Cuscal Annual Report 2022

Cuscal

Annual Report 2022

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Summary 2021/2022

Financial

June 2022 Results

NPAT	$23.4 million
ROE	7.4%
EPS	13.0 c/share
DPS	6.0 c/share
S&P Rating	Retained A+

Our People

- Continued to support employees during the various stages of COVID-19, through remote and hybrid working programs;
- Our learning curriculum has focussed on embedding our new Cuscal 'Ways of Working', team effectiveness and increasing productivity of our people;
- Wellbeing@Cuscal has centred around upskilling our People Leaders to support the mental wellbeing of their team members and building connection through activities such as nutritional seminars and virtual fitness challenges;
- Despite challenges around capacity, and market resource dynamics, we have seen an uplift in our employee engagement scores;

Our Clients & Partnerships

- Positive uplift in all four key measures of client experience;
- Continued to build a strong pipeline of new clients and diversify our client base, including several significant 'new business' wins;
- Continued to secure future revenue through key client contract renewals;
- Continued our sponsorship of Curious Thinkers and introduced a new client engagement forum, the Client Advisory Council, for our clients to discuss industry opportunities and challenges and provide input into Cuscal's strategic planning cycle;

Growth and innovation

- Continued uplift in NPP transaction volumes as a result of prior year investment – volumes up 40% to 275 million annual transactions;
- Digital wallet transactions increased by 38% on FY21, revenue growth of 27%;
- Onboarded a number of clients to our Open Banking Data Holder Solution. We have also commenced building foundational capability to become a data recipient, and will provide B2B solutions to our clients and the market;
- Continued development of NPP 'PayTo' services - supporting our clients and new clients to leverage real time payment capabilities as early adopters of emerging payment solutions;

Our Technology

- Continuing our focus on resilience and service delivery to drive down number of incidents, and improve time to detect and provide notification;
- Maintained our PCI-DSS security accreditation, for the 7th consecutive year;
- Our focus on core infrastructure stability has delivered migration to new storage capability to address capacity and latency issues that was causing service impacts to clients. We have continued to invest and progress our core upgrade to our infrastructure switch platform.

Letter from the Chairman and Managing Director

Annual Report 2022

The financial year has been both rewarding and challenging for Cuscal. It has been our most successful period in terms of new business for both banking and Fintech clients, whilst our capacity to execute our strategic investments has been seriously tested by the continued impact of the COVID pandemic, unprecedented competition for talent and competing priorities. Despite these challenges, Cuscal has adapted well and has again closed the year in a strong market and financial position.

The payment industry continues to be characterised by consolidation in pursuit of scale and diversification with a clear aim of growing or maintaining relevance.

We continue to pursue our strategic objectives of increasing the relevance of our payment's solutions, expanding our client reach and optimising our time and cost to market. During the financial year we concurrently executed several substantive programs of work around our technology, products and services and also gained significant traction in our operating model transition program.

In the period, we have implemented and progressed a variety of initiatives that arose from the 2021 Board Governance Review. We have updated our Constitution, as approved by shareholders, to become more contemporary, better align with APRA requirements and adopt ASX principles where appropriate. As we move towards a fully elected and majority independent Board, we have also appointed an external adviser to assist with our director nomination and selection process. The search process for another independent director has recently commenced.

We continue to appreciate the collaboration and input from our clients, strategic partners and shareholders in supporting the growth and development of our business and have valued the direct feedback obtained through client forums, including Curious Thinkers.

Financial

The Consolidated Net Profit After Tax ("NPAT") attributable to the owners of Cuscal was $23.4 million for the year ended 30 June 2022.

Naturally the result is down on the statutory $82.7 million NPAT for the year ended 30 June 2021, which included a net $59.6 million contribution from the sale of 86 400 and absorption of that entity's operating losses. Excluding this 'one-off' impact, the Group 'Underlying' Net Profit after Tax for the year ended 30 June 2022 was slightly ahead of the $23.1 million reported for 2021.

Cuscal's underlying business continued to perform above expectation for the year to 30 June 2022 as we weathered the impacts of further COVID lockdowns, benefited from increased contributions from prior year investments in NPP and new business wins, and maintained further investments to enhance our relevance including NPP PayTo, Open Banking, Fraud services and upgrading our switch infrastructure.

The underlying result was consistent with the guidance provided to shareholders at the AGM in October 2021 in that, given our material investments in the core business, we expected NPAT to be 'flat' to 2021 on an underlying basis, which is around $23m.

Our capital position remains strong, well above minimum capital ratios, and we have again retained our Standard & Poor's A+ credit rating during the year.

The Review of Operations section of this report provides more detail on Cuscal's financial performance for the year.

Capital Management

The sale of 86 400 in late 2021 both generated and liberated regulatory capital for re-investment in the core business, as well as enabling various capital initiatives.

During the year, we returned a total of $58m to shareholders. This return was made up of ~$36 million in ordinary and special dividends, as well as an additional ~$22m returned via a series of share buy-back schemes. These initiatives enabled all shareholders to realise value via a liquidity event that otherwise would not have been readily available.

Our People

Our commitment is to offer our people an innovative and collaborative place to work. Like most organisations we have experienced structural change in relation to the way people work, their expectations and particularly how people collaborate in remote / hybrid working environments. We have made several key adjustments to our work practices and policies to align with these changes. Supply constraint, and competition for talent and retention, particularly for those with technology skills, has been even more pronounced this year.

In 2022, we progressed a series of programs aimed at transforming our business to ensure we have the right operating model, technology, people, and culture in place – our people have called this 'Cuscal 3.0'. This transformation is required to meet our medium to long term aspirations in relation to time and cost to market and to attract and retain the talent to enable the future for our clients. To date, around forty percent of the organisation has transitioned to these new ways of working and we have already begun to see the benefits in terms of capacity and a more collaborative culture.

Given our growth and capacity challenges throughout the year, it is pleasing to see an increase in our employee engagement scores. The Cuscal Board recognises the contribution made by our people to Cuscal's ongoing success.

Growth through innovation

Our strategic investment programs remain central to our ambition to increase the relevance of our payments solutions and to expand our client reach. Execution of these programs has not been without significant challenge, particularly navigating unprecedented competition for talent, fixed industry deadlines and significant changes to the way we work.

Open Data

Cuscal's open data program is one of our key innovation investments. In 2022, following the launch of Phase 1 of our Consumer Data Right (CDR) solution, Product Reference Data, we went live in December 2021 with Phase 2, our Data Holder solution for our banking clients.

While our focus to date has been on enabling CDR compliance, we have now turned our attention to compete (data recipient) services and enabling expansion into new client segments beyond financial services. Our vision is for the Open Data solution to provide services to any organisation who needs to share data as part of CDR in a way that is fully compliant, just as our current Data Holder services offer now.

With these service offerings, organisations will be able to leverage unique data to create new customer-centric experiences, streamline operations and play a greater role in customer's digital lives within and outside of banking.

Real Time Payments

Since November 2017, Cuscal has connected the largest number of institutions, banking, and non-banking, to the New Payments Platform (NPP). Our focus and capability development has ensured a consistent flow of new business making us one of the largest processors of NPP volume.

Our PayTo offering, the next evolution of NPP capability, went into live proving in June 2022 with Cuscal an early enabler of this major industry change. Our 45 payer and payments initiator clients will progressively go live on the platform stability, forming the core of the early adopter cohort of PayTo.

Financial Crimes Platform

Our financial crimes solution is a critical service we provide to our clients and their customers. In 2022 we commenced the migration of our clients from our on-premises fraud solution to a cloud-based platform, enabling benefits including improved stability of the platform, fast and accessible upgrades, an expanded product offering including intuitive scam detection, and a better internal and client user experience. We expect this migration to complete in coming months.

Strengthening our partnerships

Cuscal's product and service investments will enable our clients to access all aspects of the banking, payments and data ecosystem, addressing their strategic payment objectives.

Access to all payment channels through a single partner, our continued investment in innovation, and independence are the core pillars of our client value proposition.

Strengthening our partnerships, continued

Expanding our thought leadership partner offerings this year, we were pleased to host our inaugural Client Advisory Committee meeting in March 2022. Our annual thought leadership event, Curious Thinkers was held in July 2022, and it was exciting to be able to deliver these events face-to-face.

Our continuing aspiration of 'Enabling the Future', strengthening our partnerships with existing clients and securing long term contracts is an important focus. We have been successful in onboarding a number of new clients during the year across the mutual sector as well as large payment and financial services providers. Feedback from clients, smaller local Payment Service Companies and Fintechs evidenced the fact that Cuscal's investment in innovation, our future focus, E2E capability, and partnership approach has clearly been the differentiator, and the reason these organisations remained with or moved to Cuscal, away from their long-term incumbent relationships.

This is evidenced by resigning a long-term agreement for switching services with our largest client (Bendigo), winning Queensland Country Bank, for a range of services including NPP. We also extended and secured NPP services for all BoQ group entities, American Express, and secured several agency banking wins including Rabobank, ME Bank, AMP Bank and Bank of Sydney. Our pipeline remains strong with several other organisations keenly interested in all or part of our service offerings.

At an industry level, we continue to represent the interests of our clients at various forums. Recently, the ACCC welcomed the formation of Australian Payments Plus (AP+), with Cuscal representation to the main and all subsidiary Boards in AP+. We have also been leading the payment regulation consultation on behalf of clients with Treasury, the RBA and in particular for Single Network Debit Cards (SNDC).

Outlook

Our Banking, Fintech and Acquiring client bases are growing and our pipeline across major segments for new business is strong. We continue to invest to expand our relevance and improve our time and cost to market and in a very disciplined manner, we are seeking acquisitions to supplement our organic growth of capabilities and clients.

Our medium to long term prospects are underpinned by our successful track record in making the right choices in focusing on our strategic pillars of digital, real time and data, whilst the developing economic and market conditions may present challenges in the short term.

Notwithstanding the prevailing economic and market headwinds, we remain confident in our strategy, financial strength, and ability to meet our previously announced guidance in terms of profitability outcomes, which is ~$23m NPAT, and our continued target range for dividends of 6.0 – 7.0 cents per share for 2023.

We would like to again thank our shareholders, clients and all our employees for their commitment to Cuscal and we look forward to our continued success together in 2023.

Elizabeth Proust AO
Chairman
Sydney, 26 August 2022

Craig Kennedy
Managing Director

Review of Operations

Overview

The Consolidated Net Profit After Tax ("NPAT") attributable to the owners of Cuscal was **$23.4 million** for the year ended 30 June 2022.

Whilst the result reflects a headline decrease of $59.3 million, the comparative result for 30 June 2021 includes a post-tax gain on the sale of 86 400 of $72.1 million and Cuscal's share of 86 400's post-tax operating losses of $12.5 million up to the date of sale of the group on 19 May 2021.

In line with the 2021 annual report, the financial impacts of the 86 400 Group have been presented as a 'discontinued operation' in accordance with AASB 5.

Group 'Underlying' Result

The Group's 'Underlying' results excludes significant one-off or non-recurring transactions. Accordingly, these numbers are not in accordance with IFRS.

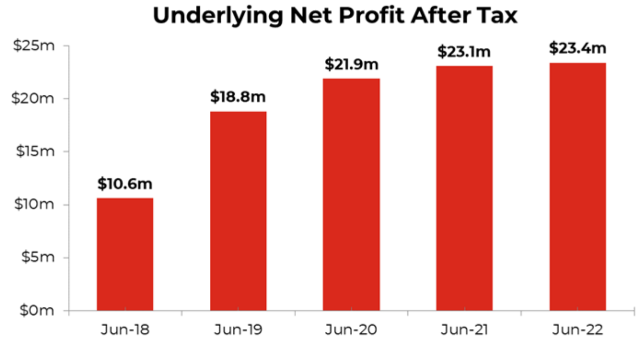
The Group NPAT result in the comparative year was impacted by the following significant and 'one- off' items:

- a $72.1 million after-tax gain on the sale of Cuscal's investment in 86 400 Group on 19 May 2021; and
- $12.5 million of after-tax operating losses associated with 86 400.

References in the Review of Operations to the 'Underlying' result excludes these items, and also represents the result attributable to continuing operations across both reporting periods.

Group Underlying NPAT

The Group's 'Underlying' consolidated NPAT for the year ended 30 June 2022 was $23.4 million; $0.3 million (1%) higher than the corresponding year ended 30 June 2021.



A reconciliation of the Consolidated Profit attributable to the owners of Cuscal to 'Group Underlying' consolidated NPAT is set out below:

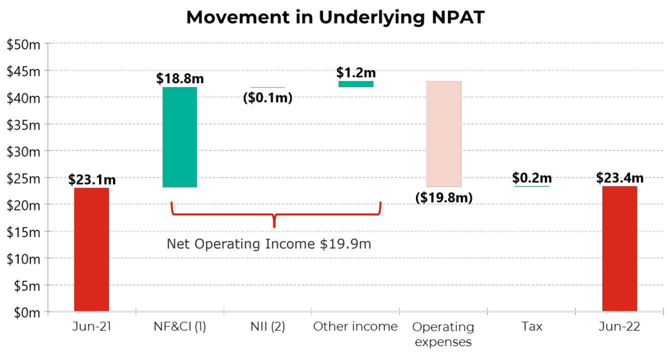
Reconciliation	June 2022 $m	June 2021 $m
Consolidated Profit attributable to the owners of Cuscal	**23.4**	**82.7**
Gain on sale of 86 400[(i)]	-	(72.1)
86 400 loss[(i)(ii)]	-	12.5
Group Underlying Net Profit After Tax	**23.4**	**23.1**

(i) presented in the statement of Profit and Loss as 'discontinued operations'.

(ii) includes the impact of outside shareholder interests.

Key elements of the net $0.3 million increase in 'Group Underlying' consolidated NPAT for the year ended 30 June 2022 are shown below.

Underlying Operating Performance



(1) NF&CI - Net Fee & Commission income

(2) NII – Net Interest Income

Underlying Net Operating Income

Underlying Net Operating Income (NOI) increased 12% to $182.4 million for 30 June 2022, from $162.5 million for 30 June 2021.

The 'underlying' NOI result for the year ended 30 June 2022 largely reflects:

Group 'Underlying' Result,
continued

- continued growth in our core product groups – this is net of any adverse COVID impacts on transaction volumes, largely affecting the first half of the year;
- revenue uplift from both prior period investment in NPP products, and new acquiring and agency banking clients; and
- a benefit in the current period relating to a decrease in the fair value of Cuscal's equity investments in the prior financial year.

Underlying Operating Expenses

Underlying Operating Expenses increased 15% to $149.4 million for 30 June 2022, from $129.6 million for 30 June 2021.

The 'underlying' operating expense result for the year ended 30 June 2022 largely reflects:

- increased investment spend in key strategic initiatives, including upgrades to our Fraud services capabilities, investment in our operational transformation program and non-capitalised Open Banking and NPP development costs;

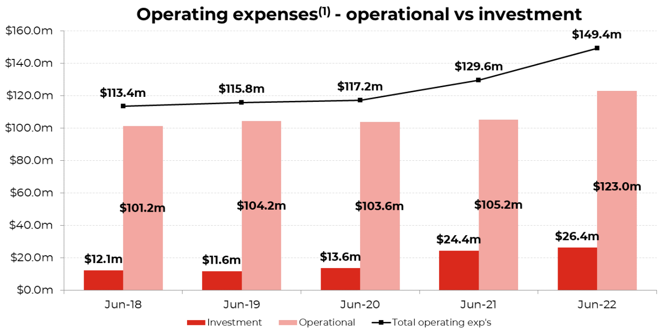
  While costs have been incurred in the current period and an appropriate amount capitalised, the benefits of these investments are expected in future periods;
- employment costs increases driven by technology industry resource market dynamics and additional headcount to support business growth; and
- substantial increases in insurance premiums and general technology costs.

Investment spend

Cuscal has continued to absorb material investment spend in its operating result, the benefits of which will be seen in future periods.

For the year ending 30 June 2022, this was $26.4m - 18% of total operating expenses – and an increase of $2.0m on the year ending June 2021. This excludes an additional $30.1m of eligible costs capitalised to the Balance Sheet (June 2021: $8.5m capitalised during the year excluding 86 400 digital banking assets).

These strategic investment costs, differentiated from recurring 'operational' expenses, are outlined in the below graph.



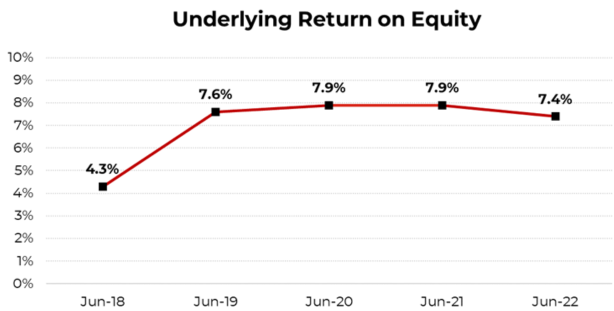
(1) Excludes any operating expenses associated with 86 400 from June 2018 to June 2021

Shareholder returns

Return on Equity

The Return on Equity ("ROE") attributable to owners of Cuscal for the year ended 30 June 2022 was 7.4%; a significant decrease on 27.5% for the year ended 30 June 2021 due to the 86 400 net favourable impacts in the June 2021 comparative year.

Underlying ROE of 7.4% for the year ended 30 June 2022 was down 6% in real terms on 7.9% for the year ended 30 June 2021. This reflects a similar underlying NPAT across both periods, but over an increased average equity at June 2022 driven by the material 86 400 sale impacts in the comparable period.



Earnings per share

Earnings per Share attributable to the owners of Cuscal was 13.0 cents per share for the year ended 30 June 2022, a significant decrease on 44.2 cents per share for the year ended 30 June 2021 due to the 86 400 net favourable impacts in the June 2021 comparative year.

Shareholder returns, continued

Underlying Earnings per Share attributable to the owners of Cuscal was 13.0 cents per share for the year ended 30 June 2022, an increase of 5% on 12.4 cents per share for the year ended 30 June 2021. This reflects a similar NPAT across both periods but over a reduced weighted average share base – a result of the share buy-backs in December 2021.

Dividends and Dividends per share

At the 2021 AGM, Cuscal announced an intention to target a dividend range of 6.0 – 7.0 cents per share for FY22 and FY23 to enable further investment in innovation and change over that period.

An interim ordinary dividend of 3.0 cents per share was paid in April 2022, totalling $5.3 million.

In addition to the interim dividend, the Directors have declared a final ordinary dividend of 3.0 cents per share for the 2022 financial year. The dividend will be fully franked, payable to eligible shareholders of record at 23 September 2022 and paid on 6 October 2022.

This brings the full year 'ordinary' dividends to a total of 6.0 cents per share and total $10.6m, which provides a full year dividend payout ratio of 45% of NPAT.

	Payment $m		cents per share	
Dividends	June 2022	June 2021	June 2022	June 2021
Interim dividend	5.3	2.8	3.0	1.5
Final 'ordinary' dividend	5.3	4.0	3.0	2.1
Special dividend	-	25.0	-	13.4
Total dividends	**10.6**	**31.8**	**6.0**	**17.0**

Share buy-backs

Following the successful completion of the sale of Cuscal's interest in 86 400 to National Australia Bank, on 19 May 2021, the company announced its intention to undertake a series of capital management initiatives, including two buy-back schemes.

These schemes were completed and settled with shareholders on 21 December 2021, with the key impacts being:

- 11.5 million shares bought back;
- shares on issue reducing from 186.9 million shares to 175.4 million shares;
- total capital returned to shareholders totalling $22.4 million;
- 13 shareholders exiting Cuscal's share register.

The successful completion of the share-buy backs provides for a total capital return attributable to the gain on sale of 86 400 of $47.4 million. This includes a special dividend paid in October of $25.0 million.

These transactions delivered on Cuscal's intention of balancing returns of capital to shareholders with reinvestment in the core business.

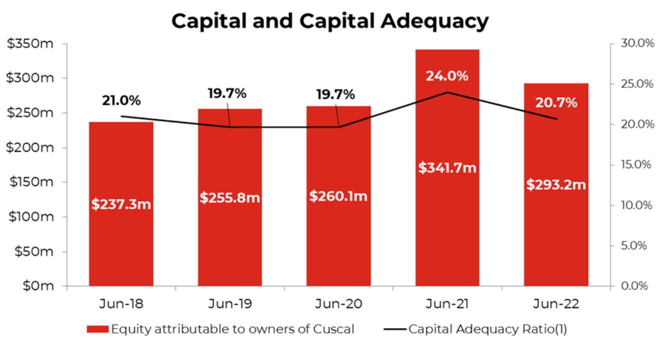
Capital and Capital Adequacy

Cuscal's capital position remains strong and its capital adequacy ratio continues to be in excess of regulatory and internal capital requirements.

After adjusting for the impact of all dividends declared but not yet paid at the end of each financial year, Cuscal's capital adequacy ratio at 30 June 2022 was 20.7%, down 14% on 24.0% at 30 June 2021.

The decrease in the capital adequacy ratio reflects 2 key drivers:

- a reduced regulatory capital base from the planned share buy-backs and ongoing capitalisation of strategic investment spend as intangible assets; and
- reduced risk weighted assets, while Cuscal's Balance Sheet size has increased, Cuscal maintained a more conservative risk profile compared to the prior year.



(1) Includes the impact of dividends declared but not yet paid at year end

Outlook for 2023

The Payments industry continues to be characterised by consolidation in pursuit of scale and diversification with a clear aim of growing or maintaining relevance.

Our client bases are growing in Banking, Fintech and Acquiring and our pipeline across major segments for new business is strong. Our focus remains on disciplined investment to further expand our relevance and improve our time and cost to market. In addition, we are seeking acquisitions for scale and to supplement our organic growth of capabilities and clients. Material acquisitions will require Cuscal to raise additional capital.

Underpinning our medium to long term prospects is a successful track record in making the right choices in focusing on our strategic pillars of digital, real time and data. The developing economic and market conditions may present challenges in the short term.

Our innovative investments in PayTo, Open Banking & Fraud are expected to close out in the first half of FY23. As we transition these activities from 'start-up' to the next stage in their product lifecycles, so support costs may outweigh revenue in the short term.

Notwithstanding the prevailing economic and market headwinds, we remain confident in our strategy, financial strength and ability to meet our previously announced guidance in terms of profitability outcomes. Consistent with the advice at the 2021 AGM, the full year NPAT outlook for FY23 will continue to be somewhat constrained by material investment spend and operational expenditure increases as we transition to our new operating model, which will temper planned profit growth. As such, the FY23 NPAT result is likely to be more in line with the FY22 result.

The Board of Directors continue to target dividends in the range of 6.0 - 7.0 cents per share for FY23, barring a material adverse event. Consistent with prior years, should upside emerge, the dividend profile would adjust accordingly.

Our forecast capital adequacy ratios remain well above minimum prudential requirements.

CORPORATE GOVERNANCE STATEMENT

Approach to Corporate Governance

This document reflects Cuscal's corporate governance framework as at 30 June 2022 and up to the date of publication of the 2022 Annual Report.

The Cuscal Board has responsibility for the overall governance of Cuscal, including the formation of strategic direction and policy, approval of plans and goals for management, and the review of performance against those goals. The Board has established appropriate structures for the management of Cuscal, including an overall framework of internal control, risk management, compliance and ethical standards.

Cuscal subscribes to applicable best practice governance principles and, where appropriate, is an early adopter of emerging guidance and regulation on better practice governance. The Board regularly reviews developments in governance and updates Cuscal's governance practices accordingly.

Our governance references include Prudential guidance, the ASX Corporate Governance Council's (ASX CGC) Corporate Governance Principles and Recommendations and our obligations under the Prudential Standards issued by the Australian Prudential Regulation Authority (APRA), CPS 510 Governance (CPS 510) and CPS 220 Risk Management.

Although Cuscal is not a listed entity, the Board is committed to complying with the ASX CGC recommendations to the extent that they are applicable to Cuscal. During the reporting period, Cuscal conducted a review of its practices against the ASX CGC recommendations. As a result of this review, Cuscal has augmented certain disclosures in this Annual Report and has committed to further enhancing its disclosures over time, particularly in relation to environmental, social and governance criteria, remuneration and diversity.

This is consistent with Cuscal's adoption of an investor governance model in 2021. Cuscal also continued to implement commitments arising from its 2021 governance review, including establishing the Nominations Committee, notifying shareholders 90 days before the AGM of their director nomination rights, and moving towards a fully elected Board.

Roles and Responsibilities

The role of the Board is to provide strategic guidance for Cuscal and effective oversight of management. The Directors represent the interests of shareholders and other stakeholders and are responsible for the overall direction of Cuscal's strategy, performance, compliance and policies.

Cuscal's Board Charter details the role, responsibilities, composition, Committees, delegations, operation and performance of the Cuscal Board. The Board is also governed by the Cuscal Constitution as well as applicable laws including prudential regulation, the Banking Act and the Corporations Act. In accordance with the Banking Executive Accountability Regime (BEAR), All Directors and Leadership Team members are 'accountable persons' registered with APRA. The BEAR legislation is intended to strengthen the accountability obligations of Australian Deposit Taking Institution ('ADI') groups and their directors and senior executives, and to impose enhanced consequences for being in breach of these obligations.

The Board Charter is available on Cuscal's website.

Board Responsibilities

The main Board responsibilities, summarised from its Charter, are:

- stakeholder interests;
- strategy;
- Managing Director appointment and performance;
- business performance and reporting;
- risk management and compliance;
- Board composition and performance; and
- oversight of External audit.

The Cuscal Board exercises oversight of subsidiary entities as well as any dealings between subsidiaries and Cuscal.

The Board Chairman

The Chairman is an independent Director and may be elected annually by Directors at the first meeting of the Board after the Cuscal Annual General Meeting or alternatively for a fixed period of more than one year.

The Chairman is responsible for:

- leading the Board;
- chairing and overseeing meetings of the Board and shareholders;
- being the primary point of contact between the Board and Managing Director;
- maintaining ongoing communication with the Managing Director and providing appropriate ongoing guidance;
- representing the views of the Board to the shareholders; and
- assisting with the development of Directors.

The roles of the Chairman and the Managing Director are strictly separated, as required by CPS 510.

Managing Director

The Managing Director regularly consults with the Chairman on matters generally as they arise, and is responsible for:

- developing, with the Board, long-term objectives and strategic plans and initiatives, performance measures and policies;
- ensuring efficient and effective day-to-day operations;
- monitoring performance against key performance measures, corporate strategy plans and the budget;
- determining the terms of appointment, performance evaluation, succession plans and replacement of executive direct reports, subject to consultation with the Board Governance & Remuneration Committee;
- development and monitoring of the risk management and compliance framework and maintaining an appropriate internal control environment; and
- bringing relevant matters to the Board and Committees in a timely and factual manner.

Company Secretary

Under the Constitution, the Board appoints the Company Secretary on such terms as it determines, and the role is set out in the Board Charter.

Directors have unfettered access to the Company Secretary and the Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. In relation to the day-to-day interaction with Management, the Company Secretary reports to the Managing Director.

Delegations of Board Authority

The Board has delegated to the Managing Director the authority to manage the operations of the Cuscal group, subject to specific delegations and limits approved by the Board under the Delegations Framework, which is reviewed periodically. The Managing Director can delegate authority to any other officer or employee of Cuscal (or committees comprised of such officers or employees) subject to the conditions and restrictions in the applicable delegation instrument.

Matters reserved for the Board include:

- matters that may have significant impact on strategic direction, risk appetite, financial position or reputation of Cuscal;
- matters specifically required to be addressed by the Board or its Committees under Cuscal's Constitution, the Corporations Act or any other applicable law or regulation or industry standard;
- the issue of any shares (or options over an interest in shares) of the Cuscal Group;
- capital management initiatives including buy-backs and returns of capital by the Cuscal Group;
- executive remuneration policy and remuneration arrangements of the Managing Director and senior executives; and
- matters the Board has specifically required to be brought to it for approval.

Structure of the Board

The Board has a broad range of relevant financial services and other skills and experience to meet its objectives. The current Board members and their skills and experience profiles are set out on pages 23 to 25 in this Annual Report and on Cuscal's website. A summary of the Skills Matrix setting out the mix of skills on the board is on page 27 of the Annual Report.

The Board, with guidance from the Board Governance & Remuneration Committee, evaluates its composition annually, considering matters such as the complexity of the business, the effectiveness and efficiency of the Board, and the desired capabilities and expertise of the collective Board and individual Directors to lead Cuscal in implementing its strategic plan.

Board Meetings

The Board is scheduled to meet seven times per year and at the AGM, but this number may be increased during the year, as required. In FY22 the Board met eight times. Details of number of Board meetings held in FY22 and Directors' attendance is on page 26 of the Annual Report.

One of these meetings is dedicated to an annual strategy planning forum with the Leadership Team and relevant senior Management. The forum provides an opportunity for consideration of longer-term strategic issues and initiatives.

The Chairman and the Managing Director establish Board meeting agendas, with the assistance of the Company Secretary. Board papers are distributed electronically for Directors to review in advance of each meeting. The Leadership Team are regular invitees to Board meetings. Directors also meet from time to time without the Managing Director or management representatives.

Composition

Both the composition of the Board and the election of Directors are determined in accordance with the Constitution, and any such regulatory requirements as apply from time to time. All directors are required to be elected by shareholders. Those directors in office as at 28 July 2021 are required to stand for election or re-election by shareholders by the 2023 AGM in accordance with amendments to the Constitution made in 2021. Ms Vonhoff and Mr Johnson are standing for election and re-election, respectively, at the 2022 AGM. Appropriate details about the candidates standing for election (or re-election) are set out in the explanatory memorandum to the notice of meeting.

Upon election, Cuscal's Directors serve a term of three years, retiring at the AGM closest to the expiration of their term, with the terms of office staggered to ensure continuity of experienced Directors. The Constitution requires at least one Director to retire and stand for election at each AGM.

CPS 510 mandates that ADIs must have a majority of independent Directors at all times. However, under the APRA Standard, special ADI service providers are able to seek alternative Board composition arrangements. Cuscal has obtained approval for alternative Board composition arrangements until no later than the 2023 AGM.

The maximum number of Directors as determined by the Constitution is nine, including the Managing Director, who is appointed at the discretion of the Board. The Board currently comprises six non-executive Directors and one executive Director, being the Managing Director. Of the non-executive Directors, three are independent Directors and three are non-independent Directors.

Cuscal has written agreements with each Director setting out the terms of his or her appointment. The period of office held by each Director in office at the date of the annual report and his or her status as to independence is set out on pages 23 to 25 in this Annual Report.

The Board has adopted a selection framework for the appointment of Directors. Under this framework, the Board Governance & Remuneration Committee assesses all non-executive Directors and potential candidates in accordance with the criteria contained in the framework, as well as the Fit and Proper Policy, Skills Matrix and the requirements of CPS 510 Governance and CPS 520 Fit and Proper.

The Nominations Committee also assesses candidates nominated by shareholders for the position of director in accordance with the Nominations Committee Charter.

Other matters to be considered in the selection of candidates include:

- strategic issues, and commercial and other pressures facing Cuscal at the time and over the following three years;
- the overall balance of skill sets available on the Cuscal Board at the time and those likely to be required over the following three years, with reference to skills and experience under the Skills Matrix and competencies required under the Fit & Proper Policy;
- an assessment of Cuscal's position with respect to market-based remuneration levels for Directors; and
- whether the candidate's professional skills, background, personal qualities and experience will augment the existing Board.

Appropriate background checks are also undertaken both before the appointment of a Director and periodically.

Independence

Under CPS 510, an independent Director is a non-executive Director who is free from any business or other association with Cuscal.

A Director is not considered independent if they:

- are an officer or Director of a substantial shareholder (i.e., 5% or more shareholding), or otherwise associated directly or indirectly with, a substantial shareholder of Cuscal;
- have, within the last three years, been employed in an executive capacity by the Cuscal group;
- have, within the last three years, been a principal or employee of a material professional adviser or a material consultant to the Cuscal group;
- are a material supplier or client of the Cuscal group, or an officer of or otherwise associated directly or indirectly with a material supplier or client; or
- have a material contractual relationship with the Cuscal group, other than as a Director of Cuscal.

Pursuant to the Board Charter, the Board is responsible for the determination of Directors' independence, taking into account the circumstances of each Director. Cuscal is largely owned by credit unions and mutual banks and many of its clients are those same organisations. This naturally creates the situation whereby Directors nominated by shareholders will not be independent.

The Chairman of the Board, Ms Elizabeth Proust, as well as the Board Audit Committee Chairman, Ms Belinda Cooney and the Board Risk Committee Chairman, Ms Trudy Vonhoff, have been declared by the Board to be independent non-executive directors in accordance with the above definition and criteria.

The continuing independence of these directors is subject to annual review and is incorporated into the annual Fit and Proper assessment process. Independent Directors are also required to notify the Company Secretary or Fit and Proper Officer immediately of information relating to changes or possible changes in their independent status.

The Board has determined that Cuscal's current Directors Wayne Stevenson and Daryl Johnson, who are directors of shareholders with more than 5% shareholding in Cuscal and/or have material out-sourcing contracts with Cuscal, do not meet the criteria of independence under CPS 510 and Cuscal's Board Charter. Cuscal also has (through regulatory approval) one Director, Ling Hai, who is an officer of a shareholder with more than 5% shareholding in Cuscal and therefore does not meet the criteria of independence under CPS 510 and Cuscal's Board Charter.

Avoidance of Conflicts of Interest

Directors have a continuing responsibility to avoid conflicts of interest (both real and apparent) between their duty to Cuscal and their own interests. Directors are required to disclose any actual or potential conflicts of interest on appointment and are required to keep this disclosure up to date. Cuscal's Board has a standing Board and Committee meeting agenda item for Directors to advise of any change in circumstances which may lead to real or perceived conflicts of interest.

Directors are bound by Cuscal's Conflicts of Interest Policy.

Board Renewal

The Board has a policy on renewal to ensure the Board remains open to new ideas and independent thinking. As detailed in the Board Charter, the Board has set, as a general rule, that a Director's tenure be reviewed if the Director is approaching a service period of three concurrent terms of office. Matters to be considered by the Board will include:

- average tenure of Board members;
- whether Directors have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of Cuscal; and
- competencies and requirements under Cuscal's Fit and Proper Policy.

A Director's tenure may be extended at the Board's discretion when a majority of the Board has agreed that it is in the best interests of Cuscal.

Ongoing Professional Development

Cuscal has an induction program in place for new Directors, and Directors are required to undertake appropriate professional development in accordance with the Board Charter and Fit and Proper Policy. Compliance is reviewed as part of the annual Board performance and Fit and Proper assessment process. Cuscal conducted its annual Board Development Day in 2022, as well as periodic 'deep dive' sessions, to build knowledge on important issues and to ensure the Board is kept up to date on relevant industry matters.

The Board and Committees also consider various papers from management and external experts that cover the latest insights regarding strategy, industry and regulation.

Board Committees

The Board is responsible for Committee composition, membership and charters. Committee memberships are reviewed annually or when there are any changes in Board membership during the year and are based on the capabilities and experience of individual Directors, as well as any applicable regulatory requirements.

Cuscal has four standing Board Committees, being the Audit Committee, the Risk Committee, the Governance & Remuneration Committee and the Nominations Committee. Each Committee (except the Nominations Committee which was only established in FY22), evaluated their performance during FY22, by reviewing the key responsibilities under each Committee charter and assessing its performance against those responsibilities.

The Nominations Committee was established in December 2021 and did not meet in FY22 as its role is to evaluate potential Board candidates arising out of a vacancy or nominated by shareholders for election to the Board, which did not occur in this period.

The minutes of Board Committee meetings are included in Cuscal Board papers for the information of all Directors. Each Board Committee is chaired by an independent Director, and each Committee Chairman provides an update to the Board on prior Committee proceedings at the next Board meeting.

The Committee Charters are available on Cuscal's website.

Details of Committee members, their qualifications and experience and their attendance at Committee meetings are on pages 23 to 26 of the Annual Report.

Board Governance & Remuneration Committee

The Committee assists the Board on corporate governance practices, Managing Director related matters, Board nominations and appointments, executive performance evaluation and remuneration, and compliance with relevant regulatory standards.

The Committee consists of an independent Chairman plus two other non-executive Directors. A majority of Committee members are independent. The Managing Director is invited to attend Committee meetings, except in relation to discussion on matters affecting their own remuneration or performance, or any other matters where a conflict may exist. In FY22 the Managing Director attended all Committee meetings. The Company Secretary and General Manager, People & Culture, are also invited to attend except where a conflict exists, with other management invited as required.

Activities of note for the Committee over the 2022 financial year include:

- the review of Cuscal's corporate governance practices in relation to the ASX CGC recommendations;
- update of the Board Skills Matrix;
- establishment of the Nominations Committee Charter and appointment of the Committee's external member;
- review and approval of Cuscal's remuneration disclosures as required under APRA Standard APS 330;
- review and consider the Board's budget; and
- review and approval of the Managing Director and Leadership team's performance objectives and incentives.

Board Audit Committee

The Committee assists the Board to discharge its responsibilities relating to the integrity of the financial reporting, the effectiveness and independence of audit, and the evaluation of management processes relating to compliance, accounting, internal control and audit activities.

The Committee consists of an independent Chairman plus two other non-executive Directors. A majority of the members are independent. All members are financially literate. The Managing Director and Chief Financial Officer were invited to, and attended, all Committee meetings in FY22, with other selected senior management as required, A standing invitation is extended to External and Internal Audit representatives.

Activities of note for the Committee over the 2022 financial year include:

- consideration of accounting matters including adoption of accounting standards;
- oversight and endorsement of the year end and half year end financial statements, including dividend considerations;
- oversight of the return of capital to shareholders via the share buy-backs;
- appointment of the external and internal auditors;
- review of relevant internal audit reports and approval and review of the internal audit plan; and
- consideration of the external audit reports and approval of the external and internal audit plans; and
- receipt of the report on auditor independence.

Board Risk Committee

The Committee's duties and responsibilities are to recommend to the Board the setting and review of the appropriate risk appetite for Cuscal, including reviewing and approving within its delegations all Board level policies regarding strategic risks, balance sheet risks (market, liquidity and credit), operational risk, securitisation risk, legal risk, compliance risk, conduct risk, other non-financial risks and regulatory risk.

The Committee consists of an independent Chairman plus two other non-executive Directors. A majority of the members are independent. The Managing Director and Chief Risk Officer were invited to, and attended all Committee meetings in FY22, with other senior management with risk responsibilities attending as required.

The Committee's main focus over the 2022 financial year included:

- oversight of the Operational Risk & Compliance framework, policies and operating model;
- oversight of Technology, Credit, Treasury and Market risks;
- consideration of Cuscal's Capital and Recovery Plans;
- continued consideration of COVID-19 risks; and
- assessment of risk appetite and strategic risks including ESG, Cloud, Cyber and emerging risks.

Board Nominations Committee

The Committee's role is to act as a selection panel that will be convened to consider and make recommendations to the Board on potential Board candidates:

- that may be considered for appointment or election to fill a Board vacancy arising from the retirement of a Director prior to the AGM at which the Director would otherwise be due to retire; or
- that have been nominated by shareholders for election at the AGM in accordance with the Constitution.

The Committee consists of an independent Chairman, two other non-executive Directors as well as an external member who is not a member of the Board and who has an understanding of mutual enterprise structure and values. A majority of the Committee members are independent.

Committee Memberships at 30 June 2022

	Board Governance	Board Audit	Board Risk	Board Nominations
Elizabeth Proust(1)	♦ (C)			♦ (C)
Belinda Cooney(1)		♦ (C)	♦	
Trudy Vonhoff(1)	♦	♦	♦ (C)	♦
Ling Hai(2)			♦	
Wayne Stevenson(2)	♦	♦		♦
Bruno Cullen(3)				♦

(C) denotes Committee Chairman
(1) denotes independent, non-executive Director
(2) denotes non-independent non-executive Director
(3) denotes external member of the Nominations Committee who is not a member of the Board

Board and Executive Performance and Remuneration

Board, Committees & Directors Performance Review

The Board and Committee Charters require annual performance evaluation of the Board, Committees and individual Directors.

During FY22, the Board, with advice from the Board Governance & Remuneration Committee, conducted a performance evaluation of the Board and each Committee in accordance with the Charters. An external consultant was engaged to prepare an evaluation and facilitate the Board's performance review discussion, as well as develop actions to enhance effectiveness. The Chairman also held individual discussions with each Director regarding evaluation outcomes.

Directors' Remuneration

Board remuneration is fixed by shareholders, based on the recommendations of the Board in compliance with a policy determined by shareholders, which states that:

- shareholders approve a fee pool, with discretion granted to the Board for its allocation; and
- the fee pool is to be established by comparison with similar public companies' remuneration levels, based on a Board comprising the same number of non-executive Directors.

The total remuneration pool for all non-executive Directors approved by shareholders at the 2021 Annual General Meeting is $950,000. For the year ended 30 June 2022, the total of the Director's remuneration paid to all non-executive Directors was $672,245. This incorporates a 3% increase on the previous total remuneration for each Director, as approved by the Board and effective from 1 November 2021. The base payment for each non-executive Director (other than the Chairman) during FY22 was set at $79,135. The Chairman's base remuneration was $159,742. Each non-executive Director received $10,884 for membership of a Board Committee (which had previously been included in the base rate) and the Chairman of each Committee received an additional $6,179. These amounts are rounded to the nearest dollar and are inclusive of applicable superannuation.

The Board periodically considers whether a change to the fee pool is required having regard to comparable benchmarks.

Additional fees may be paid to Cuscal Directors appointed to selected subsidiary Boards. No additional fees have been paid in FY22.

Executive Performance Evaluation & Remuneration

Executive performance is reviewed annually, with criteria being clearly defined, time constrained and based on the achievement of measurable key results, which are aligned to Cuscal's corporate goals and objectives. The Board also sets the remuneration for the Managing Director after receiving recommendations from the Board Governance & Remuneration Committee.

In July/August 2022, the Board, assisted by the Governance and Remuneration Committee, conducted an evaluation of the performance of the Managing Director and Leadership Team against these objectives for the 2022 financial year and determined performance rewards in respect of the Managing Director and Leadership Team for that period.

The executive remuneration approach is to reward performance and provide an appropriately competitive salary to attract, retain, and engage competent and high performing executives, while also ensuring there has been an appropriate approach to risk management outcomes for the period.

Information is periodically sourced from independent organisations specialising in remuneration matters to provide comparative information on executive salaries.

Employment arrangements for executive direct reports to the Managing Director (including appointment, termination and performance reviews) are subject to consultation with the Board Governance & Remuneration Committee. Remuneration arrangements for those executive direct reports and certain other management require the Committee's approval. Executives appointed to Boards of controlled entities or Industry Boards do not receive any additional remuneration.

Cuscal's Remuneration Policy outlines in more detail the structure of executive performance and remuneration arrangements. The policy is approved by the Board.

External Auditor

The main role of the External Auditor is to provide an independent assurance to shareholders that the financial statements are free from any material misstatement.

Cuscal's External Auditor, EY, reports to the Board Audit Committee and attended all Board Audit Committee and Board Risk Committee meetings in FY22. The External Auditor has unfettered access to the Board. The Board Audit Committee's main responsibilities to the Board relating to the External Auditor are detailed within the Committee's charter, located on Cuscal's website.

The External Auditor attended the 2021 Annual General Meeting (AGM) and is available at each AGM to answer shareholder questions on the conduct of the audit and the audit report.

Internal Audit

Internal Audit reports to the Board Audit Committee and management on the adequacy and effectiveness of the risk management framework, internal controls and governance processes. As per prior years, Cuscal's internal audit function was fully outsourced to KPMG in FY22. KPMG representatives attended all Board Audit Committee and Board Risk Committee meetings in FY22, in their capacity as internal auditors. The Board Audit Committee is responsible for assessing whether the Internal Audit function is adequate, properly resourced and independent.

Risk Management

The Cuscal Group risk management framework operates on the relationships and dependencies of an oversight structure, policies and internal controls.

The Board and the Leadership Team oversee the management of the Group's risks through Board and management Committees, Cuscal executives and internal control and risk management systems.

Risk Management Framework

The risks to which Cuscal is exposed can be categorised generally into strategic, technology, liquidity, market, regulatory, credit, compliance, legal, conduct and operational risk. The approach to risk management links the business strategies and objectives to the internal control and risk management systems in line with the Board-defined Risk appetite.

Risk management processes include a regular business unit and enterprise-wide identification, assessment and evaluation of risk including emerging risks and changes in the marketplace. Cuscal is alert to any emerging environmental and social risks which may impact its business and is aligning its assessment approach with CPG 229. While Cuscal considers it does not have material exposure specifically to environmental and social risks at present, Cuscal is aware of the general market exposure to these risks. Cuscal's existing risk management framework is capable of identifying and managing these risks in the same way as other risks to which Cuscal is exposed.

The Board receives regular updates on strategic and emerging risks and engages in risk reviews, which culminates in Cuscal's annual CPS 220 declaration.

The Board owns the risk profile of Cuscal and approves the risk management framework and key risk policies. The Board is responsible for setting the key risk parameters for major risks, articulated in the Group Risk Appetite Statement.

Management, through the Leadership Team and management Committees, recommend appropriate policies, practices and risk parameters for Board and Board Committee consideration. Management develops controls, processes and procedures for risk and compliance, and initiates and oversees risk strategies within the parameters set by the Board.

The Board, assisted by the Board Risk Committee, evaluates the effectiveness of risk management strategies and internal control processes, including through annual reviews of the risk management framework, risk appetite statement and key policies. The Board conducted its annual review of its Risk Management Strategy (which includes the risk management framework) in FY22.

Risks are managed through an oversight structure and an internal control framework that includes:

- continual review and development of ethical standards;
- continual risk identification, assessment and control processes, at both enterprise and business unit levels;
- comprehensive policies and written procedures on risk and compliance;
- appropriate risk and compliance Committee structures at Board and management levels;
- assigning appropriate delegations of authority;
- recruiting skilled, professional staff;

- maintaining information systems which provide relevant, timely and accurate information on risks and controls;
- a comprehensive business continuity plan with associated disaster recovery capability for major systems;
- regular staff training on Cuscal risk management frameworks and obligations; and
- independent assurance on the risk framework and internal controls through audit.

In addition, in FY22 Cuscal conducted its annual risk and controls survey which is issued to all staff to help assess the effectiveness of Cuscal's risk and controls systems and provide a more informed understanding of Cuscal's risk culture. This risk survey is complemented by quarterly independent culture assessments by Cuscal's internal auditors, KPMG.

Cuscal's risk management framework includes a program of insurance that is appropriate for the nature, scale and complexity of its business.

Managing Director & Chief Financial Officer (CFO) Assurance

In FY22 the Board received regular reports on the financial condition and performance of Cuscal. The Managing Director and CFO also provided statements to the Board in relation to the half-year and full-year financial statements that, in all material respects:

- Cuscal's financial statements are in compliance with the applicable accounting standards and present a true and fair view in all material respects of the financial position and results; and
- Cuscal's risk management and internal compliance and control systems are operating efficiently and effectively.

Communicating with Shareholders

The Board is committed to protecting shareholders' interests and aims to ensure that shareholders are well informed of all major developments affecting Cuscal's operations and financial standing. The Board has in place a Shareholder Engagement Plan for Cuscal's continuing engagement and disclosure to its shareholders throughout the year. Communication with shareholders occurs through the following channels.

Cuscal's Website

Information on Cuscal, including details of its Directors and Leadership Team and certain corporate governance policies are detailed on Cuscal's public website.

Corporate Reports

Each year the Annual Report provides a comprehensive explanation of the Cuscal Group's business performance and is audited in accordance with the Corporations Act requirements.

Cuscal also provides shareholders with a half-yearly financial report, notwithstanding that there is no statutory obligation for Cuscal to do so. The reports are unaudited but follow the AASB standards for interim financial statements.

A management verification process, with supporting evidence file, is also in place in relation to the unaudited half year report and unaudited parts of the annual report (such as the Corporate Governance Statement and Directors' Report).

General Meetings

The Cuscal Annual General Meeting includes addresses from both the Chairman and the Managing Director. Shareholders have the opportunity to express their views, ask questions about Cuscal's business, and vote on other items of business as appropriate. Other general meetings are held as needed.

The 2021 AGM was held virtually due to Covid-19 constraints. Shareholder participation was encouraged through live video streaming of the event and the ability for shareholders to ask questions and make comments during the meeting both in writing and verbally. In 2022 Cuscal anticipates holding a hybrid AGM, to encourage both in-person and online participation by shareholders according to their preference.

All substantive resolutions at shareholder meetings are conducted via a poll.

Shareholder Centre

Information relevant to shareholders, including papers and presentations made at shareholder meetings and forums, is available through the Shareholder Centre on Cuscal's secure shareholder website. This website also contains governance documents, dividend history and Cuscal share trading information.

Shareholder Announcements

News is distributed via email to shareholder Chairs, CEOs and other shareholder contacts as advised to Cuscal and is also posted on the Shareholder Centre secure website. Such news includes financial results, dividends, material announcements and performance updates. The Board also receives copies of shareholder announcements as soon as practicable after they are made.

All shareholders can send communications to Cuscal electronically via the companysecretariat@cuscal.com.au email address.

Shareholder Roadshows

From time to time the Board and members of the Leadership team host meetings with shareholders. These provide the opportunity for shareholders to be consulted on significant decisions and provided with updates about financial results, strategic initiatives and future plans. In FY22, the Board hosted a shareholder event in Melbourne.

Public Prudential Disclosures

In accordance with APRA Standard APS 330, Cuscal displays on its website the required information on capital, capital adequacy, capital instruments on issue, risk assessment and exposure and remuneration matters.

Ethical and Responsible Behaviour

The Cuscal Board takes ethical and responsible decision-making seriously and it expects employees to have the same approach. All Directors, managers and staff are trusted to act with the utmost integrity in the best interests of the organisation and its members, while striving at all times to enhance the reputation and performance of Cuscal.

The Board and the Leadership Team acknowledge that they are responsible for promoting high standards of ethics and integrity and that their language, attitudes and actions will strongly influence Cuscal's culture.

We educate our staff through online and team learning. We conduct surveys and interviews to encourage open lines of communication amongst staff and across all levels of Cuscal.

Cuscal’s values

Cuscal’s organisational values guide us in everything we do, shaping our decisions and actions and are the foundation for how we seek to achieve Cuscal’s business goals and aspirations. The values, which were developed through consultation and input from employees and the Board, are:

- Reliability
- Energy
- Partnership

At Cuscal, our purpose and values of ‘Energy’, ‘Reliability’ and ‘Partnership’ guide us in everything we do, shaping our decisions and actions.

The values also form the basis for our employee reward and recognition program.

Code of Conduct

All employees are required to comply with Cuscal’s Code of Conduct. In addition, Directors are bound by a Directors’ Code of Conduct. Any material breaches of the Codes are reported to the Board Risk Committee and Board in accordance with Cuscal’s Compliance Policy.

Both Codes of Conduct are available on Cuscal’s website.

Whistleblowing policy

In line with Cuscal’s commitment to the highest standards of ethical, moral and legal business conduct. Cuscal has adopted a Whistleblower Policy, which is available on our website. The policy aims to provide an avenue for employees and other parties associated with Cuscal to raise serious concerns with the reassurance that they will not be disadvantaged for reporting concerns about conduct they believe is not right, or in breach of the law or Cuscal policy.

Other parties who may report matters to Cuscal under the Whistleblower Policy include contractors, consultants, suppliers, service providers, volunteers or auditors for Cuscal as well as relatives, dependents or spouses of those individuals. Their concerns may be reported either through our Chief Risk Officer or through Cuscal’s Ethical Disclosure Alert (CEDA), an independent externally hosted disclosure facility available via the Cuscal website.

Cuscal also has a Whistleblower Wellbeing Officer whose role is to oversee the protection and wellbeing of people who report matters under the Whistleblower Policy.

Modern Slavery

Cuscal recognises the importance of human rights. Cuscal has adopted a Modern Slavery Statement which is published on our website. It sets out Cuscal's actions to understand all potential modern slavery risks related to our business and to put in place steps that are aimed at ensuring that there is no modern slavery within our business, including our supply chain.

Sustainability Framework

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

To create value for our shareholders, build trust with our stakeholders and harness the momentous organisational change that has reshaped businesses since the beginning of the pandemic, we are aligning our performance objectives with the environmental, social and governance ('ESG') impact of our operations and actions.

This year we began on our journey of the design of our Sustainability Framework. Cuscal has identified five material topic areas through engagement with our internal and external stakeholders, and which will form the framework for our approach to ESG.

Environmental Impact

Minimising our negative impact and creating positive outcomes for the environment through our operations, services, supply chain, and the partnerships we build with our clients and shareholders.

Community & Stakeholder Impact

Supporting the communities in which we operate, driving purposeful business practices and good corporate citizenship. Acknowledging and paying respect to the traditional custodians of the land on which we work. Ensuring we uphold high standards across our Value Chain, including in relation to the environment, human rights, and bribery and corruption. Creating value for our shareholders and supporting the economy by driving a robust and resilient payments ecosystem.

Employee Engagement & Wellbeing

Supporting our employees' wellbeing, both mental and physical and creating a supportive, diverse, and values-led culture in a safe, equitable and welcoming workplace. Encouraging a culture of speaking up without fear of reprisal. Maintaining high levels of employee engagement and supporting staff to develop growth-focused skills.

Value Chain Improvement & Innovation

Supporting positive change through innovation and product and service improvement, empowering our customers to achieve their goals. Maintaining an effective technology and digital enablement strategy to meet stakeholder expectations, financial growth, and scalability objectives and to protect our stakeholders from increasing fraud, cyber and privacy threats. Implementing initiatives that drive efficiencies, through simplified workflows and reduced workloads.

Trust & Transparency

We build and maintain trust with our stakeholders and the communities in which we operate by drawing on the highest standards for our policies and frameworks and maintaining transparency and integrity in how we operate.

A number of key actions have been proposed to develop the sustainability framework, with an initial focus on collecting data and developing sustainability targets and metrics, including reporting on our carbon footprint. These metrics will help us hold ourselves accountable by measuring our year-on-year progress.

In anticipation of future reporting, we are in the process of commissioning an independent review of our carbon emissions. We will also set metrics and targets against these areas.

At the appropriate time, we will seek an official ESG rating, so as to allow us to benchmark our progress and implement an external audit to provide further assurance to our stakeholders and the community of our commitment to the ESG targets we set.

Reconciliation Action

Cuscal is committed to developing a Reconciliation Action Plan (RAP) which is consistent with Cuscal's diversity, equality and inclusion framework and broader values. Cuscal has commenced planning the preparatory work required to develop a RAP in FY23.

Diversity and Inclusion

In recognition of the value that individual differences bring to Cuscal, the Board has adopted a Diversity and Inclusion Policy that sets out Cuscal's objectives for achieving workplace diversity, including gender diversity. The objectives set by the Board for achieving diversity are:

- to create an inclusive culture where diversity and belonging is celebrated, and we can safely bring our whole selves to work in order to contribute and reach our potential;

- assessing pay equity on an annual basis; and
- encouraging and supporting flexibility across the business.

In FY22, Cuscal developed initiatives to roll out in FY23, focusing on creating & celebrating diversity and creating & embedding inclusive practices to drive equity. As part of this, Cuscal continued to assess pay equity and gender balance across the organisation and in March 2022, Cuscal hosted a special guest speaker event for International Women's Day for its employees.

At 30 June 2022, 50% of Cuscal's non-executive directors and 43% of Cuscal's Leadership team were female. Cuscal's total workforce was 58% male and 42% female as at 30 June 2022.

Cuscal is also a reporting entity under the *Workplace Gender Equality Act 2012*.

Anti-bribery and corruption policy

Cuscal has a Fraud Management Policy which incorporates its policy on bribery and corruption as well as its management of broader fraud risk. Cuscal is intolerant of fraud, including bribery and corruption, and is committed to ensuring fraud control activities are in place to prevent and detect fraud events. The policy sets out the steps Cuscal takes to mitigate fraud risk and actions to escalate and investigate actual or alleged fraud incidents should they occur.

The Board are informed of material breaches of the policy as part of the periodic risk reporting in accordance with the policy.

Directors' Report

Introduction

The directors of Cuscal Limited ("Cuscal") submit herewith the annual financial report for the financial year ended 30 June 2022. This Directors' Report has been prepared in order to comply with the provisions of the Corporations Act 2001.

Directors

The directors who held office during or since the end of the financial year are:

- E Proust AO, Chairman
- C N Kennedy (Managing Director)
- H Ling
- W Stevenson
- T Vonhoff
- D Johnson
- B Cooney

There were no changes to the Directors who held office during the 2022 financial year.

Principal Activities

The principal activities of the consolidated entity during the financial year were the provision of payment 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, including rewards;
- 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.

Review of Operations

The Consolidated Profit attributable to the owners of Cuscal for the year ended 30 June 2022, was $23.4 million compared to $82.7 million for the previous year.

The main factors influencing the result from operating activities for the year are discussed in the Review of Operations on pages 5 to 8 of the Annual Report.

Subsequent Events

The section of the Directors' Report headed 'Dividends' outlines the final dividends to be paid in relation to the 2022 financial year.

Votraint No. 1451 Pty Limited is a non-trading entity within the Cuscal Group. On 20 July 2022, this entity was de-registered with ASIC. There is no impact to the June 2022 Annual Report other than the cessation of the entity itself.

Other than in relation to 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.

Future Developments

The outlook for 2023 is discussed in the Review of Operations on page 5 to 8 of the Annual Report.

Dividends

In respect of the financial year ended 30 June 2022, an interim dividend of 3.0 cents per ordinary share was paid on 7 April 2022. The amount paid was $5.3 million.

For the year ended 30 June 2022, the Directors have declared a final dividend of 3.0 cents per share to be paid on 6 October 2022. The amount to be paid is $5.3 million.

As a result, total dividends paid or declared for the year ended 30 June 2022 are 6.0 cents per share.

All dividends paid or declared relating to the year ended 30 June 2022 are fully franked to 100% at the 30% corporate income tax rate.

Indemnification of Officers and Auditors

Cuscal has agreed to indemnify the following current directors (E Proust, C N Kennedy, H Ling, W Stevenson, T Vonhoff, D Johnson, B Cooney), 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. 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.

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.

Share Transactions

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

During the year, Cuscal undertook two share buy-back schemes. These schemes were completed and settled with shareholders on 21 December 2021, with the key impacts being:

- 11.5 million shares bought back;
- shares on issue reducing from 186.9 million shares to 175.4 million shares;
- total capital returned to shareholders totalling $22.4 million;
- 13 shareholders exiting Cuscal's share register.

Based on information registered with Cuscal in the year, other than changes in shareholdings arising from mergers between shareholders and resulting from buy-backs above, no shares were traded during the financial year ended 30 June 2022.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 28 of the Annual Report.

Public Prudential Disclosures

As an Approved Deposit-taking Institution ("ADI") regulated by the Australian Prudential Regulation Authority ("APRA"), Cuscal is required to publicly disclose certain information in respect of:

- Consolidated equity and regulatory capital;
- Risk exposure and assessment; and
- Remuneration disclosures.

These disclosures can be found on Cuscal's website.

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 s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Elizabeth Proust AO
Chairman
Sydney, 26 August 2022

Craig Kennedy
Managing Director

Information on Directors

Elizabeth Proust AO

BA (Hons), LL.B, FAICD(*Life*)

- Chairman, Independent Non-Executive Director
- Appointed 1 June 2020
- Age 71

Experience:

- Elizabeth is an experienced Chair and Company Director, who has had an extensive leadership career in government and financial services.
- Elizabeth was CEO of the City of Melbourne and subsequently Secretary of the Department of Premier and Cabinet in Victoria. She then spent 8 years at the ANZ Group, in 3 senior roles.
- Since 2005, Elizabeth has had a non-executive career in listed and private companies and has served on not for profit boards.

Special Responsibilities:

- Chairman of the Board
- Chairman of the Board Governance & Remuneration Committee
- Chairman of the Board Nominations Committee

Current Roles in Other Entities:

- Lendlease Group (ASX:LLC) (Director)
- SuperFriend Industry Funds' Mental Health Initiative (Chair)
- GQG Partners (Lead Independent Director)
- Fujitsu Advisory Board (Member)

Other Declared Interests:

- Nil

Craig Kennedy

MBA, GAICD, FFIN

- Managing Director
- Appointed 8 December 2008
- Age 53

Experience:

- More than 35 years' experience in the financial services sector with particular expertise in digital banking and payments. Prior to joining Cuscal, Craig served as Managing Director of Espreon Limited for four years.

  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.

Current Roles in Other Entities:

- Australian Payments Plus Ltd (Director)
- Australian Payments Council (Member)

Other Declared Interests:

- Nil

Belinda Cooney

M Fin (INSEAD), CA, CFA, GAICD, FFIN

- Independent Non-Executive Director
- Appointed 18 June 2021
- Age 51

Experience:

- 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.
- Belinda's 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.
- Belinda has previously been a Non-Executive Director of 86 400 Holdings Limited.

Special Responsibilities:

- Chairman of the Board Audit Committee
- Member of the Board Risk Committee

Current Roles in Other Entities:

- CSIRO Data61 (Advisory Group Member)
- Chief Financial Officer, Interactive Pty Ltd

Other Declared Interests:

- Nil

Hai Ling (Ling Hai)

MBA

- Non-Executive Director
- Appointed 25 September 2019, elected 14 October 2020
- Age 52

Experience:

- Co-President for International Markets, Mastercard
- Over 10 years at Mastercard and has worked across various regions
- Prior to joining Mastercard, he was head of partnership business and co-brand marketing at PCCC, a joint venture between HSBC and Bank of Communications. He has also worked with Bank of America and MBNA in the U.S. in product development and customer insights, and in management consulting with Booz Allen & Hamilton and A.T. Kearney in both the U.S. and China.

Special Responsibilities:

- Member of the Board Risk Committee

Current Roles in Other Entities:

- Mastercard-NUCC (Chairman)
- Mastercard Asia/Pacific (Australia) Pty Ltd (Officer)
- CDIB Capital International (Senior Advisory Board Member)
- The Louis August Jonas Foundation (Director of the Board and Treasurer)
- The College of Saint Rose Board of Trustees (Trustee)

Other Declared Interests:

- Nil

Daryl Johnson

MBA, BBus, GAICD

- Non-Executive Director
- Appointed 24 February 2021
- Age 59

Experience:

- 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 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.

Current Roles in Other Entities:

- Beyond Bank Australia (Director)
- Credit Corporation (PNG) Ltd (Director)
- HSD Pty Ltd (Advisory Board Member)

Other Declared Interests:

- Nil

Wayne Stevenson

BCom, CA, FAICD

- Non-Executive Director
- Elected 28 January 2020
- Age 63

Experience:

- Wayne brings extensive experience from within the financial services industry involving 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.
- Over the past 10 years, Wayne has developed his career as a professional director and has served as a director of Onepath Life Insurance Ltd, Onepath General Insurance Ltd, ANZ Lenders Mortgage Insurance Ltd and QMS Media Ltd.

Current Roles in Other Entities:

- MediaWorks Holdings Ltd (Chair)
- Credit Union Australia Ltd (Director)
- BigTinCan Holdings Ltd (Director)

Special Responsibilities:

- Member of the Board Audit Committee
- Member of the Board Governance & Remuneration Committee
- Member of the Board Nominations Committee

Other Declared Interests:

- Nil

Trudy Vonhoff

GAICD, MBA, BBus (Hons), SF Fin

- Independent Non-Executive Director
- Appointed 10 April 2019
- Age 59

Experience:

- Experienced Non-Executive Director serving on ASX listed & non-listed Boards. Trudy has previously served as a director on the Boards of Ruralco Holdings Limited (ASX: RHL), AMP Bank Limited, Cabcharge Australia Limited (ASX: A2B) 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, operations, technology and governance skills, together with deep experience in financial services.

Special Responsibilities:

- Chairman of the Board Risk Committee
- Member of the Board Audit Committee
- Member of the Board Governance & Remuneration Committee
- Member of the Board Nominations Committee

Current Roles in Other Entities:

- Credit Corp Group Limited (ASX: CCP) (Director)
- IRESS Limited (ASX:IRE) (Director)
- Australian Cane Farms Limited (Director)

Other Declared Interests:

- Nil

Information on Company Secretaries

Sean O'Donoghue

BCom, CA, MBA

- Chief Financial Officer
- Appointed 8 January 2020 (Company Secretary)
- Age 58

Experience:

Over 30 years in senior financial roles in Australia and internationally with businesses in banking, wealth management, property and the entertainment sector.

Carmen Fraser

LLB, BJuris, BCom, GAICD

- General Counsel & Company Secretary
- Appointed 11 September 2020 (Company Secretary), ceased 20 May 2022.
- Age 59

Experience:

- Over 30 years' experience as a legal practitioner, primarily in the field of banking & finance
- Experienced Company Secretary

Carmen resigned from her position as General Counsel & Company Secretary effective 20 May 2022.

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Attendance at meetings during the year

	Board		Board Audit Committee		Board Governance & Remuneration Committee		Board Risk Committee		Board Nominations Committee[1]	
	A	B	A	B	A	B	A	B	A	B
E Proust	8	8			9	9				
C Kennedy	8	8								
B Cooney	8	8	4	4			7	7		
D Johnson	8	8								
H Ling	8	8					6	7		
W Stevenson	8	8	4	4	9	9				
T Vonhoff	8	8	4	4	9	9	7	7		

A Number of meetings attended
B Number of meetings that the Director was eligible to attend
1 The Nominations Committee was established in December 2021 and did not meet in FY22 as its role is to evaluate potential Board candidates arising out of a vacancy or nominated by shareholders for election to the Board, which did not occur in this period.

Board skills

The Board has developed a skills matrix which sets out the mix of skills that the board looks to achieve in its composition to perform effectively. Directors to be elected to a board role are assessed in accordance with the essential and desirable skills which the Board considers complements the existing skills mix. The matrix was updated in FY2022 to ensure that the composition of the Board meets Cuscal's needs.

The Board evaluates its skills in accordance with the matrix annually. As a result of the most recent evaluation in 2022, the Board considers it collectively possesses an appropriate mix of skills and experience in each of the skill areas in the matrix which are summarised below.

Skill Area	Description of skills, experience, qualifications or ability	
Strategy	Able to develop, implement and deliver strategic business objectives and identify and assess strategic opportunities and threats in the context of Cuscal's priorities.	**Essential**
Policy	Able to identify key issues and opportunities for Cuscal within the financial services and payments industries and develop appropriate policies to define the parameters within which Cuscal can, and should, operate.	
Finance	Proficient in financial accounting and reporting including able to critically assess financial viability and performance, manage capital requirements, contribute to strategic financial planning and oversee resource use and funding arrangements.	
Risk & Compliance	Able to identify key risks to Cuscal in a wide range of areas including legal and regulatory compliance, monitor risk and compliance management frameworks and systems and oversee a broad range of policies.	
IT/ Technology	Experience in the strategic use and governance of information management and information technology, including digital strategies, disruption and innovation and the use of technology in payments or other financial services contexts.	
Executive Management	Experience in appointing and evaluating executives, overseeing strategic human resource management large scale organisational change.	
Commercial	A broad range of commercial/business experience, in areas including communications, marketing, branding and business systems, practices and improvement.	**Desirable**
Legal	Understand and apply legal principles and legislation, including financial services law, directors' duties and sophisticated corporate governance standards.	
Stakeholder engagement	Able to effectively engage and communicate with government, regulators and other stakeholders and has high level of reputation and networks in the financial services industry.	
People and Workplace Health	Experience in overseeing and assessing senior management, remuneration frameworks, workplace health and safety and strategic people management.	
Mutual mindset	Understand and appreciate the core foundations of a mutual enterprise structure and how membership values shape and inform the benefits delivered to members through products and services.	

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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 2022, 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 K Harmer
Partner
26 August 2022

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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 Group consolidated and Company statements of financial position as at 30 June 2022;
- The Group consolidated and Company statements of profit and loss, statements of other comprehensive income, statements of changes in equity and cash flow statements for the year then ended;
- Notes to the financial statements, including a summary of significant accounting policies; and
- The directors' declaration.

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

a. Giving a true and fair view of the Company's and the Group's financial position as at 30 June 2022 and of their 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.

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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 the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's and 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 Company or 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 Company's or 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 Company's or 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 Company or 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 K Harmer
Partner
Sydney
26 August 2022

Cuscal

Directors' Declaration

The directors of Cuscal Limited declare that, in their opinion:

a. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

b. The attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements; and

c. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001, 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 s.295 (5) of the Corporations Act 2001.

On behalf of the Directors

Elizabeth Proust AO
Chairman
Sydney, 26 August 2022

Craig Kennedy
Managing Director

Statement of Profit and Loss
For the financial year ended 30 June 2022

Cuscal Limited and its controlled entities

	Notes	Consolidated 2022 $m	Consolidated 2021 $m	Cuscal 2022 $m	Cuscal 2021 $m
Continuing operations					
Fee and commission income	2	**232.1**	201.5	**232.0**	201.5
Fee and commission expenses	2	**(57.1)**	(45.3)	**(56.7)**	(44.8)
Net fee and commission income		**175.0**	156.2	**175.3**	156.7
Interest income	3	**15.1**	15.4	**12.6**	12.0
Interest expense	3	**(7.8)**	(8.0)	**(6.1)**	(5.8)
Net interest income		**7.3**	7.4	**6.5**	6.2
Other operating (loss)/income	4	**0.1**	(1.1)	**0.5**	(0.6)
Total net operating income		**182.4**	162.5	**182.3**	162.3
Employment expenses	5	**(88.1)**	(76.9)	**(88.1)**	(76.9)
Occupancy expenses	5	**(4.5)**	(4.7)	**(4.5)**	(4.7)
Non-salary technology expenses	5	**(37.5)**	(33.5)	**(37.5)**	(33.5)
Other expenses	5	**(19.3)**	(14.5)	**(19.1)**	(14.4)
Total operating expenses		**(149.4)**	(129.6)	**(149.2)**	(129.5)
Profit before income tax from continuing operations		**33.0**	32.9	**33.1**	32.8
Income tax expense	6	**(9.6)**	(9.8)	**(9.6)**	(9.7)
Profit after tax from continuing operations		**23.4**	23.1	**23.5**	23.1
Discontinued operations					
Gain on sale of 86 400 after tax	41	**-**	72.1	**-**	37.4
Loss after tax from discontinued operations	41	**-**	(22.0)	**-**	-
Profit after tax from discontinued operations		**-**	50.1	**-**	37.4
Profit for the year		**23.4**	73.2	**23.5**	60.5
Add: Loss attributable to non-controlling interests	31	**-**	9.5	**-**	-
Consolidated Profit attributable to the owners of Cuscal		**23.4**	82.7	**23.5**	60.5

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

Statement of Profit and Loss
For the financial year ended 30 June 2022

(Continued from previous page)

	Notes	Consolidated 2022 $	Consolidated 2021 $	Cuscal 2022 $	Cuscal 2021 $
Earnings per ordinary share ('EPS')					
Basic and diluted earnings per share	44	**$0.13**	$0.44	**$0.13**	$0.32
EPS from continuing operations					
Basic and diluted earnings per share	44	**$0.13**	$0.12	**$0.13**	$0.12

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 2022

Cuscal Limited and its controlled entities

	Notes	Consolidated 2022 $m	Consolidated 2021 $m	Cuscal 2022 $m	Cuscal 2021 $m
Consolidated Profit for the year		**23.4**	73.2	**23.5**	60.5
Other comprehensive income					
Items that may be reclassified to the Statement of Profit and Loss:					
Unrealised (loss) / gains on Fair Value through OCI debt instruments		**(21.9)**	2.6	**(21.9)**	2.6
Income tax expense relating to these items		**6.6**	(0.8)	**6.6**	(0.8)
Other comprehensive income, net of tax	28	**(15.3)**	1.8	**(15.3)**	1.8
Total comprehensive income for the year, net of tax		**8.1**	75.0	**8.2**	62.3
Total comprehensive loss attributable to non-controlling interests		**-**	9.5	**-**	-
Total comprehensive income attributable to owners of Cuscal		**8.1**	84.5	**8.2**	62.3

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

Statement of Financial Position

For the financial year ended 30 June 2022

Cuscal Limited and its controlled entities

	Notes	Consolidated 2022 $m	Consolidated 2021 $m	Cuscal 2022 $m	Cuscal 2021 $m
ASSETS					
Cash and cash equivalents	9	**1,664.4**	934.9	**1,661.5**	931.7
Receivables due from financial institutions	10	**24.1**	37.4	**24.1**	37.4
Investment securities	11	**1,429.4**	1,685.6	**1,429.4**	1,685.6
Loans	12	**0.2**	0.7	**0.2**	0.7
Loans made by the Securitisation Trust	13	**62.4**	81.3	**-**	-
Other assets	15	**43.8**	35.1	**44.3**	36.0
Equity Investments	16	**2.8**	2.6	**24.3**	24.1
Current tax assets		**1.8**	-	**1.8**	-
Derivative financial assets	14	**0.7**	-	**0.7**	-
Deferred tax assets	17	**6.9**	3.8	**6.9**	3.8
Property, plant and equipment and right-of-use assets	18	**16.6**	20.4	**16.6**	20.4
Intangible assets	19,20	**64.4**	42.2	**42.8**	20.6
Total assets		**3,317.5**	2,844.0	**3,252.6**	2,760.3
LIABILITIES					
Payables due to financial institutions	21	**101.0**	100.6	**101.0**	100.6
Client deposits	22	**2,366.2**	2,006.6	**2,366.4**	2,006.8
Securities sold under agreement to repurchase	23	**400.4**	143.7	**400.4**	143.7
Discount securities issued	24	**4.0**	9.4	**4.0**	9.4
Current tax liabilities		**-**	39.4	**-**	39.4
Derivative financial liabilities	14	**-**	0.1	**-**	0.1
Borrowings of the Securitisation Trust	13	**64.3**	83.3	**-**	-
Other liabilities	25	**60.6**	96.9	**60.1**	96.7
Provisions	26	**27.8**	22.3	**27.8**	22.3
Total liabilities		**3,024.3**	2,502.3	**2,959.7**	2,419.0
Net assets		**293.2**	341.7	**292.9**	341.3
EQUITY					
Issued capital	27	**119.3**	127.1	**119.3**	127.1
Reserves	28	**(5.2)**	10.1	**(5.2)**	10.1
Retained earnings	29	**179.1**	204.5	**178.8**	204.1
Total equity		**293.2**	341.7	**292.9**	341.3

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 2022

Consolidated

30 June 2022	Notes	Issued capital $m	Other capital reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2021		**127.1**	**10.1**	**204.5**	**341.7**	**-**	**341.7**
Total comprehensive income		**-**	**(15.3)**	**23.4**	**8.1**	**-**	**8.1**
Shares bought back	27, 29	**(7.8)**	**-**	**(14.6)**	**(22.4)**	**-**	**(22.4)**
Dividends paid	30	**-**	**-**	**(34.2)**	**(34.2)**	**-**	**(34.2)**
As at 30 June 2022		**119.3**	**(5.2)**	**179.1**	**293.2**	**-**	**293.2**

30 June 2021	Notes	Issued capital $m	Other capital reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2020		127.1	21.7	111.3	260.1	14.9	275.0
Total comprehensive income		-	1.8	82.7	84.5	(9.5)	75.0
Dividends paid	30	-	-	(2.8)	(2.8)	-	(2.8)
De-consolidation of 86 400		-	(13.4)	13.3	(0.1)	(5.4)	(5.5)
As at 30 June 2021		127.1	10.1	204.5	341.7	-	341.7

Cuscal

30 June 2022	Notes	Issued capital $m	Other capital reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2021		**127.1**	**10.1**	**204.1**	**341.3**	**-**	**341.3**
Total comprehensive income		**-**	**(15.3)**	**23.5**	**8.2**	**-**	**8.2**
Share bought back		**(7.8)**	**-**	**(14.6)**	**(22.4)**	**-**	**(22.4)**
Dividends paid	30	**-**	**-**	**(34.2)**	**(34.2)**	**-**	**(34.2)**
As at 30 June 2022		**119.3**	**(5.2)**	**178.8**	**292.9**	**-**	**292.9**

30 June 2021	Notes	Issued capital $m	Other capital reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2020		127.1	8.3	146.4	281.8	-	281.8
Total comprehensive income		-	1.8	60.5	62.3	-	62.3
Dividends paid	30	-	-	(2.8)	(2.8)	-	(2.8)
As at 30 June 2021		127.1	10.1	204.1	341.3	-	341.3

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the financial year ended 30 June 2022

Cuscal Limited and its controlled entities

	Notes	Consolidated 2022 $m	Consolidated 2021 $m	Cuscal 2022 $m	Cuscal 2021 $m
Fees, commissions and other income received		**229.7**	196.1	**229.6**	196.9
Fees & commissions paid		**(63.1)**	(41.5)	**(62.1)**	(39.2)
Payments to other suppliers and employees		**(144.2)**	(115.7)	**(144.4)**	(114.0)
Interest received		**19.1**	15.9	**16.6**	12.5
Interest paid		**(6.3)**	(8.5)	**(4.6)**	(6.3)
Dividends received	4	**-**	-	**0.1**	0.1
Net income tax paid, net of research and development incentives		**(44.4)**	(2.1)	**(44.4)**	(2.1)
Net decrease / (increase) in loans		**0.5**	(0.1)	**0.5**	(0.1)
Net decrease in receivables due from financial institutions		**13.3**	71.8	**13.3**	71.8
Net increase in payables due to financial institutions		**(19.3)**	43.7	**(19.3)**	43.7
Net proceeds from / (payments) for securities		**230.4**	(405.1)	**230.4**	(405.3)
Net proceeds / (repayments) of repurchase agreements		**256.4**	(0.9)	**256.4**	(0.9)
Net repayments of discount securities issued		**(5.5)**	(52.7)	**(5.5)**	(52.7)
Net proceeds of deposits		**358.8**	595.3	**358.8**	607.0
Net payments to prepaid cardholders		**(29.5)**	(69.0)	**(29.5)**	(69.0)
Net operating activity relating to discontinued operations		**-**	(44.5)	**-**	-
Net cash provided by operating activities	**33**	**795.9**	182.7	**795.9**	242.4
Repayment of loans by the Securitisation Trust		**18.8**	25.1	**-**	-
Investments in other entities		**-**	-	**-**	1.6
Payment for intangible assets		**(23.5)**	(7.4)	**(23.5)**	(7.4)
Proceeds on sale of ATMs		**1.5**	1.7	**1.5**	1.7
(Increases) / decreases in balances with controlled entities		**-**	-	**0.1**	(0.9)
Payment for property, plant & equipment		**(2.6)**	-	**(2.6)**	-
Proceeds on sale of subsidiary – 86 400, net of deconsolidated cash		**-**	127.1	**-**	127.1
Net investing activity relating to discontinued operations		**-**	(6.7)	**-**	-
Net cash (used in) / provided by investing activities		**(5.8)**	139.8	**(24.5)**	122.1
Repayments of borrowings by the Securitisation Trust		**(19.0)**	(27.1)	**-**	-
Dividends paid (including dividend component of share buy back activities)	29,30	**(48.8)**	(2.8)	**(48.8)**	(2.8)
Shares bought back (excluding dividend component)	27	**(7.8)**	-	**(7.8)**	-
Cash payments for funding principal portion of lease liability		**(4.6)**	(4.5)	**(4.6)**	(4.5)
Net financing activity relating to discontinued operations		**-**	39.7	**-**	-
Net cash (used in) / provided by financing activities		**(80.2)**	5.3	**(61.2)**	(7.3)

Cash Flow Statement

For the financial year ended 30 June 2022

(Continued from previous page)

		Consolidated		Cuscal	
	Notes	2022 $m	2021 $m	2022 $m	2021 $m
Net increase in cash		**709.9**	327.8	**710.2**	357.2
Cash at the beginning of the financial year		**934.9**	607.1	**931.7**	574.5
Cash at the end of the financial year		**1,644.8**	934.9	**1,641.9**	931.7
Cash at the end of the financial year comprises:					
Cash and cash equivalents	9	**1,664.4**	934.9	**1,661.5**	931.7
Cash overdrafts (Payables due from Financial Institutions)	21	**(19.6)**	-	**(19.6)**	-
Cash at the end of the financial year		**1,644.8**	934.9	**1,641.9**	931.7

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

Notes to the Financial Statements

For the financial year ended 30 June 2022

Note 1 – Accounting Policies

The information contained in this note represents the significant 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 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the separate financial statements of Cuscal Limited ("Cuscal") and 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 26 August 2022.

(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 AASB136.

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 2021. 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 issued that are effective in the current year', in section (oo) 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) Economic impacts

The COVID-19 pandemic, inflationary pressures, and geopolitical risk have had a significant impact on global economies and financial markets, and have proven a disruptive element across the 2022 financial years.

Cuscal continues to operate in a considered manner, with a flexible approach to responding to these current market disruptions, and anticipated future disruptions.

Note 1(d) sets out areas where critical accounting judgements are required. Specifically, the Consolidated Entity has also considered the impact of market volatility caused by the wider macroeconomic environment by:

- Updating its ECL model to include a risk uplift for Investment Securities held with counterparties with negative outlook;
- Running additional stress testing scenarios, which are an integral component of the Consolidated Entity's risk management framework and a key input to the Internal Capital Adequacy Assessment Process ("ICAAP"), which demonstrated Cuscal's ability to continue to operate through a range of economic scenarios;
- Assessing the impact on Credit & Liquidity risk as described in Note 36;

Note 1 – Accounting policies, continued

- Considering the impact of COVID-19 on the Consolidated Entity's financial statement qualitative disclosures.

(d) Critical accounting judgements and key sources of estimation uncertainty (including impact of COVID-19)

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, particularly the impact that COVID-19 has had on the Australian economy and the Consolidated Entity's business.

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 accounting treatment of the cloud computing arrangement presented in Note 15;
- The recognition of deferred tax assets and liabilities presented in Note 17;
- The calculation of provisions presented in Note 26;
- The carrying value of financial instruments presented in Note 36; and
- In the prior period only, the consideration of the capital raising leading up to the sale of the 86 400 Group as a 'linked transaction', presented in Note 41.

(e) 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.

(f) Functional and Presentation Currency

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

(g) Comparative amounts

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

(h) 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 Cuscal to have control over an investee.

Control is lost when:

- there is no power over the investee;
- there is 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.

Note 1 – Accounting policies, continued

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.

(i) 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;
- 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.

Income Statement

(j) Interest Income and expense

The effective interest rate method

Under AASB 9 Financial Instruments, 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.

Note 1 – Accounting policies, continued

(k) Fees and Commissions

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

- Transactional processing revenue: comprises the majority of Cuscal's revenue 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.
- Scheme incentive revenue: 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 Revenue: 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.

Securitisation and treasury revenue: Securitisation and treasury fee income is generally recognised when the service has been provided.

Fee and commission expense 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 5. 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 provides the Consolidated Entity with access and customisation services in relation to a cloud-based software 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 the access 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 live access service are recognised as a contract asset under Other Assets in Note 15.

Ongoing service fees paid for Software as a Service 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.

Note 1 – Accounting policies, continued

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.

Research and development incentives are recognised in accordance with Accounting Standard AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. 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

<u>Initial recognition and measurement</u>

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.

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

<u>Subsequent measurement</u>

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)
- Financial liabilities at fair value through profit and loss

Note 1 – Accounting policies, continued

Financial assets Amortised costs

Financial assets at amortised costs are subsequently measured using the effective interest (EIR) 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 costs include receivables due from FI's 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 debt instruments at fair value through OCI includes investments securities.

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
- 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 20.

The Consolidated Entity recognises an allowance for expected credit losses ("ECL's") for all debt instruments not held at fair value through profit or loss; refer Note (nn) 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 two 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).

Note 1 – Accounting policies, continued

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 Group 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 purposes of subsequent measurement, financial liabilities are classified into two categories:

- Financial liabilities at fair value through profit and loss
- 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).

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 Group 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.

Note 1 – Accounting policies, continued

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 3. 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 (hereafter "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.

The Trust has on issue debt securities and instruments that were initially recognised at fair value, net of transaction costs incurred. These instruments are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest 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.

Note 1 – Accounting policies, continued

(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").

Revaluation 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.

(aa) Property, plant, equipment and right-of-use assets

(i) 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.

(ii) 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:

	2022	2021
Plant and equipment	3-5 years	3-5 years
Leasehold improvements	10 years	10 years

(iii) 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.

(bb) Intangible Assets

(i) 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.

(ii) Internally generated intangible assets

An internally-generated intangible asset arising from the development of an internal project 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;
- how the intangible asset will generate probable future economic benefits;

Note 1 – Accounting policies, continued

- 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.

(ii) Classes of intangible assets

Cuscal Group currently has the following classes of intangible assets:

- Payments Infrastructure: The Payments Infrastructure assets are development costs to bring transactional 'switching' 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.
- 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.
- 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.

(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

(i) 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.

Note 1 – Accounting policies, continued

(ii) 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 3 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. 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.

<u>Employee benefits</u>

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.

Note 1 – Accounting policies, continued

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) 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.

Other notes

(nn) 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 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;
- 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").

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 – Cuscal Group 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 into 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 36.
- 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.

Note 1 – Accounting policies, continued

(oo) 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.

Interest rate benchmark reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the consolidated financial statements of the Consolidated Entity as it does not have any interest rate hedge relationships.

Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38)

IFRIC Agenda Decision (AD) - Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38)

IFRIC Ads do not change or add any requirements to Australian Accounting Standards. However, entities should consider explanatory material in an applicable AD when applying Australian Accounting Standards.

The IFRIC discussed accounting for costs of configuring or customising a supplier's application software in a Software as a Service (SaaS) arrangement and noted that configuration and customisation costs cannot be capitalised when the customer does not control the software or when the configuration/customisation does not create an asset separate from the software. Such costs need to be expenses as and when incurred.

The Consolidated Entity considered explanatory material in this IFRIC AD when determining the accounting treatment for the implementation costs for real time core banking system project.

(pp) 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 Group 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
Definition of accounting estimates Amendments to IAS 8	1 January 2023	30 June 2023
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as current or non-current	1 January 2023	30 June 2023
Disclosure of Accounting policies Amendments to AASB 1 and IFRS Practice Statement 2	I January 2023	30 June 2023

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

Notes to the Statement of Profit and Loss

Note 2 – Net Fee & Commission Income

	Consolidated 2022 $m	Consolidated 2021 $m	Cuscal 2022 $m	Cuscal 2021 $m
Fee & Commission income				
Transactional product related income(i)	**224.9**	195.2	**224.9**	195.2
Client funded project income	**6.9**	6.0	**6.9**	6.0
Treasury and securitisation income	**0.3**	0.3	**0.2**	0.3
Total Fee & Commission income	**232.1**	201.5	**232.0**	201.5
Fee & Commission expense				
Transactional product related direct expenses(ii)	**(56.5)**	(44.5)	**(56.6)**	(44.5)
Treasury and securitisation direct expenses	**(0.6)**	(0.8)	**(0.1)**	(0.3)
Total Fee & Commission expense	**(57.1)**	(45.3)	**(56.7)**	(44.8)
Net Fee & Commission income	**175.0**	156.2	**175.3**	156.7
Analysis of Fee & Commission income				
Recognised at a point in time(iii)	**230.4**	200.8	**230.3**	200.8
Recognised over time	**1.7**	0.7	**1.7**	0.7
Total Fee & Commission income	**232.1**	201.5	**232.0**	201.5

(i) Transactional product related income includes transactional volume fees, fixed monthly fees and Payment and other Scheme related income, 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 3 – Net interest Income

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Interest income				
Cash and receivable due from financial institutions	**0.8**	0.7	**0.8**	0.7
Investment securities	**11.5**	11.0	**11.5**	11.0
Loans	**0.3**	0.3	**0.3**	0.3
Loans in Securitisation Trust	**2.5**	3.4	**-**	-
Total interest income	**15.1**	15.4	**12.6**	12.0
Interest expense				
Client deposits	**(5.3)**	(4.9)	**(5.3)**	(4.9)
Discount securities	**-**	(0.1)	**-**	(0.1)
Repurchase agreements	**(0.3)**	(0.1)	**(0.3)**	(0.1)
Borrowings by Securitisation Trust	**(1.7)**	(2.2)	**-**	-
Lease liabilities	**(0.5)**	(0.7)	**(0.5)**	(0.7)
Total interest expense	**(7.8)**	(8.0)	**(6.1)**	(5.8)
Net interest income	**7.3**	7.4	**6.5**	6.2
Analysis of Interest Income by category of financial assets				
At amortised cost	**3.6**	4.4	**1.1**	1.0
At fair value through other comprehensive income	**11.5**	11.0	**11.5**	11.0
	15.1	15.4	**12.6**	12.0
Analysis of Interest Expense by category of financial liabilities				
At amortised cost	**(7.3)**	(7.3)	**(5.6)**	(5.1)
Lease interest	**(0.5)**	(0.7)	**(0.5)**	(0.7)
	(7.8)	(8.0)	**(6.1)**	(5.8)

Note 4 – Other operating income / (loss)

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Gain / (loss) on revaluation on Investments in Other Entities	**0.1**	(1.1)	**0.1**	(1.1)
Securitisation Trust distributions	**-**	-	**0.3**	0.4
Dividends received – related parties	**-**	-	**0.1**	0.1
Total other operating income / (loss)	**0.1**	(1.1)	**0.5**	(0.6)

Note 5 – Operating expenses

	Consolidated 2022 $m	Consolidated 2021 $m	Cuscal 2022 $m	Cuscal 2021 $m
Employment expenses				
Salary and salary related costs	**85.1**	74.9	**85.1**	74.9
Other employment expenses	**3.0**	2.0	**3.0**	2.0
Total employment expenses	**88.1**	76.9	**88.1**	76.9
Occupancy expenses				
Depreciation: right-of-use premises assets	**4.4**	4.5	**4.4**	4.5
Other occupancy expenses	**0.1**	0.2	**0.1**	0.2
Total occupancy expenses	**4.5**	4.7	**4.5**	4.7
Non-salary technology expenses				
Communication	**4.6**	4.0	**4.6**	4.0
Depreciation: computer equipment and software	**1.1**	1.6	**1.1**	1.6
Amortisation of intangible assets(i)	**1.9**	3.1	**1.9**	3.1
Repairs and maintenance	**15.3**	16.4	**15.3**	16.4
Outsourced Services	**10.1**	7.0	**10.1**	7.0
Other non-salary technology expenses	**4.5**	1.4	**4.5**	1.4
Total non-salary technology expenses	**37.5**	33.5	**37.5**	33.5
Other expenses				
Auditors' remuneration	**0.7**	0.6	**0.7**	0.6
Consulting	**7.1**	7.1	**7.1**	7.1
Travel, conferences and related expenses	**0.3**	0.1	**0.3**	0.1
Legal and insurance	**4.3**	3.5	**4.3**	3.5
Taxes	**0.7**	0.5	**0.7**	0.5
Marketing	**0.8**	0.3	**0.8**	0.3
Internal audit services	**0.8**	0.8	**0.8**	0.8
Other	**4.6**	1.6	**4.4**	1.5
Total other expenses	**19.3**	14.5	**19.1**	14.4
Total operating expenses	**149.4**	129.6	**149.2**	129.5

(i) Amortisation of intangible assets includes a $0.9 million write-back of a provision relating to R&D expenditure for prior periods (June 2021: $Nil).

Note 6 – 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 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Income tax expense comprises:				
Current income tax charge	**6.2**	13.4	**6.2**	13.4
Adjustments in respect of current income tax of previous years	**(0.1)**	0.2	**(0.1)**	0.1
Relating to origination and reversal of temporary differences	**3.5**	(3.8)	**3.5**	(3.8)
Income tax expense reported in income statement	**9.6**	9.8	**9.6**	9.7
Reconciliation of income tax expense at the Consolidated Entity's effective income tax rate is as follows:				
Operating profit before income tax expense (continuing operations)	**33.0**	32.9	**33.1**	32.8
Income tax expense at 30% thereon	**9.9**	9.9	**9.9**	9.8
Non-taxable income	**(0.3)**	-	**(0.3)**	-
Adjustments in respect of ITE of previous years	**-**	(0.1)	**-**	(0.1)
Income tax expense on continuing operations	**9.6**	9.8	**9.6**	9.7

Note 7 – Key management personnel remuneration

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

	Consolidated 2022 $'000	2021 $'000	Cuscal 2022 $'000	2021 $'000
Short-term employee benefits	**5,899**	4,942	**5,899**	4,942
Post-employment benefits	**187**	181	**187**	181
Other long-term employee benefits	**-**	263	**-**	263
Total key management remuneration	**6,086**	5,386	**6,086**	5,386

Note 7 – 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 2022.

	2022 Number of executives Incl-STI(1)	2021 Number of executives Incl-STI(1)
Up to $299,999	**1**	-
$300,000 to $500,000	**3**	1
$500,001 to $700,000	**2**	5
More than $700,000	**2**	1
Total key management remuneration	**8**	7

(1) STI = short term incentives

Note 8 – Remuneration of auditors

	Consolidated 2022 $'000	Consolidated 2021 $'000	Cuscal 2022 $'000	Cuscal 2021 $'000
Audit services	**619**	595	**619**	595
Taxation services	**60**	35	**60**	35
Other non-audit services	**34**	16	**34**	16
Total remuneration of auditors	**713**	646	**713**	646

Ernst and Young were appointed as the auditor of Cuscal Limited effective 14 October 2020.

The external auditor has a critical role to ensure that independent credibility is provided in respect to Cuscal's financial statements. The Board Audit Committee have procedures in place to review, oversee and approve non-audit services to ensure the required independence is maintained.

Notes to the Statement of Financial Position

Note 9 – Cash and cash equivalents

	Consolidated 2022 $m	Consolidated 2021 $m	Cuscal 2022 $m	Cuscal 2021 $m
Cash at Reserve Bank	**1,590.2**	749.7	**1,590.2**	749.7
Cash at Bank	**71.3**	182.0	**71.3**	182.0
Cash held in the Securitisation Trust(i)	**2.9**	3.2	**-**	-
Total cash	**1,664.4**	934.9	**1,661.5**	931.7

(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 10 – Receivables due from financial institutions

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
At amortised cost:				
Prepaid cardholder balances[(i)]	**5.8**	35.3	**5.8**	35.3
Other amounts due from other financial institutions	**18.3**	2.1	**18.3**	2.1
Total receivables due from financial institutions	**24.1**	37.4	**24.1**	37.4

(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 in 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 11 – Investment Securities

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
At fair value through other comprehensive income:				
Negotiable certificates of deposit	**53.9**	190.8	**53.9**	190.8
Medium term floating rate notes	**1,142.2**	1,275.8	**1,142.2**	1,275.8
Other bonds	**233.3**	219.5	**233.3**	219.5
Total investment securities	**1,429.4**	1,686.1	**1,429.4**	1,686.1
Cuscal group has determined the following risk concentrations:				
With Banks, Mutual Banks and Credit Union issuers	**1,227.0**	1,444.0	**1,227.0**	1,444.0
With Australian government, semi-government and supranational issuers	**202.4**	241.6	**202.4**	241.6
Total investment securities excluding ECL	**1,429.4**	1,685.6	**1,429.4**	1,685.6

Investment Securities expected to mature within 12 months of the balance date is $406.9 million (2021: $584.2 million).

Investment Securities of $430.1 million (2021: $165.3 million) have been pledged to the Reserve Bank of Australia as collateral for the liability for Securities sold under agreement to repurchase in Note 23.

Note 12 – Loans

	Consolidated 2022 $m	Consolidated 2021 $m	Cuscal 2022 $m	Cuscal 2021 $m
Loans (secured)				
At amortised cost:				
Overdrafts	**-**	0.3	**-**	0.3
Term loans – Other	**0.2**	0.4	**0.2**	0.4
Total loans	**0.2**	0.7	**0.2**	0.7
The Consolidated Entity has determined the following risk concentrations:				
Loans to other organisations	**0.2**	0.7	**0.2**	0.7
Total loans	**0.2**	0.7	**0.2**	0.7
Maximum loan credit exposure – Committed Facilities (including drawn amounts detailed above)				
To credit unions and mutual banks				
Overdrafts	**178.1**	183.6	**178.1**	183.6
Other organisations				
Overdrafts	**5.1**	0.4	**5.1**	0.4
Term Loans	**0.4**	0.8	**0.4**	0.8
Total committed facilities	**183.6**	184.8	**183.6**	184.8
Unutilised loan credit exposure – Committed Facilities				
To credit unions and mutual banks				
Overdrafts	**178.1**	183.6	**178.1**	183.6
Other organisations				
Overdrafts	**5.1**	0.1	**5.1**	0.1
Term Loans	**0.2**	0.4	**0.2**	0.4
Total unutilised facilities	**183.4**	184.1	**183.4**	184.1

Overdraft facilities are primarily secured by security deposits and rights of offset from the borrower. (Refer to Note 36 for further information in respect of credit risk).

Of the total committed facilities held with clients at June 2022, $177.9m is secured by security deposits (2021: $178.5m).

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

Note 13 – Securitisation Trust loans and borrowings

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Loans by the Securitisation Trust				
At amortised cost:				
Residential mortgages – Integrity Series 2014-1	**62.4**	81.3	-	-
Total loans by the Securitisation Trust	**62.4**	81.3	**-**	-
Specific and collective provision for impairment				
At balance date the amount of the specific provision for impairment of loans	-	-	-	-

Refer to Note 36 for further information in respect of credit risk and maturities of the Securitisation Trust loans and borrowings.

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Borrowings of the Securitisation Trust				
At amortised cost:				
Secured borrowings – Integrity Series 2014-1	**64.3**	83.3	-	-
Total borrowings of the Securitisation Trust	**64.3**	83.3	**-**	-

The Integrity Series 2014-1

The Integrity Series 2014-1 ('the Trust') was established in April 2014 to hold residential mortgages originated by mutual banks and credit unions.

The Integrity Series 2014-1 Trust is a closed entity, as such the level of return the Trust will provide to Cuscal and its subsidiaries will decline as the level of the mortgage loans in the Trust declines due to loan repayments and prepayments.

All borrowings by the Trust are limited in recourse to the assets of the Trust and neither Cuscal nor any of its subsidiaries have any obligation in respect to the repayment of those borrowings, except for the $0.1 million Extraordinary Expense Reserve (2021: $0.1m).

Note 14 – Derivative instruments

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Derivative financial assets				
At fair value through profit or loss:				
Foreign currency forward contracts	**0.7**	-	**0.7**	-
Total derivative financial assets	**0.7**	-	**0.7**	-
Derivative financial liabilities				
At fair value through profit or loss:				
Foreign currency forward contracts	**-**	0.1	**-**	0.1
Total derivative financial liabilities	**-**	0.1	**-**	0.1

Derivative instruments are expected to be recovered or due to be settled within 12 months of the balance date.

Note 15 – Other assets

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Trade Receivables(i)	**5.2**	5.2	**5.2**	5.2
Less: Provision for doubtful debts	**(0.1)**	-	**(0.1)**	-
Net trade receivables	**5.1**	5.2	**5.1**	5.2
Prepayments	**13.7**	7.9	**13.7**	7.9
Contract assets	**24.6**	20.2	**24.6**	20.2
Other amounts receivable(ii)	**0.4**	1.8	**0.8**	2.5
Receivables due from controlled entities	**-**	-	**0.1**	0.2
Total other assets	**43.8**	35.1	**44.3**	36.0

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

(ii) Prior year 'Other amounts receivable' includes $1.5 million receivable from Armaguard being discounted remaining sale proceeds of ATM assets. This was subsequently received in August 2021.

During the current financial year, Cuscal entered into a SaaS arrangement with a third-party service provider. Management performed an accounting assessment of the services provided under this arrangement and concluded:

- The arrangement does not meet the definition of an intangible asset under AASB 138 or a lease arrangement under AASB 16. As a result, this arrangement was assessed as a service contract.
- The software customisation to be undertaken under the implementation services are significant to the software's functionality and therefore the access and implementation services received under the arrangement are considered non-distinct under the requirements of AASB 15.

Note 15 – Other assets, continued

The fees associated with this arrangement will be recognised as an expense over the live access service period as specified under the contract entered with the third party. An upfront fee of $3.2 million (2021: $Nil) in relation to this arrangement is included under prepayments.

Contract assets primarily include accrued transactional product related income. The majority of the accrued income is invoiced on a monthly basis in arrears except any incentive arrangements relating to the payment schemes which is invoiced on an annual basis in line with the contract years.

Note 16 – Equity investments

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
At fair value through profit or loss:				
Shares in other entities	**2.8**	2.6	**2.8**	2.6
At cost less impairment:				
Shares in subsidiaries (refer Note 42)	**-**	-	**21.5**	21.5
Total Equity investments	**2.8**	2.6	**24.3**	24.1
Shares in other entities				
Balance at beginning of year	**2.6**	4.1	**2.6**	4.1
Revaluation gain / (loss)	**0.2**	(1.5)	**0.2**	(1.5)
Balance at end of financial year	**2.8**	2.6	**2.8**	2.6
Shares in subsidiaries				
Balance at beginning of year	**-**	-	**21.5**	78.5
Disposals – investment in 86 400 Holdings Ltd	**-**	-	**-**	(57.0)
Balance at end of financial year	**-**	-	**21.5**	21.5

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

Shares in other entities

During the comparative year, the unlisted entities in which Cuscal holds shares were subject to significant corporate restructures, including changes in the percentages held by Cuscal, during the financial year which resulted in a reduction of their assessed fair value.

Shares in subsidiaries

Progressively through the 2018-2020 financial years, Cuscal invested a total of $57.0 million into 86 400 Holdings Ltd. During that period, this entity and its subsidiaries formed part of Cuscal's Consolidated group of entities.

Upon sale of all of Cuscal's shares to National Australia Bank on 19 May 2021, these entities were deconsolidated from the group at that date and Cuscal's investment in 86 400 was reversed.

Detailed information on gain on the sale of Cuscal's investment in 86 400 Holdings is presented in Note 41.

Note 17 – 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.

	2022 Consolidated					
	Opening Balance $m	De-consolidation of 86 400 $m	Acquired/ Utilised $m	Charge to equity $m	Charge to profit $m	Closing Balance $m
Other liabilities	**8.7**	**-**	**-**	**-**	**0.5**	**9.2**
Provisions – employee entitlements	**2.8**	**-**	**-**	**-**	**0.5**	**3.3**
Other assets	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Deferred tax asset	**11.6**	**-**	**-**	**-**	**1.0**	**12.6**
Contract assets	**(2.7)**	**-**	**-**	**-**	**0.5**	**(2.2)**
Property, plant and equipment and right-of-use assets and intangible assets	**(2.9)**	**-**	**-**	**-**	**(5.0)**	**(7.9)**
Fair value revaluations	**(2.2)**	**-**	**-**	**6.6**	**-**	**4.4**
Deferred tax liability	**(7.8)**	**-**	**-**	**6.6**	**(4.5)**	**(5.7)**
Net deferred tax asset	**3.8**	**-**	**-**	**6.6**	**(3.5)**	**6.9**
Net movement taken to income tax expense					**(3.5)**	

Note 17 – Deferred tax assets and liabilities, continued

	2022 Cuscal					
	Opening Balance $m	De-consolidation of 86 400 $m	Acquired/ Utilised $m	Charge to equity $m	Charge to profit $m	Closing Balance $m
Other liabilities	**8.7**	**-**	**-**	**-**	**0.5**	**9.2**
Provisions – employee entitlements	**2.8**	**-**	**-**	**-**	**0.5**	**3.3**
Other assets	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Deferred tax asset	**11.6**	**-**	**-**	**-**	**1.0**	**12.6**
Contract assets	**(2.7)**	**-**	**-**	**-**	**0.5**	**(2.2)**
Property, plant and equipment and right-of-use assets and intangible assets	**(2.9)**	**-**	**-**	**-**	**(5.0)**	**(7.9)**
Fair value revaluations	**(2.2)**	**-**	**-**	**6.6**	**-**	**4.4**
Deferred tax liability	**(7.8)**	**-**	**-**	**6.6**	**(4.5)**	**(5.7)**
Net deferred tax asset	**3.8**	**-**	**-**	**6.6**	**(3.5)**	**6.9**
Net movement taken to income tax expense					**(3.5)**	

	2021 Consolidated					
	Opening Balance $m	De-consolidation of 86 400 $m	Acquired/ Utilised $m	Charge to equity $m	Charge to profit $m	Closing Balance $m
Other liabilities	6.4	(2.2)	-	-	4.5	8.7
86 400 losses	1.7	(1.7)	-	-	-	-
Provisions – employee entitlements	2.6	0.1	-	-	0.1	2.8
Deferred tax asset	10.7	(3.8)	-	-	4.6	11.5
Other assets	0.1	0.1	-	-	(0.1)	0.1
Contract assets	(1.7)	-	-	-	(1.0)	(2.7)
Property, plant and equipment and right-of-use assets and intangible assets	(6.9)	3.7	-	-	0.3	(2.9)
Fair value revaluations	(1.4)	-	-	(0.8)	-	(2.2)
Deferred tax liability	(9.9)	3.8	-	(0.8)	(0.8)	(7.7)
Net deferred tax asset	0.8	-	-	(0.8)	3.8	3.8
Net movement taken to income tax expense					3.8	

Note 17 – Deferred tax assets and liabilities, continued

	2021 Cuscal					
	Opening Balance $m	De-consolidation of 86 400 $m	Acquired/ Utilised $m	Charge to equity $m	Charge to profit $m	Closing balance $m
Other liabilities	4.2	-	-	-	4.5	8.7
Provisions – employee entitlements	2.7	-	-	-	0.1	2.8
Deferred tax asset	6.9	-	-	-	4.6	11.5
Other assets	0.2	-	-	-	(0.1)	0.1
Contract assets	(1.7)	-	-	-	(1.0)	(2.7)
Property, plant and equipment and right-of-use assets and intangible assets	(3.2)	-	-	-	0.3	(2.9)
Fair value revaluations	(1.4)	-	-	(0.8)	-	(2.2)
Deferred tax liability	(6.1)	-	-	(0.8)	(0.8)	(7.7)
Net deferred tax assets	0.8	-	-	(0.8)	3.8	3.8
Net movement taken to income tax expense					3.8	

Note 18 – Property, plant and equipment and right-of-use assets

	Consolidated		Cuscal	
	2022 $m	2021 $m	2022 $m	2021 $m
Property, plant and equipment				
At Cost	**14.1**	21.6	**13.2**	20.5
Accumulated depreciation	**(10.2)**	(19.2)	**(9.3)**	(18.1)
Total Property, plant and equipment	**3.9**	2.4	**3.9**	2.4
Right-of-use assets – Property				
At Cost	**21.5**	22.5	**21.5**	22.5
Accumulated depreciation	**(8.8)**	(4.5)	**(8.8)**	(4.5)
Total Right-of-use assets	**12.7**	18.0	**12.7**	18.0
Total Property, plant and equipment and right-of-use assets	**16.6**	20.4	**16.6**	20.4

Property, Plant & Equipment with remaining expected useful lives of less than 12 months after the balance date is $0.3 million (2021: $0.3 million). 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.

Note 18 – Property, plant and equipment and right-of-use assets, continued

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Property, plant and equipment				
Carrying value at beginning of year	**2.4**	4.4	**2.4**	4.0
Additions	**2.6**	0.3	**2.6**	-
Disposals - cost	**(10.1)**	-	**(9.9)**	-
Disposals - accumulated depreciation	**10.1**	-	**9.9**	-
Depreciation	**(1.1)**	(1.7)	**(1.1)**	(1.6)
De-consolidation of 86 400 - cost	**-**	(0.6)	**-**	-
Balance at end of financial year	**3.9**	2.4	**3.9**	2.4
Right-of-use asset				
Carrying value at beginning of year	**18.0**	3.1	**18.0**	-
Additions	**-**	22.5	**-**	22.5
Lease incentive	**(0.9)**	-	**(0.9)**	-
Depreciation	**(4.4)**	(5.1)	**(4.4)**	(4.5)
De-consolidation of 86 400 - cost	**-**	(2.5)	**-**	-
Balance at end of financial year	**12.7**	18.0	**12.7**	18.0

Note 19 – Intangible assets

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Payments Infrastructure				
At cost	**83.5**	56.6	**79.2**	51.7
Accumulated amortisation (including R&D offsets)	**(43.0)**	(38.8)	**(38.7)**	(33.9)
Total Payments Infrastructure	**40.5**	17.8	**40.5**	17.8
Software				
At cost	**1.7**	2.0	**1.7**	2.0
Provision for impairment	**(0.4)**	(0.4)	**(0.4)**	(0.4)
Accumulated amortisation	**(1.3)**	(1.5)	**(1.3)**	(1.5)
Total Software	**-**	0.1	**-**	0.1
Investment in Australian Plus Payments Ltd (A+)				
At cost	**4.0**	4.0	**4.0**	4.0
Accumulated amortisation	**(1.7)**	(1.3)	**(1.7)**	(1.3)
Total Investment in A+	**2.3**	2.7	**2.3**	2.7
Goodwill on SPS acquisition	**21.6**	21.6	**-**	-
Total Intangible assets	**64.4**	42.2	**42.8**	20.6

Intangible assets with remaining expected useful lives less than 12 months after the balance date is $nil million (2021: $0.2 million). 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

During the financial year, Australia's three domestic payment organisations – NPP Australia Limited, BPAY and Eftpos Australia Limited - were bought together into one integrated entity, Australian Payments Plus (AP+).

In February 2022, as a consequence of the above merger, Cuscal received preference shares in the new entity in place of its existing preference shares in NPPA Australia Limited.

Cuscal treated its existing shares in NPPA as an intangible asset, as the initial amount paid was akin to a license fee that provided access to the New Payments Platform. Cuscal considered the nature of the new shares issued in AP+ and has adopted the same accounting treatment as that of the existing NPPA shares. The AP+ shares will continue to be treated as an intangible asset with a 10-year useful life and no adjustment has been made to the carrying value or amortisation schedule upon transfer of the investment.

Note 19 – Intangible assets, continued

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Payments Infrastructure				
Carrying value at the beginning of the year	**17.8**	12.0	**17.8**	12.0
Additions	**27.5**	8.5	**27.5**	8.5
Disposals - cost	**(0.6)**	-	**-**	-
Disposals - accumulated depreciation	**0.6**	-	**-**	-
Amortisation for the year (net of R&D offsets) (i)	**(4.8)**	(2.7)	**(4.8)**	(2.7)
Balance at the end of the year	**40.5**	17.8	**40.5**	17.8
86 400 Customer Experience Engine(ii)				
Carrying value at the beginning of the year	**-**	20.7	**-**	-
Additions	**-**	4.8	**-**	-
Amortisation for the year (net of R&D offsets)	**-**	(1.9)	**-**	-
De-consolidation of 86 400	**-**	(23.6)	**-**	-
Balance at the end of the year	**-**	-	**-**	-
Software				
Carrying value at the beginning of the year	**0.1**	0.1	**0.1**	0.1
Disposals - cost	**(0.3)**	-	**(0.3)**	-
Disposals - accumulated depreciation	**0.3**	-	**0.3**	-
Amortisation for the year	**(0.1)**	-	**(0.1)**	-
Balance at the end of the year	**-**	0.1	**-**	0.1
Investment in AP+				
Carrying value at the beginning of the year	**2.7**	3.1	**2.7**	3.1
Amortisation for the year	**(0.4)**	(0.4)	**(0.4)**	(0.4)
Balance at the end of the year	**2.3**	2.7	**2.3**	2.7
Goodwill on SPS acquisition	**21.6**	21.6	**-**	-
Total Intangible assets	**64.4**	42.2	**42.8**	20.6

(i) Amortisation of the year has been reduced by $2.4 million R&D concessions claimed during the year (2021: $0.2 million)

(ii) The '86 400 Customer Experience Engine' was held within the 86 400 Group, which was deconsolidated from Cuscal on 19 May 2021.

Note 20 – 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 2022, the Consolidated Entity divided its activities into the following Cash Generating Units (hereafter "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;
- **Corporate**, this CGU covers the Consolidated Entity's investment and securitisation activities; including the funding of those activities. The Corporate CGU also manages the investment of the Consolidated Entity's surplus capital.

For the year ended 30 June 2021, in addition to the Payments and Corporate CGUs, the Consolidated Entity had a Digital Banking CGU that comprised the activities of the 86 400 Group up until 19 May 2021 when all of the Consolidated Entity's shares in 86 400 were acquired by the National Australia Bank Limited as detailed in Note 41, whereupon the Digital Banking CGU ceased activities.

At balance date, all of the Consolidated Entity's net intangible assets including goodwill of $64.4 million (2021: $42.8 million) 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 the Australian Prudential Regulation Authority ("APRA") applies to the Consolidated Equity. 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 FY23 Corporate Plan and Budget covering the period to 30 June 2027. The FY23 Corporate Plan and Budget was approved by the Cuscal Board on 23 June 2022. 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. The Plan also considers the expected continuation of COVID-19 impacts to key revenue drivers and Balance Sheet positions. Further, the Plan allows for the significant 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% (2021: 3%) has been applied at the end of the five-year period in the FY21 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 ongoing activities of the Consolidated Entity will be focused on the Payments CGU.

Note 20 – Impairment of Intangible assets, continued

Payments CGU – Process and Assumptions, continued

- Discount rates of 10.0% (High), 9.5% (Mid) and 9.0% (Low) have been applied to the Net Cash Flows (2021: 10.0% High; 9.5% Mid; 9.0% Low). The WACC is that assessed by an independent expert advisor as being the Consolidated Entity's WACC as at November 2020. Since the independent assessment was carried out, the impact of COVID-19 has seen interest rates fall to historic lows. Recently, interest rates are now returning to more normal long-term levels. An additional stress test (detailed below) has been added to the valuation to cover the possibility the WACC may not be fully reflective of current conditions.
- 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% (2021: 3% to 2%). Secondly, 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 40% (2021: 24%). Thirdly, the discount rates were increased by approximately 24% to 12.5% (High), 12% (Mid) and 11.5% (Low)

In all 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 Financial Instruments.

Intangible assets not in use testing

The Consolidated Entity continues to capitalise costs associated with key strategic initiatives. All of these assets are considered 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 (given the 'greenfield' nature of the products being development for these markets), 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 21 – Payables due to financial institutions

	Consolidated		Cuscal	
	2022 $m	2021 $m	2022 $m	2021 $m
At amortised cost:				
Settlement balances due to other financial institutions, unsecured	**81.4**	100.6	**81.4**	100.6
Bank overdrafts	**19.6**	-	**19.6**	-
Total payable due to financial institutions	**101.0**	100.6	**101.0**	100.6

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

Note 22 – Client Deposits

	Consolidated 2022 $m	Consolidated 2021 $m	Cuscal 2022 $m	Cuscal 2021 $m
At amortised cost:				
Deposits at call, unsecured	**1,535.3**	1,243.2	**1,535.5**	1,243.4
Security deposits	**830.9**	763.4	**830.9**	763.4
Total deposits	**2,366.2**	2,006.6	**2,366.4**	2,006.8
Concentration				
Banks, credit unions and mutual banks	**1,527.9**	1,294.8	**1,527.9**	1,294.8
Other organisations	**838.3**	711.8	**838.3**	711.8
Related parties	**-**	-	**0.2**	0.2
Total deposits by concentration	**2,366.2**	2,006.6	**2,366.4**	2,006.8

All Client Deposits are expected to mature within 12 months of the balance date, except for $256.4 million, which will mature after 12 months (2021: $341.0 million).

Note 23 – 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 sell qualifying securities to the Reserve Bank in exchange for funds held in the ESA account to meet outflows of funds that may occur after the normal trading day.

The Reserve Bank has no recourse to the Consolidated Entity beyond the securities subject to the repurchase agreement. Investment Securities of $430.1 million (2021: $165.3 million) have been pledged to the Reserve Bank of Australia as collateral for the liability for Securities sold under agreement to repurchase.

During the current year, the RBA re-assessed Cuscal's minimum holding requirement and based on our payment flows, Cuscal's minimum holdings of repurchase agreements increased.

	Consolidated 2022 $m	Consolidated 2021 $m	Cuscal 2022 $m	Cuscal 2021 $m
At amortised cost:				
Repurchase agreements with the Reserve Bank of Australia	**400.4**	143.7	**400.4**	143.7

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

Note 24 – Discount securities issued

	Consolidated 2022 $m	Consolidated 2021 $m	Cuscal 2022 $m	Cuscal 2021 $m
At amortised cost:				
Negotiable certificates of deposit – unsecured	**4.0**	9.4	**4.0**	9.4

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

Note 25 –Other liabilities

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Liability to prepaid cardholders(i)	**5.8**	35.3	**5.8**	35.3
Contract liabilities(ii)	**8.1**	8.7	**8.1**	8.7
Sundry creditors and accrued expenses	**33.0**	34.2	**32.5**	34.0
Lease liabilities	**13.7**	18.7	**13.7**	18.7
Total other liabilities	**60.6**	96.9	**60.1**	96.7

(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 $0.2 million (2021: $0.2 million) and lease liability of $9.4 million (2021: $14.1 million).

Contract liabilities

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

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Transactional product related revenue	**1.7**	3.0	**1.7**	3.0
Project revenue	**5.7**	2.4	**5.7**	2.4
Total revenue recognised in current reporting period from carried forward contract liabilities	**7.4**	5.4	**7.4**	5.4

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

Note 26 - Provisions

	Consolidated 2022 $m	Consolidated 2021 $m	Cuscal 2022 $m	Cuscal 2021 $m
Employee benefits	**20.3**	17.0	**20.3**	17.0
Other provisions	**7.5**	5.3	**7.5**	5.3
Total provisions	**27.8**	22.3	**27.8**	22.3
Employee Benefits				
Opening balance	**17.0**	18.8	**17.0**	15.3
Additional provisions	**14.7**	13.0	**14.7**	9.9
Amounts utilised during the year	**(11.4)**	(10.9)	**(11.4)**	(8.2)
De-consolidation of 86 400	**-**	(3.9)	**-**	-
Balance at end of financial year	**20.3**	17.0	**20.3**	17.0
Other provisions				
Opening balance	**5.3**	4.7	**5.3**	4.3
Additional provisions	**3.3**	2.3	**3.3**	2.3
Amounts utilised during the year	**(1.1)**	(1.3)	**(1.1)**	(1.3)
De-consolidation of 86 400	**-**	(0.4)	**-**	-
Balance at end of financial year	**7.5**	5.3	**7.5**	5.3
Total provisions	**27.8**	22.3	**27.8**	22.3

Provisions expected to be utilised after 12 months of the balance date is $5.1 million (2021: $4.7 million). All other amounts are expected to be recognised and settled within 12 months of the balance date.

Note 27 – Issued capital

Cuscal has 175,356,653 ordinary shares on issue as at 30 June 2022 (2021: 186,858,915). For both periods, each ordinary share is fully paid, carries one voting right and ranks equally for ordinary dividends with all other shareholders.

	Consolidated 2022 $m	Consolidated 2021 $m	Cuscal 2022 $m	Cuscal 2021 $m
Issued and fully paid ordinary shares				
Opening balance	**127.1**	127.1	**127.1**	127.1
Less: capital component of shares bought back	**(7.8)**	-	**(7.8)**	-
Total issued capital at end of financial year	**119.3**	127.1	**119.3**	127.1

Note 27 – Issued capital, continued

Changes in Issued Capital during year

Following the successful completion of the sale of Cuscal's interest in 86 400 Holdings Limited to National Australia Bank on 19 May 2021, Cuscal announced its intention to undertake a series of capital management initiatives, including two buy-back schemes. The share buy-back completed on 21 December 2021 with the total return to shareholders amounting to $22.4 million equating to $1.95 per share. The share buy-back was broken down in two components:

- A capital component of $7.8million ($0.68 per share) recognised as reduction in issued capital during the year; and
- A dividend component of $14.6 million ($1.27 per share) recognised as reduction in retained earnings during the year.

Note 28 – Reserves

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Capital profits reserve	**0.5**	0.5	**0.5**	0.5
General reserve	**2.0**	2.0	**2.0**	2.0
Fair Value through OCI reserve (debt instruments)	**(10.2)**	5.1	**(10.2)**	5.1
Reserve for credit losses	**2.5**	2.5	**2.5**	2.5
Total reserves	**(5.2)**	10.1	**(5.2)**	10.1
Fair Value through OCI reserve				
Balance at beginning of financial year	**5.1**	3.3	**5.1**	3.3
Unrealised (loss) / gain on financial instruments recognised in reserve (net of income tax)	**(15.3)**	1.8	**(15.3)**	1.8
Balance at end of financial year	**(10.2)**	5.1	**(10.2)**	5.1
Unrealised gain on dilution of 86 400				
Balance at beginning of financial year	**-**	13.3	**-**	-
De-consolidation of 86 400	**-**	(13.3)	**-**	-
Balance at end of financial year	**-**	-	**-**	-
Reserve for credit losses				
Balance at beginning of financial year	**2.5**	2.6	**2.5**	2.5
De-consolidation of 86 400	**-**	(0.1)	**-**	-
Balance at end of financial year	**2.5**	2.5	**2.5**	2.5

In the prior period, at date of sale of Cuscal's investment in 86 400 Holdings Limited, $13.3 million of 'Adjustment on dilution of 86 400' reserves was transferred to Retained Earnings. This amount relates to the capital raising activities that did not result in the parent (Cuscal Limited) losing control of the subsidiary. This transaction is considered an equity transaction and upon loss of control, was reclassified to Retained Earnings (refer Note 29).

Note 29 – Retained earnings

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Balance at beginning of financial year	**204.5**	111.3	**204.1**	146.4
Profit for the year attributable to the owners of Cuscal	**23.4**	82.7	**23.5**	60.5
Transfer from reserves	**-**	13.3	**-**	-
Shares bought back dividend component – refer note 27	**(14.6)**	-	**(14.6)**	-
Dividends paid – refer note 30	**(34.2)**	(2.8)	**(34.2)**	(2.8)
Balance at end of financial year	**179.1**	204.5	**178.8**	204.1

Refer to Note 27 and Note 30 for dividends paid as part of Share buy-back.

Note 30 – Dividends paid

	2022 Cents per Share	Total $m	2021 Cents per Share	Total $m
Dividends paid from retained earnings				
Fully paid ordinary shares				
Dividend component of shares buy-back, franked to 30%	**127.00**	**14.6**	-	-
Special dividend, franked to 30%	**13.40**	**25.0**	-	-
Final dividend, franked to 30%	**2.10**	**3.9**	-	-
Interim dividend, franked to 30%	**3.00**	**5.3**	1.5	2.8
Total dividends paid	**145.50**	**48.8**	1.5	2.8
Dividend franking account				
Adjusted franking account balance (tax paid basis)		**67.1**		43.7

Refer to Note 27 and Note 29 for dividends paid as part of Share buy-back.

Note 31 – Non-Controlling Interests (“NCI”)

During the prior period, Cuscal held a controlling interest in the 86 400 Group (being 86 400 Holdings Ltd, 86 400 Ltd and 86 400 Technology Pty Ltd) up to 19 May 2021 when this interest was sold to National Australia Bank.

Nil interest was held by Cuscal in 86 400 at both 30 June 2022 and 30 June 2021.

Note 31 – Non-Controlling Interests ("NCI"), continued

The below table summarises the impact of the non-controlling interests of the 86 400 Group on the comparable periods of this financial report.

86 400 Group	2021 $m
Summarised statement of Profit & Loss	
Net Operating Income	(5.9)
Operating Expenses	(29.1)
Tax benefit	13.0
Loss for the year	(22.0)
Total comprehensive income	(22.0)
Loss allocated to NCI	(9.5)

Note 32 – 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 leases relates solely to its head office premises at 1 Margaret Street Sydney.

Rental contracts are typically made for fixed period of 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 a 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.

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 financial year

For Cuscal's premises lease on 1 Margaret Street, beginning 1 July 2020, part of the agreement provided for a lease incentive of $2.6m, of which 50% ($1.3m) could be utilised as a rent reduction, and the remaining 50% ($1.3m) used to fund various fit out initiatives.

In November 2021, management negotiated with the landlord to utilise the unspent remainder of the fit-out component ($1.1m) as a rent reduction. The agreement has an effective date of 1 January 2022.

This resulted in a write-down of the existing right-of-use asset by $0.9m.

Note 32 – Leases, continued

The Statement of Financial Position shows the following amounts relating to premises leases for the year ending 30 June 2022:

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Right-of-use assets				
Buildings	**12.7**	18.0	**12.7**	18.0
Total Right-of-use assets	**12.7**	18.0	**12.7**	18.0
Lease Liabilities				
Current	**4.2**	4.2	**4.2**	4.2
Non-current	**9.5**	14.5	**9.5**	14.5
Total Lease liabilities	**13.7**	18.7	**13.7**	18.7

There were no additions to the right-of-use assets (excluding depreciation) during the 2022 financial year (2021: $22.5 million).

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 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Continuing Operations				
Profit and Loss impact relating to Leases				
Depreciation charge on Property leases	**4.4**	4.5	**4.4**	4.5
Interest expense on Property Lease ROU assets	**0.5**	0.7	**0.5**	0.7
Total Profit and Loss impact relating to leases	**4.9**	5.2	**4.9**	5.2

The total cash outflow for leases for the year ending 30 June 2022 was $4.6 million (2021: $4.5 million).

Refer to Note 36 for Consolidated Entity’s maturity profile based on contractual undiscounted payments.

Notes to the Cash Flow Statement

Note 33 – Reconciliation of net cash flows from operating activities

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Consolidated profit for the year	**23.4**	73.2	**23.5**	60.5
Depreciation expense	**5.5**	6.1	**5.5**	6.1
Amortisation of intangible assets	**1.9**	3.1	**1.9**	3.1
(Loss) / gain on revaluation on Investments in Other Entities	**(0.1)**	1.5	**(0.1)**	1.5
Pre-tax gain on sale of 86 400	**-**	(101.6)	**-**	(66.9)
(Decrease) / increase in income tax provision	**(41.2)**	40.4	**(41.2)**	40.4
Increase in deferred tax items	**(3.1)**	(3.0)	**(3.1)**	(3.0)
Net decrease / (increase) in other assets and liabilities	**(71.8)**	(55.0)	**(71.9)**	(59.4)
Decrease / (increase) in loans & advances	**0.5**	29.9	**0.5**	(0.1)
Decrease in receivables from financial institutions	**13.3**	72.0	**13.3**	71.8
Increase in payables due to financial institutions	**0.4**	43.7	**0.4**	43.7
Decrease / (increase) in investment securities	**256.2**	(133.4)	**256.2**	(408.0)
Increase / (decrease) / increase of repurchase agreements	**256.7**	(1.0)	**256.7**	(1.0)
Decrease in discount securities issued	**(5.4)**	(53.0)	**(5.4)**	(53.0)
Increase in client deposits	**359.6**	306.5	**359.6**	606.7
Deconsolidation of 86 400	**-**	(46.7)	**-**	-
Net cash provided by / (used in) operating activities	**795.9**	182.7	**795.9**	242.4

Non-cash investing and financing activities disclosed in other notes are:

- Deferred settlement of part proceeds of sale of ATM related assets – note 15
- Acquisition of right of use asset – note 32

Note 34 – Changes in liabilities from financing activities

Consolidated	Opening Balance $m	Cash flows $m	New leases $m	Other $m	Closing balance $m
30 June 2022					
Borrowings of securitisation trust	**83.3**	**(19.0)**	**-**	**-**	**64.3**
Lease liabilities	**18.7**	**(4.6)**	**-**	**(0.4)[(ii)]**	**13.7**
Total liabilities from financing activities	**102.0**	**(23.6)**	**-**	**(0.4)**	**78.0**
30 June 2021					
Borrowings of securitisation trust	110.4	(27.1)	-	-	83.3
Lease liabilities[(i)]	2.9	(4.5)	22.5	(2.2)	18.7
Total liabilities from financing activities	113.3	(31.6)	22.5	(2.2)	102.0

(i) Other movements in Lease liabilities in the prior period include 86 400 balances deconsolidated on 19 May 2021.

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

Risk

Note 35 – Capital risk management

Unless otherwise specified, the disclosures in this note and Note 36 are in respect of the Consolidated Entity for both the current year and prior year.

During prior financial year, Cuscal Limited sold its interest in the retail digital bank 86 400 Ltd which was an Authorised Deposit-taking Institution. The discussion in this note and note 36 exclude the references to 86 400 Ltd as it is no longer part of the Consolidated Entity. In particular, the discussion of the Credit Risk approach of 86400 Ltd, as a retail bank, is no longer relevant to Cuscal's on-going business operations.

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 risk management framework.

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 to support internal business and operational capital needs; and
- To ensure appropriate credit ratings are maintained.

Cuscal Limited is an Authorised Deposit-taking Institutions ("ADIs") and as such is subject to regulation by the Australia Prudential Regulation Authority ("APRA").

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 – Cuscal Limited. APRA requires that Cuscal to maintain a minimum ratio of capital to risk-weighted assets.

Note 35 – Capital risk management, continued

The Consolidated Entity's Internal Capital Adequacy Assessment Policy ("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.

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 36 – Financial risk management

Cuscal Group (All entities other than the Securitisation Trust)

The 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.

The 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 risk management framework, acts as an independent risk assessor for treasury activities:

- Market risk;
- Credit risk;
- Liquidity risk; and
- Operational risk.

The Risk Management Division presents regular reports to the Board Risk and Board Audit Committees.

As ADI's 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 Integrity Series 2014-1 Trust (hereafter "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 Trust has not entered into any derivative financial transactions.

Note 36 – Financial risk management, continued

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 Manager executes the requirements of the Trust documentation, and is a non-related entity of Cuscal Group. Integris Securitisation Services Pty Limited, a subsidiary of Cuscal, acts as Master Servicer to the Trust.

Significant accounting policies

Details of the significant 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).

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

Note 36 – Financial risk management, continued

Market risk, continued

- 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, 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 16;
- Commodity price risk, the risk of loss due to movement in commodity prices. 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") – NIER is the worst-case change in earnings due a 100bps 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.

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 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.

Result of the sensitivity analysis on a 50 bps movement is as follows:

	2022 $m	2021 $m
Consolidated Entity and Cuscal (Parent)		
Increase in yield curve of 50 bps	**(1.5)**	(1.8)
Decrease in yield curve of 50 bps	**1.5**	1.8

At 30 June 2022, Cuscal has a $15.3 million fair value loss in reserves relating to changes in bond rates on its Investment Securities portfolio. It is anticipated that these securities will be held to maturity, in which this fair value loss will fully wind back to nil upon maturity of the relevant positions.

Note 36 – Financial risk management, continued

Credit risk

(a) Cuscal

Credit risk is defined as the risk of economic loss where Cuscal 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 an assigned total exposure limit, both individually and as a group. The limit comprises all exposures including settlements, cash, loans, trading securities held and guarantees. In order to assess the credit exposure of Cuscal's financial portfolio, a series of stress tests are also conducted. These stress tests focus on subjecting individual and portfolio exposures to a range of credit shocks including rating downgrades and credit spread movements. 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. Cuscal 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 12.

Cuscal's loans are reviewed for impairment in accordance with the accounting policy in Note 1. Refer Note 12 for information on loan impairment, if any.

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

- The strong and on-going monitoring of borrowers,
- The relatively strong security position of Cuscal, with clients secured by cash deposits with rights of offset, and
- The majority of Cuscal's clients are themselves Approved Deposit-taking Institutions, subject to regulation by APRA.

Quantitative analysis is supported by the regular statistical generation of expected and unexpected loss modelling on an individual and portfolio basis.

Over recent years, the COVID-19 pandemic environment resulted in a more frequent periodic credit review of our clients as per credit policies, based on information provided by our clients as well as relevant settlement information. Where appropriate, ratings of our clients have been downgraded to reflect the COVID-19 impacts. Credit policy has also been updated to increase security requirement for the higher risk clients.

(b) Securitisation Trust

No new loans have been originated into the Securitisation Trust since its creation in 2014. All residential mortgages were subject to lending criteria determined at the time of origination by the Master Servicer, a Cuscal subsidiary.

While COVID-19 may impact some of the Trust borrowers, who may seek additional redraws and/or principal and interest deferrals, it will not change the structure of the Trust, and accordingly will not change the party who will ultimately bear any credit loss – the note holders.

Note 36 – Financial risk management, continued

Credit risk, continued

(b) Securitisation Trust, continued

All loans in the Trust are covered by Lenders' Mortgage Insurance ("LMI") and LMI providers have provided blanket approvals for lenders to provide principal and interest deferrals for borrowers affected by COVID-19, without individual prior approval. As Master Servicer, Integris Securitisation Services is acting in accordance with these approvals.

In the event of losses being incurred on Trust loans they are passed through in following order:

1. The LMI provider;
2. If LMI fails, Cuscal as the residual income unit holder, but only to the extent of any amount undistributed by the Trust;
3. Integris Securitisation Services (as Master Servicer) would not receive its Margin Entitlement and then its Master Servicer Fee;
4. The Extraordinary Expenses Reserve. This is an amount contributed by Cuscal; and
5. Finally, the Note Holders.

Accordingly, in the event of losses in the Trust and the total failure of LMI cover, the amount that Cuscal can lose is immaterial and is limited to a $0.1m extraordinary expense reserve and fees for services and distributions.

At 30 June 2022, no 'expected credit loss' impairment is carried in respect of the residential mortgages in the Trust.

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

	Consolidated 2022 %	2021 %
Financial Assets		
Financial Institutions	**92.1**	88.9
Government, Semi-Government and supranationals	**6.0**	8.3
Residential Mortgages	**1.9**	2.8
Total credit risk concentration	**100.0**	100.0

Note 36 – Financial risk management, continued

Credit risk, continued

Maximum credit risk exposure

	Consolidated 2022 $m	2021 $m
Financial Assets		
Cash and cash equivalents	**1,664.4**	934.9
Receivables due from financial institutions	**24.1**	37.4
Derivative financial asset	**0.7**	-
Securities	**1,429.4**	1,685.6
Loans	**0.2**	0.7
Loans by the Securitisation Trust	**62.4**	81.3
Total financial assets	**3,181.2**	2,739.9
Off-Balance sheet		
Undrawn facilities	**183.4**	184.1
Total maximum credit risk exposure	**3,364.6**	2,924.0

Liquidity risk

(a) Cuscal

The liquidity management policy of Cuscal is approved by the Board and agreed with APRA. Cuscal manages liquidity risk by continuously monitoring the time 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'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). Given the uncertainty regarding the impact of the pandemic on credit ratings and valuations additional highly rated issuers of repurchase ('repo') eligible securities have been added to the panel of available issuers to diversify Cuscal's investment profile. In addition, Cuscal has tested its capability to realise the value of investments in securities via repurchase with financial institutions.

The large increase in client balances held with Cuscal that occurred in the previous financial year arising from the pandemic has been maintained this year. The increase has continued to be deployed into highly liquid assets in accordance with the policy. In the previous financial year, the pandemic has also caused large shifts in the value of investments. Additional daily reporting, including realistic scenarios of potential adverse valuation movements due to credit downgrades, were instituted to ensure that there is no adverse impact on Cuscal's capital adequacy. This additional daily reporting has continued during the year.

Note 36 – Financial risk management, continued

Liquidity risk, continued

(a) Cuscal, continued

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

Cash received by the Trust from interest and principal repayments of residential mortgages is applied in the order of priority set out in the Trust documentation. The outflow of cash from the Trust is generally limited to distribution of the cash received. The Trust maintains a liquidity facility.

The Trust is a closed term debt issuance, into which no new loans can be originated. The Trust is funded by the issue of Notes to investors backed by a liquidity facility that, subject to the conditions of the facility being met, will provide the Trust with funding should it be necessary.

(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 current and prior reporting periods is based upon the expected run-off of the Trust mortgage assets, which is different to contractual maturity.

Note 36 – 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 2022							
Payables due to financial institutions	**101.0**	**-**	**-**	**-**	**-**	**-**	**101.0**
Client deposits	**1,394.3**	**275.4**	**446.0**	**256.4**	**-**	**-**	**2,372.1**
Securities sold under agreement to repurchase	**-**	**400.3**	**-**	**-**	**-**	**-**	**400.3**
Discount securities issued	**-**	**4.0**	**-**	**-**	**-**	**-**	**4.0**
Borrowings of the Securitisation Trust	**-**	**3.9**	**10.4**	**51.6**	**-**	**-**	**65.9**
Lease liabilities	**-**	**1.1**	**3.4**	**9.7**	**-**	**-**	**14.2**
Derivative financial liability	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Liability to prepaid cardholders	**5.8**	**-**	**-**	**-**	**-**	**-**	**5.8**
Total undiscounted cash flows	**1,501.1**	**684.7**	**459.8**	**317.7**	**-**	**-**	**2,963.3**
30 June 2021							
Payables due to financial institutions	100.6	-	-	-	-	-	100.6
Client deposits	1,136.9	262.1	273.3	341.0	-	-	2,013.3
Securities sold under agreement to repurchase	-	143.7	-	-	-	-	143.7
Discount securities issued	-	5.9	3.5	-	-	-	9.4
Borrowings of the Securitisation Trust	-	5.1	13.5	66.9	-	-	85.5
Lease liabilities	-	1.3	3.7	14.4	-	-	19.4
Derivative financial liability	-	0.1	-	-	-	-	0.1
Liability to prepaid cardholders	35.3	-	-	-	-	-	35.3
Total undiscounted cash flows	1,272.8	418.2	294.0	422.3	-	-	2,407.3

Note 36 - Financial risk management, continued

Liquidity risk, continued

Cuscal	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 2022							
Payables due to financial institutions	**101.0**	**-**	**-**	**-**	**-**	**-**	**101.0**
Client deposits	**1,394.5**	**275.4**	**446.0**	**256.4**	**-**	**-**	**2,372.3**
Securities sold under agreement to repurchase	**-**	**400.3**	**-**	**-**	**-**	**-**	**400.3**
Discount securities issued	**-**	**4.0**	**-**	**-**	**-**	**-**	**4.0**
Lease liabilities	**-**	**1.1**	**3.4**	**9.7**	**-**	**-**	**14.2**
Liability to prepaid cardholders	**5.8**	**-**	**-**	**-**	**-**	**-**	**5.8**
Derivative financial liability	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total undiscounted cash flows	**1,501.3**	**680.8**	**449.4**	**266.1**	**-**	**-**	**2,897.6**
30 June 2021							
Payables due to financial institutions	100.6	-	-	-	-	-	100.6
Client deposits	1,137.2	262.1	273.3	341.0	-	-	2,013.6
Securities sold under agreement to repurchase	-	143.7	-	-	-	-	143.7
Discount securities issued	-	5.9	3.5	-	-	-	9.4
Lease liabilities	-	1.3	3.7	14.4	-	-	19.4
Derivative financial liability	-	0.1	-	-	-	-	0.1
Liability to prepaid cardholders	35.3	-	-	-	-	-	35.3
Total undiscounted cash flows	1,273.1	413.1	280.5	355.4	-	-	2,322.1

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.

Note 36 - Financial risk management, continued

Fair value, continued

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.

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.

Borrowings of the Securitisation Trust

The carrying amount of Borrowings of the Securitisation Trust is an approximation of fair value. The interest rate reset dates are short term.

Note 36 - Financial risk management, continued

Fair value, continued

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. 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 36 - Financial risk management, continued

Fair value, continued

Consolidated - 30 June 2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Investment securities	-	1,429.4	-	1,429.4
Loans	-	-	0.2	0.2
Derivative financial asset	-	0.7	-	0.7
Loans made by securitisation trust	-	-	62.4	62.4
Equity investments	-	-	2.8	2.8
Total financial assets	-	1,430.1	65.4	1,495.5
Financial liabilities				
Client deposits	-	2,372.1	-	2,372.1
Securities sold under agreement to repurchase	-	400.3	-	400.3
Discount securities issued	-	4.0	-	4.0
Borrowings of securitisation trust	-	65.9	-	65.9
Total financial liabilities	-	2,842.3	-	2,842.3

Consolidated - 30 June 2021	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Investment securities	-	1,685.6	-	1,685.6
Loans	-	0.3	0.4	0.7
Loans made by securitisation trust	-	-	81.3	81.3
Equity investments	-	-	2.6	2.6
Total financial assets	-	1,685.9	84.3	1,770.2
Financial liabilities				
Derivative financial liabilities	-	0.1	-	0.1
Client deposits	-	2,013.3	-	2,013.3
Securities sold under agreement to repurchase	-	143.7	-	143.7
Discount securities issued	-	9.4	-	9.4
Borrowings of securitisation trust	-	85.5	-	85.5
Total financial liabilities	-	2,252.0	-	2,252.0

Note 36 - Financial risk management, continued

Fair value, continued

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.

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;
- 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(s).

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.

	Gross exposure for Financial asset carried at[1]			ECL allowance on Financial assets carried at		
Consolidated	Amortised cost $m	FVOCI $m	Total exposure $m	Amortised cost $m	FVOCI $m	Total ECL allowance
30 June 2022						
Cash	**1,664.4**	**-**	**1,664.4**	**-**	**-**	**-**
Receivables due from FIs	**24.1**	**-**	**24.1**	**-**	**-**	**-**
Investment securities	**-**	**1,429.9**	**1,429.9**	**-**	**0.5**	**0.5**
Loans	**0.2**	**-**	**0.2**	**-**	**-**	**-**
Loans made by the Securitisation Trust	**62.4**	**-**	**62.4**	**-**	**-**	**-**
Derivative financial asset	**0.7**		**0.7**			
Other assets (Trade debtors)	**5.2**	**-**	**5.2**	**-**	**-**	**-**
Undrawn commitments	**183.4**	**-**	**183.4**	**-**	**-**	**-**
Total	**1,940.4**	**1,429.9**	**3,370.3**	**-**	**0.5**	**0.5**
30 June 2021						
Cash	934.9	-	934.9	-	-	-
Receivables due from FIs	37.4	-	37.4	-	-	-
Investment securities	-	1,686.1	1,686.1	-	0.5	0.5
Loans	0.7	-	0.7	-	-	-
Loans made by the Securitisation Trust	81.3	-	81.3	-	-	-
Other assets (Trade debtors)	5.2	-	5.2	-	-	-
Undrawn commitments	184.1	-	184.1	-	-	-
Total	1,243.6	1,686.1	2,929.7	-	0.5	0.5

Unrecognised Items

Note 37 - Assets pledged as collateral

Securities

Investment Securities of $430.1 million (2021: $165.3 million) have been pledged to the Reserve Bank of Australia as collateral for the liability for Securities sold under agreement to repurchase in Note 23.

Note 38 – Commitments and contingencies

	Consolidated 2022 $m	2021 $m	Cuscal 2022 $m	2021 $m
Commitment and contingencies				
IT capital expenditure commitments not longer than 1 year	**8.0**	7.0	**8.0**	7.0
Total commitments and contingencies	**8.0**	7.0	**8.0**	7.0

Note 39 - Credit facilities

	Consolidated 2022 $m	2021 $m
(a) Committed financing activities that are available to Cuscal 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	**6.5**	6.5
v) Overseas bills purchased from credit unions pending clearance of funds	**2.5**	2.5
vi) Purchasing card facility	**1.0**	1.0
(b) Committed financing facility available to the Securitisation Trust is as follows:		
i) Asset Liquidity	**1.3**	1.5

Cuscal had a cash overdraft at 30 June 2022 of $19.6 million (2021: $Nil) (refer Note 21). This banking arrangement did not have an approved overdraft facility.

As at 30 June 2022, $4.5 million (2021: $5.5 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 2022, $Nil of the asset liquidity facility was utilised (2021: $Nil). This facility is only available to the Trust in accordance with the contractual arrangements of the Trust. Neither Cuscal, nor any of its subsidiaries are able to access this facility.

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 2022, neither Cuscal nor any other part of the Consolidated Entity provided financing facilities to the Trust (2021: $Nil).

Note 40 - Subsequent events

- In respect of the financial year ended 30 June 2022, the Directors have determined that a final dividend of 3.0 cents per ordinary share shall be paid to all shareholders registered at 23 September 2022. The final dividend will total $5.3 million. The dividend will be franked to 100% at the 30% corporate income tax rate.
- Votraint No. 1451 Pty Limited is a non-trading entity within the Cuscal Group. On 20 July 2022, this entity was de-registered with ASIC. There is no impact to the June 2022 Annual Report other than the cessation of the entity itself.

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 41 – Discontinued Operations (86 400 Group)

Cuscal disposed of its investment in 86 400 on 19 May 2021. The acquisition price for the remaining shares in 86 400 was a cash consideration of $2.25 per share.

The 86 400 Group was classified as a discontinued operation for the year ended 30 June 2021.

The prior period gain on sale of 86 400 is shown below:

Gain on sale of 86 400 Group (Consolidated)	2021 $m
Proceeds on sale	127.1
Less: transaction costs	(3.2)
Less: Net asset value of 86 400 at Consolidated level	(66.9)
Add: Non-controlling interest	31.8
Add: Series B capital raise premium	12.8
Gain on sale before tax	**101.6**
Less: tax expense	(29.5)
Net gain on sale after tax	**72.1**

Note 41 – Discontinued Operations (86 400 Group), continued

The results of 86 400 Group in the comparable period are presented below:

86 400 Group	19 May 2021 $m
Statement of Profit and Loss	
Net fee & commission income	(3.6)
Net interest income	(2.4)
Other income	0.1
Total Net operating income	(5.9)
Employment expenses	(14.5)
Occupancy expenses	(1.0)
Non-salary technology expenses	(7.0)
Other expenses	(6.6)
Total operating expenses	(29.1)
Loss before income tax	(35.0)
Tax benefit	13.0
Net Loss after tax from discontinued operations	(22.0)
Gain on sale of 86 400 after tax	72.1
Total profit after tax from discontinued operations	50.1
Add: Loss attributable to the owners of Cuscal	9.5
Consolidated Profit on discontinued operations attributable to the owners of Cuscal	59.6
EPS on discontinued operations	
Basic and diluted earnings / (losses) per share(i)	$0.32

(i) To calculate EPS on discontinued operations, shares on issue are same as Consolidated Group Entity's share.

Note 42 - 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 2022 %	2021 %
Parent Entity			
Cuscal Limited			
Controlled entities[(i)]			
Cuscal Management Pty Limited	Ord	**100**	100
Integris Securitisation Services Pty Limited	Ord	**100**	100
Votraint No. 1451 Pty Limited	Ord	**100**	100
Strategic Payments Services Pty Ltd ("SPS")	Ord	**100**	100
Integrity Series 2014-1 Trust	Ord	**100**	100

(i) All controlled entities are incorporated in Australia

The entities listed above are proprietary limited as defined by the Corporations Act 2001. All entities are incorporated and have principal place of business in Australia.

Votraint No. 1451 Pty Limited is a non-trading entity.

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

An application to de-register Votraint No. 1451 Pty Limited was lodged with ASIC on 13th May 2022, with ASIC de-registering the entity on 20th July 2022.

There is no impact to the 2022 Annual Report from de-registering the above entity, given it is a non-trading entity.

Other than the change to Votraint No. 1451 Pty Limited, there were no key changes to controlled entities during the 2022 financial year and up to the date of this report.

Structured Entities included in the consolidated financial statements

The Integrity Series 2014-1 Trust (hereafter "the Trust") commenced operations on 29 April 2014 and has been included in the consolidated financial statements from that date. Cuscal and its subsidiaries currently carry out the following roles in respect of the Trust:

- Integris Securitisation Services Pty Ltd ("Integris") is the Master Servicer of the Trust, and
- Cuscal is the holder of the residual income unit of the Trust.

Note 42 - Particulars in relation to controlled entities, continued

Structured Entities included in the consolidated financial statements, continued

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

The relationships between Cuscal, its subsidiaries and the Trust are set out in detail in the Integris Securitisation Trust Framework and in the Transaction documents applicable to the Trust. Cuscal and its subsidiaries do not have the ability to amend the documentation governing the Securitisation Trust.

Under the above documentation, Cuscal and its subsidiaries do not have the right to access or use the assets of the Trust. The flow of income from the Trust is dependent on the Trust having sufficient distributable income to make payments in the order of priority set out in the documents.

All borrowings of the Trust are limited to the assets of the Trust and Cuscal and its subsidiaries have no obligations in respect to the repayment of those borrowings. In respect of the Trust, Cuscal and its subsidiaries carry out the roles set out above. In addition:

- Cuscal has provided $0.1 million to fund the Extraordinary Expense Reserve of the Trust, which is repayable on final distribution date, and
- Integris has 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.

As the Trust is a closed entity, the level of return the Trust will provide to Cuscal and its subsidiaries will decline as the level of the mortgage loans in the Trust declines due to loan repayments and prepayments.

Tax Consolidation Group

All the above entities except the Integrity Series 2014-1 Trust were members of Cuscal's tax consolidation group for the full year.

Note 43 - Related party disclosures

(a) Key management personnel

Details of the remuneration of Key management personnel are disclosed in Note 7.

(b) Loans to directors

As at 30 June 2021 the outstanding balance of loans to directors was $Nil (2021: $Nil).

(c) Directors' interests in contracts

As required by the Corporations Act 2001, 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 in the form of dividends, interest, management charges and asset usage fees are set out in Notes 3, 4 and 5.

Amounts receivable from and payable to controlled entities are disclosed in Note 15 and 25.

Note 44 – 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 180.1 million (2021: 186.9 million)

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

	Consolidated 2022 Cents	2021 Cents
Earnings per ordinary share ('EPS')		
Basic and diluted earnings per share	**$0.13**	$0.44
EPS from continuing operations		
Basic and diluted earnings per share	**$0.13**	$0.12

To calculate the EPS for discontinued operations in the prior period (refer Note 41), the weighted average number of ordinary shares used 186,858,915 shares issued at the Consolidated Entity level. The following table provides the profit/(loss) amount used:

	Consolidated 2022 $m	2021 $m
Gain on sale of 86400 after tax	-	72.1
Profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations for the basic EPS calculation	-	(12.5)

Note 45 – Net assets per share

Net assets per share 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 2022 Cents	2021 Cents
Net Assets per ordinary share		
Basic net assets per ordinary share at year end	**$1.67**	$1.83

Note 46 – 86 400 Employee Share Performance Rights Plan ("ESPRP")

The following information relates to 86 400 across the 2021 financial year up to the date of deconsolidation from Cuscal on 19 May 2021.

86 400 Holdings Ltd has an Employee Share Performance Rights Plan ("ESPRP") for certain eligible employees of the 86 400 Group which was de-consolidated Financial Statements on 19 May 2021. In accordance with the term of the plan, as approved by the Directors of 86 400 Holdings Ltd, certain employees determined by the Plan Committee may be eligible to participate in the scheme. Under the ESPRP, an eligible employee may be conferred performance rights upon meeting certain conditions as described in the ESPRP offer documents and plan rules.

Note 46 – 86 400 Employee Share Performance Rights Plan ("ESPRP"), continued

The performance right is a contractual right that entitles an eligible employee to be issued a certain number of shares subject to the vesting and performance criteria. The number of shares that may be issued to the employee upon exercise of the performance rights shall be determined in accordance with the offer letters accepted by an eligible employee.

The fair value of the performance rights as at 30 June 2021 was $Nil (2020: $67,546).

The movement of performance rights are as follows up to de-consolidation of the 86 400 Group on 19 May 2021:

	Consolidated 2021
Number of performance rights	
Opening balance	11
Granted	-
De-consolidation of 86 400	(11)
Closing balance	-
Exercisable as at financial year end	-

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is recognised as expense in the profit or loss on a straight-line basis over the vesting period, based on the 86 400's estimate of equity instruments that will eventually vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled shared-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Note 47 – 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 2022 of the Consolidated Entity is 445 (2021: 453). This includes permanent and fixed term employees and excludes external contractors.

Directory

Principal Offices

The registered office and principal place of business for Cuscal Group and the entities:

- Cuscal Limited
- Strategic Payment Services Pty Ltd
- Integris Securitisation Services Pty Ltd
- Cuscal Management Pty Ltd

Are at:
Level 2
1 Margaret Street
Sydney NSW 2000
Telephone: (02) 8299 9000
Facsimile: (02) 8299 9600

Company Secretary

Sean O'Donoghue
Telephone: (02) 8299 9000
Facsimile: (02) 8299 9600

Auditors

Ernst & Young
200 George Street
Sydney NSW 2000
Telephone: (02) 9248-5555
Facsimile: (02) 9248 5959