during the year or amounts written off.

Notes To The Financial Statements

For The Year Ended 30 June 2022

8. Intangible Assets

	Goodwill $'000	Capital Initiatives in Use $'000	Capital Initiatives in Progress $'000	Total $'000
At 30 June 2022				
Opening net book amount	4,061	15,945	2,289	22,295
Internally generated	-	-	3,701	3,701
Internally generated transfer to in use	-	2,405	(2,405)	-
Amortisations	-	(5,063)	-	(5,063)
Closing net book amount	4,061	13,287	3,585	20,933
At 30 June 2021				
Opening net book amount	4,061	15,859	4,052	23,972
Internally generated	-	-	2,841	2,841
Internally generated transfer to in use	-	4,604	(4,604)	-
Amortisations	-	(4,518)	-	(4,518)
Closing net book amount	4,061	15,945	2,289	22,295

(a) Goodwill

Goodwill relates to the acquisition of Lynx Financial Systems Pty Ltd (Lynx) whose operations have been fully integrated with the Company. The recoverable amount of goodwill (including customer contracts and software acquired) was determined based on fair value less cost of disposal calculations at acquisition date.

(b) Capital Initiatives

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

The Nucleus Software which is being amortised over 7 years, the Orion software and the NPP software assets which are being amortised over 5 and 7 years respectively, are the core drivers of the Company's future growth strategy.

Notes To The Financial Statements

For The Year Ended 30 June 2022

(c) Impairment

Intangible Assets are tested for impairment in accordance with note 1(h). The assumptions used in the fair value less cost of disposal calculations, are set out below:

- the projected future cash flows in the Company's 5-year strategic plan;
- a terminal value calculated using the cash flows forecast to be generated in year 5 with a residual growth rate of 2.5% (2021: 2.5%);
- a post-tax discount rate of 11.00% (2021: 9.75%).

A recoverable value of the assets in excess of its carrying value is supported and therefore the assets are not impaired at the 30 June 2022 (2021: 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.

9. Property, Plant And Equipment

	Cost or Valuation		Accumulated Depreciation		Written Down Value	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Land at Valuation	1,143	1,143	-	-	1,143	1,143
Building at Valuation	6,305	4,104	3,093	2,771	3,212	1,333
Right of Use Asset	9,510	7,253	5,825	3,892	3,685	3,361
Plant & Equipment at cost	18,451	17,475	16,200	14,569	2,251	2,906
Under construction at cost	454	418	-	-	454	418
	35,863	30,393	25,118	21,232	10,745	9,161

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

The fair value of land and buildings was determined by an external, independent property valuer, 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 the valuation of land and buildings in note 1(d), a valuation was undertaken by Civic MJD Australia (QLD Registration Number – 1582) on 21 April 2022, which valued the 6 Moorak Street Taringa property at $3,000,000 (5 March 2019: $2,520,000). The difference between the valuation of $3,000,000 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 1 Denison Street, North Sydney, which do not form part of the valuation of the freehold land and buildings. The land and buildings at fair value are classified at level 3 in the fair value hierarchy.

This fair value methodology is consistent year on year.

Notes To The Financial Statements

For The Year Ended 30 June 2022

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Land $'000	Buildings $'000	Right of Use Asset $'000	Plant & Equipment $'000	Under construction $'000	Total $'000
Carrying amount at 30 June 2020	1,143	1,594	5,307	3,095	532	11,671
Transfer between asset classes	-	13	118	1,354	(1,483)	2
Additions	-	200	(69)	-	1,369	1,500
Disposals	-	-	-	-	-	-
Revalue increments	-	-	-	-	-	-
Depreciation	-	(474)	(1,995)	(1,543)	-	(4,012)
Carrying amount at 30 June 2021	1,143	1,333	3,361	2,906	418	9,161
Transfer between asset classes	-	1,268	-	977	(2,242)	3
Additions	-	213	2,257	-	2,278	4,748
Disposals	-	-	(134)	-	-	(134)
Revalue increments	-	720	-	-	-	720
Depreciation	-	(322)	(1,799)	(1,632)	-	(3,753)
Carrying amount at 30 June 2022	1,143	3,212	3,685	2,251	454	10,745

If Land and Buildings were carried at cost, Land would be $225,000 (2021: $225,000), Buildings would be $825,000 (2021: $825,000) and accumulated depreciation would be $556,875 (2021: $536,250).

Notes To The Financial Statements

For The Year Ended 30 June 2022

10. Net Deferred Tax Liability/Asset

	2022 $'000	2021 $'000
TAX ASSET		
The balance comprises temporary differences attributable to:		
Amounts recognised in Profit or Loss		
Employee benefits	1,501	1,376
Other	2,429	1,724
	3,930	3,100
Movements:		
Opening balance at 1 July	3,100	3,242
Charged to the Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	830	(142)
Closing balance at 30 June	3,930	3,100
Set-off of deferred tax liabilities pursuant to set-off provisions	(3,569)	(3,559)
NET DEFERRED TAX (LIABILITY) /ASSET	**361**	**(459)**
TAX LIABILITY		
The balance comprises temporary differences attributable to:		
Amounts recognised in Profit or Loss		
Intangible Assets	1,314	2,372
Land	307	307
Building	555	363
Plant & Equipment	50	(523)
Right of Use	1,106	1,008
Make Good	62	31
Other	175	1
	3,569	3,559
Movements:		
Opening balance at 1 July	3,559	5,301
Charged to Statement of Profit or Loss and Other Comprehensive Income (note 4(a))	(206)	(1,914)
Charged to equity (note 16)	216	172
Closing balance 30 June	3,569	3,559

Notes To The Financial Statements

For The Year Ended 30 June 2022

11. Other Assets

	2022 $'000	2021 $'000
Inventory - current	57	13
Prepayments – current	3,666	3,872
Contract costs – current	222	-
	3,945	3,885

12. Deposits

	2022 $'000	2021 $'000
Settlement funds – current	408,750	379,538
Term deposits – non-current	163,198	171,723
	571,948	551,261

13. Creditors And Other Liabilities

	2022 $'000	2021 $'000
Current		
Trade creditors	7,889	7,878
Lease liability	1,938	1,532
Contract liabilities	687	384
Accrued interest payable	193	10
Non-current		
Lease liability	2,992	2,013
	13,699	11,817

Notes To The Financial Statements

For The Year Ended 30 June 2022

The contract liabilities primarily relate to advance consideration received from customers for which revenue is recognised over time when the related service is received by the customer. For the year ended 30 June 2022, the Company recognised as revenue $234,668 included in contract liabilities (2021: $203,929). No information is provided about remaining performance obligations at year end that have an original expected duration of one year or less, as allowed by AASB 15. There is no revenue recognised in the current year from performance obligations satisfied in previous periods.

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

14. Provisions

	2022 $'000	2021 $'000
Current		
Employee entitlements	4,235	3,714
Other	137	96
Non-current		
Employee entitlements	770	873
Make good	395	474
	5,537	5,157

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

	Other $'000
Carrying amount at 30 June 2020	**97**
Additional provisions recognised	71
Amounts used during the period	(72)
Carrying amount at 30 June 2021	**96**
Additional provisions recognised	167
Amounts used during the period	(126)
Carrying amount at 30 June 2022	**137**

Notes To The Financial Statements

For The Year Ended 30 June 2022

(a) [a] Employee entitlements

The current provision for employee entitlements includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service. For these employees, the entire amount of the provision is presented as current since the Company does not have an unconditional right to defer settlement for any of these obligations. Based on past experience, the Company does not expect all employees to take the full amount of accrued leave or require payment of the current provision within the next 12 months. The non-current provision for long service leave covers all other employees where the required period of service has not yet been completed.

(b) Employee superannuation guarantee contributions

The superannuation guarantee contributions for year ending 30 June 2022 were $2,303,050 (year ending 30 June 2021 $2,043,257).

15. Capital

Contributed Equity

	Shares		$'000	
	2022	2021	2022	2021
Ordinary A Class Shares on issue	109,260	111,431	15,248	15,522
Ordinary B Class Shares on issue	14,751	14,751	1,743	1,743
	124,011	126,182	16,991	17,265

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

On 27th August 2021, a share buyback of 2,171 Ordinary A class was approved at an Extraordinary General Meeting and subsequently executed in 2022. The total value of the share buyback was $274,500 and are treated as cancelled shares.

The Company's Authorised Share Capital is $16.991 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, however do not carry the right to vote. From time to time, under the constitution, the Directors may place shares into suspense, which precludes those shares from being eligible for a dividend. The Company's constitution requires that no individual shareholder acquires more than 15 percent of class A shares.

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

Notes To The Financial Statements

For The Year Ended 30 June 2022

Capital risk management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to maximise the beneficial use of available capital.

In order to maintain or adjust the capital structure, the Company may adjust the value of dividends paid to shareholders, return capital to shareholders, issue new capital instruments or change the composition of its investments.

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

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

- Provide a permanent and unrestricted commitment of funds;
- Are freely available to absorb losses;
- Do not impose any unavoidable servicing charges against earnings; and
- Rank behind claims of depositors and creditors in the event of a winding up.

Tier 2 capital comprises capital instruments that to varying degrees, fall short of the quality of Tier 1 capital, but exhibit some of the features of equity, and contribute to the overall strength of the Company as a going concern.

Capital in the Company is made up as follows:

	30 June 2022 ($)	30 June 2021 ($)
Tier 1 Capital		
Paid-up shares	16,990,560	17,265,060
Reserves	1,722,340	1,218,444
Retained Earnings, including Current Year Earnings	42,772,646	40,165,085
Deductions from Tier 1 Capital		
Total deductions (including goodwill, and investments)	(21,295,188)	(22,295,214)
Tier 2 Capital		
Total Tier 2 Capital (net of deductions)	-	-
Total Capital	**40,190,358**	**36,353,375**

Notes To The Financial Statements

For The Year Ended 30 June 2022

The Company's Capital Adequacy Ratio at financial year ends are as follows:

Capital Adequacy Ratio	30 June 2022 (%)	30 June 2021 (%)
Tier 1 Capital Adequacy Ratio	16.27	15.52
Total Capital Adequacy Ratio	16.27	15.52

The following dividends were declared and paid by the Company for the year.

Dividends	2022 $'000	2021 $'000
Dividend paid 28 October 2021 (2021: nil)	810	-

16. Reserves

	2022 $'000	2021 $'000
Asset revaluation surplus		
Balance 1 July	1,219	1,391
Revaluation – gross (note 9)	720	-
Deferred tax (note 4)	(216)	(172)
Balance 30 June	1,723	1,219

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

Notes To The Financial Statements

For The Year Ended 30 June 2022

17. Related Party Information

Wholly owned Group

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

Transactions with related parties are conducted on an arm's length basis.

Directors

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

Chair – Non-executive	F Gullone
Non-executive Directors	M Currie
	P Townsend
	P Wright
	A De Fazio
	S Rix
	T Oldham

Key management personnel

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

Name	Position	Employer
D Weatherley	Chief Executive Officer	Indue Ltd
A Buckley	Chief Financial Officer	Indue Ltd
J Hinton	General Counsel & Chief Risk Officer	Indue Ltd
I Doig	Chief Customer Officer (to 23 May 2022)	Indue Ltd
D Hemingway	Chief Commercial Officer (to 10 December 2021)	Indue Ltd
I Taylor	Chief Information Officer	Indue Ltd
F Perry	Chief Commercial Officer (from 1 February 2022 to 23 May 2022)	Indue Ltd
F Perry	Chief Customer Officer (from 24 May 2022)	Indue Ltd
K Lugg	Chief Delivery Officer	Indue Ltd

Notes To The Financial Statements

For The Year Ended 30 June 2022

Key management personnel compensation

	2022 $'000	2021 $'000
Short-term employee benefits	3,270,570	3,154,869
Post-employment benefits	218,796	192,512
	3,489,366	3,347,381

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

18. Cash Flow Information

	2022 $'000	2021 $'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 and cash equivalents	305,882	207,638
	305,882	207,638
Reconciliation of net cash flows from operating activities to operating profit after income tax		
Operating profit after income tax	3,415	2,583
Decrease/(increase) in receivables due from other financial institutions	65,356	(44,589)
Decrease/(increase) in trade and other receivables	(2,473)	(1,184)
Decrease/(increase) in other financial assets at amortised cost	4,084	(62,458)
Decrease/(increase) in other assets	(60)	364
Depreciation and amortisation	8,812	8,529
Increase/(decrease) in current tax payable	(1,179)	(665)
Increase/(decrease) in payables due to other financial institutions	(20,281)	4,811
Increase/(decrease) in deposits	20,687	133,413
Increase/(decrease) in creditors and other liabilities	484	1,460
Increase/(decrease) in provisions	380	984
Increase/decrease in ROU interest	119	106
Proceeds from sale	-	(51)
Net cash flows from operating activities	79,344	43,303

Notes To The Financial Statements

For The Year Ended 30 June 2022

19. Contingent Liabilities

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

20. Lease Commitments

Company as lessor

The Company leases its premises at 6 Moorak Street, Taringa under a non-cancellable operating lease which expires in 2024. The Company has classified this lease as an operating lease because it does not transfer all the risks and rewards incidental to the ownership of the asset.

	2022 $'000	2021 $'000
Maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date as follows:		
Within one year	162	126
Later than one year but not later than five years	139	-
	301	126

Company as lessee

The Company leases office premises which typically run for a period of 3-5 years, with an option to renew the lease after that date. The Company also leases office equipment with a contract term of 5 years.

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

Right of use asset	Building $'000	Equipment $'000	Total $'000
Balance at 1 July 2021	3,192	169	3,361
Additions	2,025	232	2,257
Disposals	-	(134)	(134)
Depreciation charge for the year	(1,603)	(195)	(1,799)
Balance at 30 June 2022	3,614	72	3,685

Notes To The Financial Statements

For The Year Ended 30 June 2022

Amounts recognised in profit or loss	2022 $'000	2021 $'000
Leases under AASB 16		
Interest on lease liabilities	119	106
Short term and/or low value leases	2	2

Amounts recognised in cash flow	2022 $'000
Total cash outlay for leases	1,904
Total incentive received	(1,056)

Directors' Declaration

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

(a) the Company financial statements and notes set out on pages 22 to 56 are in accordance with the Corporations Act 2001, including:

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

  (ii) giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors draw attention to note 1(a) to the financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

F Gullone
Chair, Board

M F Currie
Deputy Chair, Board

Brisbane
26 August 2022

KPMG

Independent Auditor's Report

To the shareholders of Indue Limited

Opinion

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

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

- giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2022
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity, and
- Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

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

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

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

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

KPMG

Ben Flaherty
Partner

Brisbane
26 August 2022

indue

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