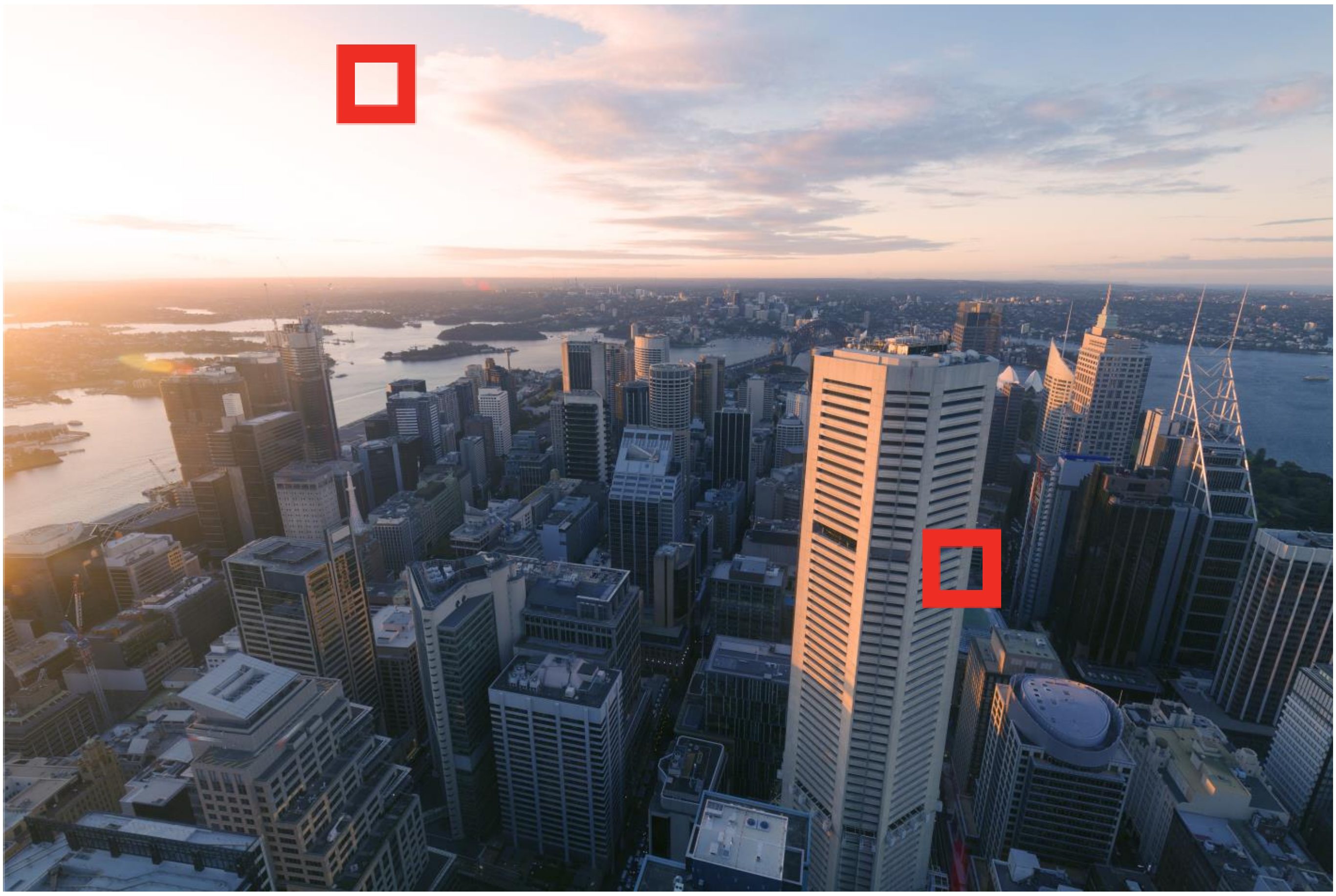
Cuscal



Cuscal Annual Report

2024

Table of Contents

Cuscal

From the Chairman and Managing Director

Annual Report FY2024

Cuscal has delivered another strong financial performance for FY2024 with Consolidated Profit After Tax attributable to the owners of Cuscal of $31.6m, which is a 21% increase on FY2023, and adjusted EBITDA 48% ahead of FY2023 at $67.4m.

This is a very pleasing result, particularly in light of ongoing market volatility and an increasingly uncertain macroeconomic environment. Cuscal has performed strongly in these conditions across our diverse client base, helping deliver strong financial outcomes for our shareholders.

As we look ahead to FY2025, we know we need to plan for increased regulatory complexity and scrutiny, particularly around fraud and scams as regulators and the industry continue to seek to solve this ecosystem issue. We are continuing to take action to tackle the rising threat of fraud and scams, including through our dedicated Financial Crimes Domain and our ongoing engagement and co-operation with regulators, banks and other industry participants and support of industry initiatives including new mandatory codes. Our objective continues to be to minimise the financial impact to our clients and their customers arising from the increasing threat of fraud and scams and in doing so, provide a safe environment for our clients to grow their businesses.

We commenced a number of new initiatives in this area in FY2024 including enhanced mule detection and allocation of unique BSBs at a customer level to enable Cuscal's clients to monitor activity for specific customers providing those clients with greater oversight and monitoring capability.

We were pleased to become a full member of the Australian Banking Association ('**ABA**') in January 2024, in addition to joining the Australian Financial Crimes Exchange ('**AFCX**') in 2023. These partnerships provide us with critical access to industry engagement and knowledge and data to continue to inform our fraud and scam mitigation strategies.

We were also pleased to announce internally on 5 July 2024 that Cuscal has taken 100% ownership of Basiq. This is the next phase of the evolution of our partnership with Basiq and as at the date of this Annual Report, we are well progressed on an integration plan, which will include folding some of the existing Basiq functions into the Cuscal structure, and alignment of our ways of working.

The initial acquisition of Basiq in March 2023 provided Cuscal with a unique and timely opportunity to acquire technology, capability, expertise, and brand to allow Cuscal to be early to market with a regulated data solution. The Cuscal Board and Executive Leadership Team remain firm in the conviction that the convergence of payments, data and digital identity will become a future driving force in Australia and regulated data remains a key strategic priority for Cuscal. Integrating the two businesses will provide an opportunity to innovate new solutions by bringing payments, data and digital identity together. Data is essential in making smarter payment decisions and with Cuscal's expertise in payment processing we can create more innovative solutions that benefit our clients and their customers.

FY2024 Financial Performance

In addition to our strong performance in NPAT and Adjusted EBITDA, we also achieved an 18% increase in Net Operating Income to $284.5m from $240.8 million in FY2023. This was due to strong growth in transaction volumes, new client acquisitions, as well as increased net interest income from higher client deposit volumes and a significant non-recurring benefit as a result of a fair value adjustment on Cuscal's Option liability in relation to the acquisition of Basiq. This was offset by an increase in non-recurring consulting and legal fees associated with corporate and compliance and regulatory activity; increased headcount associated with continued maturity of the 'Cuscal 3.0' operating model; and the addition of Basiq operating expenses.

Our strong FY2024 performance was also supported by key client renewals, with 4 of our top 5 clients now contracted for >3 years and 64% of Cuscal's revenue for FY2024 attributable to contracts with 2 or more years remaining in the initial service period.

Our capital position remains above minimum capital ratios, and we received an upgraded long term issuer rating of AA- from S&P, with a stable outlook.

In accordance with our stated dividend policy, the Board has declared a final ordinary dividend of 5.0 cents per share, fully franked, and payable to eligible shareholders on the record at 20 September 2024. This final dividend provides a full year dividend of 8.5 cents per share at a payout ratio of 47% on the full year Consolidated Profit. This is an uplift of 13% on the previously announced targeted full year dividend of 7.5 cents per share.

We will be recommencing a process towards a potential IPO with a view to achieving this before the end of 2024. As shared with shareholders previously, we consider there are benefits with exploring an IPO including to give Cuscal deeper access to funding sources and to provide the Management team greater flexibility to execute growth initiatives.

We are monitoring the geopolitical situation and market volatility closely and will continue to do so as we proceed towards a potential listing.

If Cuscal proceeds with an IPO and listing before the end of 2024, Cuscal will be required to lodge a prospectus. Any person considering acquiring securities in Cuscal in such circumstances, would be required to read the prospectus in full before deciding to acquire securities in Cuscal, and would be required to complete the relevant application which would accompany the prospectus. As at the date of this Annual Report, no prospectus has been lodged.

The Review of Operations section of this Annual Report provides more detail on Cuscal's financial performance for the year and our FY2025 outlook.

APRA Operational Risk Standard CPS 230

We are in the process of implementing an uplift and enhancement program as part of our ongoing commitment to continuous improvement and maturity in our governance, accountability and risk management practices in line with prudential regulatory requirements. This program will ensure that Cuscal's governance, risk and compliance arrangements, accountability framework, and risk culture remain appropriate for the nature, scale and complexity of our business both now and into the future.

We have commenced work on our CPS 230 program which will remain a key focus in FY2025 and beyond. Operational resilience is at the core of what we do. It is the foundation for our ability to evolve and succeed in a dynamic external environment, enabling us to deliver seamless and secure connections for our clients and their customers. The focus of our CPS 230 program is to move beyond ticking a box to meet minimum compliance and recognise that operational resilience is good practice, good for business and will position Cuscal for the longer term. The changes and work we are undertaking as part of our CPS 230 program will have a positive impact on Cuscal more broadly through improved systems, frameworks, processes and further strengthening of our risk culture.

Sustainability

Environmental, social and governance ('**ESG**') matters remain an area of focus given the responsibilities Cuscal has to our clients, shareholders, communities, our people and the environment.

In FY2024, Cuscal implemented a Sustainability Framework; set ESG related targets to support our people, the environment and our community; launched our Diversity, Equity & Inclusion Strategy to document our commitment to fostering a diverse and inclusive culture. We also launched our Reflect Reconciliation Action Plan ('**RAP**') which sets out our ambitions and targets to embed reconciliation in all aspects of our business.

Management and Board Changes

During FY2024 we farewelled Kieran McKenna, Chief Risk Officer ('**CRO**') and Bianca Bates, Deputy CEO, both with close to 10 years of tenure with Cuscal. We welcomed Angela Powell as our new CRO in February and Michael Blomfield as our new Chief Client Officer in June following an extensive search process for both roles. Angela and Michael are fantastic additions to the Executive Leadership Team who will bring new thinking and experience to execute our strategy. We thank Kieran and Bianca for their incredible service and wish them well in their new endeavours.

We also farewelled Non-Executive Director Daryl Johnson who retired from the Cuscal Board effective 31 July 2024. We thank Daryl for his dedication and service to Cuscal and wish him well in his new endeavours.

The momentum of Cuscal's business is made possible through the efforts of our dedicated staff, who continue to demonstrate focus and drive to achieve results for shareholders. The Board and Executive Leadership Team extend our thanks and appreciation to all our staff across the Group who have worked tirelessly to make this another successful year for Cuscal.

We also thank our clients and shareholders for supporting us through what has been an eventful year and we look forward to our continued success together in FY2025.

Cuscal

Elizabeth Proust, AO
Chairman

Craig Kennedy
Managing Director

Sydney, 27 August 2024

Review of Operations

Overview

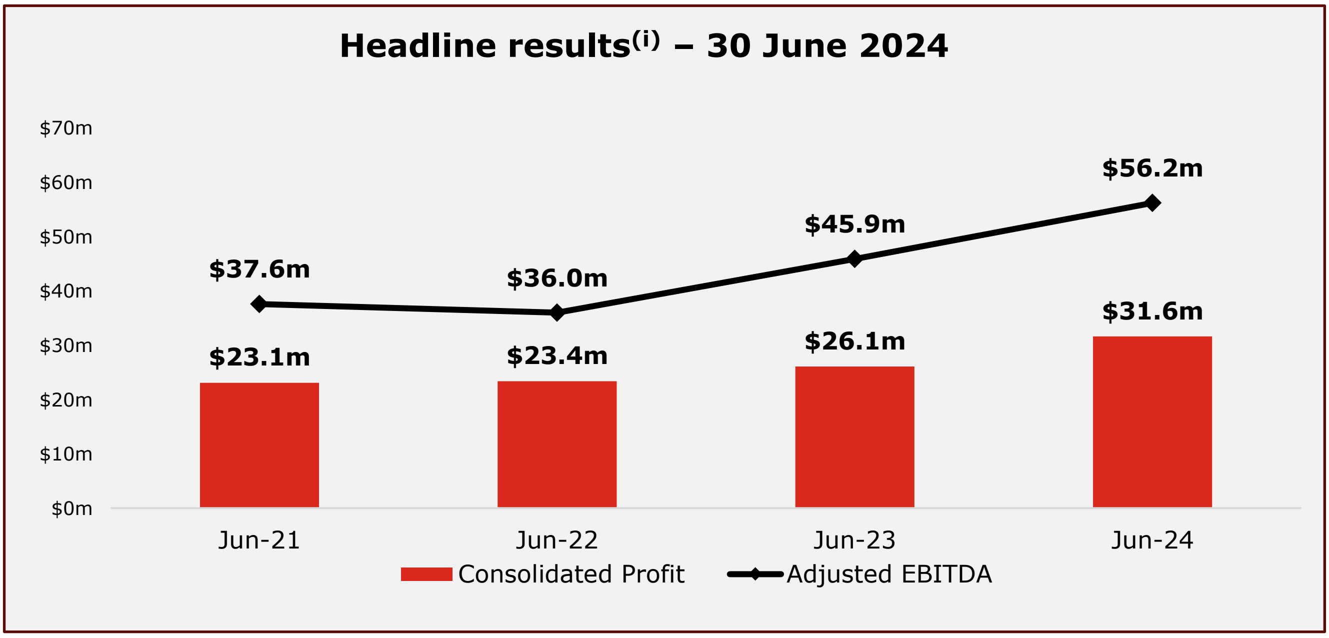
Cuscal Limited and its consolidated entities ('**Cuscal**' or '**the Group**') has prepared the following 'Review of Operations' to accompany the financial report disclosures for the year ended 30 June 2024.

References in the Review of Operations are presented in line with the accompanying financial statements.

Financial Performance at a glance	30 June 2024 $m	30 June 2023 $m	Mvmt $m		Mvmt
Net operating income	284.5	240.8	43.7	△	18%
Operating expenses	(241.9)	(203.4)	(38.5)	△	19%
Profit before tax	**42.6**	**37.4**	**5.2**	△	**14%**
Add: depreciation and amortisation[(ii)]	24.8	8.2	16.6	△	>100%
Less: Option liability	(11.2)	0.3	(11.5)	△	>100%
Adjusted EBITDA[(i)]	**56.2**	**45.9**	**10.3**	△	**22%**
Consolidated Profit attributable to owners of Cuscal	**31.6**	**26.1**	**5.5**	△	**21%**

(i) Adjusted EBITDA is defined as Consolidated profit before non-controlling interests, income tax expense, depreciation expense (other than depreciation expense on 'right-of-use' assets under AASB 16 Leases which is included in 'occupancy expenses'), amortisation expense and an adjustment to the option liability.

(ii) Excludes depreciation expense on 'right-of-use' assets under AASB 16 Leases which is included in Operating expenses.



(i) Represents the result attributable to continuing operations only across prior periods.

Overview

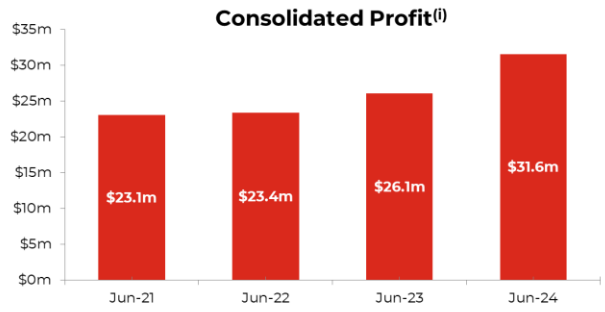
Any reference in the 'Review of Operations' to the 2021 financial periods present the result attributable to continuing operations only, which excludes impacts relating to the 86 400 Group which was sold in May 2021.

Consolidated Profit

$31.6 million

+ $5.5 million; + 21%

The Consolidated Profit After Tax attributable to the owners of Cuscal was $31.6 million for the year ended 30 June 2024; $5.5 million (21%) higher than the corresponding year ended 30 June 2023.



(i) Represents the result attributable to continuing operations only across prior periods.

Consolidated Profit highlights

- +18% increase in Net Operating Income.
- +19% increase in Operating Expenses.
- +6% increase in aggregate transaction volume.
- Growth in shareholder returns and increased dividend paid.
- Continued strong regulatory capital position.
- Improved credit rating.

Adjusted EBITDA

$56.2 million

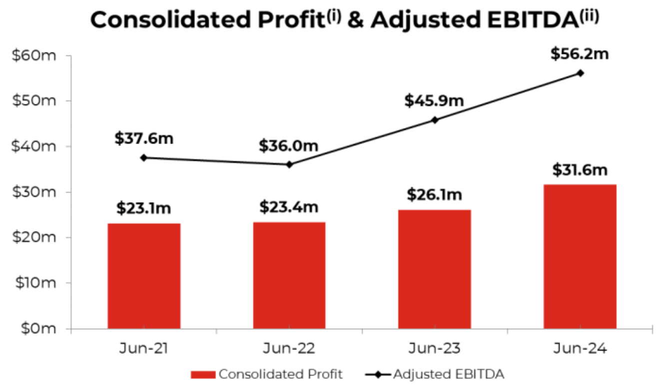
+ $10.3 million; + 22%

Cuscal uses Adjusted EBITDA as a non-IFRS measure of business performance.

Adjusted EBITDA is defined as Consolidated profit before non-controlling interests, income tax expense, depreciation expense (other than depreciation expense on 'right-of-use' assets under AASB 16 Leases ('**AASB 16**') which is included in 'occupancy expenses'), amortisation expense, and an adjustment to the option liability.

The Group's Adjusted EBITDA increased by $10.3 million (22%) to $56.2 million for the year ended 30 June 2024, from $45.9 million for the year ended 30 June 2023.

This movement reflects an increase in Consolidated Profit (up 21%) as well as an increase in Depreciation and Amortisation as a component of operating expenses during the current period. The latter primarily reflecting a revision in the useful life of Cuscal's Data Holder asset as well as the full year impact of amortisation on Basiq's intangible software asset which was acquired in March 2023.



(i) Represents the result attributable to continuing operations only across prior periods.

(ii) Adjusted EBITDA is a non-IFRS measure defined as 'Net Profit Before Tax' adjusted for Depreciation and Amortisation (D&A) but excluding any D&A attributable to right-of-use lease assets under AASB 16 and an adjustment to the option liability.

Net Operating Income

$284.5 million

+ $43.7 million; + 18%

Net Operating Income ('**NOI**') largely comprises:

- Net Fee and commission revenue, including transactional product related revenue comprising of general transactional processing revenue, scheme growth incentive revenue, and project revenue, net of any processing and financial transaction costs for clients;

Net Operating Income, continued

- Net interest income on Cuscal's treasury balance sheet, largely investment returns on client deposits and interest earned on corporate cash reserves, as well as interest expense including lease interest expense under AASB 16 and option liabilities interest expense; and

- Other operating (loss)/income, essentially comprising any non-recurring income or gains not included elsewhere, as well as gains or losses arising on revaluation of investments in other entities.

Net Operating Income (NOI) increased 18% to $284.5 million for the year ended 30 June 2024, up from $240.8 million for the year ended 30 June 2023.

NOI by capability	30 June 2024 $m	30 June 2023 $m	Mvmt $m
Issuing	159.6	147.6	12.0
Acquiring	27.3	27.8	(0.5)
Payments	66.6	54.8	11.8
Financial Crimes	15.0	10.3	4.7
Regulated Data	4.9	3.1	1.8
Corporate(i)	11.1	(2.8)	13.9
Total NOI by capability	**284.5**	**240.8**	**43.7**
Transaction volumes (m)(ii)	**3,952.3**	**3,728.4**	**223.9**

(i) FY24 Corporate NOI includes a positive fair value adjustment of option liability (FY24: net $11.2m).

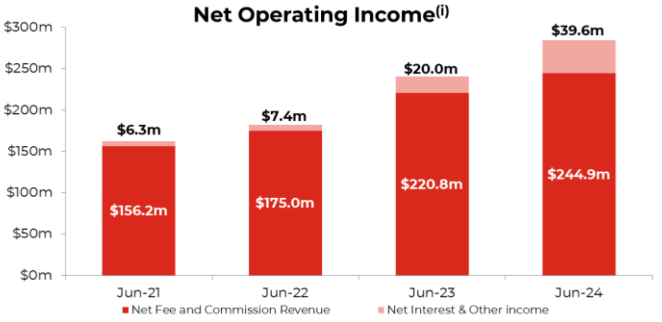
(ii) Transaction volumes represent the aggregation of the specific volumes for each core capability (i.e. Issuing, Acquiring and Payments) that Cuscal considers a reasonable proxy for the drivers of revenue.

The NOI result for the period ended 30 June 2024 largely reflects:

- Net growth in aggregate transaction volumes across our core Issuing, Payment capabilities, as well as a full year impact in Data Services revenue arising from the Basiq acquisition in March 2023;

- Increased net interest income arising from a combination of high client deposit volumes and the acceleration in cash rates over the period, net of amortising the discount on the Basiq Put/Call Option and lease related interest expense; and

- A benefit to Other Operating Income as a result of a net fair value adjustment on financial instruments (net $11.2m) relating to the acquisition of Basiq in March 2023 – included in 'Corporate' above. Consistent with the definition of Adjusted EBITDA, excluding this fair value adjustment, NOI is $273.3m for FY24; up 13% on FY23.



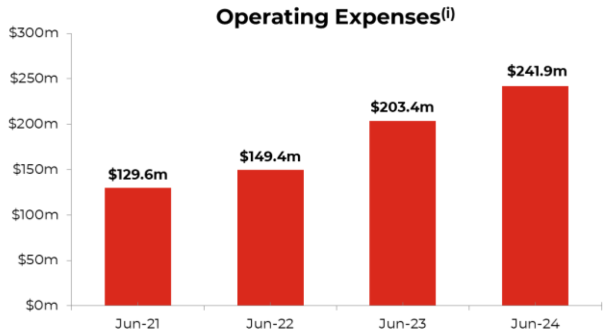
(i) Represents the result attributable to continuing operations only across prior periods.

Operating Expenses

$241.9 million

+ $38.5 million; + 19%

Statutory Operating Expenses increased 19% to $241.9 million for the year ended 30 June 2024, up from $203.4 million for the year ended 30 June 2023.



(i) Represents the result attributable to continuing operations only across prior periods.

The increase in operating expenses largely reflects:

- Net increases to employee benefits expense, a reduction in investment spend somewhat offset by higher FTE associated with continued maturity of the 'Cuscal 3.0' operating model, general business growth and activity (such as increased fraud and scam activity);

- A net increase in consulting and legal fees associated with corporate, M&A, industry compliance and regulatory activity, particularly APRA CPS 230 and ASIC industry reviews;

Operating Expenses, continued

- Activities associated with the potential listing of Cuscal on the ASX. For example legal, tax, accounting, initial ASX listing fees, insurance, incremental shareholder engagement and communication, prospectus preparation and publication, and other incidental costs;
- The addition of Basiq operating expenses for the full financial period arising from the acquisition in March 2023, particularly employee and depreciation and amortisation costs; and
- The impact of a revision to the useful life of Cuscal's Data Holder intangible asset (part of 'Payments Infrastructure'), resulting in an accelerated amortisation profile on the asset during the year.

Employment benefits expense

Employee benefits expense is comprised of salaries and wages, bonuses and on-costs, and share-based payments expense relating to shares issued under certain employee share rights plans.

	30 June 2024 $m	30 June 2023 $m	Mvmt $m
Employment costs expensed	126.9	107.8	19.1
Employment costs capitalised	5.4	2.5	2.9
Total employment costs	**132.3**	**110.3**	**22.0**

Highlights / drivers include:

- The transition of prior period strategic investment into 'run' state, providing a net reduction in FTE;
- Higher FTE associated with capability uplift as Cuscal matures its '3.0 operating model', general business growth, and activity such as increased fraud and scam activity;
- One-time uplift in FTE and cost for the full financial period arising from the acquisition of Basiq in March 2023; and
- An employee restructuring provision as Cuscal looks to further optimise its '3.0 operating model', capability and continues to integrate Basiq's operations onto the Cuscal Group.

Occupancy expenses

Occupancy expenses is comprised of depreciation on Cuscal's right-of-use assets arising under AASB 16 and other occupancy expenses, including rates, taxes, electricity, parking, repairs, and maintenance.

	30 June 2024 $m	30 June 2023 $m	Mvmt $m
Occupancy expenses	5.8	4.4	1.4

Highlights / drivers include:

- An uplift in premises costs associated with Basiq operations, due to its consolidation into the Cuscal Group in March 2023. This includes a new lease and right-of-use asset entered during the year for Basiq's Serbian operations; and
- An adjustment on the right-of-use asset associated with Cuscal's primary Sydney office space.

Technology expenses

Non-salary technology expenses is comprised of outsourced services relating to strategic investment projects and technology support, repairs and maintenance for Cuscal owned IT and software, licence fees for software owned by third parties, telecommunications costs, data centre costs, and other technology costs.

	30 June 2024 $m	30 June 2023 $m	Mvmt $m
Technology expenses	53.2	57.3	(4.1)

Highlights / drivers include:

- A reduction in outsourced service costs from the comparable period associated with efficiency and resilience initiatives;
- Increased license fees arising from the implementation of a new core banking system; and
- Increased software maintenance costs, an outcome of increased transactional volumes, as well uplifts in monitoring and operating functionality.

Operating Expenses, continued

Depreciation and amortisation

Depreciation and amortisation includes depreciation of plant and equipment and amortisation of intangible assets (primarily payments infrastructure and software), but excludes depreciation on right-of-use assets arising under AASB 16 (which is included in Occupancy expenses).

	30 June 2024 $m	30 June 2023 $m	Mvmt $m
Depreciation & amortisation	24.8	8.2	16.6

Highlights / drivers include:

- Full year impact of amortisation associated with the Basiq operations intangible assets from their consolidation into the Cuscal Group on 28 March 2023. This includes amortisation on the revalued asset at acquisition, which was finalised in the current financial year (refer to Note 3 of the Financial Report for further information); and
- The impact of a revision to the useful life of Cuscal's Data Holder intangible asset (part of 'Payments Infrastructure'), resulting in an accelerated amortisation profile on the asset during the year.

Other expenses

Other expenses are comprised of other operational expenses such as non-technology related consulting costs, insurance and legal costs, audit fees, fringe benefits tax, non-employee related finance, and human resources costs.

	30 June 2024 $m	30 June 2023 $m	Mvmt $m
Other operating expenses	31.2	25.7	5.5

Highlights / drivers include:

- A net increase in consulting and legal fees associated with corporate, M&A, industry compliance, and regulatory activity (in particular CPS 230 transitional costs);
- Costs associated with the potential listing of Cuscal on the ASX. For example legal, tax, accounting, initial ASX listing fees, insurance, incremental shareholder engagement and communication, prospectus preparation and publication, and other incidental costs;
- Higher internal and external auditor's fees as Cuscal progresses towards a listed environment;
- An increase in discretionary marketing and event activity, including costs associated Cuscal's annual 'Curious Thinkers' conference; and
- Prior year acquisition related expenses not incurred in the current year.

Shareholder Returns

Return on Equity

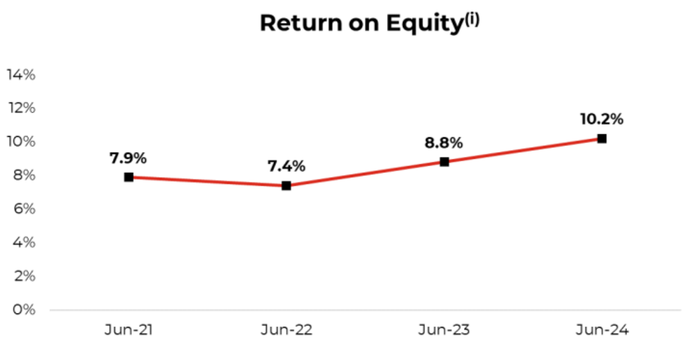
10.2%

+1.4%; +16% in real terms.

The Return on Equity ('**ROE**') attributable to owners of Cuscal for the year ended 30 June 2024 was 10.2%; an increase of 1.4% on 8.8% for the year ended 30 June 2023.

This increase in ROE reflects:

- The 21% increase in Consolidated Profit attributable to owners; and
- An increase in average equity, largely driven by net retained earnings impact (higher NPAT offset by dividend payments), and fair value gains associated with Cuscal's investment securities portfolio.



(i) Represents the result attributable to continuing operations only across prior periods.

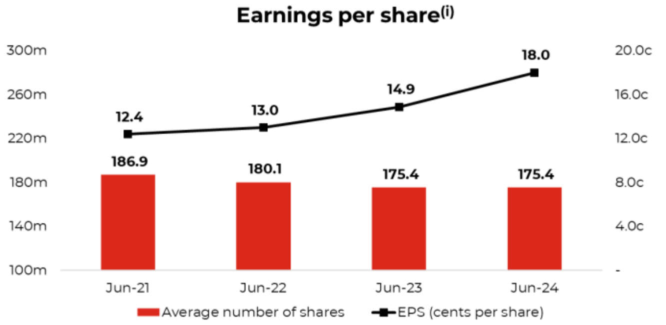
Earnings per share

18.0 cents per share

+3.1 c/shr; +21%.

Earnings per Share ('**EPS**') attributable to the owners of Cuscal was 18.0 cents per share for the year ended 30 June 2024, an increase of 3.1 cents per share on 14.9 cents per share for the year ended 30 June 2023.

The increase in EPS on 30 June 2023 reflects the 21% increase in Consolidated Profit over the same period, against an unchanged average weighted share base.



(i) Represents the result attributable to continuing operations only across prior periods.

Dividends and Dividends per share

8.5 cents (full year)

Up 1.0 c/share; up 13%.

As advised to shareholders at the October 2023 Annual General Meeting, Cuscal is targeting a minimum full year dividend for the year ended 30 June 2024 of 7.5 cents per share.

An interim ordinary dividend of 3.5 cents per share was paid in April 2024, totalling $6.1 million.

For the full year ended 30 June 2024, the Directors have declared a final ordinary dividend of 5.0 cents per share, totalling $8.8 million.

The final dividend will be fully franked, payable to eligible shareholders on record at 20 September 2024 and paid on 3 October 2024.

This final dividend provides a full year dividend relating to the financial year ended 30 June 2024 of 8.5 cents per share, totalling $14.9 million. This provides a payout ratio of 47% on the full year Consolidated Profit.

	Payment $m		cents per share	
Dividends	Jun 2024	Jun 2023	Jun 2024	Jun 2023
Interim dividend	6.1	6.1	3.5	3.5
Final dividend	8.8	7.0	5.0	4.0
Total dividends	**14.9**	**13.1**	**8.5**	**7.5**

Other Information

Regulatory Capital

22.3% total capital

+ 1.2%; 6% in real terms.

As an Authorised Deposit-taking Institution ('**ADI**') regulated by the Australian Prudential Regulation Authority ('**APRA**'), Cuscal is required to maintain minimum regulatory capital requirements under the APRA Prudential Framework.

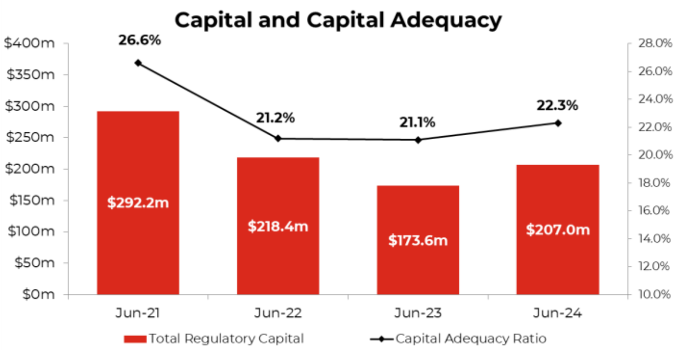
Cuscal Group's Capital Adequacy Ratio ('**CAR**') at 30 June 2024 was 22.3%, up 1.2% (6% in real terms) on 21.1% at June 2023.

	Consolidated $m	
Capital Adequacy	December 2023	June 2023
Capital Adequacy Ratio (CAR)	22.3%	21.1%

The movement reflects a 19% increase in regulatory capital against a 13% increase in risk-weighted Assets.

After considering the impact of the $8.8 million final dividend declared but not yet paid, the capital ratio at June 2024 reduces to 21.4%.

The Group's CAR remains strong and well above minimum prudential requirements.



Outlook for 2025

The current payments landscape is being reshaped by rapid technological innovation and the continued acceleration of digital and real-time payments.

While Cuscal's track record of successful investment in these areas continues to underpin its relevance as a payments partner, FY2025 will focus on strengthening our core and preparing to execute on our avenues for growth, while maximising return on our existing assets to set us up for success for the next 5 years.

Cuscal is forecasting stable growth in our core business into FY2025, largely driven by continued transaction volume increases across each of the core capabilities, with a significant portion of clients committed to longer tenured contracts.

In addition, we are anticipating an uplift from new business and the full year impact of business progressively onboarded over FY2024.

Whilst the investment spend of prior years is abating, Cuscal will be focused on costs associated with continuing to enhance technology and operational resilience, an uplift to our risk management and controls, including investment and activity in CPS 230 readiness and compliance, and initiatives to build out our Fraud and Scam capability beyond minimum scheme and regulatory requirements.

We will be recommencing a process towards a potential IPO with a view to achieving this before the end of 2024. As shared with shareholders previously, we consider there are benefits with exploring an IPO including to give Cuscal deeper access to funding sources and to provide the Management team greater flexibility to execute growth initiatives.

We are monitoring the geopolitical situation and market volatility closely and will continue to do so as we proceed towards a potential listing.

If Cuscal proceeds with an IPO and listing before the end of 2024, Cuscal will be required to lodge a prospectus. Any person considering acquiring securities in Cuscal in such circumstances, would be required to read the prospectus in full before deciding to acquire securities in Cuscal, and would be required to complete the relevant application which would accompany the prospectus. As at the date of this Annual Report, no prospectus has been lodged.

Cuscal seeks to balance returns to shareholders against regulatory capital requirements and the need to retain sufficient capital to continuously reinvest in its core business and innovation. Cuscal's targeted dividend policy continues to be a dividend payout ratio of 40% to 60% of Net Profit After Tax, at the discretion of the Board of Directors.

Given the current outlook, Cuscal expects the full year dividend for FY2025 to be in the range of 9.0-11.0 cents per share.

The payment of a dividend remains at the discretion of the Directors and will be a function of a number of factors including the general business environment, the operating results, cash flows and financial condition, future funding requirements, capital management initiatives, taxation considerations (including the level of Australian franking credits), any contractual, legal or regulatory restrictions on the payment of dividends and any other factors the Directors may consider relevant.

No assurance can be provided about the level of future dividends or the extent to which any of the dividends will be franked. The Directors do, however, envisage that Cuscal will continue to pay dividends for the foreseeable future and that future dividends will be franked to the maximum extent possible.

Cuscal

5 Year Financial Summary

	2024 $m	2023 $m	2022 $m	2021 $m	2020 $m
Financial performance – normalised - $m					
Net Operating Income (NOI)(i)(ii)	**284.5**	240.8	182.4	162.5	147.9
Annual NOI growth – %	**18%**	32%	12%	10%	(9%)
Operating expenses(i)(iii)	**(241.9)**	(203.4)	(149.4)	(129.6)	(116.4)
Annual operating expenses movement - %	**19%**	36%	15%	11%	(11%)
Adjusted EBITDA(i)(ii)(iii)(iv)(v)	**56.2**	45.9	36.0	37.6	36.6
Profit after tax from continuing operations(i)	**31.6**	26.1	23.4	23.1	21.9
Consolidated Profit attributable to the owners of Cuscal	**31.6**	26.1	23.4	82.7	3.3
Financial Position					
Regulatory Capital - $m	**207.0**	173.6	218.4	292.2	197.5
Risk-weighted assets - $m	**927.1**	823.4	1,030.2	1,099.3	1,004.4
Prudential capital ratio - %	**22.3**	21.1	21.2	26.6	19.7
Shareholder return					
Average shares on issue - millions	**175.4**	175.4	180.1	186.9	186.9
Earnings per share - cents(i)	**18.0**	14.9	13.0	12.4	11.7
Fully franked dividend - cents per share(vi)	**8.5**	7.5	6.0	17.0	1.6
Total dividends paid - $m(vi)	**14.9**	13.1	10.6	31.7	3.0
Return on equity - %(i)	**10.2**	8.8	7.4	7.9	8.5

(i) Excludes impacts across the comparable periods relating to the 86 400 Group;

(ii) 2024 includes a positive net fair value adjustment related to the option liability instruments (net $11.2m), recorded in other Operating income ($12.5m) and Net interest Income ($(1.3m));

(iii) 2024 includes a $14.3m amortisation charge related to the reassessment of intangible asset useful life;

(iv) Adjusted EBITDA represent the results attributable to continuing operations, which excludes a component of the result attributable to discontinued operations through the 2019-2021 periods;

(v) Cuscal measures Adjusted EBITDA as net profit before tax, before depreciation and amortisation (but excluding depreciation relating to 'right of use' assets under AASB16, which is included in Operating expenses), and in 2024, before the adjustment to the option liability noted in (ii) above; and

(vi) Includes a special dividend of $25m (13.4 cents per share) associated with the sale of 86 400 Group and share buy backs in 2021.

Consolidated Entity Disclosure Statement

	Entity type	Country of Incorporation	Tax residency	Class of Share	Interest Held 2024 %	2023 %
Parent Entity						
Cuscal Limited	Body corporate	Australia	Australia			
Controlled entities						
Cuscal Management Pty Limited	Body corporate	Australia	Australia	Ord	**100**	100
Integris Securitisation Services Pty Limited	Body corporate	Australia	Australia	Ord	**100**	100
Strategic Payments Services Pty Limited (SPS)	Body corporate	Australia	Australia	Ord	**100**	100
Integrity Series 2014-1 Trust	Trust	N/A	Australia	Ord	**100**	100
Cuscal Payments Holdings Pty Limited	Body corporate	Australia	Australia	Ord	**100**	100
Cuscal Payments New Zealand Limited	Body corporate	New Zealand	Australia	Ord	**100**	N/A
Braavos Corporation Pty Limited(i)	Body corporate	Australia	Australia	Ord	**81.56(ii)**	81.56(ii)
Basiq Pty Limited(i)	Body corporate	Australia	Australia	Ord	**81.56(ii)**	81.56(ii)
Basiq.io D.O.O.(i)	Body corporate	Serbia	Australia	Ord	**81.56(ii)**	81.56(ii)

(i) The 81.56% controlling interest in Braavos Corporation Pty Limited means Cuscal has resulting 81.56% controlling interest in all 100% owned subsidiaries of the Braavos Group, namely Basiq Pty Limited and Basiq.io D.O.O. (Serbian).

(ii) Cuscal's interest in Braavos Corporation Pty Limited and its subsidiaries is 77.25% on a fully diluted basis, should all outstanding options held with non-controlling interest be exercised.

Executive Leadership Team

Members of Cuscal's Executive Leadership Team are set out below:

Executive	Experience and Background
Craig Kennedy *Managing Director* 	Craig joined Cuscal as its Managing Director in December 2008. Craig is responsible for the corporate leadership, strategy and direction that has established Cuscal as a leading payments and regulated data services provider in Australia. Craig has more than 35 years' experience in the financial services sector, with particular expertise in digital banking and payments. Over the past 25 years Craig has been a director of listed and unlisted public companies and been a part of a team that built and operationalised two new retail banks in Australia. Prior to joining Cuscal, Craig was the Managing Director of Espreon Limited. He was also Head of Direct Banking at ING and has held a number of senior positions at Advance Bank Australia, State Bank of New South Wales and Monster Worldwide. Craig holds an MBA and is a fellow of the Financial Services Institute of Australia and a graduate of the Australian Institute of Company Directors. Craig is also a Director of Australian Payments Plus Limited.
Sean O'Donoghue *Chief Financial Officer* 	Sean joined Cuscal as Chief Financial Officer in August 2014 and oversees Cuscal's financial, project management, business improvement and investor relations functions. Sean has over 30 years' experience in various chief and senior executive roles predominantly in the listed environment, in Australia and internationally with businesses in banking, wealth management and property. Sean's career spans financial services and wealth management and he spent close to two decades in the property, funds management and superannuation sectors with multi-nationals Lend Lease and MLC (in Australia and the United States), Multiplex and Abacus Property Group in various chief and senior financial roles. Sean holds a Bachelor of Commerce with Merit (majoring in Accounting, Finance and Information Systems) from the University of NSW; a Master of Business Administration from Pepperdine University, USA; is a graduate of the AICD and is also a Chartered Accountant.
Michael Blomfield *Chief Client Officer* 	Michael joined Cuscal as Chief Client Officer in June 2024 and oversees Cuscal's client and growth functions. Michael has over 30 years' experience in banking and financial services both domestically and internationally across Australia, Asia, North America, the UK and Europe, South Africa and with expertise spanning strategy, operations, growth and sales and execution. Prior to joining Cuscal, Michael was the Chief Customer Officer and Senior Program Director for Seven Consulting. While at Seven Consulting Michael refined and helped execute the strategic roadmap of NGM Group (the merger of Newcastle Permanent Building Society and Greater Bank). Prior to Seven Consulting, Michael held various senior executive roles in banking and financial services including with Iress Limited (ASX:IRE); MF Global, Singapore; Platypus Advisors, Singapore; and Bankers Trust (BT) as well as a number of senior roles with the Commonwealth Bank of Australia including Senior Advisor to Group Executive, International Financial Services, and Executive General Manager of Local Business Banking. Michael holds a Bachelor of Arts (Communication Studies) from Western Sydney University and is a Non-Executive Director of QiLu Bank in Shandong Province, China.

Angela Powell
Chief Risk Officer

Angela joined Cuscal in February 2024 as Chief Risk Officer. She is responsible for leading Cuscal's risk management strategy, compliance, and risk management frameworks, as well as enhancing Cuscal's risk management culture and capability across the business.

Angela has over 20 years' experience in banking and financial services both domestically and internationally and has expertise spanning risk management, governance, regulation, operational excellence, and strategic transformation.

Prior to joining Cuscal, Angela was a Senior Principal Consultant with Promontory, where she partnered with boards, senior management and risk and compliance professionals to strengthen the effectiveness of risk management practices in the areas of non-financial risk management, operational resilience, governance, culture, and accountability. Prior to Promontory, Angela held senior roles within the Policy and Advice division's leadership team at APRA; ING Australia and Lloyds International.

Angela holds a Bachelor of Arts and a Post Graduate Diploma in Applied Finance from Kaplan, and is a member of the Australian Institute of Company Directors.

Bronwyn Yam
Chief Product Officer

Bronwyn joined Cuscal in May 2023 as the Chief Product Officer. She is responsible for driving Cuscal's product strategy.

Bronwyn has over 25 years' experience in financial services and consulting industries. Bronwyn's previous role was the Chief Product Officer of Tyro Payments Limited for approximately six years. Prior to that she held several senior roles across various divisions within the Commonwealth Bank of Australia.

Before moving to Australia in 2004, Bronwyn had a consulting career with Arthur Andersen Business Consulting in the United States and across Asia working with clients from multiple industries from manufacturing to financial services.

Bronwyn holds a Master of Business Administration from the Hong Kong University of Science and Technology and a Bachelor of Arts from the University of California, Los Angeles.

Evan Craig
Chief Information Officer

Evan was appointed Chief Information Officer in March 2022 and leads Cuscal's technology and practice delivery functions. Since joining Cuscal in July 2017, he has held a number of senior roles in enterprise technology services including Interim Chief Information Officer, Head of Strategy and Governance, and Head of Service Delivery.

Evan has more than 20 years' experience in IT services delivery including multiple financial institutions and service provider organisations in mission critical roles.

Prior to joining Cuscal, Evan was the National Technology Services Manager at Fuji Film and held multiple senior leadership roles at Suncorp and Promina.

Freya Smith
Chief Legal and People Officer

Freya joined Cuscal in October 2022 and is responsible for leading Cuscal's legal and secretariat and people and culture functions.

She has significant experience leading teams in complex and global organisations across various industries including payments, Fintech, financial services, insurtech and emerging technologies.

Before joining Cuscal, Freya was the Group General Counsel and Company Secretary for Claim Central Consolidated, a global insurtech business. Prior to that she was the Chief Legal Officer and Company Secretary for ASX-listed global payments company, OFX Group Limited.

Freya holds a Master of Laws (High Distinction); a Bachelor of Commerce and Bachelor of Laws (Hons); and a Graduate Diploma in Applied Corporate Governance from the Australian Governance Institute.

She is also member of the Australian Institute of Company Directors; a Fellow of the Governance Institute of Australia; and a member of the Association of Corporate Counsel. Freya is also a Non-Executive Director of ASX listed technology company IXUP Limited.

Cuscal

Risk Management Strategy and Framework

Overview

Cuscal operates in a highly regulated environment. We hold a number of licences (ADI and AFSL licences) and accreditations (including being an Accredited Data Recipient) and are subject to:

- Laws and regulations applicable to the provision of Cuscal's products and services, including requirements associated with licensing and disclosure, anti-money laundering and counter-terrorism financing, privacy, sales practices, unfair contract terms, consumer data rights, and conduct;
- Prudential requirements related to credit, market and liquidity risk management, operational risk and compliance management, governance and remuneration. This includes specific requirements related to information security, related entities, third-party service providers and business continuity management;
- Various industry standards/codes/rules (including AP+ and Payment Card Industry Data Security Standards); and
- Oversight by various regulatory bodies including APRA, ASIC, the ACCC, AUSTRAC, the OAIC and the RBA.

Risk Management Framework

Risk is inherent in Cuscal's business activities, including strategic, financial and non-financial risks. Our Risk Management Framework ('**RMF**') is a key enabler of our strategy and ensures compliance with APRA's Prudential Standard CPS 220 Risk Management. The RMF is the totality of systems, structure, policies, processes and people that identify, measure, evaluate, monitor, report and mitigate all internal and external sources of material risk. Cuscal maintains a RMF that is applied appropriately throughout the business. Risk culture is an intrinsic part of the RMF and is recognised as a key enabler of effective risk management practices across the organisation.

Our Board approved RMF comprises the following core components:

- A Risk Management Strategy that describes the strategy for managing each material risk identified;
- A Risk Appetite Statement that conveys the degree of risk Cuscal is prepared to accept in the pursuit of its strategic objectives, expressed in qualitative appetite statements and quantitative risk limits;
- A business plan that sets out the approach for the implementation of our strategic objectives;
- A designated risk management function that is operationally independent from the business to assist the Board and Board Committees to maintain the RMF;
- Policies and procedures for the management of material risks;
- An Internal Capital Adequacy Assessment Process to meet capital requirements;
- A management information system for measuring, assessing and reporting on material risks; and
- A review process to ensure ongoing effectiveness of the RMF.

The RMF is subject to periodic prudential and regulatory reviews in line with the annual audit plan. The results and action plans are reported to the Board Audit and Board Risk Committees and the Board.

Risk Governance

Risk governance is the formal structures used to support risk-based decision-making and oversight across all operations of Cuscal. It forms an integral part of Cuscal's RMF as it is the structure and processes through which the Board seeks to fulfil its obligations and outline how accountability, responsibility and authority for risk management is delegated across the organisation.

The Board is responsible for Cuscal's RMF and to ensure its effective implementation and operation by management. In discharging its responsibilities, the Board is supported by Board sub-committees dedicated to specific risk areas, including the Board Risk Committee, Board Audit Committee, and Board Governance and Remuneration Committee.

The Board delegates responsibility for the day-to-day management of risk to the Managing Director, who sub-delegates to the Executive Leadership Team via the Executive Risk and Compliance Committee ('**ERCo**') and the Asset and Liability Committee ('**ALCo**'). The ERCo is comprised of senior leaders and chaired by Cuscal's CRO. The ERCo oversees and monitors the effective management of the material risks identified within Cuscal's RMF. The ALCo primarily assesses balance sheet, capital and treasury risks for Cuscal including its management of interest rate risk and liquidity risk, to ensure it has appropriate cash and cash equivalents to meet its liabilities as they come due. Each committee has a documented charter with specific responsibilities to support its effective operation.

Material Risks

The Board and management are directing their focus on mitigating a number of our current and emerging material risks due to their potential impact on our clients and our business.

<table>
<tr><th>Risk Type</th><th>How we manage risk</th></tr>
<tr><td>1. Strategic and Emerging Risk

Current or prospective risk of loss (including from loss of earnings or excess operating costs) resulting from the inability to pursue, execute and deliver its strategic and business objectives.</td><td>This includes the risks of strategy formulation and the risks to the strategy impacting its execution:

▫ Risks of the strategy arise as a consequence of developing an inappropriate or unachievable strategy. This includes an assessment of the internal and external environment, incorporating the drivers that might cause the risks to eventuate. The extent to which we can mitigate those risks, is an important appetite consideration.

▫ Risks to the strategy including new and emerging risks: the pressures, events or conditions which threaten Cuscal's ability to successfully execute its determined strategy. These commonly include the risk that assumptions made during initial strategy determination deviate over time from expected performance.

Cuscal maintains a written business plan that sets out its approach for the implementation of its strategic objectives. The business plan is consistent and integrated with Cuscal's RMF. The strategic planning process governs the development and management of Cuscal's strategy along with identifying any concerns such as areas of increased risk, changes in the environment or prioritisation and allocation of resources. The RMF assists in providing relevant information to senior management and the Board to facilitate their respective roles in the strategy and business planning process.

Cuscal scans for emerging risks that are newly developing or evolving risks on the horizon that can affect the achievement of Cuscal's strategic objectives. We monitor the development of emerging risks and manage them by applying our existing policies and processes including for Risk in Change to manage projects and initiatives and regulatory change.</td></tr>
<tr><td colspan="2">2. Compliance Risk

The risk of legal or regulatory sanction, financial or reputational loss, arising from Cuscal's failure to abide by their required compliance with laws and regulations.

Cuscal is subject to a broad range of regulatory, industry and legal requirements. These include participation and sponsorship obligations with Payments Industry bodies such as RBA, APRA, AusPayNet, AP+ (including BPAY, eftpos, NPPA), Mastercard, Visa, and UnionPay International.

Cuscal has no tolerance for non-compliance with laws and regulations. Cuscal has a compliance policy that sets out the approach to managing compliance obligations and mitigating compliance risk. It's supported by compliance arrangements and practices. Cuscal ensures ongoing compliance through a periodic review of the Obligations Register or as part of a review in response to changes in laws, regulations, codes, and other Compliance Obligations. We also commission independent reviews by specialist third parties and our Internal</td></tr>
</table>

<table>
<tr><td colspan="2">Auditor, KPMG. Cuscal ensures Regulators/Industry bodies are appropriately notified when necessary, in line with our reporting obligations.

Board approved policies are established and implemented for key compliance obligations including Privacy, Financial Crime, Conflicts of Interest, and Modern Slavery.

Regular training is rolled out to our staff to promote awareness and understanding of our compliance obligations.</td></tr>
<tr><td>2.1 Conduct Risk

Conduct risk refers to the potential poor customer outcomes or adverse impacts to market integrity and competition due to unacceptable, unethical or unlawful behaviours, business practices or products.</td><td>Cuscal recognises Conduct Risk as a type of Compliance Risk. It's managed in accordance with the Code of Conduct, which is integrated in Cuscal's risk and compliance management frameworks and business policies to lead appropriate, ethical and lawful behaviour and actions in our business practices. Cuscal has established policies for controlling and overseeing various sources of conduct risks including anti-trust and anti-competition, improper market practices, client mistreatment, improper design or distribution products and services, and breach of the code of conduct. Consequence management and whistleblowing processes are in place to allow reporting and appropriate handling of misconduct.</td></tr>
<tr><td colspan="2">3. Operational Risk

The risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. Cuscal has implemented an Operational Risk Management Framework to identify, assess, manage and report on operational risks. Cuscal seeks to manages its operational risks through:

- Embedding the management of operational risks as the foremost responsibility of Cuscal's business lines;
- Ensuring senior managers within the business are responsible for the ownership and management of operational risks across Cuscal's end-to-end processes; and
- Ensuring ultimate accountability for the oversight of operational risk management sits with the Board. The Board is expected to ensure that senior managers effectively manage the operational risks in their respective business lines.

Cuscal has an Operational Risk Management Framework which establishes the risk governance, risk management, measurement and analytics, risk review and reporting, to assist Cuscal with managing its operational risk on a consistent and reliable basis. In preparation for compliance with the impending APRA CPS 230 Operational Risk, Cuscal has established a program with support from external experts to enhance our operational risk management practices with a focus on uplifting our business resilience and third party management frameworks and processes.

Key operational risks for Cuscal are described below.</td></tr>
<tr><td>3.1 Technology Risk

The risk of technology solutions aren't effective, available or recoverable to meet business objectives.</td><td>Cuscal leverages technology and data to drive business decision-making. The success of this strategy depends on the management of technology risk ensuring our technology assets are fit for purpose, available and recoverable.

The effectiveness of technology controls is evaluated through independent external and internal audits based on business risk criteria. Our IT team monitors our key systems and provides Post Incident Reports (PIRs) for major client impacting incidents including root cause analysis and remediation.</td></tr>
<tr><td>3.2 Cyber Risk

The risk of security incidents by a malicious insider or external threat which disrupts technology services and/or impact the confidentiality,</td><td>Cuscal's cyber (information security) risk management is shaped by its obligations under regulatory requirements and industry guidance including APRA Prudential Standard CPS 234 Information Security and the associated prudential practice guide and Prudential Practice Guide CPG 235 Managing Data Risk.

Cuscal adopts a risk-based approach to cyber risk management, and it is shaped by its regulatory requirements including APRA Prudential Standard CPS 234 Information Security and the associated prudential practice guide including CPG 235 Managing Data Risk. Cuscal is also subject to industry guidance and expectations, which cover Payment Card Industry (PCI) requirements. Regular CPS 234 controls testing and assurance is</td></tr>
</table>

integrity and availability of Cuscal's data or information assets.	performed, along with payment card industry and scheme compliance reviews. Cuscal recently achieved System and Organisation Control 2 (SOC2), a voluntary industry compliance standard that specifies how service organisations should manage customer data.
3.3 Data Risk The risk that Cuscal fails to appropriately manage or use client, employee, third party, external, and proprietary data to meet business objectives and legal/compliance regulations.	Cuscal must comply with regulatory requirements associated with data management, including the payment industry and scheme standards with respect to how data is collected, managed, secured, shared, protected, and stored. The Data Governance Framework ('**DGF**') outlines the organisational framework for good governance practices in the collection management and use of organisational data. The DGF focuses on data governance principles, data governance structure, operating model, risk and compliance monitoring, and periodic assessment and continuous improvement.
3.4 Artificial Intelligence (AI) Risk Risk of incorrect AI model design or improper AI model implementation, insufficient data volume and quality leading to bias and or unreliable outputs.	Cuscal is adopting responsible AI to drive organisational productivity and innovation in business practices. This will improve our responsiveness to meet client needs and uplift organisational capability. Cuscal has developed an AI strategy that sets the direction for the adoption of AI. Cuscal is conducting controlled experiments to inform and design AI governance framework for setting Cuscal's guiding principles for AI adoption, Cuscal's existing risk management frameworks, and practices for data governance and technology-enabled processes will apply. We continue to monitor and mature our AI policies and practices to ensure the development and use of AI is appropriately governed.
3.5 Third Party Risk The risk of losses arising from the failure of key service providers.	Third party management risk includes risks related to service failures, non-compliance with rules and regulations, inadequate intra-group agreements, and offshore arrangements. Cuscal maintains a Procurement, Governance and Outsourcing Policy which focuses on managing risks associated with procurement and outsourcing. There's ongoing monitoring of material service providers under CPS 231 Outsourcing. In preparation for compliance with the impending APRA CPS 230 Operational Risk, Cuscal has established a program with support from external experts to adapt our policies, framework and processes.
3.6 Business Resilience Risk of potential events that can disrupt or halt business operations. These risks can be internal, such as system failures or human error, or external, like natural disasters or cyberattacks that happen to a business' information systems and information technology.	Cuscal ensures adherence with Prudential Standard CPS 232 Business Continuity Management ('**BCM**') through a BCM Policy and Plan which are reviewed on an annual basis. Our Business Continuity and Crisis Management plan considers critical business functions, and our disaster recovery capabilities are aligned to our business needs. Cuscal's IT architecture design has been specifically built to support required SLAs. This is further confirmed through failover tests to ensure continuity and resumption of services to support SLAs. We also provide monthly SLA reports to our clients. As part of our Business Impact Assessment (BIA) process, we consider the Maximum Allowable Outage (MAO) and Recovery Time Objective (RTO) for system functionality as well as Recovery Point Objective (RPO) for data recovery. This is periodically updated to ensure Cuscal has appropriate disaster recovery and data replication in place for our critical functions. Cuscal's Business Continuity and Disaster Recovery plans are routinely tested to help validate our business defined recovery times and recovery point objectives. The CPS 230 Operational Risk program will lead to an enhanced business resilience framework and processes for Cuscal.

3.7 Fraud and Scam Risk of losses due to acts intended to defraud, misappropriate property or circumvent the law by a third party.	Cuscal plays a key role in the Australian payments ecosystem, sponsoring clients' access to Australia's payment systems. Cuscal is unique in that it doesn't have a direct relationship with our client's customers, whose payments are processed through Cuscal. Cuscal has compliance obligations under the rules of various payment schemes to ensure that its clients have appropriate fraud monitoring programs and controls in place. However, there are forthcoming obligations under the Cross Industry Code on Scams, and as an ABA member, we have commitments under the ABA Scam-Safe Accord. As a Sponsoring Institution, Cuscal carries secondary risk of financial loss if a Sponsored Institution is unable to fulfill its financial obligations. Cuscal may be secondarily responsible for fines, compensation, or customer losses if charge-backs or scam losses requiring customer reimbursement exceed the Sponsored Institution's capacity to absorb the loss. Cuscal offers a 24/7 fraud monitoring service known as Vigil and has invested in advanced fraud detection systems to protect them from these risks. We're maturing our systems, tools, and business processes to manage fraud and scam activity enterprise-wide. This includes a defined Fraud and Scam Strategy for managing fraud and scam risk, which is supported by capabilities including Governance and risk management, client onboarding and governance, scam prevention suite, intelligence management model, fraud detection framework, scam response framework, and ongoing awareness and education. Cuscal will incorporate fraud and scams into its existing structures for managing risk. Cuscal's RMF is currently undergoing change as part of its CPS 230 Operational Risk Management implementation.
4. Risk in Change Risk of failing to manage the execution of change initiatives occurring in all stages of a project lifecycle as a result of change of scope or timeline/resource constraints.	Cuscal's risk and compliance framework sets out requirements relating to the management of risks arising from change initiatives across the organisation. Integrated in the project lifecycle management are risk management processes to ensure risks associated with project delivery and business as usual processes are appropriately identified, assessed and managed. These processes relate to how risk acceptances are made and approved, issues identification and management, and an impact assessment on Cuscal's risk profile. Project governance ensures disciplined tracking and monitoring of project status and risks during its lifecycle, and reporting and escalation of key issues to senior management.

Cuscal's approach to managing its financial risks including Credit Risk, Market Risk and Balance Sheet and Liquidty Risk is set out at Note 39.

Environmental, Social and Governance (ESG)

Acknowledgement of Country

Cuscal acknowledges the Traditional Custodians of the lands, seas and waters across Australia. We honour the wisdom of Aboriginal and Torres Strait Islander Elders past and present, and embrace future generations.

Our Commitment

Cuscal recognises its responsibility to manage environmental and social impacts in the pursuit of its strategic vision. Cuscal's approach to sustainability is evolving and we have continued to increase our focus in this area throughout FY2024.

During FY2024 the Cuscal Board approved:

Sustainability Policy

Cuscal's Sustainability Policy, to document our commitment and approach to sustainability and the specific objectives that we will pursue in our business operations in a manner consistent with the United Nations Sustainable Development Goals.

Sustainability Framework

Cuscal's Sustainability Framework, to document our overall approach to sustainability and how we will:

- Manage ESG structures, risks and opportunities;
- Integrate sustainable practices into our operations; and
- Assess and manage material topic areas and set indicators, targets and actions.

As part of the development of the Sustainability Framework, Cuscal undertook a materiality assessment and identified five framework pillars that underpin our initial focus areas and our approach to sustainability: Environmental Impact; Employee Engagement & Wellbeing; Value Chain Improvement & Innovation; Trust & Transparency; and Community & Stakeholder Impact. The Sustainability Policy sets out Cuscal's objectives in relation to each pillar.

Diversity, Equity & Inclusion Policy

Cuscal's Diversity, Equity & Inclusion Policy documents the guiding principles, commitments and practices that underpin Cuscal's approach to attract, engage and retain a talented workforce, foster a culture of diversity and inclusion, and provide continuous opportunities for learning and growth, to support Cuscal's strategic vision and our values.

Diversity, Equity & Inclusion Strategy

Cuscal's Diversity, Equity & Inclusion Strategy documents our commitment to fostering a diverse and inclusive culture at Cuscal, the actions that we will take, and how we will achieve them over a three-year period from 2024 – 2027. The Diversity, Equity & Inclusion Strategy integrates with Cuscal's broader Sustainability Framework and is reflective of the current environment and is aligned to our strategic priorities.

As part of the development of the Diversity, Equity & Inclusion Strategy, insights were gathered through several focus groups with Cuscal people leaders and employees, and a review of our current policies, strategies and data. Cuscal's future direction is based on the experience of its people and their vision for Diversity, Equity and Inclusion at Cuscal to create a supportive, diverse, and values-led culture, achieved through a safe, equitable and welcoming workplace for all.

Key ESG Achievements in FY2024

During the financial year, Cuscal took a number of steps to uplift its ESG impact, including:

- Development of ESG Targets and Actions aligned to our Sustainability Framework pillars to support our people, the environment and our community.
- Submitted our Reflect RAP with Reconciliation Australia.
- Engaged with an independent Climate Active Certified Consultant to complete our carbon footprint assessment for FY2024, for Scope 1 and Scope 2 greenhouse gas (‘**GHG**’) emissions.
- Achieved 50% gender diversity on the Cuscal Board of Directors; and 37.5% females in senior leadership roles.
- Refreshed key ESG policies described above to guide our approach, manage risks and drive action against material topics.
- In partnership with our people and First Nations Artist, Jason Douglas from Dalmarri, we created a painting called ‘Wugul Mudjin’ meaning One Family, One Mob, One Team. This artwork represents the Cuscal values and connections we have with our clients and communities. The painting hangs in Cuscal’s office and acts as a constant representation of our commitment to reconciliation.
- Submitted enhanced reporting requirements for the Workplace Gender Equality Agency, in line with our Diversity, Equity & Inclusion Strategy and focus.
- Remained committed to implementing and uplifting tools and technologies that will improve tracking, monitoring and reporting on supply chain performance.
- Remained committed to identifying and addressing risks around modern slavery, human trafficking and forced labour across our supply chain, including expansion of existing obligations beyond compliance with legal requirements, to capture a broader scope of due diligence.
- Established our first DEI Employee Resource Group the ‘DEI Advocates’, to identify opportunities to maximise the benefits of diversity and inclusion across Cuscal, and provide thought leadership, tools and resources to achieve an inclusive workplace that better represents the broader community in which we operate.
- Joined the ABA, which provides access to industry level engagement, knowledge and data to inform our fraud and scam mitigation strategies.
- Launched ‘Respect at Work’ training to all our people leaders and employees, and designed and implemented a proactive approach to address and prevent workplace sexual harassment, sex discrimination and sex-based harassment.
- Recognised International Day for the Elimination of Racial Discrimination.
- Partnered with The Pyjama Foundation to host Cuscal’s End of Year Gift Drive for children in out-of-home care in Australia.
- Celebrated Diwali and acknowledged this day with a $1,000 donation to Foodbank NSW.

ESG Targets and Actions Set in FY2024*

Cuscal recognises the importance of establishing appropriate ESG Targets and Actions that we are well placed to address continuous improvement in performance, are aligned to our values, and are indicative of the actions our clients and shareholders expect.

Environmental Impact	Net Zero Scope 1 & 2 Emissions by FY26.
	100% Renewable Energy in Australian premises by FY26.**
	Recycle 100% of e-waste by FY26.
Trust & Transparency	Uplift existing systems and processes to deliver improved supply chain transparency and effectively report on ESG standards across Cuscal’s supply chain.

Employee Engagement & Wellbeing	Increase to 1% (from 0.7%) of employees self-identifying as Aboriginal and/or Torres Strait Islander by December 2027.
	Increase the number of employees that self-identify their Diversity, Equity and Inclusion data or actively self-exclude from 16% to 50% by December 2026.[1]
	Maintain or improve gender diversity target of 40:40:20 for the Board and Executive Leadership Team by December 2027.
	Achieve gender diversity target of 40:40:20 for the Senior Leadership Team and Senior Managers by December 2027.
	Maintain or improve gender pay equity at 0.3%.
Value Chain Improvement & Innovation	Executive Leadership Team remuneration to align with ESG-related Targets by FY26.
Community & Stakeholder Impact	Progress the implementation of Cuscal's Reflect RAP.

* The ESG Targets and Actions set in FY2024 relate to the parent entity Cuscal Limited and have been approved by the Cuscal Limited Board.
** In Cuscal office premises where Cuscal has direct control of electricity procurement.

FY2024 Carbon Footprint

Cuscal commissioned an independent Climate Active Certified Consultant to conduct a comprehensive assessment of the Group's GHG emissions for FY2024. The emissions boundary to be reported on for FY2024 covers emissions occurring from sources owned or controlled by the Group (Scope 1), and emissions from the generation of purchased electricity consumed by the Group (Scope 2). The Group will expand reporting in future years on indirect emissions occurring as a consequence of Group activities from sources not owned or controlled by the Group (Scope 3).

Cuscal's GHG emissions boundary has expanded from FY2022 to FY2024 to include the acquisition of Braavos, as well as to provide a more comprehensive understanding of Cuscal's value chain emissions to prepare for the introduction of mandatory sustainability reporting.

Based on the best available data, the estimated total Scope 1 and Scope 2 GHG emissions for the Group in FY2024 was 233.83 tonnes of carbon dioxide equivalents (tCO2-e).

Operational Boundary	Examples of Inclusions	(tCO2-e)*
Scope 1	Direct emissions such as those resulting from fuel use or refrigerant leakage.	1.28
Scope 2	Purchased Electricity.	232.55

* Figures stated are calculations based on best practice methodology rather than precise measurements. These methodologies include estimations and assumptions.

The Group had a 0.34 GHG intensity ratio for Scope 1 and Scope 2 emissions per FTE (full time equivalent) in FY2024.

The Group's Scope 1 and Scope 2 GHG emissions for FY2024 have been calculated in line with the World Resources Institute's Greenhouse Gas Protocol Corporate Standard.

[1] Includes gender.

The Cuscal Journey to Reconciliation

Artwork title: "Wugul Mudjin"
Meaning: One Family, One Mob, One Team

This artwork represents the Cuscal values and connections we have with our clients and communities.

The concentric circles represent our Company and our passionate people. The half U shapes are our Elders, our leaders who bring the team together and connect. The pathways are the journeys connecting us to our communities, valued partners and our clients. The stunning red, black, orange and teal representing the colours of Cuscal, while paying homage to our First Nations peoples.

Our Reconciliation Statement:

'The Cuscal Way' to reconciliation: We acknowledge and respect the strength, knowledge and resilience of First Nations people of Australia, and recognise them as a foundational part of our united community. At Cuscal, we will seek to listen to First Nations voices and taking action to create a fair and equitable future.

Through the Cuscal Reflect RAP, our business will explore how we can learn from the First Nations people and amplify our collective effort to meet their needs.

Oversight and Management of ESG

Cuscal recognises the importance of sustainable business practices and the environmental and social impacts Cuscal can have in conducting its business.

Oversight and management of ESG has been embedded within Cuscal's governance framework.

Directors' Report

The Directors of Cuscal Limited ('**Cuscal**') present their report on the consolidated entity consisting of Cuscal Limited ('**Cuscal**' or the '**Company**') and the entities it controlled at the end of, or during, the year ended 30 June 2024 (the '**Consolidated Entity**' or the '**Group**').

Directors

The Directors who held office during or since the end of the financial year and up to the date of this report are:

Director	Experience and Background
Elizabeth Proust AO *Independent Chairman* 	Elizabeth was appointed Chairman of Cuscal on 1 June 2020 and is also the Chairman of the Board Governance & Remuneration Committee and Nominations Committee. Elizabeth is one of Australia's leading business figures and has had a diverse career holding leadership roles in the public and private sectors for over 30 years. Elizabeth spent eight years at ANZ Group including four years as Managing Director of Esanda, Managing Director of Metrobanking and Group General Manager, Human Resources, Corporate Affairs and Management Services. Before joining ANZ, Elizabeth was Secretary (CEO) of the Department of Premier and Cabinet (Victoria) and Chief Executive of the City of Melbourne. Elizabeth was made an Officer of the Order of Australia in 2010 for distinguished service to public administration and to business, through leadership roles in government and private enterprise, as a mentor to women, and to the community through contributions to arts, charitable and educational bodies. Elizabeth holds a Bachelor of Arts (Hons) from La Trobe University and a Bachelor of Laws from the University of Melbourne. In March 2021, Elizabeth was appointed a Life Fellow of the Australian Institute of Company Directors. **Other Board roles currently held by Elizabeth include:** Lendlease Group (ASX: LLC) (Director) GQG Partners (ASX: GQG) (Lead Independent Director) Fujitsu Advisory Board (Member)
Craig Kennedy *Managing Director* 	Craig joined Cuscal as its Managing Director on 8 December 2008. Craig is responsible for the corporate leadership, strategy and direction that has established Cuscal as a leading payments and regulated data services provider in Australia. Craig has more than 35 years' experience in the financial services sector, with particular expertise in digital banking and payments. Over the past 25 years Craig has been a director of listed and unlisted public companies and has been a part of a team that built and operationalised two new retail banks in Australia. Prior to joining Cuscal, Craig was the Managing Director of Espreon Limited. He was also Head of Direct Banking at ING and has held a number of senior positions at Advance Bank Australia, State Bank of New South Wales and Monster Worldwide. Craig holds an MBA and is a fellow of the Financial Services Institute of Australia and a graduate of the Australian Institute of Company Directors. **Other Board roles currently held by Craig include:** Australian Payments Plus Ltd (Director)

Belinda Cooney *Independent Non-Executive Director* 	Belinda was appointed to the Cuscal Board on 18 June 2021. She is Chairman of the Board Audit Committee and a member of the Board Risk Committee. Belinda is an experienced company director and finance professional. She currently serves as the Chief Financial Officer of Interactive Pty Ltd, Australia's largest privately held IT services company. Belinda has 30 years' experience in global financial markets, focused on the telecommunications, media and technology sector, primarily with Macquarie Capital in both principal investments and investment banking advisory. Her experience in working with clients ranges from Fortune 500 companies to early-stage technology ventures and includes working on complex global transactions as well as providing advice on strategy, business transformation, governance and risk management. She has previously been a Non-Executive Director of 86 400 Holdings Limited. Belinda holds a Bachelor of Commerce, a Masters of Finance (INSEAD) and a Chartered Financial Analyst designation. She is also a Chartered Accountant, a graduate of the Australian Institute of Company Directors and a Senior Fellow of FINSIA. **Other Board roles currently held by Belinda include:** CSIRO Data61 (Advisory Gorup Chair)
Trudy Vonhoff *Independent Non-Executive Director* 	Trudy Vonhoff was appointed to the Cuscal Board on 10 April 2019. She is the Chairman of the Board Risk Committee and a member of the Board Audit Committee and the Board Governance & Remuneration Committee and Nominations Committee. She is an experienced Non-Executive Director and previously served as a director on the boards of Ruralco Holdings Ltd, AMP Bank Limited, Cabcharge Australia Limited and Tennis NSW. Trudy also held senior executive positions with Westpac Banking Corporation and AMP Bank Limited. Trudy brings to the Board strong financial, risk management and governance skills, together with deep experience in financial services. Trudy holds a Bachelor of Business, a Master of Business Administration and is a graduate of the Australian Institute of Company Directors and a Senior Fellow of FINSIA. **Other Board roles currently held by Trudy include:** Credit Corp Group (ASX: CCP) (Director and Chair of the Remuneration and HR Committee) IRESS (ASX: IRE) (Director and Chair of the Audit and Risk Committee) Australian Cane Farms Ltd (Director)

Claudine Ogilvie
Independent Non-Executive Director

Claudine was appointed to the Cuscal Board on 22 February 2023.

She is a member of the Board Audit Committee and the Board Risk Committee.

Claudine brings 20 years' experience in strategy, technology, data, risk and innovation leadership in emerging technologies like AI, quantum computing, and cyber security. She was awarded Top CIO50 in Australia in 2016. Claudine is currently the Co-founder and CEO of HivePix and the Managing Director of O&O Consulting.

Previously Claudine was a Non-Executive Director with Youi Insurance, led the Asia-Pacific Digital and Data business for Compass Group PLC, the Chief Information Officer for the Jetstar Group of Airlines, and the Chief Information Officer for Ridley Corporation. She also held senior product management, sales operations and marketing roles for KPMG, International SOS, BP Australia and Unipath France.

Claudine holds a Bachelor of Business from the University of Technology Sydney and a Diploma of Business Management from the Ecole Supérieur de Commerce Reims, France. She is also a graduate of the Australian Institute of Company Directors, alumnus of the Australia-ASEAN Emerging Leaders Program Kuala Lumpur, and the Asialink Leaders Program (Melbourne University). She also holds qualifications in AI and Quantum Computing from Massachusetts Institute of Technology (MIT).

Other Board roles currently held by Claudine include:

Scyne Advisory Pty Ltd (Director)

Ling Hai
Non-Executive Director

Ling Hai was first appointed to the Cuscal Board on 25 September 2019 and is a member of the Board Risk Committee.

Ling Hai brings extensive experience in digital transformation, payments tech and scaling global businesses. Ling Hai is currently Co-President of Asia Pacific, Europe, Africa and South America at Mastercard. He is responsible for advancing Mastercard's business strategy, sales, business development, product management and engagements with customers and regulators in more than 200 markets. He is a member of both Mastercard's Executive Leadership Team and its Management Committee.

Ling Hai's prior roles at Mastercard include Co-President of the Asia Pacific region, Division President of Greater China and Head of Enterprise Development. Previously, he held senior roles at Bank of America, MBNA and PCCC, a joint venture between HSBC and Bank of Communications.

Ling Hai holds an MBA from the University of Chicago, Booth School of Business. He also holds an honorary degree of Doctor of Humane Letters; and a Bachelor of Science degree from The College of Saint Rose.

Other Board roles currently held by Ling Hai include:

Wan Shi Wang Lian Network Technology (Chairman)
National Committee of US-China Relations (Director)
EDISON Alliance (Board Deputy)
Aspen Global Leadership Network (Member)
The College of Saint Rose Board of Trustees (Trustee)

Daryl Johnson[2]
Non-Executive Director

Daryl was appointed to the Cuscal Board on 24 February 2021. He is a member of the Board Audit Committee and the Board Risk Committee.

Daryl brings extensive financial services experience to Cuscal and has held a number of senior executive roles at ANZ including Managing Director Business Banking. Daryl also held senior roles at National Australia Bank, including Executive General Manager NAB Business and CEO Asia. Daryl's most recent executive role was CEO New Zealand for Rabobank.

Daryl holds a Bachelor of Business, a Master of Business Administration and is a graduate of the Australian Institute of Company Directors.

Other Board roles currently held by Daryl include:

Beyond Bank Australia Ltd (Director)
CG Spectrum Institute Pty Ltd (Non-Executive Director)
Credit Corporation (PNG) Ltd (Non-Executive Director)

Wayne Stevenson
Non-Executive Director

Wayne was appointed to the Cuscal Board on 28 January 2020. He is a member of the Board Audit Committee and the Board Governance & Remuneration Committee and Nominations Committee.

Wayne brings extensive experience in financial services across a broad range of disciplines. This included over 15 years in various CFO and strategy roles at ANZ involving the undertaking of significant acquisitions, restructures and divestments across Australia, New Zealand and Asia.

He is an experienced Non-Executive Director and has served on Boards spanning a number of industries including insurance, banking, SaaS technology, outdoor media and commercial radio.

Wayne holds a Bachelor of Commerce (Accounting), is a Chartered Accountant and is a Fellow of the Australian Institute of Company Directors.

Other Board roles currently held by Wayne include:

BigTinCan Holdings Ltd (ASX: BTH) (Director and Chair of the Audit and Risk Committee)
Credit Union Australia Ltd (Great Southern Bank) (Director)

Company Secretaries

Freya Smith

BCom, LLB (Hons), LLM, GradDip Applied Corp Gov, MAICD, FGIA, FCG

Ms Smith was appointed as Company Secretary for Cuscal on 4 October 2022.

Details of Ms Smith's qualifications are set out on page 16.

Sean O'Donoghue

BCom UNSW; CA; MBA Pepperdine University USA, GAICD

Mr O'Donoghue was appointed as Company Secretary for Cuscal on 8 January 2020.

Details of Mr O'Donoghue's qualifications are set out on page 15.

[2] Daryl Johnson retired from the Cuscal Board effective 31 July 2024.

Directors’ and Committee Meetings

	BOARD		COMMITTEES					
			AUDIT		RISK		GOVERNANCE & REMUNERATION	
DIRECTOR	A	B	A	B	A	B	A	B
Elizabeth Proust	13	13	N/A	4	N/A	7	8	8
Belinda Cooney	13	13	4	4	7	7	N/A	8
Ling Hai	13	9	N/A	0	7	4	N/A	2
Daryl Johnson	13	13	4	3	7	7	N/A	8
Craig Kennedy	13	13	N/A	4	N/A	7	N/A	8
Wayne Stevenson	13	13	4	4	N/A	7	8	8
Trudy Vonhoff	13	13	4	3	7	7	8	8
Claudine Ogilvie	13	13	4	4	7	7	N/A	8

A = Number of Meetings Eligible to Attend in FY2024
B = Number of Meetings Attended in FY2024

Directors’ Interests

The Directors do not have any current interests in the equity of the Company as at the date of this Report.

Principal Activities

The principal activities of the Group during the financial year were the provision of payment and regulated data related products and services for the benefit of Australian financial and consumer centric institutions including:

- Electronic and paper payment processing including EFTPOS, direct entry, BPAY, and member and corporate chequing;
- Card products including debit, credit and prepaid cards across most of the major schemes in the market;
- Card platform services;
- Digital applications development;
- Liquidity management and settlement services;
- Specialised finance facilities;
- Network communication services;
- Fraud management services;
- Real-time payments services via the New Payments Platform; and
- Regulated data services.

Review of Operations

The Consolidated Profit attributable to the owners of Cuscal for the year ended 30 June 2024 was $31.6m million, compared to $26.1 million for the previous year.

Further detail is discussed in the Review of Operations on pages 6 to 11.

Subsequent Events

Acquisition of remaining interest in Braavos Corporation

On 1 July 2024, Cuscal Payments Holdings Pty Limited executed a Deed of Sale and Release with the remaining shareholder of Braavos Corporation Pty Limited. The agreement specified a cash payment of $4.8 million to acquire the remaining 'non-controlled' interest not previously acquired. As a result, from this date onwards, Braavos Corporation Pty Limited and its controlled entities will be 100% owned by Cuscal Payments Holdings Pty Limited and its ultimate Parent within the group, Cuscal Limited.

The effect of the Deed of Sale and Release is that the Put and Call Option liability relating to the acquisition of remaining interest in Braavos was resolved. There will be no impact to the statement of profit or loss as a result of the resolution.

Acquisition of employee share options

In addition to the executed Deed of Sale and Release, various Braavos Management that were granted options under the Braavos Employee Option Plan, executed Option Cancellation Deeds for specified cash payouts for cancellation of all options issued (whether vested or unvested) pursuant to the Braavos Employee Option Plan for their Fair Market Value.

To facilitate this payment, Braavos Corporation issued 60,762 shares to Cuscal Payments Holdings Limited at $9.62 per share, amounting to $584,530.

Final dividend declaration

In respect of the financial year ended 30 June 2024, the Directors have determined that a final dividend of 5.0 cents per ordinary share shall be paid to all shareholders registered at 20 September 2024. The final dividend will total $8.8 million. The dividend will be franked to 100% at the 30% corporate income tax rate.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of Cuscal or the Consolidated Entity, the results of those operations, or the state of affairs of Cuscal or the Consolidated Entity in future financial years.

The section below headed 'Dividends' outlines the final dividends to be paid in relation to the 2024 financial year.

Future Developments

The Outlook for 2025 is discussed in the Review of Operations on page 12.

Dividends

In respect of the financial year ended 30 June 2024, an interim dividend of 3.5 cents per ordinary share was paid on 4 April 2024. The amount paid was $6.1 million.

For the year ended 30 June 2024, the Directors have declared a final dividend of 5.0 cents per ordinary share to be paid on 3 October 2024. The amount to be paid is $8.8 million.

As a result, total dividends paid or declared for the year ended 30 June 2024 are 8.5 cents per share ($14.9 million).

All dividends paid or declared relating to the year ended 30 June 2024 are fully franked to 100% at the 30% corporate income tax rate.

Taxation

New legislation requires all public companies, listed or unlisted, to include additional tax related disclosures about subsidiaries in their annual financial report, in a 'consolidated entity disclosure statement'. Directors, CEOs and CFOs must also declare that the disclosures are 'true and correct' (compared to the existing standard of 'true and fair' for financial statements and notes to the financial statements). This change is effective for financial years commencing on or after 1 July 2023.

The consolidated entity disclosure statement is on page 14.

Indemnification of Officers and Auditors

Cuscal has agreed to indemnify the current Directors, former Directors, the Company Secretary and all executive officers of Cuscal and officers of any related body corporate, against a liability that may arise from their positions within the Company or related body corporate to the extent permitted by the *Corporations Act 2001* (Cth) ('**Corporations Act**'). The contract of insurance prohibits disclosure of the nature of the liability indemnified.

Cuscal has paid premiums in respect of directors' and officers' liability insurance during the financial year. The contract of insurance does not include details of premiums paid in respect of individual officers of the Company and prohibits disclosure of the amount of the premium paid.

To the extent permitted by law, Cuscal has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

Cuscal has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer other than the above, or auditor of the Company or of any related body corporate, against a liability incurred by such an officer or auditor.

No Officers are Former Auditors

No officer of the Consolidated Entity has been a partner of an audit firm or a director of an audit company that is the auditor of the Company and the Consolidated Entity for the financial year.

Share Transactions

As shares in Cuscal are unlisted, the Directors are disclosing the following information on share sales during the financial year.

Based on information registered with Cuscal during the financial year, other than changes in shareholdings arising from mergers between shareholders, no shares were traded during the financial year ended 30 June 2024.

Corporate Governance Statement

Cuscal's governance arrangements are set by the Board having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition), and Cuscal's obligations under the Prudential Standards issued by APRA.

Further details are set out in the 2024 Corporate Governance Statement, as approved by the Board.

Non-Audit Services

Ernst & Young continues in office as the external auditor in accordance with section 327C of the Corporations Act.

The Board Risk Committee and Board Audit Committee are required to pre-approve all audit and non-audit services provided by the external auditor. The Board Risk Committee and Board Audit Committee are not permitted to approve the engagement of the external auditor for any non-audit services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

The Board has considered the non-audit services provided during the year by the external auditor and, in accordance with advice provided by the Board Risk Committee and Board Audit Committee, is satisfied that the provision of those non-audit services during the year by the external auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Board Risk Committee and Board Audit Committee to ensure that they do not impact the integrity and objectivity of the external auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or

auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks or rewards.

EY has provided confirmation that there have been no contraventions of the auditor independence requirements under the Corporations Act and no contraventions of any applicable code of professional conduct in relation to its audit.

Details of the amounts paid or payable to Ernst & Young for audit and non-audit services provided during the year are set out in Note 10 to the Financial Statements.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 34.

Rounding Off of Amounts

Cuscal is a company of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in this Directors' Report and the Financial Report has been prepared in millions, rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act.

On behalf of the Directors

Elizabeth Proust AO Chairman	Craig Kennedy Managing Director

Sydney, 27 August 2024

Ernst & Young
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Sydney NSW 2000 Australia
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Auditor's independence declaration to the directors of Cuscal Limited

As lead auditor for the audit of the financial report of Cuscal Limited for the financial year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cuscal Limited and the entities it controlled during the financial year.

Ernst & Young

Andrew Harmer
Partner
27 August 2024

Financial Report 2024

Table of Contents

Statement of Profit and Loss
For the financial year ended 30 June 2024

Cuscal Limited and its controlled entities

	Notes	Consolidated 2024 $m	2023 $m
Gross fee and commission revenue	4	**325.9**	297.2
Direct fee and commission expense	4	**(81.0)**	(76.4)
Net fee and commission revenue		**244.9**	220.8
Interest income	5	**138.1**	89.7
Interest expense	5	**(110.5)**	(67.2)
Net interest income		**27.6**	22.5
Other operating income / (loss)	6	**12.0**	(2.5)
Total net operating income		**284.5**	240.8
Employee benefits expense	7	**(126.9)**	(107.8)
Occupancy expenses	7	**(5.8)**	(4.4)
Depreciation and amortisation	7	**(24.8)**	(8.2)
Non-salary technology expenses	7	**(53.2)**	(57.3)
Other expenses	7	**(31.2)**	(25.7)
Total operating expenses		**(241.9)**	(203.4)
Profit before income tax		**42.6**	37.4
Income tax expense	8	**(12.5)**	(11.6)
Profit after tax		**30.1**	25.8
Add: Loss attributable to non-controlling interests	33	**1.5**	0.3
Consolidated Profit attributable to the owners of Cuscal		**31.6**	26.1
Earnings per ordinary share (‘EPS’)			
Basic and diluted earnings per share	47	**$0.18**	$0.15

The above statement of profit and loss should be read in conjunction with the accompanying notes.

Statement of Other Comprehensive Income
For the financial year ended 30 June 2024

Cuscal Limited and its controlled entities

	Notes	Consolidated 2024 $m	2023 $m
Consolidated Profit for the year		**30.1**	25.8
Other comprehensive income			
Items that may be reclassified to the Statement of Profit and Loss:			
Unrealised gains / (losses) on Fair Value through OCI debt instruments		**6.9**	10.4
ECL (increase) / reduction on Fair Value through OCI debt instruments		**(0.2)**	0.2
Income tax expense relating to these items		**(1.9)**	(3.2)
Other comprehensive income, net of tax	30	**4.8**	7.4
Total comprehensive income for the year, net of tax		**34.9**	33.2
Total comprehensive loss attributable to non-controlling interests	33	**1.5**	0.3
Total comprehensive income attributable to owners of Cuscal		**36.4**	33.5

The above statement of other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position
As at 30 June 2024

Cuscal Limited and its controlled entities

	Notes	Consolidated 2024 $m	2023 $m
Cash and cash equivalents	11	**2,069.1**	1,616.9
Receivables due from financial institutions	12	**106.3**	70.3
Investment securities	13	**1,096.4**	1,181.0
Loans	14	**-**	2.4
Loans made by the Securitisation Trust	15	**-**	0.7
Other assets	17	**75.9**	66.9
Equity Investments	18	**4.0**	4.4
Current tax assets		**-**	0.5
Derivative financial assets	16	**-**	0.1
Deferred tax assets	19	**5.4**	2.4
Property, plant and equipment and right-of-use assets	20	**14.2**	13.2
Intangible assets	21, 22	**105.8**	119.5
Total assets		**3,477.1**	3,078.3
LIABILITIES			
Payables due to financial institutions	23	**32.5**	187.1
Client deposits	24	**2,701.6**	2,468.7
Securities sold under agreement to repurchase	25	**302.1**	-
Discount securities issued	26	**1.0**	4.5
Current tax liabilities		**10.0**	-
Derivative financial liabilities	16	**0.2**	-
Other liabilities	27	**68.7**	85.2
Provisions	28	**36.8**	30.7
Total liabilities		**3,152.9**	2,776.2
Net assets		**324.2**	302.1
EQUITY			
Issued capital	29	**119.3**	119.3
Reserves	30	**(9.4)**	(14.2)
Retained earnings	31	**212.3**	193.8
Equity attributable to owners of Cuscal		**322.2**	298.9
Non-controlling interests	33	**2.0**	3.2
Total equity		**324.2**	302.1

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
For the financial year ended 30 June 2024

Consolidated

30 June 2024	Notes	Issued capital $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2023		**119.3**	**(14.2)**	**193.8**	**298.9**	**3.2**	**302.1**
Total comprehensive income		**-**	**4.8**	**31.6**	**36.4**	**(1.5)**	**34.9**
Employee share options related to non-controlling interests	35	**-**	**-**	**-**	**-**	**0.3**	**0.3**
Dividends paid	32	**-**	**-**	**(13.1)**	**(13.1)**	**-**	**(13.1)**
As at 30 June 2024		**119.3**	**(9.4)**	**212.3**	**322.2**	**2.0**	**324.2**

30 June 2023	Notes	Issued capital $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2022		119.3	(5.2)	179.1	293.2	-	293.2
Non-controlling interest recognised on acquisition	3	-	-	-	-	3.4	3.4
Option reserve recognised on acquisition of Braavos Group	30	-	(16.4)	-	(16.4)	-	(16.4)
Total comprehensive income		-	7.4	26.1	33.5	(0.2)	33.3
Dividends paid	32	-	-	(11.4)	(11.4)	-	(11.4)
As at 30 June 2023		119.3	(14.2)	193.8	298.9	3.2	302.1

Cash Flow Statement
For the financial year ended 30 June 2024

Cuscal Limited and its controlled entities

	Notes	Consolidated 2024 $m	2023 $m
Fees, commissions and other income received		**315.7**	295.0
Fees & commissions paid		**(84.1)**	(76.9)
Payments to other suppliers and employees		**(201.0)**	(192.5)
Interest received		**134.3**	85.4
Interest paid		**(108.3)**	(61.1)
Net income tax paid, net of research and development incentives		**(6.4)**	(8.5)
Net decrease / (increase) in loans		**2.4**	(2.2)
Net (payments to) / proceeds from settlement market participants		**(190.6)**	59.5
Net proceeds from investment securities		**94.9**	263.2
Net proceeds / (repayments) of repurchase agreements		**301.1**	(400.1)
Net (repayments) / proceeds of discount securities issued		**(3.5)**	0.5
Net proceeds of deposits		**233.3**	97.0
Net payments to prepaid cardholders		**-**	(1.6)
Net cash provided by operating activities	**36**	**487.8**	57.7
Repayment or sale of loans by the Securitisation Trust		**0.7**	61.7
Payment for acquisition of subsidiary, net of cash acquired	3	**-**	(53.3)
Investments in other entities		**-**	(4.0)
Payment for intangible assets		**(10.7)**	(9.4)
Payment for property, plant & equipment		**(7.3)**	(0.3)
Net cash used in investing activities		**(17.3)**	(5.3)
Repayment of borrowings by the Securitisation Trust		**-**	(64.2)
Dividends paid	31,32	**(13.1)**	(11.4)
Cash payments for funding principal portion of lease liability		**(5.2)**	(4.7)
Net cash used in financing activities		**(18.3)**	(80.3)
Net increase / (decrease) in cash		**452.2**	(27.9)
Cash at the beginning of the financial year		**1,616.9**	1,644.8
Cash at the end of the financial year	**11**	**2,069.1**	1,616.9

The above cash flow statement should be read in conjunction with the accompanying notes.

The effects of exchange rate changes on cash and cash equivalents during the year was immaterial.

Notes to the Financial Statements

For the financial year ended 30 June 2024

Note 1 – Accounting policies

The information contained in this note represents the material accounting policies used in the preparation of the Financial Statements and accompanying Notes to the Financial Statements.

(a) Statement of Compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of Cuscal and its controlled entities ('**Consolidated Entity**'). For the purposes of preparing the consolidated financial statements, Cuscal is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of Cuscal and the Consolidated Entity comply with International Financial Reporting Standards ('**IFRS**') as issued by the International Accounting Standards Board (IASB).

The financial statements were approved by the directors on 27 August 2024.

(b) Basis of Preparation

The financial report has been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities (including derivative instruments) that are measured at fair value through the profit and loss or other comprehensive income. Historical cost is generally based on the fair values of the consideration given in exchange for assets, goods and services. Unless otherwise indicated, all amounts are presented in Australian dollars.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Consolidated Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value, such as "value in use" in AASB 136 Impairment of Assets.

The accounting policies adopted in the preparation of this financial statements are consistent with those adopted and disclosed in the Consolidated Entity's annual financial report for the year ended 30 June 2023. Changes to the Consolidated Entity's key accounting policies during the year are described in this report in the section titled 'New Australian Accounting Standards and amendments to Accounting Standards that are effective in the current year', in section (pp) of Note 1.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(c) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Consolidated Entity's accounting policies, Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors.

Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to these estimates are recognised in the period of the revision if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where assumptions require a higher degree of judgement are:

- The fair value of net assets acquired and resulting goodwill as a result of the acquisition of Braavos Group, presented in Note 3;
- The method of measurement of Non-controlling Interest presented in Note 3;
- The accounting treatment of the cloud computing arrangement presented in Note 17;
- The recognition of deferred tax assets and liabilities presented in Note 19;
- The useful life of intangible assets presented in Note 21;
- The fair value of the Option liability presented in Note 27;
- The estimation of provisions presented in Note 28;
- The carrying value of financial instruments presented in Note 39;

Note 1 – Accounting policies, continued

- The fair value at grant date of Share Options issued and other key assumptions as presented in Note 35;
- The valuation and level of significant influence and control assessments of unlisted equity securities presented in Note 18;
- The discount rates used in the calculation of lease liabilities in Note 27; and
- The assumptions used in the calculation of the ECL in Note 17.

(d) Foreign Currency

Foreign Currency Transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

All exchange differences are recognised in profit or loss.

Foreign Operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

(e) Functional and Presentation Currency

The Consolidated Entity amounts are presented in Australian dollars, which is Cuscal's functional and presentation currency.

(f) Comparative Amounts

Where necessary, comparative figures have been adjusted to conform to changes in presentation of current period figures in these financial statements.

(g) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Cuscal and entities (including structured entities) controlled by Cuscal and its subsidiaries. Cuscal consolidates a subsidiary when it controls it.

Control is achieved when Cuscal:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

All three of these criteria must be met for the Consolidated Entity to have control over an investee.

Control is lost when Cuscal:

- has no power over the investee;
- has no exposure, or has no rights, to variable returns from its involvement with the investee; and
- has lost the ability to use its power to affect its returns.

The Consolidated Entity has power over an entity (including a structured entity) when it has existing substantive rights that give it the current ability to direct the entity's relevant activities. Relevant activities are those activities that significantly affect the entity's returns. The Consolidated Entity evaluates whether it has the power to direct relevant activities.

Cuscal reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary or structured entity begins when Cuscal obtains control over the subsidiary or structured entity and ceases when Cuscal loses control of the subsidiary or structured entity.

When the Consolidated Entity loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

When a parent's ownership interest changes in a subsidiary that do not result in the parent losing control of the subsidiary, the transaction is considered as an equity transaction. Non-controlling interests ('**NCI**') results and equity of the subsidiaries are shown separately in the Consolidated Income Statement, Statement of Other Comprehensive Income and Consolidated Statement of Financial Position and are determined on the basis of the Consolidated Entity's present ownership in the entity.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Consolidated Entity are eliminated in full on consolidation.

Note 1 – Accounting policies, continued

(h) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Consolidated Entity, liabilities incurred by the Consolidated Entity to the former owners of the acquiree and the equity instruments issued by the Consolidated Entity in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, liabilities assumed and identifiable intangible assets are recognised at their fair value, except:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively; and
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Consolidated Entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 Share-based Payment at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

(i) Segment Reporting

The Consolidated Entity has one reportable operating segment, 'Payments'. In identifying this, management generally follows the Consolidated Entity's service lines representing its main products and services. Please refer to Note 2.

Income Statement

(j) Interest Income and Expense

The Effective Interest Rate Method

Under AASB 9 Financial Instruments ('**AASB 9**'), interest income is recorded using the Effective Interest Rate ('**EIR**') method for all financial assets measured at amortised cost. Interest income on interest bearing debt instruments measured at FVOCI under AASB 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Consolidated Entity estimates cash flows considering all contractual terms of the Financial Instrument including transaction costs, premiums and discounts, but does not consider future credit losses.

(k) Fees and Commissions

Cuscal's fee and commission income is broadly categorised into the following streams:

- Transactional product related income comprises two key components:
    - General transactional processing income is Cuscal's key revenue stream and is relatively simplistic in nature, i.e., the performance obligation is deemed to have been met when the transaction is processed, or service is provided. Clients can only benefit once a transaction is processed and hence, Cuscal will recognise the revenue once a transaction is processed; and
    - Scheme incentive income includes revenue from exclusivity arrangements, new accounts created and volume contributions. Depending on the type of incentive, the revenue can have various performance obligations that may be met over time or at a point in time. Revenue is only recognised to the extent that a significant reversal is not expected to occur in future.
- Project income: Projects are completed to customer specifications and control is deemed to pass on to the customer upon completion. Cuscal's Project revenue streams are broken down into the following two categories – small- or large-scale customer projects. Revenue relating to smaller projects will be recognised at a point in time (i.e. the end of the project), while larger projects may have specific performance obligations embedded into the contract at inception in which case, they may be recognised over time.
- Treasury and Securitisation income: Securitisation and treasury fee income is generally recognised when the service has been provided.

Note 1 – Accounting policies, continued

Fee and commission expenses are generally recognised on an accrual basis when the service has been provided, or are recognised when Cuscal assesses that it is probable it will be obligated to pay the fee.

The majority of fees and commission expenses relate to the processing of financial transactions for clients.

(l) Dividend Income

Dividend income is recognised on record date after dividends are declared.

(m) Distribution Income

Distribution income is recognised on record date after distributions are declared.

(n) Operating Expenses

Operating expenses are recognised as the relevant service is rendered or once a liability is incurred. Staff expenses are recognised over the period that an employee renders the service to receive the benefit. Occupancy and equipment expenses include the depreciation and lease rentals that are outlined in Note 7. IT expenses are recognised as incurred unless they qualify for capitalisation as an asset due to the related service generating probable future benefits.

Software-as-a-Service (SaaS) Arrangements

SaaS arrangements provide the Consolidated Entity with access and customisation services in relation to cloud-based software solutions provided by a third party, whereby the Consolidated Entity does not have the ability to take possession of the software.

The Consolidated Entity accounts for implementation and customisation services provided under SaaS arrangements as non-distinct services. As a result, the fees associated with these services are recognised as an expense over the live access service period. Any upfront fees paid before receiving the access service are recognised as a prepayment under Other Assets in Note 17.

Ongoing service fees paid for SaaS Provider arrangements will be recognised as incurred. Implementation services over and above any recurring fees will be recognised over the period of the contract.

(o) Taxation

Income tax is recognised in the income statement except when it relates to items recognised directly in Equity or in Other Comprehensive Income, in which case it is recognised directly in equity or in the Statement of Other Comprehensive Income.

Current and deferred tax is recognised as an expense or income in profit or loss, except when the tax relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity or other comprehensive income, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

Cuscal and its wholly owned subsidiaries have adopted the tax consolidation regime in Australia, effective from 1 July 2002. Under the terms and conditions of the tax sharing and funding agreement, Cuscal, as the head entity of the tax consolidation group, charges or reimburses its wholly owned subsidiaries for current tax liabilities or assets it incurs in connection with their activities.

As a consequence, Cuscal recognises the current tax balances of its wholly owned subsidiaries as if those were its own in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax sharing and funding agreement with the tax-consolidated entities are recognised as intercompany amounts receivable or payable.

The 'stand-alone taxpayer' basis is the method used for measuring current and deferred taxes (other than deferred tax assets relating to tax losses) of the entities in the tax consolidation group as if each entity continued to be a taxable entity in its own right. Deferred tax assets in relation to tax losses are measured based on the tax-consolidated group's ability to utilise the tax loss.

(p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('**GST**'), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(q) Research and Development Incentives

Some of the projects which Cuscal has developed qualify for Research and Development Incentives provided by the Australian Government.

Note 1 – Accounting policies, continued

Research and development incentives are recognised in accordance with Accounting Standard AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. Amounts are received in cash but recognised on an accruals basis in the same period as the qualifying expenditure. Where that qualifying expenditure has been capitalised, the incentive is treated as a reduction of the carrying value of the asset developed and the benefit of the grant flows to profit or loss as reduced depreciation and amortisation expenses in future periods. Where that qualifying expenditure has been taken to profit or loss, the incentive is treated as a reduction of the expense item.

Assets and Liabilities

(r) Cash and Liquid Assets

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which have an insignificant risk of changes in value. These comprise cash on hand, cash held in the securitisation trust, and cash in banks.

Bank overdrafts are shown within payables due to financial institutions in the Statement of Financial Position.

(s) Financial Assets and Financial Liabilities

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, at fair value through other comprehensive income ('**FVOCI**'), and fair value through profit or loss.

At initial recognition, the classification of financial assets depends on their cash flows characteristics and the Consolidated Entity's business model for managing them.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortised costs;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit and loss.

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the 'Effective Interest Rate' method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

The Consolidated Entity financial assets held at amortised cost include Receivables due from Financial Institutions and Loans to Securitisation Trust.

Fair value through other comprehensive income (FVOCI)

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Consolidated Entity's debt instruments at FVOCI includes investments securities.

The Consolidated Entity measures all equity investments at fair value. Where management have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following derecognition of the investment. Impairment losses and reversal in impairment losses are not reported separately from other changes in fair value.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and unlisted equity investments which the Consolidated Entity had not irrevocably elected to classify at fair value through OCI. Dividends on unlisted investments are recognised in other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Consolidated Entity's statement of financial position) when:

- The rights to receive cash flows from assets have expired; or

Note 1 – Accounting policies, continued

- The Consolidated Entity has transferred its rights to receive cash flows from assets or assumed an obligation to pay received cash flows in full without material delay to a third party under a 'pass through' arrangement, and either Consolidated Entity has transferred substantially all risks and rewards of asset or the Consolidated Entity has neither transferred nor retained substantially all risks and rewards of the assets but has transferred the control of the asset.
- When the Consolidated Entity has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Consolidated Entity continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Consolidated Entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Consolidated Entity has retained.

Impairment

Disclosures relating to impairment of financial assets are provided in Note 39.

The Consolidated Entity recognises an allowance for expected credit losses ('**ECLs**') for all debt instruments not held at fair value through profit or loss. The parent entity recognises an ECL for intercompany loans held at amortised cost. Refer Note (oo) for further information on ECL methodology.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Consolidated Entity expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Consolidated Entity applies a simplified approach in calculating ECLs.

Therefore, the Consolidated Entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Consolidated Entity has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Consolidated Entity applies the low credit risk simplification. Every quarter, the Consolidated Entity evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Consolidated Entity reassesses the credit rating of the debt instrument from credit agencies such as Standards & Poor (S&P) and Moody's.

The Consolidated Entity's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the S&P Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Consolidated Entity's policy to measure ECLs on such instruments on a quarterly basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Financial Liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and the Consolidated Entity's financial liabilities include payables due to financial institutions, client deposits, securities sold under agreement to repurchase, discount securities issued, borrowings of securitisation trust, derivatives and other payables.

Subsequent measurement

For the purpose of subsequent measurement, financial liabilities are classified into two categories:

- Financial liabilities at fair value through profit and loss; and
- Financial liabilities at amortised costs (payables due to financial institutions, client deposits, securities sold under repurchase agreements, discount securities issued, borrowings of securitisation trust and other payables).

Note 1 – Accounting policies, continued

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Consolidated Entity that are not designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Consolidated Entity has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Consolidated Entity. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(t) Receivables Due from Financial Institutions

All receivables due from financial institutions are recorded at amortised cost less any allowances for expected credit losses. Receivables due from financial institutions include amounts due from market participants for settlement of transactions initiated by Cuscal for its clients on balance date and are usually settled the next business day.

(u) Investment Securities

Cuscal's investment securities are fixed interest securities, discounted instruments and floating rate instruments, which are purchased with the view of holding for a longer period of time, including to maturity date, but which may be sold prior to their maturity date.

These investment securities are classified as FVOCI financial assets and carried at fair value. Realised gains and losses on debt securities classified as FVOCI are recognised as other income in the Statement of Profit and Loss in the period in which they arise. Unrealised gains and losses are taken to the fair value through OCI reserve, in Equity, and are recycled to profit or loss on realisation.

Interest income is calculated using the effective interest method and is recognised in the Statement of Profit and Loss and in Note 5. Changes in fair value are recognised in the Statement of Profit and Loss when the asset is derecognised.

(v) Loans

Loans are recorded at amortised cost less any allowance for expected credit losses.

Interest income on loans is brought to account using the effective interest rate method.

(w) Securitisation Trust Loans and Borrowings

The Integrity Series 2014-1 Trust ('the **Trust**') has been assessed as being a controlled entity under AASB 10 Consolidated Financial Statements, due to the Consolidated Entity's ability to exercise its influence on the returns of the Trust though its subsidiary, Integris Securitisation Services Pty Limited, which continues to act as the Master Servicer of the Trust. The Trust is a "closed" structure and no new loans can be added to the Trust.

The Trust holds residential mortgages originated by mutual banks and credit unions. These loans are held at amortised cost less allowance for expected credit losses.

Note 1 – Accounting policies, continued

Up to 9 June 2023, the Trust had on issue debt securities and instruments that were initially recognised at fair value, net of transaction costs incurred. These instruments were subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount were recognised in profit or loss over the period of the borrowings using the effective interest rate method.

(x) Derivative Instruments

Derivative instruments entered into by the Consolidated Entity may include futures, forwards and forward rate agreements, swaps and options in the interest rate markets. The Consolidated Entity uses derivative instruments to manage the risk of existing Balance Sheet positions or to hedge estimated future cash flows.

All derivatives, including those used for Balance Sheet hedging purposes, are recognised on the Statement of Financial Position and are disclosed as an asset where they have a positive fair value at balance date or as a liability where the fair value at balance date is negative. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently re-measured to their fair value.

Movements in the carrying amounts of derivatives are recognised in profit or loss unless the derivative meets the requirements for hedge accounting.

(y) Other Assets

Trade receivables and other receivables are carried at amortised cost less any allowance for expected credit losses. Other amounts receivable primarily relate to amounts due from financial clearing systems and are generally settled daily prepayments.

Other assets includes implementation fees paid for cloud computing which are treated as software-as-a-service provider 'SaaS' arrangements.

(z) Investments in Other Entities

Investments in other entities, excluding subsidiaries, are classified and carried at fair value through Profit & Loss (FVPTL).

Revaluations on these investments are recorded under Other Income in the Statement of Profit and Loss.

In the Company financial statements, Investments in subsidiaries are carried at cost less impairment.

(aa) Property, Plant, Equipment and Right-of-use Assets

Acquisitions

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition. Assets are reviewed for impairment annually.

Depreciation

Depreciation of plant and equipment is calculated on a straight-line basis over the expected useful life of each asset.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Useful lives	2024	2023
Plant and equipment	3-5 years	3-5 years
Leasehold improvements	10 years	10 years

Right-of-use (ROU) assets

ROU assets are measured at cost and are recorded at the commencement of any new leases that are in the scope of AASB 16. The ROU asset comprises:

- The amount of the initial lease liability, less any incentives received;
- Any initial direct costs incurred; and
- An estimate of the costs to be incurred in dismantling and removing the underlying asset, if applicable under the terms of the lease.

ROU assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The acquired ROU asset on the Braavos building will continue to be accounted for under the terms of the original lease. There are no favourable or unfavourable terms of the lease when compared with market terms.

Note 1 – Accounting policies, continued

(bb) Intangible Assets

Intangible Assets Acquired Separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally Generated Intangible Assets

An internally-generated intangible asset is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability of the intangible asset to generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

The costs of external consultants engaged to develop the intangible asset or to modify purchased intangibles such as software, internal labour costs directly related to the project and project management costs directly related to the intangible asset are included.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Internally generated assets acquired through the acquisition of Braavos have been assessed for the recognition criteria above on acquisition date, and will continue to be recognised in line with the Group policy as stated.

Classes of Intangible Assets

The Consolidated Entity currently has the following classes of intangible assets:

- Payments Infrastructure: The Payments Infrastructure assets are development costs to bring transactional 'switching' and Open Banking data capability to Cuscal customers. This primarily includes internal and external labour costs and licence costs. The Payments Infrastructure intangible assets are currently in-use and are being amortised over a period of 2-8 years. Ongoing expenditure will be incurred to maintain the functional capabilities of the assets in line with current technology. These amounts include Braavos assets recognised on acquisition and capitalised subsequently;
- Software: Software assets are amortised over a useful life of 3-5 years;
- Investment in Australian Plus Payments Ltd (AP+): AP+ brings together the three domestic payment organisations BPay, Eftpos and NPPA into one integrated entity. Cuscal's investment was formerly in New Payments Platform Australia Ltd (NPPA), however, was converted into a share investment in AP+ during the 2022 financial year. Cuscal's investment in the entity is through a share capital subscription. This subscription is akin to a perpetual licence to access the NPP network, as such is being amortised as an intangible asset over a useful life of 10 years; and
- Goodwill: Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any. Goodwill is the Consolidated Entity's only indefinite life intangible asset.

(cc) Payables Due to Financial Institutions

All payables due to financial institutions are recorded at amortised cost. Payables due to financial institutions include amounts due to market participants for settlement of transactions initiated by the customers of Cuscal clients on balance date and are usually settled the next business day.

(dd) Client Deposits

All deposits are recorded at amortised cost. Interest expense on deposits is recognised in the Statement of Profit and Loss as interest expense. Any deposits overdrawn at the end of the reporting period are reclassified to Loans in the Statement of Financial Position.

Note 1 – Accounting policies, continued

(ee) Securities Sold Under Agreement to Repurchase

Securities sold under agreement to repurchase are held with Reserve Bank of Australia for short term funding requirements. These agreements are recognised at amortised cost. Interest expense on these repurchase agreements is recognised in the Statement of Profit and Loss as interest expense.

(ff) Discount Securities Issued

Discount Securities Issued comprise negotiable certificates of deposit and are measured at amortised cost. Interest expense on negotiable certificates of deposit is recognised in profit or loss as interest expense.

(gg) Other Liabilities

Accounts Payable and Other Liabilities

Accounts payable and other liabilities are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services received, whether or not billed to the Consolidated Entity.

Lease Liabilities

At the commencement date of the lease, the Consolidated Entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Consolidated Entity and payments of penalties for terminating the lease, if the lease term reflects the Consolidated Entity exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Consolidated Entity uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease payments are included in Interest Expense shown as a separate line item in Note 5 Interest Income and Expense.

Lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(hh) Deferred Tax Assets and Liabilities

Deferred tax is accounted for using the comprehensive Balance Sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax assets are recognised when temporary differences arise between the tax base of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or where a benefit arises due to unused tax losses. Deferred tax assets are only recognised to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences or tax losses.

Deferred tax liabilities are recognised when such temporary differences will give rise to taxable amounts being payable in future periods.

Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled.

(ii) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation, arising from past events, and it is probable that the Consolidated Entity will be required to settle the obligation and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist when the Consolidated Entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Note 1 – Accounting policies, continued

Employee Benefits

A provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and other employee benefits when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits which are not expected to be settled wholly within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date, over the applicable service period.

Equity

(jj) Shareholders' Equity

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs.

(kk) Capital Reserve

The capital profits reserve and the general reserve represent appropriations made from retained earnings in prior years.

The reserve for credit losses is an appropriation from retained earnings on the adoption of IFRS to provide general coverage for unknown credit losses and replaced a general provision for doubtful debts.

(ll) Fair Value Through OCI Reserve (FVOCI)

The FVOCI reserve includes changes in the fair value of financial assets (debt instruments) that are classified as FVOCI. These changes are transferred to profit or loss when the asset is derecognised or impaired.

(mm) Employee Share Option Reserve

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using appropriate valuation methodology together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity (share based payment reserve) over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, they are treated as if they had vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(nn) Non-controlling Interests

External interest in the equity that is controlled by the Consolidated Entity is shown as non-controlling interest in the controlled entities in the equity section of the Statement of Financial Position. This includes share-based payment in the Consolidated Entity where the awards relate to shares in subsidiaries.

Other Notes

(oo) Expected Credit Losses

AASB 9 establishes a model for recognition and measurement of impairments in loans and receivables that are measured at Amortised Cost or FVOCI. This is referred to as "expected credit losses" ('**ECL**') model.

An ECL is required to be recognised on the following items:

- A financial asset measured at amortised cost;
- A financial asset (debt instruments) measured at fair value through other comprehensive income;
- A contract asset recognised under AASB 15 Revenue from Contracts with Customers ('**AASB 15**');
- A loan commitment; and
- Certain financial guarantees

An ECL is defined as the weighted average of credit losses with the respective risks of default occurring as the weights, and is calculated using the below formula:

ECL = Exposure at Default (ED) x Probability of Default (PD) x Loss Given Default (LGD).

Note 1 – Accounting policies, continued

The key assumptions in the calculation of the ECL are as follows:

- Loss on default charge is assumed to be 45%;
- Minimum loss given defaults vary from 35-75% across different categories of investment;
- A minimum ECL charge approach is booked against trade receivables as they are predominantly settled via direct debit;
- Receivables due from financial institutions excludes balances held as cash on behalf of customers (prepaid cash);
- Settlement exposures covered by security deposits are excluded; and
- Probability of default is taken using S&P ratings. The probability is increased on all negative S&P ratings.

The Consolidated Entity's general approach to ECL for assets at amortised cost or FVOCI are:

- Receivable due from financial institutions – balance primarily due to settlement processes. Cuscal holds customer security deposits to guarantee settlement. ECL arising on these exposures to Australian ADI's will be low as there is no history of default for any Australian ADI's;
- Investment Securities: The Consolidated Entity holds high rated securities with financial institutions, predominantly Australian Banks, as well as Government or Semi-Government Bonds. ECL arising on exposures to Australian ADI's is generally low as there is no history of default;
- Loans: Cuscal loans are immaterial hence there is no ECL;
- Trade Receivables: majority of the Consolidated Entity's debtor balances are settled next day via direct debit against customer accounts held with Cuscal, hence the ECL charge is immaterial;
- Loans made by the Securitisation Trust: under this structure, should credit losses occur, those losses are first subject to Loan Mortgage Insurance (LMI). In the event of total loss on the mortgages in the Trust and a total non-performance of LMI, an event of extremely low probability, the most Cuscal can lose is the amount it has paid in to a special reserve account and any residual income units but only to the extent of any amount undistributed by the Trust. The complete chain of recovery is discussed in detail in Note 39; and
- Undrawn commitments – the majority of Cuscal's overdrafts facilities and overdrafts are covered by cash security deposits, therefore in the event of a client failing there would be no credit loss to Cuscal.

(pp) New Accounting Standards and Amendments to Accounting Standards Issued that are Effective in the Current Year

At the date of authorisation of the financial report, the following Standards and Interpretations issued are effective are considered relevant to the preparation of the financial statements of Cuscal and the Consolidated Entity. None of the new standards or amendments stated had an impact on the consolidated financial statements of the Consolidated Entity.

Definition of Accounting Estimates - Amendments to AASB 108

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

Note 1 – Accounting policies, continued

(qq) New Accounting Standards and Amendments to Accounting Standards that are Not Yet Effective in the Current Year

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial report are disclosed below. The Consolidated Entity intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standard	Effective for annual reporting periods beginning on or after	Applies to Cuscal for the financial year ending
AASB 2014-10 Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025	30 June 2026
AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current	1 January 2024	30 June 2025
AASB 2022-6 Amendments to AASs – Non-current Liabilities with Covenants	1 January 2024	30 June 2025
AASB 2022-5 Amendments to AASs – Lease Liability in a Sale and Leaseback	1 January 2024	30 June 2025
AASB 18 Presentation and Disclosure in Financial Statements	1 January 2027	30 June 2028

The Consolidated Entity is not materially impacted from the adoption of the above interpretations that have been issued but are not yet effective.

Note 2 – Segment reporting

AASB 8 requires information to be disclosed about the Consolidated Entity's reportable segments. Management has identified one reportable operating segment of the business, 'Payments'. The Consolidated Entity's Chief Operating Decision Maker ('**CODM**') in this regard is the Managing Director, who monitors the performance of this segment, as well as deciding on the allocation of resources to this segment.

Segmental performance is primarily monitored using a measure of adjusted earnings before tax, depreciation and amortisation (referred to as 'Adjusted EBITDA'). Information is also received and reviewed on a monthly basis and the accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The reportable segment 'Payments' provides the provision of payment related products and services for the benefit of Australian financial and consumer centric institutions. This includes Electronic and paper payment processing, card products, card platform services, digital applications development, liquidity management and settlement services, specialised finance facilities, network communication services, fraud management services, real-time payments and open data services.

The 'Corporate' segment, which is not considered a reportable operating segment of the Consolidated Entity in line with AASB 8, is used to reconcile the total segment results back to the Consolidated Entity's results. It consists of:

- Fair value gains or losses associated with Cuscal's equity investments (reflected in Other Operating Income in the Statement of Profit and Loss); and
- Net contribution of the Securitisation business (effectively closed during the year).

The CODM does not regularly review segment assets and segment liabilities. Refer to the statement of financial position for total assets and liabilities.

Segment information for the reporting period is as follows:

Consolidated – 30 June 2024	Payments $m	All Other Segments(i) $m	Total $m
Net fee & commission revenue	**244.9**	**-**	**244.9**
Adjusted net interest income(ii)	**28.9**	**-**	**28.9**
Adjusted other operating (loss) / income(ii)	**(0.1)**	**(0.4)**	**(0.5)**
Adjusted total net operating income(ii)	**273.7**	**(0.4)**	**273.3**
Employee benefits expense	**(126.9)**	**-**	**(126.9)**
Occupancy expenses	**(5.8)**	**-**	**(5.8)**
Non-salary technology expenses	**(53.2)**	**-**	**(53.2)**
Other expenses	**(31.2)**	**-**	**(31.2)**
Operating expenses	**(217.1)**	**-**	**(217.1)**
Adjusted EBITDA(iii)	**56.6**	**(0.4)**	**56.2**
Depreciation and amortisation	**(24.8)**	**-**	**(24.8)**
Option liability(ii)	**11.2**	**-**	**11.2**
Profit before income tax	**43.0**	**(0.4)**	**42.6**
Income tax expense	**(12.6)**	**0.1**	**(12.5)**
Profit after tax	**30.4**	**(0.3)**	**30.1**
Add: Loss attributable to non-controlling interests	**1.5**	**-**	**1.5**
Consolidated Profit attributable to the owners of Cuscal	**31.9**	**(0.3)**	**31.6**

Note 2 – Segment reporting, continued

(i) All other segments are non-reportable segments under AASB 8 Operating Segments.

(ii) Adjusted Total net operating income is non-IFRS, non-audited measure and arrived at after adjusting for the impact of the option liability favourable adjustment (net $11.2m; $12.5m in Other operating (loss) / income and a $1.3m charge to net interest income) to the Statutory Net Operating income ($284.5m).

(iii) Adjusted EBITDA is a non-IFRS, non-audited, measure defined as 'Net Profit Before Tax' adjusted for depreciation and amortisation (D&A) but excluding any D&A attributable to right-of-use lease assets under AASB 16 and the adjustment to the option liability described in (ii) above.

(iv) Depreciation & amortisation of $24.8m includes the impact of a change in the useful life of an intangible asset ($14.3m).

Consolidated – 30 June 2023	Payments $m	All Other Segments(i) $m	Total $m
Net fee & commission revenue	221.0	(0.2)	220.8
Adjusted net interest income(ii)	22.3	0.5	22.8
Adjusted other operating (loss) / income(ii)	(0.1)	(2.4)	(2.5)
Adjusted total net operating income(ii)	243.2	(2.1)	241.1
Employee benefits expense	(107.8)	-	(107.8)
Occupancy expenses	(4.4)	-	(4.4)
Non-salary technology expenses	(57.3)	-	(57.3)
Other expenses	(25.7)	-	(25.7)
Operating expenses	(195.2)	-	(195.2)
Adjusted EBITDA(iii)	48.0	(2.1)	45.9
Depreciation and amortisation	(8.2)	-	(8.2)
Option liability(ii)	(0.3)	-	(0.3)
Profit before income tax	39.5	(2.1)	37.4
Income tax expense	(12.2)	0.6	(11.6)
Profit after tax	27.3	(1.5)	25.8
Add: Loss attributable to non-controlling interests	0.3	-	0.3
Consolidated Profit attributable to the owners of Cuscal	27.6	(1.5)	26.1

(i) All other segments are non-reportable segments under AASB 8 Operating Segments.

(ii) Adjusted Total net operating income is non-IFRS, non-audited measure and arrived at after adjusting for the impact of a $0.3m adjustment to net interest income for the option liability to the Statutory Net Operating income ($240.8m).

(iii) Adjusted EBITDA is a non-IFRS, non-audited, measure defined as 'Net Profit Before Tax' adjusted for depreciation and amortisation (D&A) but excluding any D&A attributable to right-of-use lease assets under AASB 16 and the adjustment to the option liability described in (ii) above.

Note 3 – Acquisition accounting

Acquisition of Braavos Corporation Pty Limited (‘**Braavos Group**’)

On 28 March 2023, Cuscal Payments Holdings Limited (a 100% owned subsidiary of Cuscal Limited) acquired 81.56% of the issued shares (77.25% fully diluted) in Braavos Corporation Pty Limited, the parent company of Basiq Pty Limited and Basiq.io. D.O.O (a subsidiary based in Serbia).

As the acquisition date was close to the June 2023 financial year end, the acquisition fair value assessment was incomplete as at the date of the June 2023 annual report. Therefore, the fair value of assets, liabilities, equity interests and items of consideration of the acquired entities were recognised on a provisional basis, as at the acquisition date.

In line with AASB 3, management are allowed to perform a fair value assessment within the measurement period of no more than 12 months subsequent to the acquisition date. This is to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Cuscal engaged an external independent valuations specialist to perform an assessment on the fair value of the software acquired. In December 2023 the fair value assessment was finalised and provided to Cuscal.

A ‘measurement period adjustment’ has been made to retrospectively recognise the changes in fair value of assets and liabilities acquired and resulting goodwill on the statement of financial position.

These changes have been reflected in the financial statements for the period ended 30 June 2024, with amendments made to carrying values from 28 March 2023, and reflected in the 30 June 2023 balances. The cumulative impact to the statement of profit or loss has been recognised in the June 2024 financial year.

The following table shows the impact of the measurement period adjustment, including the changes in carrying values to assets and liabilities, adjusted as at 28 March 2023. The statement of financial position and notes throughout this report for 30 June 2023 have been restated for the changes in carrying values, as shown in the table below:

Consolidated – Statement of Financial Position	Provisional amounts as at acquisition date 28 March 2023 $m	Measurement period adjustments to 28 March 2023 $m	Fair value acquisition amounts as at 28 March 2023 $m
Cash and cash equivalents	**1.8**	**-**	**1.8**
Intangible assets	**7.6**	**5.6**	**13.2**
Property, plant and equipment and right-of-use assets	**1.6**	**-**	**1.6**
Other assets	**0.9**	**-**	**0.9**
Employment benefits (Provisions)	**(0.7)**	**-**	**(0.7)**
Sundry creditors and accrued expenses (Other liabilities)	**(1.1)**	**-**	**(1.1)**
Lease liability (Other liabilities)	**(1.2)**	**-**	**(1.2)**
Net identifiable assets acquired	**8.9**	**5.6**	**14.5**
Less: non-controlling interests	**(2.4)**	**(1.0)**	**(3.4)**
Add: goodwill	**48.6**	**(4.6)**	**44.0**
Total consideration	**55.1**	**-**	**55.1**

Note 3 – Acquisition accounting, continued

Consolidated – Statement of Profit or Loss	Measurement period cumulative impact 28 March 2023 - 30 June 2023 $m
Total net operating income	**-**
Depreciation and amortisation	**(0.2)**
Operating expenses	**(0.2)**
Profit before income tax	**(0.2)**
Income tax expense	**0.1**
Profit after tax	**(0.1)**
Add: Loss attributable to non-controlling interests	**-**
Consolidated Profit attributable to the owners of Cuscal	**(0.1)**

The cumulative profit or loss impact of the measurement period adjustment for the period 28 March 2023 to 30 June 2023 disclosed above was not deemed to be material to the financial year ending 30 June 2023. Therefore, no profit or loss restatement has been made in the prior period. The cumulative profit or loss impact since acquisition has been recorded entirely in the June 2024 financial year.

Notes to the Statement of Profit and Loss

Note 4 – Net fee & commission income

	Consolidated 2024 $m	2023 $m
Gross Fee & Commission Revenue		
Transactional product related revenue(i)	**316.0**	286.2
Project income	**9.8**	10.9
Treasury and securitisation revenue	**0.1**	0.1
Total Fee & Commission revenue	**325.9**	297.2
Direct Fee & Commission Expense		
Transactional product related direct expenses(ii)	**(80.9)**	(76.1)
Treasury and securitisation direct expenses	**(0.1)**	(0.3)
Total Direct Fee & Commission expense	**(81.0)**	(76.4)
Net Fee & Commission Revenue	**244.9**	220.8
Analysis of Gross Fee & Commission Revenue		
Recognised at a point in time(iii)	**314.2**	288.9
Recognised over time	**11.7**	8.3
Total Gross Fee & Commission Revenue	**325.9**	297.2

(i) Transactional product related revenue includes transactional volume fees, fixed monthly fees and Payment and other Scheme related revenue, including any volume related incentives provided by payment schemes.

(ii) Transactional product related direct expenses include Payment Scheme fees and other direct processing costs.

(iii) Includes transactional volume fees recognised at the time of transaction processing.

Note 5 – Net interest income

	Consolidated 2024 $m	2023 $m
Interest income		
Cash and receivable due from financial institutions	**83.6**	42.5
Investment securities	**53.9**	44.0
Loans	**0.6**	0.6
Loans in Securitisation Trust	**-**	2.6
Total interest income	**138.1**	89.7
Interest expense		
Payables due to financial institutions	**(4.2)**	(0.2)
Client deposits	**(99.2)**	(63.2)
Discount securities	**(0.2)**	(0.2)
Repurchase agreements	**(5.3)**	(0.6)
Borrowings by Securitisation Trust	**-**	(2.3)
Lease liabilities	**(0.3)**	(0.4)
Option liability	**(1.3)**	(0.3)
Total interest expense	**(110.5)**	(67.2)
Net interest income	**27.6**	22.5
Analysis of Interest Income by category of financial assets		
At amortised cost	**84.2**	45.7
At fair value through other comprehensive income	**53.9**	44.0
	138.1	89.7
Analysis of Interest Expense by category of financial liabilities		
At amortised cost	**(110.2)**	(66.8)
Lease interest	**(0.3)**	(0.4)
	(110.5)	(67.2)

Note 6 – Other operating income / (Loss)

	Consolidated 2024 $m	2023 $m
(Loss) / Gain on revaluation on Investments in Other Entities	**(0.4)**	(2.4)
Remeasurement of option liability	**12.5**	-
Foreign exchange losses	**(0.1)**	(0.1)
Total other operating income / (loss)	**12.0**	(2.5)

Note 7 – Operating expenses

	Consolidated 2024 $m	2023 $m
Employee benefits expense		
Salary and salary related costs	**124.0**	104.5
Other employment expenses	**2.9**	3.3
Total employee benefits expense	**126.9**	107.8
Occupancy expenses		
Depreciation: right-of-use premises assets	**5.6**	4.2
Other occupancy expenses	**0.2**	0.2
Total occupancy expenses	**5.8**	4.4
Depreciation and Amortisation		
Depreciation and amortisation: computer equipment and software	**1.1**	1.1
Amortisation of intangible assets(i)	**23.7**	7.1
Total depreciation and amortisation	**24.8**	8.2
Non-salary technology expenses		
Communication	**4.6**	4.1
Repairs and maintenance	**14.5**	12.4
Software license and access fees	**10.9**	9.7
Outsourced Services	**17.7**	24.4
Other non-salary technology expenses	**5.5**	6.7
Total non-salary technology expenses	**53.2**	57.3
Other expenses		
Auditor's Remuneration	**3.9**	1.4
Consulting	**11.8**	11.0
Travel, conferences and related expenses	**1.1**	1.1
Legal and insurance	**9.1**	5.7
Taxes	**1.1**	0.8
Marketing	**1.5**	1.0
Internal audit services	**1.2**	0.9
Acquisition costs	**-**	2.5
Other	**1.5**	1.3
Total other expenses	**31.2**	25.7
Total operating expenses	**241.9**	203.4

(i) Amortisation of intangible assets includes a net $0.7 million credit relating to R&D expenditure for prior periods (June 2023: $0.7 million).

Note 8 – Income tax expense

The income tax expense for the year is the tax payable on the current year's taxable income based on the company income tax rate, adjusted for changes in deferred tax assets and liabilities and unused tax losses.

	Consolidated 2024 $m	2023 $m
Income tax expense comprises:		
Current income tax charge	**17.6**	10.4
Relating to origination and reversal of temporary differences	**(4.9)**	1.3
Adjustments in respect of current income tax of previous years	**(0.2)**	(0.1)
Income tax expense reported in income statement	**12.5**	11.6
Reconciliation of income tax expense at the Consolidated Entity's effective income tax rate is as follows:		
Operating profit before income tax expense	**42.6**	37.4
Income tax expense at 30% thereon	**12.8**	11.2
Non-deductible expenses and accounting eliminations	**(3.3)**	0.1
Losses not recognised – controlling and non-controlling interests	**2.4**	0.4
Non-taxable income	**(0.2)**	(0.1)
Adjustments in respect of tax expense of previous years	**0.8**	-
Income tax expense	**12.5**	11.6

The Consolidated Entity has $17.6m of unused accumulated tax losses in which no DTA has been recognised (2023: $8.9 million). These relate to losses acquired on acquisition of the Braavos Group, and post-acquisition losses, for which no DTA was recognised.

Note 9 – Key management personnel remuneration

The following key management personnel remuneration information is for both the Cuscal and Consolidated entity level.

	Consolidated 2024 $'000	2023 $'000
Short-term employee benefits	**6,907**	6,357
Post-employment benefits	**266**	138
Other long-term employee benefits	**412**	482
Total key management remuneration	**7,585**	6,977

Note 9 – Key management personnel remuneration, continued

The following table lists the remuneration bands for Cuscal's Executives, including the Managing Director, for the year ended 30 June 2024.

	2024 Number of executives Incl-STI[(i)]	2023 Number of executives Incl-STI[(i)]
Up to $299,999	**1**	1
$300,000 to $500,000	**1**	1
$500,001 to $700,000	**4**	3
More than $700,000	**3**	3
Total key management remuneration	**9**	8

(i) STI = short term incentives

Note 10 – Remuneration of auditors

	2024 $'000	2023 $'000
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the Consolidated Entity and any controlled entities	**776**	686
Fees for auditing the statutory half-year financial report of the parent covering the Consolidated Entity and any controlled entities	**230**	-
Fees for other non-audit services, as follows:		
- Tax compliance services	**358**	186
- IPO services	**1,626**	314
- Remuneration review services	**628**	152
- Other non-audit services	**264**	65
Total remuneration of auditors	**3,882**	1,403

Ernst and Young were appointed as the auditor of Cuscal Limited effective 14 October 2020. It is the Consolidated Entity's policy to employ EY on assignments in addition to its statutory audit duties where EY's expertise and experience with the Consolidated Entity are important. These assignments are principally regulatory audits, procedures performed as part of completing the statutory audit, or where EY is awarded assignments on a competitive basis. During 2024, the Consolidated Entity engaged EY to provide statutory audit services, IPO services, tax compliance services, compliance and services in regards to the remuneration review.

The Board Audit Committee has procedures in place to review, oversee and approve non-audit services to ensure the required independence is maintained. The Directors are satisfied that the provision of non-audit services during the year, by the auditor, is compatible with the general standard of the independence for auditors imposed by the Corporations Act.

The Directors are of the opinion that the services as disclosed above do not compromise the external auditor's independence for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditors independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Notes to the Statement of Financial Position

Note 11 – Cash and cash equivalents

	Consolidated 2024 $m	2023 $m
Cash at Reserve Bank	**1,878.5**	1,513.4
Cash at Bank	**190.6**	103.4
Cash held in the Securitisation Trust(i)	**-**	0.1
Total cash	**2,069.1**	1,616.9

(i) Cash held in the Securitisation Trust can only be used in accordance with the documentation governing the Trust. Neither Cuscal nor its subsidiaries are able to access this asset.

Note 12 – Receivables due from financial institutions

	Consolidated 2024 $m	2023 $m
At amortised cost:		
Prepaid cardholder balances(i)	**4.2**	4.2
Other amounts due from other financial institutions	**102.1**	66.1
Total receivables due from financial institutions	**106.3**	70.3

(i) Prepaid cardholder balances are held in respect of stored value cards issued by Cuscal Limited.

Cuscal's prepaid cardholder balances relate to Prepaid Card programs that are progressing through stages of closure. Whilst these amounts are expected to be recovered within 12 months of the balance date, the balances as at the end of the current reporting period represent unclaimed monies which under statutory requirements must be held by Cuscal for at least 7 years.

'Other amounts due from financial institutions' are expected to be recovered within 12 months of the balance date.

Note 13 – Investment securities

	Consolidated 2024 $m	2023 $m
At fair value through other comprehensive income:		
Negotiable certificates of deposit	**69.6**	-
Medium term floating rate notes	**1,026.8**	1,062.3
Other bonds	**-**	118.7
Total investment securities	**1,096.4**	1,181.0
The Consolidated Entity has determined the following risk concentrations:		
With Banks, Mutual Banks and Credit Union issuers	**1,096.4**	1,062.3
With Australian government, semi-government and supernational issuers	**-**	118.7
Total investment securities excluding ECL	**1,096.4**	1,181.0

Note 13 – Investment securities, continued

Investment securities expected to mature within 12 months of the balance date is $341.3 million (2023: $336.9 million).

$332.9 million of investment securities were pledged to the Reserve Bank of Australia as collateral for the liability for Securities sold under agreement to repurchase in Note 25 (2023: $Nil).

Note 14 – Loans

	Consolidated 2024 $m	2023 $m
Loans (secured)		
At amortised cost:		
Overdrafts	-	2.4
Total loans	-	2.4
The Consolidated Entity has determined the following risk concentrations:		
Loans to banks, credit unions and mutual banks	-	2.4
Total loans	-	2.4

	Consolidated 2024 $m	2023 $m
Maximum loan credit exposure – Committed Facilities (including drawn amounts detailed above)		
To banks, credit unions and mutual banks		
Overdrafts	**219.0**	178.5
Other organisations		
Overdrafts	-	0.1
Total committed facilities	**219.0**	178.6
Unutilised loan credit exposure – Committed Facilities		
To banks, credit unions and mutual banks		
Overdrafts	**219.0**	176.1
Other organisations		
Overdrafts	-	0.1
Total unutilised facilities	**219.0**	176.2

Overdraft facilities are primarily secured by security deposits and rights of offset from the borrower. (Refer to Note 39 for further information in respect of credit risk).

Of the total committed facilities held with clients at June 2024, $218.7m is secured by security deposits (2023: $177.9m).

Term loans comprise amounts advanced under committed facilities. All overdrafts are expected to be recovered within 12 months of the balance date.

Note 14 – Loans, continued

Loans to related parties

On 27 March 2023, Cuscal Limited provided a total facility limit to Cuscal Payment Holdings Limited (subsidiary of Cuscal Limited) for $60 million, which was fully drawn down from that date.

On 28 June 2024, the loan balance plus interest accrued at that date was converted into an equity investment. The impact of this eliminates on a consolidated basis.

On 24 May 2023, Cuscal Limited provided a total facility limit of $11.6 million to Braavos Corporation Pty Limited (subsidiary of Cuscal Limited), of which $9.0 million was drawn down at 30 June 2024 (June 2023: $2.0 million). As at 30 June 2024, $0.6m in interest has accrued on the loan (June 2023: <$0.1 million). This loan eliminates on a consolidated basis.

This related party loan has a lending agreement in place between both parties, which documents the facility limits, cost of funding, repayment dates, and any other special conditions accompanying the loan.

Note 15 – Securitisation trust loans and borrowings

	Consolidated 2024 $m	2023 $m
Loans by the Securitisation Trust		
At amortised cost:		
Residential mortgages – Integrity Series 2014-1	-	0.7
Total loans by the Securitisation Trust	**-**	0.7
Specific and collective provision for impairment:		
At balance date the amount of the specific provision for impairment of loans	-	-

The Integrity Series 2014-1 Trust

The Trust was established in April 2014 to hold residential mortgages originated by mutual banks and credit unions. At inception, the Trust was 'closed' to new business and the loan balances held at that time began to decline as either repayments were made on the loans, or the loans themselves were discharged or sold.

Changes in the current financial period

The Trust sold all of its remaining loans over the course of the 2024 financial year up to 29 January 2024.

As at 30 June 2024 the Trust is still in existence, but has ceased trading.

Note 16 – Derivative financial assets and liabilities

	Consolidated 2024 $m	2023 $m
At fair value through profit or loss:		
Foreign currency forward contracts	**-**	0.1
Total derivative financial assets	**-**	0.1
Foreign currency forward contracts	**0.2**	-
Total derivative financial liabilities	**0.2**	-

$0.1m of derivative financial liabilities are expected to be recovered or due to be settled within 12 months of the balance date (2023: $Nil).

Note 17 – Other assets

	Consolidated 2024 $m	2023 $m
Trade Receivables(i)	**7.8**	5.5
Less: Provision for doubtful debts	**(0.1)**	(0.1)
Net trade receivables	**7.7**	5.4
Prepayments	**19.8**	18.7
Contract assets	**47.6**	41.9
Other amounts receivable	**0.8**	0.9
Total other assets	**75.9**	66.9

(i) The majority of trade receivables are settled on an overnight basis by direct debit against debtor deposit accounts.

Upfront fees associated with SaaS arrangements recognised as expenses over the service period as specified under contracts entered with the third parties of $5.2 million are included under prepayments (2023: $5.2 million).

Contract assets primarily include accrued transactional product related income. The majority of any accrued income is invoiced on a monthly basis in arrears, with the material exception of any incentive arrangements relating to the payment schemes which is invoiced on a quarterly basis.

Note 18 – Equity investments

	Consolidated 2024 $m	2023 $m
At fair value through profit or loss:		
Shares in other entities	**4.0**	4.4
Total Equity investments	**4.0**	4.4
Shares in other entities		
Balance at beginning of year	**4.4**	2.8
Revaluation (loss) / gain	**(0.4)**	(2.4)
New investment in other entities	**-**	4.0
Balance at end of financial year	**4.0**	4.4

Shares in other entities are expected to be held for longer than 12 months after the balance date.

Shares in other entities

During the current year, the Consolidated Entity's existing investments in other entities saw a reduction in their assessed fair value of $0.4 million (2023: $2.4 million). This reduction was primarily a result of continued uncertainty around timing of expected future returns on these investments.

In the prior year, Cuscal Limited invested $4.0 million to acquire a 9.96% interest in a Payments technology business. The Consolidated Entity does not have 'significant influence' over the business as a result of this investment, as defined under AASB 128 Investments in Associates or Joint Ventures.

Note 19 – Deferred tax assets and liabilities

Deferred tax assets ('**DTA**') are recognised for deductible temporary differences when management considers that it is probable that future tax profits will be available to utilise those temporary differences. Judgement is required in relation to DTAs recognised in relation to carry forward losses. The future profitability of each entity or tax consolidation group (if a part of a tax consolidation group) needs to be assessed including where a capital loss is made, the probability of a future capital gain to offset the carry forward capital loss.

Consolidated – 30 June 2024	Opening Balance $m	Acquired/ Utilised $m	Charge to equity $m	Charge to profit $m	Closing Balance $m
Other liabilities	**9.7**	**-**	**-**	**(0.2)**	**9.5**
Provisions – employee entitlements	**3.7**	**-**	**-**	**0.3**	**4.0**
Other assets	**0.9**	**-**	**-**	**0.7**	**1.6**
Deferred tax asset	**14.3**	**-**	**-**	**0.8**	**15.1**
Contract assets	**(5.7)**	**-**	**-**	**0.1**	**(5.6)**
Property, plant and equipment and right-of-use assets and intangible assets	**(7.4)**	**-**	**-**	**4.0**	**(3.4)**
Fair value revaluations	**1.2**	**-**	**(1.9)**	**-**	**(0.7)**
Deferred tax liability	**(11.9)**	**-**	**(1.9)**	**4.1**	**(9.7)**
Net deferred tax asset	**2.4**	**-**	**(1.9)**	**4.9**	**5.4**
Net movement taken to income tax expense				**4.9**	

Consolidated – 30 June 2023	Opening Balance $m	Acquired/ Utilised $m	Charge to equity $m	Charge to profit $m	Closing Balance $m
Other liabilities	9.2	-	-	0.5	9.7
Provisions – employee entitlements	3.3	-	-	0.4	3.7
Other assets	0.1	-	-	0.8	0.9
Fair value revaluations	4.4	-	(3.2)	-	1.2
Deferred tax asset	17.0	-	(3.2)	1.7	15.5
Contract assets	(2.2)	-	-	(3.5)	(5.7)
Property, plant and equipment and right-of-use assets and intangible assets	(7.9)	-	-	0.5	(7.4)
Deferred tax liability	(10.1)	-	-	(3.0)	(13.1)
Net deferred tax asset	6.9	-	(3.2)	(1.3)	2.4
Net movement taken to income tax expense				(1.3)	

Note 20 – Property, plant and equipment and right-of-use assets

	Consolidated 2024 $m	2023 $m
Property, plant and equipment		
At Cost	**16.7**	15.1
Accumulated depreciation	**(6.8)**	(11.4)
Total Property, plant and equipment	**9.9**	3.7
Right-of-use assets – Property		
At Cost	**22.9**	22.5
Accumulated depreciation	**(18.6)**	(13.0)
Total Right-of-use assets	**4.3**	9.5
Total Property, plant and equipment and right-of-use assets	**14.2**	13.2

Property, Plant & Equipment with remaining expected useful lives of less than 12 months after the balance date is $Nil (2023: $Nil). All other remaining items of Property, Plant & Equipment have expected useful lives longer than 12 months after the balance date for both current and comparable period.

	Consolidated 2024 $m	2023 $m
Property, plant and equipment		
Carrying value at beginning of year	**3.7**	3.9
Additions	**7.3**	0.3
Recognised on acquisition of Braavos	**-**	0.6
Disposals – cost	**(5.6)**	-
Disposals - accumulated depreciation	**5.6**	-
Depreciation	**(1.1)**	(1.1)
Balance at end of financial year	**9.9**	3.7
Right-of-use assets - Property		
Carrying value at beginning of year	**9.5**	12.7
Additions	**0.4**	-
Recognised on acquisition of Braavos	**-**	1.0
Lease incentive	**-**	-
Depreciation	**(5.6)**	(4.2)
Balance at end of financial year	**4.3**	9.5
Total Property, plant and equipment and right-of-use assets	**14.2**	13.2

Note 21 – Intangible assets

	Consolidated 2024 $m	2023 $m
Payments Infrastructure		
At cost	**84.9**	78.5
Accumulated amortisation	**(46.2)**	(26.5)
Total Payments Infrastructure	**38.7**	52.0
Software		
At cost	**-**	1.4
Provision for impairment	**-**	(0.4)
Accumulated amortisation	**-**	(1.0)
Total Software	**-**	-
Investment in Australian Plus Payments Ltd (AP+)		
At cost	**4.0**	4.0
Accumulated amortisation	**(2.5)**	(2.1)
Total Investment in AP+	**1.5**	1.9
Goodwill	**65.6**	65.6
Total Intangible assets	**105.8**	119.5

Intangible assets with remaining expected useful lives less than 12 months after the balance date is $Nil (2023: $Nil). Remaining items of intangible assets have expected useful lives longer than 12 months after the balance date for both current and comparable year.

Changes during the financial year

In the previous financial year, the Consolidated Entity acquired a controlling interest in Braavos Corporation Pty Limited on 28 March 2023. Goodwill of $48.6m was initially recognised on this transaction, being the excess of the sum of the consideration transferred and the amount of non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. These amounts were recognised on a provisional basis, as the purchase price allocation over the intangibles acquired had not been performed as at the date of the 2023 annual report.

In line with AASB 3, management are allowed to perform a fair value assessment within the measurement period of no more than 12 months subsequent to the acquisition date. This is to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

As detailed in note 3, the fair value assessment was finalised, and a 'measurement period adjustment' has been recorded in the period to 31 December 2023. In line with AASB 3, the carrying values of assets and liabilities have been restated as at 28 March 2023 and the revised carrying values for 30 June 2023 are reflected above. The impact of the fair value assessment and adjustment posted has resulted in a decrease in goodwill on the transaction of $4.6m. Please refer to Note 3 for further details of the impact of the fair value assessment.

Note 21 – Intangible assets, continued

	Consolidated 2024 $m	2023 $m
Payments Infrastructure		
Carrying value at the beginning of the year	**52.0**	40.5
Additions	**10.7**	5.7
Recognised on acquisition of Braavos	**-**	13.2
Disposals – cost	**(5.7)**	(23.9)
Disposals - accumulated amortisation	**5.7**	23.9
Amortisation for the year (i)(ii)	**(24.0)**	(7.4)
Balance at the end of the year	**38.7**	52.0
Software		
Carrying value at the beginning of the year	**-**	-
Disposals – cost	**(1.4)**	(0.3)
Disposals - accumulated amortisation	**1.4**	0.3
Amortisation for the year (iii)	**-**	-
Balance at the end of the year	**-**	-
Investment in AP+		
Carrying value at the beginning of the year	**1.9**	2.3
Amortisation for the year	**(0.4)**	(0.4)
Balance at the end of the year	**1.5**	1.9
Goodwill		
Carrying value at the beginning of the year	**65.6**	21.6
Goodwill on Braavos acquisition	**-**	44.0
Balance at the end of the year	**65.6**	65.6
Total Intangible Assets	**105.8**	119.5

(i) Amortisation has not been reduced by any R&D concessions claimed during the year (2023: $0.3 million).

(ii) Includes amounts related to the reduction in useful life on Open Banking intangible asset.

(iii) The carrying value of software is $Nil (2023: $Nil). The previous impairment provision held against Software was reversed and reclassed to amortisation. The impact to the P&L is $Nil and the carrying value of the software is unchanged.

Note 22 – Impairment of intangible assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

For the year ended 30 June 2024, the Consolidated Entity divided its activities into the following Cash Generating Units (‘**CGU**’), with separately identifiable corporate activities:

- **Payments**, the main CGU, which covers the processing, and settlement of financial transactions on behalf of clients, generally for their customers. Payments includes Cuscal’s card issuance activities, fraud monitoring, data analytics and Cuscal’s acquiring switching and driving activities. All goodwill is attributable to the Payments Business; and
- **Corporate**, this CGU covers the Consolidated Entity’s investment and securitisation activities; including the funding of those activities.

At balance date, all of the Consolidated Entity’s net intangible assets, including goodwill, are allocated to the Payments CGU.

Payments CGU – Process and Assumptions

The Consolidated Entity has assessed the recoverable amount of the Payments CGU (and thus the recoverable amount of the intangible assets allocated to the CGU) on the basis of fair value less costs of disposal (FVLCD).

This assessment has been carried out on the following basis:

- It is assumed that the Payments CGU is subject to the same level of prudential regulation as APRA applies to the Consolidated Entity. Accordingly, the returns from the Payments CGU included in the recoverable amount are only after allowing for the maintenance of capital as required under APRA Prudential Standards and applicable internal capital overlays.
- The returns from the Payments CGU are based on the projections for the Payments CGU in the Consolidated Entity’s FY2025 Corporate Plan and Budget covering the period to 30 June 2029. The FY2025 Corporate Plan and Budget was approved by the Cuscal Board on 14 June 2024. The assumptions in the Plan are based on recent past experience adjusted for management expectations for pricing on contract renewals, new contracts and relevant product development. Further, the Plan allows for the level of investment required to ensure the Payments CGU continues to provide high-level functionality to customers.
- The recoverable amount of the Payments CGU has been determined by discounting the net cash flows of the Payments CGU.
- A terminal value growth rate of 3% (2023: 3%) has been applied at the end of the five-year period in the FY2025 Corporate Plan and Budget.
- The cash flows have been discounted at the Consolidated Entity’s weighted average cost of capital (‘**WACC**’), which has been assessed on the basis that the ongoing activities of the Consolidated Entity will be focused on the Payments CGU.

Payments CGU – Process and Assumptions, continued

- Discount rates of 10.0% (High), 9.5% (Mid) and 9.1% (Low) have been applied to the Net Cash Flows (2023: 10.0% High; 9.5% Mid; 9.1% Low). These rates were assessed by an independent expert advisor as being the Consolidated Entity’s WACC as at March 2023, updating a previous assessment of Cuscal’s WACC carried out in November 2020.
- The inputs used in determining the recoverable amount of the Payments CGU are Level 3 inputs under the fair value hierarchy set out in accounting standard AASB 13 Fair Value Measurement.

The result of the assessment of the recoverable amount of the Payments CGU is that it is significantly above its carrying value.

The valuation of the Payments CGU has been stress tested. Firstly, the terminal value growth rate was reduced from 3% to 2% (2023: 3% to 2%). Secondly, the discount rates were increased by approximately 25% to 12.5% (High), 12% (Mid) and 11.5% (Low). Thirdly, the breakeven point where recoverable amount equals the carrying value of the Payments CGU was determined. This point arises when the Net Profit After Tax of the Payments CGU in each of the next 5 years declines by 29% (2023: 38%).

Note 22 – Impairment of intangible assets, continued

In the first two stress test scenarios, the recoverable amount of the Payments CGU continues to exceed its carrying value.

Corporate CGU – Process and Assumptions

This CGU comprises investment and securitisation activities whose financial assets largely fall within scope of AASB 9.

Intangible assets not in use testing

The Consolidated Entity continues to capitalise enhancements to its existing Payments Infrastructure relating to the upgrade of its Core Banking System, as well as new development of a Card Management System. These assets are considered a fundamental part of the Payments CGU once bought in production. The recoverable amount of the Payments CGU continues to exceed the amounts capitalised and not yet in use at the end of the financial year. Whilst there is inherent uncertainty around the future contribution that the above investment will deliver, the future predicated cash flows and market value of the assets to be created mean the expected recoverable amount of the assets on completion of the individual investment programs are greater than the carrying value of the current capitalised costs.

Note 23 – Payables due to financial institutions

	Consolidated	
	2024 $m	**2023 $m**
At amortised cost:		
Settlement balances due to other financial institutions, unsecured	**32.5**	187.1
Bank overdrafts	**-**	-
Total payable due to financial institutions	**32.5**	187.1

The above amounts are expected to be settled within 12 months of the balance date.

Note 24 – Client deposits

	Consolidated	
	2024 $m	**2023 $m**
At amortised cost		
Deposits at call, unsecured	**1,771.0**	1,589.0
Security deposits	**930.6**	879.7
Total deposits	**2,701.6**	2,468.7
Concentration		
Banks, credit unions and mutual banks	**1,628.7**	1,522.4
Other organisations	**1,072.9**	946.3
Total deposits by concentration	**2,701.6**	2,468.7

All Client Deposits are expected to mature within 12 months of the balance date, except for $306.3 million, which will mature after 12 months (2023: $359.5 million).

Note 25 – Securities sold under agreement to repurchase

As part of the arrangements covering the Consolidated Entity's Exchange Settlement Account ('**ESA**') with the Reserve Bank of Australia, the Consolidated Entity is required to hold a minimum ESA balance to meet outflows of funds that may occur after close of each trading day.

The minimum balance requirement can be achieved by either pledging qualifying securities as collateral to the Reserve Bank in exchange for cash funds to be held in the ESA account or by pledging cash, or a combination of both. Under this arrangement, the Reserve Bank has no recourse to the Consolidated Entity beyond the securities subject to the repurchase agreement.

$332.9 million of investment securities were pledged to the Reserve Bank of Australia as collateral for the liability for Securities sold under agreement to repurchase. (2023: $Nil).

	Consolidated 2024 $m	2023 $m
At amortised cost:		
Repurchase agreements with the Reserve Bank of Australia	**302.1**	-

The above amounts are expected to be settled within 12 months of the balance date.

Note 26 – Discount securities issued

	Consolidated 2024 $m	2023 $m
At amortised cost:		
Negotiable certificates of deposit – unsecured	**1.0**	4.5

The above amounts are expected to be settled within 12 months of the balance date.

Note 27 – Other liabilities

	Consolidated 2024 $m	2023 $m
Liability to prepaid cardholders(i)	**4.2**	4.2
Contract liabilities(ii)	**19.7**	21.4
Sundry creditors and accrued expenses	**33.2**	32.3
Lease liabilities	**6.1**	10.6
Liability for option on acquisition of Braavos	**5.5**	16.7
Total other liabilities	**68.7**	85.2

(i) The liability to prepaid cardholders is in respect of stored value cards issued by Cuscal Limited, which are shown under Receivables due from Financial Institutions in the Statement of Financial Position.
(ii) Contract liabilities includes cash advances received and not recognised in the Statement of Profit and Loss as at balance date.

In other liabilities, all amounts are expected to be recognised within 12 months of the balance date with the exception of contract liabilities of $13.3 million (2023: $15.2 million) and the non-current portion of the lease liability of $0.9 million (2023: $5.8 million) and the option liability of $5.5 million (2023: $16.7 million).

Note 27 – Other liabilities, continued

Liability for option on acquisition of Braavos

Changes in the prior year

As part of the acquisition of a controlling interest in Braavos Corporation Pty Limited on 28 March 2023, Cuscal Payments Holdings Pty Limited agreed a Put and Call option arrangement as part of the Shareholders' Deed with the remaining shareholder. The ultimate outcome of the Put and Call Option is that Cuscal Payments Holdings Pty Limited could acquire the 'non-controlled' interest in Braavos Corporation Pty Limited in the future.

The exercise price of the Put and Call Option and the timing of exercise are dependent on market conditions and the extent to which the acquired business can meet the performance hurdles stipulated in the Shareholders' Deed.

A valuation of the Put and Call Option includes determining a range of plausible future scenarios and assumptions on the probability of achieving each business scenario. A liability of $16.4 million was recognised on 28 March 2023, representing the amount of the present value of the exercise price.

The obligation from the Put and Call Option is considered a financial liability that must first be recognised at the discounted repayment amount, classified as amortised cost. A liability is not recognised in the amount of the fair value of the option but in the amount of the present value of the exercise price. The financial liability is recognised at its present value, and will unwind with an interest expense charge to the statement of profit or loss. The corresponding debit to the financial liability has been made against Equity.

Any subsequent changes in the carrying amount of the Put and Call Option liability that result from remeasurement will be recognised in the statement of profit or loss under AASB 9.

Changes in the current year

$1.3 million (2023: $0.3 million) has been recorded as interest expense in the current year, representing the unwinding of the present value of the initial financial liability (refer Note 5) throughout the period to June 2024.

At the year end, a fair value assessment of the Put and Call Option has been performed, and the fair value has been determined to be $5.5 million as at 30 June 2024, which is $12.5 million below the carrying value of $18 million as at that date. The difference of $12.5 million between the revised fair value of the Put and Call Option and its carrying value is being treated as gain on remeasurement, with the impact being recognised in the statement of profit or loss under AASB 9. The impact of this can be seen in Note 5.

Contract liabilities

Revenue recognised in the current reporting period relating to contract liabilities from the prior period is shown below:

	Consolidated 2024 $m	2023 $m
Transactional product related revenue	**1.3**	1.2
Project revenue	**2.4**	4.2
Total revenue recognised in current reporting period from carried forward contract liabilities	**3.7**	5.4

There was no revenue recognised in current year where the performance obligations were met in prior year. The Consolidated Entity recognises project revenue when the performance obligation is achieved.

Note 28 – Provisions

	Consolidated 2024 $m	2023 $m
Employee benefits	**26.0**	22.8
Restructuring provisions	**3.5**	-
Other provisions	**7.3**	7.9
Total provisions	**36.8**	30.7
Employee Benefits		
Opening balance	**22.8**	20.3
Additional provisions	**13.7**	11.4
Recognised on acquisition of Braavos	**-**	0.7
Amounts utilised during the year	**(10.5)**	(9.6)
Balance at end of financial year	**26.0**	22.8
Restructuring provisions		
Opening balance	**-**	-
Additional provisions	**3.5**	-
Balance at end of financial year	**3.5**	-
Other provisions		
Opening balance	**7.9**	7.5
Additional provisions	**0.5**	1.0
Recognised on acquisition of Braavos	**-**	0.1
Amounts utilised during the year	**(1.1)**	(0.7)
Balance at end of financial year	**7.3**	7.9
Total provisions	**36.8**	30.7

Provisions expected to be utilised after 12 months of the balance date are $14.7 million (2023 $15.2 million). All other amounts are expected to be recognised and settled within 12 months of the balance date.

Note 29 – Issued capital

Cuscal has 175,356,653 ordinary shares on issue as at 30 June 2024 (2023: 175,356,653). Each ordinary share is fully paid, carries one voting right and ranks equally for ordinary dividends with all other shareholders.

	Consolidated			
	2024 Shares	2023 Shares	2024 $m	2023 $m
Issued and fully paid ordinary shares				
Issued capital	**175,356,653**	175,356,653	**119.3**	119.3
Total issued capital at end of financial year	**175,356,653**	175,356,653	**119.3**	119.3

Note 29 – Issued capital, continued

Ordinary shares have the right to receive dividends when declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on ordinary shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Note 30 – Reserves

	Consolidated 2024 $m	2023 $m
Capital profits reserve	**0.5**	0.5
General reserve	**2.0**	2.0
Fair Value through OCI reserve (debt instruments)	**2.0**	(2.8)
Reserve for credit losses	**2.5**	2.5
Option reserve	**(16.4)**	(16.4)
Total reserves	**(9.4)**	(14.2)
Fair Value through OCI reserve		
Balance at beginning of the financial year	**(2.8)**	(10.2)
Unrealised (loss) / gain on financial instruments recognised in reserve (net of income tax)	**5.0**	7.2
ECL (increase) / reduction on Fair Value through OCI debt instruments	**(0.2)**	0.2
Balance at end of the financial year	**2.0**	(2.8)
Option reserve		
Balance at beginning of the financial year	**(16.4)**	-
Reserve recognised on acquisition of Braavos Corporation Pty Limited	**-**	(16.4)
Balance at end of the financial year	**(16.4)**	(16.4)

Changes in Reserves during the current and prior financial year

As a result of the acquisition of the Braavos Group in the prior financial year, Cuscal has a controlling interest in Basiq.io D.O.O. (incorporated in Serbia), the functional currency of which is the Serbian Dinar.

The assets and liabilities of Basiq.io D.O.O. are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

This foreign currency translation reserve is immaterial at 30 June 2024.

The Consolidated Entity also recognised a Put and Call Option liability in reserves in the prior financial year, in line with the Shareholders' Deed as part of the acquisition of the Braavos Group. Please refer to Note 27 which details the impacts of the recognition of the Put and Call Option liability and the related reserve.

Note 31 – Retained earnings

	Consolidated 2024 $m	2023 $m
Balance at beginning of financial year	**193.8**	179.1
Profit for the year attributable to the owners of Cuscal	**31.6**	26.1
Dividends paid – refer Note 32	**(13.1)**	(11.4)
Balance at end of financial year	**212.3**	193.8

Note 32 – Dividends Paid

	2024 Cents per Share	2024 Total $m	2023 Cents per Share	2023 Total $m
Dividends paid from retained earnings				
Fully paid ordinary shares				
Final dividend, franked to 30%	**4.00**	**7.0**	3.00	5.3
Interim dividend, franked to 30%	**3.50**	**6.1**	3.50	6.1
Total dividends paid	**7.50**	**13.1**	6.50	11.4
Dividend franking account				
Adjusted franking account balance (tax paid basis)		**70.2**		69.5

Note 33 – Non-controlling interests (NCI)

On 28 March 2023, Cuscal acquired an 81.56% controlling interest in Braavos Corporation Pty Limited, the parent entity of the Braavos Group. This interest reduces to 77.25% on a fully diluted basis, accounting for employee share options issued but not exercised.

The details of the acquisition are presented in Note 3.

The non-controlling interest of the Braavos Group at 30 June 2024 is 18.44% (June 2023: 18.44%).

The below table summarises the impact of the non-controlling interests on Braavos Corporation Pty Limited in regards to this financial report, plus share based payment expenses recognised in the Braavos Group for share option awards on shares in subsidiaries, since the acquisition date.

Braavos Group	30 June 2024 $m	29 March – 30 June 2023 $m
Summarised Statement of Profit & Loss		
Net Operating Income	**3.1**	0.8
Operating Expenses	**(9.6)**	(2.3)
Income tax	**(0.2)**	-
Loss for the year	**(6.7)**	(1.5)
Total Comprehensive Income	**(6.7)**	(1.5)
Loss allocated to NCI	**(1.5)**	(0.3)

Note 33 – Non-controlling interests (NCI), continued

The below table shows the summarised balance sheet of the Braavos Group as at the period end, and the accumulated non-controlling interests balance as at this date.

Braavos Group	30 June 2024 $m	30 June 2023 $m
Summarised Statement of Financial Position		
Total assets	**19.4**	10.3
Total liabilities	**(18.3)**	(2.8)
Net assets	**1.1**	**7.5**
Accumulated NCI	**2.0**	**3.2**

Note 34 – Leases

This note provides information for leases where the Consolidated Entity is a lessee.

For all of the Consolidated Entity's lease arrangement as a lessee:

- The lease agreements do not impose any covenants other than those normally found in commercial office lease arrangements; and
- There are no future cash outflows to which the Consolidated Entity is potentially exposed which are not reflected in the measurement of Lease Liabilities.

Nature of leases

The Consolidated Entity's leases relate to the following:

- Cuscal's office premises at 1 Margaret Street, Sydney, NSW, 2000;
- Braavos Group's offices at 5-7 Raglan Street, Manly, NSW, 2095; and
- Basiq.io D.O.O.'s office at U Poslovnom Centru, Ušće Tower One, Bulevar Mthajla Pupina 6, Beograd (Business Centre, Ušće Tower One, Bulevar Mthajla Pupina 6, Belgrade).

The rental contracts on the above premises are for periods between 3 and 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets cannot be used as security for borrowing purposes.

The lease payments are discounted using the interest rate implicit in the lease. The discount rate used to calculate the lease payments is 3.2% for Margaret Street, 3.5% for Raglan Street and 3.5% for Serbia.

The Consolidated Entity is exposed to potential future increases based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Changes during the previous financial year

In the previous financial year, as part of the acquisition of the Braavos Group, the Consolidated Entity recognised a lease liability of $1.2 million and a right-of-use asset of $1.1 million. The acquired lease liability and right-of-use asset will be accounted for from the acquisition date in line with the Consolidated Entity's accounting policies set out in Note 1.

Note 34 – Leases, continued

The Statement of Financial Position shows the following amounts relating to premises leases:

	Consolidated 2024 $m	2023 $m
Right-of-use assets		
Buildings	**4.3**	9.6
Total Right-of-use assets	**4.3**	9.6
Lease Liabilities		
Current	**5.2**	4.8
Non-current	**0.9**	5.8
Total Lease liabilities	**6.1**	10.6

The only additions to right-of-use assets during the year was $0.4 million as a result of a new head office lease of Basiq.io D.O.O (Serbia).

In the prior year, there was additions of $1.0 million (net of accumulated depreciation) as a result of the acquisition of the Braavos Group, as seen in Note 20.

The Consolidated Entity has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Consolidated Entity recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Statement of Profit & Loss shows following amounts relating to leases:

	Consolidated 2024 $m	2023 $m
Profit and Loss impact relating to Leases		
Depreciation charge on Property lease ROU assets	**5.6**	4.2
Interest expense on Property Lease liabilities	**0.3**	0.4
Expense for short term leases	**0.1**	0.1
Total Profit and Loss impact relating to leases	**6.0**	4.7

The total cash outflow for leases for the year ending 30 June 2024 was $5.2 million (2023: $4.3 million).

Refer to Note 39 for Consolidated Entity's maturity profile based on contractual undiscounted payments.

Note 35 – Employee share options

As part of the acquisition of a controlling interest in Braavos Corporation Pty Limited ('**Braavos**') on 28 March 2023, in line with AASB 3, the Consolidated Entity has recognised existing employee share options already issued from Braavos as part of non-controlling interest on acquisition. Employee expenses relating to Braavos share options subsequent to acquisition have been recognised in employee benefits expense in the statement of profit or loss.

The number of options issued as at the acquisition date was 65,361 at an average exercise price per share option of $0.01. The non-controlling interest amount recognised in regards to subsidiary share options on acquisition was $0.9 million.

Note 35 – Employee share options, continued

The employee option plan was initiated on 17 December 2019 and will be settled in equity of the subsidiary. The plan is part of a remuneration package for Braavos' employees, and will vest if employees remain employed for the agreed vesting period. The maximum term of the options granted under the plan (i.e. the vesting period) is 4 years. Upon vesting, each option allows the holder to purchase one ordinary share in Braavos at a discounted exercise price, as defined in the employee's option agreement.

	2024		2023	
	Average exercise price per share option	Number of Options	Average exercise price per share option	Number of Options
Movement in share options				
As at 1 July	**$0.01**	**65,361**	-	-
Acquired on acquisition of Braavos Corporation Pty Limited	**$0.01**	-	**$0.01**	**65,361**
Granted subsequent to acquisition	-	-	-	-
Exercised subsequent to acquisition	-	-	-	-
Forfeited subsequent to acquisition	-	**(3,822)**	-	-
As at 30 June	**$0.01**	**61,539**	**$0.01**	**65,361**
Vested and exercisable as at 30 June	**$0.01**	**52,044**	**$0.01**	**42,967**

The weighted average option price at the end of the period was 24.45 (2023: $24.45). The number of options exercised during the period subsequent to acquisition was Nil.

The fair values of options granted were reassessed as at the acquisition date in line with AASB 3. This was determined using a market based measure.

There are no performance conditions written into any of the option agreements.

In total, $0.3 million (2023: $0.1 million) of employee remuneration expense (all of which related to equity settled share-based payment transactions) subsequent to acquisition relating to subsidiary employee share options has been included in the statement of profit or loss.

Notes to the Cash Flow Statement

Note 36 – Reconciliation of net cash flows from operating activities

	Consolidated	
	2024 $m	**2023 $m**
Consolidated profit for the year	**31.6**	26.1
Depreciation expense	**1.1**	1.1
Amortisation of intangible assets	**23.7**	7.1
Amortisation of right-of-use assets	**5.6**	4.2
Interest expense on option liability	**1.3**	0.3
Impairment on investments held at FVOCI	**0.2**	-
Loss / (gain) on revaluation on Investments in Other Entities	**0.4**	2.4
Fair value movement in option liability	**(12.5)**	-
Share based payment expense	**0.3**	0.1
Foreign exchange loss	**0.1**	0.1
Increase in income tax provision	**(10.5)**	(2.0)
(Increase) / decrease in deferred tax items	**(3.0)**	3.8
Net decrease in other assets and liabilities	**21.6**	25.8
Decrease / (increase) in loans & advances	**2.4**	(2.2)
Increase in receivables from financial institutions	**(36.0)**	(46.2)
(Decrease) / increase in payables due to financial institutions	**(154.6)**	86.1
Decrease in investment securities	**84.6**	248.4
Increase / (decrease) in repurchase agreements	**302.1**	(400.4)
(Decrease) / increase in discount securities issued	**(3.5)**	0.5
Increase in client deposits	**232.9**	102.5
Net cash provided by / (used in) operating activities	**487.8**	57.7

Non-cash investing and financing activities disclosed in other notes are the acquisition of right-of-use asset in Note 20.

Note 37 – Changes in liabilities from financing activities

Consolidated	Opening Balance $m	Cash flows $m	New leases/other $m	Other $m	Closing balance $m
30 June 2024					
Lease liabilities(ii)	**10.6**	**(5.2)**	**0.4**	**0.3**	**6.1**
Other liabilities(i)	**16.7**	**-**	**-**	**(11.2)**	**5.5**
Total liabilities from financing activities	**27.3**	**(5.2)**	**0.4**	**(10.9)**	**11.6**
30 June 2023					
Lease liabilities(ii)	13.7	(4.7)	1.2	0.4	10.6
Borrowings of the Securitisation Trust	64.3	(64.3)	-	-	-
Other liabilities(i)	-	-	16.4	0.3	16.7
Total liabilities from financing activities	78.0	(69.0)	17.6	0.7	27.3

(i) Represents the Option liability recognised as part of acquisition of a controlling interest in Braavos Corporation Pty Limited, with interest expense on the option recognised post-acquisition, as well as movement in fair value at the year end.

(ii) Lease fit-out incentive reduction in lease liability of $0.9 million less interest capitalised on the lease of $0.5 million.

Risk

Note 38 – Capital risk management

Unless otherwise specified, the disclosures in this note and Note 39 are in respect of the Consolidated Entity for both the current year and prior year.

The Consolidated Entity's capital management strategy is to maximise shareholder value through the efficient and effective use of its capital resources within its comprehensive RMF.

The Consolidated Entity's capital management objectives are:

- To ensure sufficient capital is maintained to exceed externally imposed prudential requirements;
- To ensure sufficient capital is maintained above the amounts determined under Cuscal's Internal Capital Adequacy Assessment Policy ('**ICAAP**') to support internal business and operational capital needs; and
- To ensure appropriate credit ratings are maintained.

Cuscal Limited is an ADI and as such is subject to regulation by APRA.

From 1 January 2023, APRA has designated Cuscal as a 'non-significant financial institution' (non-SFI). Under this new framework, Cuscal and the Consolidated Entity are eligible to apply simplified capital requirements under the revised APS 110 Capital Adequacy Prudential Standard.

All ADIs are subject to minimum capital requirements imposed by APRA. Under the definitions of the specific regulations, the ADI in the case of the Consolidated Entity consists of Cuscal Limited and all subsidiaries, but excluding the Integrity Series 2014-1 Trust. The Consolidated Entity also reports to APRA at the individual ADI level (i.e. Cuscal Limited). APRA requires Cuscal to maintain a minimum ratio of capital to risk-weighted assets.

The Consolidated Entity's ICAAP set by the Board requires Cuscal ADI to maintain a minimum level of capital at the higher of:

- The level determined under the Consolidated Entity's Economic Capital Model; or
- At a pre-determined level above the APRA regulatory required level.

Note 38 – Capital risk management, continued

In addition, the Board has set an internal Capital Reporting Limit above the ICAAP Capital Limit. In the event this limit is breached, Management is required to provide the Board and Board Risk Committee with an updated capital plan within 14 days which would clearly articulate the steps to be taken and the timeframe involved in those steps that would ensure:

- Firstly, that the capital did not fall below the internal limit; and
- Secondly, over time, the restoration of capital above the limit.

The levels set under the ICAAP are monitored regularly by senior executive management and by the Board Risk Committee.

The Consolidated Entity has operated with levels of capital above the limits set under the ICAAP and by APRA during the current financial year.

Note 39 – Financial risk management

Cuscal Group (All entities other than the Securitisation Trust)

Cuscal Group's Treasury undertakes activities in wholesale markets, borrowing and lending funds and the management of the Consolidated Entity's capital in accordance with the capital management plan approved by the Board.

Cuscal Group's Treasury has the ability to deal in a wide variety of financial instruments, including derivative financial instruments, in accordance with detailed policies approved by the Board. These policies reflect the conservative risk position adopted by the Board and are primarily directed at ensuring the safety and security of the client deposits held by Cuscal Group.

The activities of Cuscal's Treasury are subject to ongoing monitoring by Cuscal's Risk Management Division, which in addition to designing Cuscal's RMF, acts as an independent risk assessor for treasury activities.

Financial Risk Management reporting is reported regularly to the Board Risk and Board Audit Committees.

As ADI's are regulated by APRA, Cuscal is required to operate within policies and limits set by APRA as well as providing ongoing reporting, especially in respect of financial instruments, to APRA.

Securitisation Trust

The Trust is a closed term debt issuance structure which has issued Residential Mortgage Backed Securities (RMBS) Notes to investors via a private placement (refer Notes 13 & 42).

The documentation of the Trust sets out the detailed requirements to be met in respect of the loans and borrowings made, security arrangements in respect of loans and borrowings, the placement of surplus funds, the frequency and order of priority of distributions to be made, and the reporting requirements.

The Trust had a small amount of Loans during the year to June 2024, which were sold over time during the 2024 financial year up to 29 January 2024. From that date, the Trust ceased operating.

Up to the point of sale of the remaining loans, the Trust Manager executed the requirements of the Trust documentation, and is a non-related entity of Cuscal Group. Integris Securitisation Services Pty Limited, a subsidiary of Cuscal, acted as Master Servicer to the Trust.

Material accounting policies

Details of the material accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

Investment securities bought and sold in the ordinary course of the Treasury management business and sales of financial assets and liabilities are accounted for on a trade date basis, irrespective of settlement terms (typically 1-3 days).

Note 39 – Financial risk management, continued

Foreign currency risk management

Cuscal undertakes limited foreign currency activities which are primarily related to expenses incurred in foreign currency and hedging thereof.

All foreign currency transactions, other than hedging transactions, during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in profit or loss except for transactions subject to hedge accounting and equity instruments classified as Fair Value through OCI. In the latter case, the gain or loss is taken through the Foreign Currency Translation Reserve, in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Derivative financial instruments

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include interest rate swaps, forward rate contracts, futures, options and combinations of these instruments.

The Consolidated Entity may use derivatives in its management of interest rate risk and/or in its management of foreign currency risk. All dealing in derivatives is subject to approved Board policies and monitoring by Risk Management.

Market risk

Market risk is defined as the risk of loss arising from changes in the general level of market prices. This includes the following:

- Interest rate risk (the risk of loss due to changes in interest rates) arises from the management of Cuscal's liquidity portfolio. Funds are raised from clients and invested in highly liquid assets. The mismatch between repricing terms for the funds raised and investments in liquid assets gives rise to interest rate risk. Cuscal's sensitivity to interest rate movement is largely immaterial as the majority of assets and liabilities are either short term or in instruments where the interest rate resets every 3 months;
- Specific issuer risk (the risk of loss due to shifts in credit spreads) arises from the investment of funds in assets, that while highly liquid, whose valuation can move relative to general market conditions;
- Foreign exchange risk (the risk of loss due to movements in foreign exchange rates) arises from supply contracts that are denominated in foreign currency. The variance between budgeted and hedge exposures is monitored on a monthly basis;
- Equity price risk (the risk of loss due to movement in the market price of shares) arises from exposure to investment in unconsolidated entities. In each case, the total investment is approved directly by the Board. The details of these equity investments are described in Note 18; and
- Commodity price risk (the risk of loss due to movement in commodity prices) is not applicable as Cuscal has no exposure to commodity prices.

Cuscal market risk exposure is managed under the Treasury Risk Management Policy, which is reviewed by the Board each year. The Policy requires that risks are prudently managed and monitored, using a range of techniques such as sensitivity analysis, concentration analysis and stress testing.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The main tools to measure and control interest rate risk exposure within the Consolidated Entity's interest earning assets and liabilities are:

- Net Interest Earnings at Risk (NIER) –is the worst-case change in earnings due to a 1 basis point parallel shock in interest rates over a 12-month time horizon.
- Present Value of a Basis Point (PVBP) – Dollar impact of a 1 basis point movement in the yield curve.

Note 39 – Financial risk management, continued

Market risk, continued

The sensitivity analysis on interest rate risk is performed using the methodology of GAP IRR. The GAP IRR methodology is a method of measuring interest rate sensitivity by classifying interest rate sensitive assets, liabilities and off-balance sheet items. The instruments are split into specific pre-defined time buckets according to their maturity for fixed rate instruments, or till the next re-pricing date for variable rate instruments. The size of the gap position can then be determined in each of the respective time buckets. A cumulative gap can also then be given after summing up the individual time bucket gaps.

Resulting impact to statement of profit or loss of the sensitivity analysis on a 50 bps movement is as follows:

	2024 $m	2023 $m
Consolidated Entity		
Increase in yield curve of 50 bps	(0.8)	(0.6)
Decrease in yield curve of 50 bps	0.8	0.6

At 30 June 2024, Cuscal has a $2.0 million fair value gain held in reserves relating to changes in bond rates on its Investment Securities portfolio (2023: $2.8m fair value loss). It is anticipated that these securities will be held to maturity, in which case this fair value loss will fully wind back to nil upon maturity of the relevant positions.

Credit risk

(a) The Consolidated Entity, excluding the Securitisation Trust

Credit risk is defined as the risk of economic loss where the Consolidated Entity is exposed to adverse changes in the financial standing of the borrower or a trading counterparty.

Under Board approved policies, the Board Risk Committee reviews and endorses credit exposures, policies and practices, with large exposures requiring approval by the Board.

Each counterparty has assigned total exposure limits, both individually and as a group. The limits consider all exposures including settlement exposures, cash, loans, trading securities held, and guarantees. In order to assess the credit exposure of the Consolidated Entity's financial portfolio, stress tests are also conducted. Qualitative and quantitative analysis of financial information are also important factors used in determining the financial state of a counterparty.

Overdraft exposures are managed and monitored through facility limits for individual counterparties and a credit review process. The Consolidated Entity relies on collateral security typically in the form of cash security deposits and a right of offset.

The maximum credit exposure in respect of committed loan facilities is shown in Note 14.

All loans originating from the Consolidated Entity are reviewed for impairment in accordance with the accounting policy in Note 1.

Refer Note 14 for information on loan impairment, if any.

Among the factors that mitigate against impairment of the Consolidated Entity's credit exposure are:

- On-going monitoring of borrowers;
- The security position of Cuscal, with clients secured by cash deposits with rights of offset; and
- The majority of Cuscal's clients (by exposure) are Approved Deposit-taking Institutions, subject to regulation by APRA.

Note 39 – Financial risk management, continued

Credit risk, continued

(b) Securitisation Trust

As the Trust ceased operating in 2024 upon sale of the remaining mortgage loans, there is no credit risk relating to the Trust at June 2024.

Credit risk concentrations – Risk concentration: portfolio, by economic sector

	Consolidated 2024 %	2023 %
Financial Assets		
Financial Institutions	**100.0**	96.1
Government, Semi-Government and supraernationals	**-**	3.9
Total credit risk concentration	**100.0**	100.0

Maximum credit risk exposure

	Consolidated 2024 $m	2023 $m
Financial Assets		
Cash and cash equivalents	**2,069.1**	1,616.9
Receivables due from financial institutions	**106.3**	70.3
Derivative financial asset	**-**	0.1
Securities	**1,096.4**	1,181.0
Loans	**-**	2.4
Loans by the Securitisation Trust	**-**	0.7
Total financial assets	**3,271.8**	2,871.4
Off-Balance sheet		
Undrawn facilities	**219.0**	176.2
Total maximum credit risk exposure	**3,490.8**	3,047.6

Note 39 – Financial risk management, continued

Liquidity risk

(a) The Consolidated Entity, excluding the Securitisation Trust

The liquidity management policy of Cuscal is approved by the Board and agreed with APRA. Cuscal manages liquidity risk by continuously monitoring the time to liquidate and cost to liquidate its financial assets to meet any unexpected calls on liquidity and APRA prudential standards. The cost of immediate liquidity also includes analysis of the amount of funds immediately available from entering repurchase agreements with the Reserve Bank of Australia for eligible securities. These factors are tested against policy limits daily. In addition, these factors are subject to stress testing on a regular basis.

Cuscal generally invests in high quality, highly liquid, marketable securities so that it is always well-positioned to meet any liquidity requirements. Cuscal's Liquidity Policy requires that client funds are held in highly liquid assets which are available at call or via repo with the Reserve Bank of Australia (repo eligible securities). In addition, Cuscal has tested its capability to realise the value of investments in securities via repurchase with financial institutions.

Cuscal is not dependent on debt to fund its investment in the payment's business. Cuscal's commitment to settle on behalf of clients is funded from individual client's deposits with Cuscal or pre-arranged overdrafts which are secured against cash deposits.

(b) Securitisation Trust

As the Trust ceased operating in 2024 upon sale of the remaining mortgage loans, there is no liquidity risk relating to the Trust at June 2024.

(c) Contractual undiscounted cash flows of financial liabilities

Maturity Profiles

The tables below detail the maturity distribution of certain financial liabilities on an undiscounted basis. Maturities represent the remaining contractual period from the balance date to the repayment date.

The maturity profile for Borrowings of the Securitisation Trust in the prior financial year is based upon the expected run-off of the Trust mortgage assets, which may be different to contractual maturity.

Consolidated	At call $m	3 months or less $m	3-12 months $m	1-5 years $m	Over 5 years $m	No maturity specified $m	Total Contractual cash flows $m
30 June 2024							
Payables due to financial institutions	**32.5**	**-**	**-**	**-**	**-**	**-**	**32.5**
Client deposits	**1,432.8**	**544.8**	**405.1**	**324.3**	**-**	**-**	**2,707.0**
Securities sold under agreement to repurchase	**-**	**-**	**302.1**	**-**	**-**	**-**	**302.1**
Discount securities issued	**-**	**1.0**	**-**	**-**	**-**	**-**	**1.0**
Lease liabilities	**-**	**1.3**	**4.0**	**0.9**	**-**	**-**	**6.2**
Derivative financial liability	**-**	**-**	**0.1**	**0.1**	**-**	**-**	**0.2**
Liability to prepaid cardholders	**4.2**	**-**	**-**	**-**	**-**	**-**	**4.2**
Option liability	**-**	**-**	**5.5**	**-**	**-**	**-**	**5.5**
Total undiscounted cash flows	**1,469.5**	**547.1**	**716.8**	**325.3**	**-**	**-**	**3,058.7**

Note 39 – Financial risk management, continued

Liquidity risk, continued

Consolidated	At call $m	3 months or less $m	3-12 months $m	1-5 years $m	Over 5 years $m	No maturity specified $m	Total Contractual cash flows $m
30 June 2023							
Payables due to financial institutions	187.1	-	-	-	-	-	187.1
Client deposits	1,258.3	470.3	381.4	364.1	-	-	2,474.1
Discount securities issued	-	4.5	-	-	-	-	4.5
Lease liabilities	-	1.3	3.8	5.9	-	-	11.0
Liability to prepaid cardholders	4.2	-	-	-	-	-	4.2
Option liability	-	-	-	16.7	-	-	16.7
Total undiscounted cash flows	1,449.6	476.1	385.2	386.7	-	-	2,697.6

Fair value

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value reflects the present value of future cash flows associated with a financial asset or financial liability. Fair values of financial assets and liabilities are determined using quoted market prices, where available. Market prices are obtained from independent market vendors, brokers, or market makers. Where no active market price or rate is available, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing at balance dates.

The following methods and significant assumptions have been applied in determining the fair values of financial assets and liabilities carried at fair value, and, for disclosure purposes, in determining whether a material difference between the fair value and the carrying amount exists.

Cash and cash equivalents

The carrying amount of cash and cash equivalents is an approximation of fair value as they are short term in nature or are receivable on demand.

Receivables due from financial institutions

The carrying amount of receivables due from financial institutions is an approximation of fair value as they are short term in nature or are receivable on demand.

Investment Securities

Security-specific yields and prices are used for all positions where possible. Where applicable, security revaluations are conducted using standard market formulae and conventions.

Other positions are valued using a yield curve that best reflects the issuer and credit risk of the instrument.

All assets and liabilities, except for futures contracts and interest rate swaps, are valued at the most conservative of bid and offer rates. In keeping with market convention, futures contracts are valued at the settlement price.

Loans and loans made by the Securitisation trust

For variable rate loans in the Trust, the carrying amount is an approximation of fair value.

Note 39 – Financial risk management, continued

Fair value, continued

Derivative financial assets and liabilities

The fair value of swaps is calculated utilising discounted cash flow models, based on the estimated future cash flows.

The fair value of forward foreign contracts is calculated on the foreign rates prevailing at the balance date.

Payables due to financial institutions

The carrying amount of payables due to financial institutions is an approximation of fair value as they are short term in nature or are payable on demand.

Deposits

For variable rate deposits the carrying amount is an approximation of fair value.

Discount securities issued

Discount securities were revalued using a yield curve that represents Cuscal's credit risk.

Option liability (in Other Liabilities)

The carrying amount of the option liability is at fair value where a remeasurement has occurred. The fair value is calculated as the present value of the amount payable upon the exercise of the option.

Methods applied in determining fair values of financial assets and liabilities

Level 1 – Reference to published price quotations in active markets

This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – Valuation techniques supported by market inputs

This category includes financial instruments whose fair value is determined using a valuation technique (model), where inputs in the model are taken from an active market or are market observable. If certain inputs in the model are not market observable, but all significant inputs are, the instrument is still classified in this category, provided that the impact of those elements on the overall valuation is insignificant.

Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are (more than insignificantly) modified based on other market observable external data.

Level 3 – Valuation technique not supported by market inputs

This category includes financial assets and liabilities whose fair value is determined using a valuation technique (model) for which more than an insignificant level of input in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. The Consolidated Entity classes its equity investments at as Level 3 where valuation technique which is not supported by market inputs.

Valuation technique used to determine level 3 fair values

The Consolidated Entity values its interests in other unlisted entities by reference to its estimated share value. This is derived through outcomes of recent or expected capital raising activities, and in some instances on a "look-through" basis to the results of expected corporate restructures.

The following table presents the estimated fair values of the Consolidated Entity's financial assets and liabilities held at fair value, by fair value hierarchy. Certain items from the Statement of Financial Position are not included, as they do not meet the definition of a financial asset or liability. The aggregation of the fair values presented below does not represent and should not be construed as representing the underlying value of the Consolidated Entity.

Note 39 – Financial risk management, continued

Fair value, continued

Consolidated - 30 June 2024	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Investment securities	**-**	**1,096.4**	**-**	**1,096.4**
Loans	**-**	**-**	**-**	**-**
Equity investments	**-**	**-**	**4.0**	**4.0**
Total financial assets	**-**	**1,096.4**	**4.0**	**1,100.4**
Financial liabilities				
Client deposits	**-**	**2,707.0**	**-**	**2,707.0**
Securities sold under agreement to repurchase	**-**	**302.1**	**-**	**302.1**
Discount securities issued	**-**	**1.0**	**-**	**1.0**
Derivative financial liability	**-**	**0.2**	**-**	**0.2**
Option liability (in Other Liabilities)	**-**	**-**	**5.5**	**5.5**
Total financial liabilities	**-**	**3,010.3**	**5.5**	**3,015.8**

Consolidated - 30 June 2023	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Investment securities	-	1,181.0	-	1,181.0
Loans	-	2.4	-	2.4
Derivative financial asset	-	0.1	-	0.1
Loans made by securitisation trust	-	-	0.7	0.7
Equity investments	-	-	4.4	4.4
Total financial assets	-	1,183.5	5.1	1,188.6
Financial liabilities				
Client deposits	-	2,474.1	-	2,474.1
Discount securities issued	-	4.5	-	4.5
Option liability (in Other Liabilities)	-	-	16.7	16.7
Total financial liabilities	-	2,478.6	16.7	2,495.3

The estimated fair values correspond with amounts at which the financial instruments at the Consolidated Entity's best estimate could have been traded at the balance date between knowledgeable, willing parties in arms-length transactions.

Note 39 – Financial risk management, continued

Fair value, continued

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 30 June 2023 and 30 June 2024.

Consolidated	Unlisted equity securities $m	Option liability $m	Total $m
Opening balance 1 July 2022	**2.8**	**-**	**2.8**
Recognised on acquisition of Braavos	**-**	**(16.4)**	**(16.4)**
New investments in other entities	**4.0**	**-**	**4.0**
Gains / (losses) recognised in other income	**(2.4)**	**-**	**(2.4)**
Gains / (losses) recognised in interest income / (expense)	**-**	**(0.3)**	**(0.3)**
Closing Balance 30 June 2023	**4.4**	**(16.7)**	**(12.3)**
Gains / (losses) recognised in other income	**(0.4)**	**12.5**	**12.1**
Gains / (losses) recognised in interest income / (expense)	**-**	**(1.3)**	**(1.3)**
Closing Balance 30 June 2024	**4.0**	**(5.5)**	**(1.5)**

Expected Credit Losses (ECL)

At the reporting date the Consolidated Entity has presented the ECL allowances in its statement of financial position as follows:

- For financial assets measured at amortised cost – a deduction against the gross carrying amount; and
- For financial assets measured at fair value through other comprehensive income – a deduction against the revaluation reserve in other comprehensive income.

The approach to ECL is outlined in Note 1(oo).

The table below presents the gross exposure and related ECL allowance for assets measured at amortised cost or FVOCI and off-Balance Sheet exposures subjected to impairment requirements of AASB 9.

All ECL amounts fall under stage 1. Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12-month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Note 39 – Financial risk management, continued

Fair value, continued

Consolidated	Gross exposure for Financial asset carried at Amortised cost $m	FVOCI $m	Total exposure $m	ECL allowance on Financial assets carried at Amortised cost $m	FVOCI $m	Total ECL allowance
30 June 2024						
Cash	**2,069.1**	**-**	**2,069.1**	**-**	**-**	**-**
Receivables due from FIs	**106.3**	**-**	**106.3**	**-**	**-**	**-**
Investment securities	**-**	**1,096.4**	**1,096.4**	**-**	**0.5**	**0.5**
Loans	**-**	**-**	**-**	**-**	**-**	**-**
Other assets (Trade debtors)	**7.8**	**-**	**7.8**	**0.1**	**-**	**0.1**
Contract assets	**47.6**	**-**	**47.6**	**-**	**-**	**-**
Undrawn commitments	**219.0**	**-**	**219.0**	**-**	**-**	**-**
Total	**2,449.8**	**1,096.4**	**3,546.2**	**0.1**	**0.5**	**0.6**
30 June 2023						
Cash	1,616.9	-	1,616.9	-	-	-
Receivables due from FIs	70.3	-	70.3	-	-	-
Investment securities	-	1,181.0	1,181.0	-	0.3	0.3
Loans	2.4	-	2.4	-	-	-
Loans made by the Securitisation Trust	0.7	-	0.7	-	-	-
Other assets (Trade debtors)	5.5	-	5.5	0.1	-	0.1
Contract assets	41.9	-	41.9	-	-	-
Undrawn commitments	176.2	-	176.2	-	-	-
Total	1,913.9	1,181.0	3,094.9	0.1	0.3	0.4

Unrecognised Items

Note 40 – Assets pledged as collateral

Securities

Investment securities of $332.9 million (2023: $Nil) have been pledged to Reserve Bank of Australia as collateral for the liability for Securities sold under agreement to repurchase in Note 25.

Note 41 – Commitments and contingencies

Contingent liability - Option Guarantee

As per Note 27 above, Cuscal Payments Holdings Pty Limited (‘**CPH**’) has entered into an option arrangement with Braavos Corporation Pty Limited. In the instance that the option liability falls due and CPH does not have the funds to cover the liability, Cuscal Limited has a legal guarantee to cover this payment on behalf of CPH. The value of the option liability as at 30 June 2024 is $5.5 million (2023: $16.7 million).

Note 41 – Commitments and contingencies, continued

The value of the guarantee sits with the Parent only (Cuscal Limited) and the value to the Consolidated Entity on consolidation is $Nil (2023: $Nil).

Management considers the likelihood of CPH not being able to pay the liability as it falls due to be highly remote, given the surplus of funds across the Consolidated Entity, and has therefore not recognised any liability in relation to the guarantee.

Commitments

	Consolidated 2024 $m	2023 $m
Commitments		
IT capital expenditure commitments not longer than 1 year	**6.0**	4.0
Total commitments and contingencies	**6.0**	4.0

Note 42 – Credit facilities

	Consolidated 2024 $m	2023 $m
(a) Committed financing activities that are available to the Consolidated Entity are as follows:		
i) Bank overdraft	**7.0**	7.0
ii) Within the day accommodation	**100.0**	100.0
iii) Encashment negotiation advice, payroll delivery services, and corporate purchasing card	**193.0**	193.0
iv) Bank guarantee	**4.5**	4.5
v) Purchasing card facility	**1.0**	1.0
(b) Committed financing facility available to the Securitisation Trust is as follows:		
i) Asset Liquidity	**-**	1.3

As at 30 June 2024, $4.4 million (2023: $4.4 million) of the bank guarantee facility was utilised. The remaining credit facilities were unused at balance date.

The committed financing facilities available to Cuscal all have a renewal date in April of each year.

As at 30 June 2024, there was no asset liquidity facility, which expired on the sale of the Securitisation Trust loans (2023: $Nil).

Under the contractual arrangements, the asset liquidity facility matures in line with the run off of the underlying assets in the Trust.

As at 30 June 2024, neither Cuscal nor any other part of the Consolidated Entity provided financing facilities to the Trust (2023: $Nil).

Note 43 – Subsequent events

Acquisition of remaining interest in Braavos Corporation

On 1 July 2024, Cuscal Payments Holdings Pty Limited executed a Deed of Sale and Release with the remaining shareholder of Braavos Corporation Pty Limited. The agreement specified a cash payment of $4.8 million to acquire the remaining 'non-controlled' interest not previously acquired. As a result, from this date onwards, Braavos Corporation Pty Limited and its controlled entities will be 100% owned by Cuscal Payments Holdings Pty Limited and its ultimate Parent within the group, Cuscal Limited.

The effect of the Deed of Sale and Release is that the Put and Call Option liability relating to the acquisition of remaining interest in Braavos was resolved. There will be no impact to the statement of profit or loss as a result of the resolution.

Acquisition of employee share options

In addition to the executed Deed of Sale and Release, various Braavos Management that were granted options under the Braavos Employee Option Plan, executed Option Cancellation Deeds for specified cash payouts for cancellation of all options issued (whether vested or unvested) pursuant to the Braavos Employee Option Plan for their Fair Market Value.

To facilitate this payment, Braavos Corporation issued 60,762 shares to Cuscal Payments Holdings Limited at $9.62 per share, amounting to $584,530.

Final dividend declaration

In respect of the financial year ended 30 June 2024, the Directors have determined that a final dividend of 5.0 cents per ordinary share shall be paid to all shareholders registered at 20 September 2024. The final dividend will total $8.8 million. The dividend will be franked to 100% at the 30% corporate income tax rate.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of Cuscal or the Consolidated Entity, the results of those operations, or the state of affairs of Cuscal or the Consolidated Entity in future financial years.

Other Information

Note 44 – Particulars in relation to controlled entities

Controlled entities

The consolidated financial statements incorporate the financial statements of Cuscal and entities (including structured entities) controlled by Cuscal and its subsidiaries.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Consolidated Entity are eliminated in full on consolidation.

	Class of Share	Interest Held 2024 %	2023 %
Parent Entity			
Cuscal Limited			
Controlled entities			
Cuscal Management Pty Limited	Ord	**100**	100
Integris Securitisation Services Pty Limited	Ord	**100**	100
Strategic Payments Services Pty Limited (SPS)	Ord	**100**	100
Integrity Series 2014-1 Trust	Ord	**100**	100
Cuscal Payments Holdings Pty Limited	Ord	**100**	100
Cuscal Payments New Zealand Limited	Ord	**100**	N/A
Braavos Corporation Pty Limited(i)	Ord	**81.56(ii)**	81.56(ii)
Basiq Pty Limited(i)	Ord	**81.56(ii)**	81.56(ii)
Basiq.io D.O.O.(i)	Ord	**81.56(ii)**	81.56(ii)

(i) The 81.56% controlling interest in Braavos Corporation Pty Limited means Cuscal has resulting 81.56% controlling interest in all 100% owned subsidiaries of the Braavos Group, namely Basiq Pty Limited and Basiq.io D.O.O. (Serbian).

(ii) Cuscal's interest in Braavos Corporation Pty Limited and its subsidiaries is 77.25% on a fully diluted basis, should all outstanding options held with non-controlling interest be exercised.

The entities listed above are proprietary limited as defined by the Corporations Act. All entities are incorporated and have principal place of business in Australia, apart from one entity in the Braavos Group, Basiq.io D.O.O., which is incorporated in Serbia, as well as Cuscal Payments New Zealand Limited, which is incorporated in New Zealand.

Cuscal Limited is regulated by APRA as Deposit-taking Institutions. Accordingly, its limited by APRA Prudential Standard APS 222 Associations with Related Entities as to the scope and size of exposures they may have to one another and to the other controlled entities listed above.

Changes during the financial year

The following changes to controlled entities occurred during the financial year:

- Cuscal Payments New Zealand Limited was set up as a new entity in the Consolidated Group. The entity is 100% owned by Cuscal Payments Holdings Limited. Cuscal Limited is therefore the ultimate controlling entity and has 100% ownership;
- Integris Securitisation Services Pty Limited and Integrity Series 2014-1 Trust have ceased trading during the year, but still remain active; and

Note 44 – Particulars in relation to controlled entities, continued

- A further $60.0 million investment was made from Cuscal Limited into Cuscal Payments Holdings Limited. There was no impact to the level of interest held from this transaction.

There were no other significant changes to controlled entities during the 2024 financial year and up to the date of this report.

Structured Entities included in the consolidated financial statements

The Trust commenced operations on 29 April 2014 and has been included in the consolidated financial statements from that date. The Trustee is Perpetual Limited. Cuscal and its subsidiaries currently carry out the following roles in respect of the Trust:

- Integris Securitisation Services Pty Ltd is the Master Servicer of the Trust; and
- Cuscal is the holder of the residual income unit of the Trust.

Accordingly, each of the above entities receives income from the Trust.

As set out in Notes 15 and 39, during the year all borrowings by the Trust have been repaid and the mortgage loans in the Trust have reduced to $Nil. The Trust ceased operating from the final sale of the remaining loans (29 January 2024) and it is anticipated that the Trust will be fully wound up in the 2025 financial year.

When the Trust was in operation during the financial year, the relationships between Cuscal, its subsidiaries and the Trust continues were unchanged from the prior financial year. Cuscal and its subsidiaries did not have the right to access or use the assets of the Trust. The flow of income from the Trust was dependent on the Trust having sufficient distributable income to make payments in the order of priority set out in the documents.

Up until the final sale of loans of the Trust, Integris Securitisation Services Pty Ltd had indemnified the Trustee against penalties arising in connection with the Trustee's performance of its duties or exercise of its powers under the Master Origination and Servicing Agreement to the extent of $0.5 million.

Tax Consolidation Group

All the above entities except the Integrity Series 2014-1 Trust, Cuscal Payments New Zealand Limited and entities within the Braavos Group (Braavos Corporation Pty Limited, Basiq Pty Limited and Basiq.io D.O.O.) were members of Cuscal's tax consolidation group for the full year.

Note 45 – Related party disclosures

(a) Key management personnel

Details of the remuneration of Key management personnel are disclosed in Note 9.

(b) Loans to directors

As at 30 June 2024 the outstanding balance of loans to directors was $Nil (2023: $Nil).

(c) Directors' interests in contracts

As required by the Corporations Act, some Directors have given notice that they hold office in specified credit unions, mutual banks and other companies and as such are regarded as having an interest in any contract or proposed contract, which may be between Cuscal and its controlled entities and those credit unions, mutual banks and companies. All transactions between credit unions and other companies in which a Director is an officer or a member and Cuscal and its controlled entities are transacted in the normal course of business and on commercial terms and conditions.

(d) Controlled entities

Cuscal's controlled entities receive administrative support services from Cuscal. These transactions are in the normal course of business and on commercial terms and conditions. Transactions between Cuscal and its controlled entities include the provision of financial facilities on commercial terms and conditions. Details of the amounts paid or received from related entities (if any) in the form of dividends, interest, management charges, and asset-usage fees are set out in Notes 5, 6 and 7.

Note 46 – Parent entity disclosures

	Consolidated 2024 $m	2023 $m
Result of the parent entity for the financial year		
Profit for the year	**20.3**	28.5
Other comprehensive income	**4.8**	7.4
Total comprehensive income for the year	**25.1**	35.9
Financial position of the parent entity at the year end		
Total assets	**3,475.2**	3,075.2
Total liabilities	**(3,145.8)**	(2,757.8)
Net assets	**329.4**	317.4
Total equity of the parent entity comprises:		
Contributed equity	**119.3**	119.3
Reserves	**7.0**	2.2
Retained Earnings	**203.1**	195.9
Total equity	**329.4**	317.4

Note 47 – Earnings per share

Basic and diluted EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Weighted average number of ordinary shares outstanding during the year was 175.4 million (2023: 175.4 million).

The following table reflects the income and share data used in the basic EPS calculations:

	Consolidated 2024 Cents	2023 Cents
Earnings per ordinary share ('EPS')		
Basic and diluted earnings per share	**$0.18**	$0.15

Note 48 – Net assets per share

Net assets is calculated by dividing total net assets for the year attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding during the year.

	Consolidated 2024 $	2023 $
Net Assets per ordinary share		
Basic net assets attributable to the owners of Cuscal, per ordinary share at year end	**$1.85**	$1.72

Note 49 – Additional company information

Cuscal Limited is a limited company, incorporated in Australia. The parent entity and ultimate parent entity is Cuscal Limited. The registered office and principal place of business is:

Level 2

1 Margaret Street

SYDNEY NSW 2000

The number of employees at 30 June 2024 of the Consolidated Entity is 634 (2023: 591). This includes permanent and fixed term employees and excludes external contractors.

Directors' Declaration

The Directors declare that, in their opinion:

- 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 attached consolidated entity disclosure statement is true and correct;
- The attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements; and
- The attached financial statements and notes thereto are in accordance with the Corporations Act, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act.

On behalf of the Directors

Elizabeth Proust AO Chairman	Craig Kennedy Managing Director

Sydney, 27 August 2024

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Independent auditor's report to the members of Cuscal Limited

Opinion

We have audited the financial report of Cuscal Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of 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 also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

a. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001;* and;

b. The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

i. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii. The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

► Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

► Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

► Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

► Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- ► Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- ► Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

Andrew Harmer
Partner
Sydney
27 August 2024

Corporate Information

Directors	Ms Elizabeth Proust AO, Independent Chairman Mr Craig Kennedy, Managing Director Ms Belinda Cooney, Independent Non-Executive Director Ms Trudy Vonhoff, Independent Non-Executive Director Ms Claudine Ogilvie, Independent Non-Executive Director Mr Ling Hai, Non-Executive Director Mr Daryl Johnson, Non-Executive Director[3] Mr Wayne Stevenson, Non-Executive Director
Company Secretaries	Ms Freya Smith Mr Sean O'Donoghue
Annual General Meeting	18 October 2024
Registered Office and Principal Place of Business	Level 2 1 Margaret Street Sydney NSW 2000 Australia Telephone: (02) 8299 9000 Email: companysecretariat@cuscal.com.au
Auditor	Ernst & Young 200 George Street Sydney NSW 2000 Australia Telephone: (02) 9248 5555
Website	https://www.cuscal.com/

[3] Daryl Johnson retired from the Board effective 31 July 2024.