Annual Report 2020

Cuscal

Cuscal

Annual Report 2020

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Summary 2019/2020

Financial

Headline results

- NPAT $3.3m
- ROE 1.3%
- EPS 1.8 c/share
- Retained S&P A+ credit rating

Underlying results

- NPAT $21.9m
- ROE 8.5%
- EPS 11.7 c/share

Our Clients

- Supported clients through COVID-19 with increased engagement and support
- Positive uplift in all four key measures of client experience for the 3rd consecutive year
- 77% of revenue under contract for a period of between 2 to 7 years
- Continued to build on the success of our annual Curious Thinkers Conference, hosting 90 clients from 72 organisations over 2 days. Attendees rated the event 9/10.

Our People

- Fast response to COVID-19 Pandemic enabling remote working capability for all staff
- Supported employees through COVID-19 with increased communication and wellbeing initiatives
- Introduced continuous listening program to measure employee engagement

Our Solutions

- Continued to engage with clients and evolve Open Banking solution and currently onboarding clients for our Product Data Solution
- Agreed the terms of a Licencing Agreement with 86 400 with Cuscal as the exclusive distribution partner for 86 400 products and services
- Continued to enhance our card and NPP APIs and online tools for developers to enable clients to deliver new capabilities in faster time
- Continued growth of clients with NPP services with 5 new-to-Cuscal clients representing 10% growth

Our Technology

- Retained PCI compliance
- Continued to improve resiliency and reduced the number of Severity 1 and Severity 2 incidents
- Sustaining 24x7 operations capability

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Letter from the Chairman and Managing Director

Annual Report 2020

The last financial year has seen a significant amount of change and pressure on Financial Services more broadly, and the Payments industry specifically.

Even prior to the onset of COVID-19 impacts, we had envisaged that the year would be financially challenging as we continued to sponsor 86 400 through its licencing, market launch and growth phases.

Whilst our core 'Payments' business continued to deliver reasonably predictable and stable returns through to March 2020, our key transactional volumes were significantly affected by the COVID-19 downturn which had an immediate and adverse impact to our revenue in the last quarter of the financial year. Further, with a delayed dilution of our investment in 86 400 we incurred more operating losses than planned this year.

The 'Series A' capital raising for 86 400 was a success, raising ~$33m of external capital at $1.35 per share.

Key focus areas for this year and the year ahead include:

Clients

Our Vision is to 'Enable the Future' for our clients. In order to do this we are continuing to deliver innovative products and services to our clients. Understanding what our clients need to enable the success of their business and delivering positive client experiences is essential.

We have once again conducted our annual Voice of the Client Survey. The survey has now been running for 3 years, and the feedback we receive in this survey is invaluable as it helps inform our operational excellence programs. Each year we seek to measure and understand how we are performing and where we may need to improve.

In FY20, we had a number of large programs focused on delivering improvements in client experience, including:

- Billing Transformation
- Thought Leadership
- Client Onboarding
- Responsiveness
- Resilience

Over the past 12 months, we have made significant progress and improvements in all these areas. In particular, our clients have told us they value responsiveness and have been particularly impressed with the speed with which we were able to adapt to the COVID-19 pandemic. This included transitioning to a remote working environment whilst maintaining the continuity of our services, and communication and support under these circumstances.

The results of the work across the above programs has been very positive and for the third consecutive year we have demonstrated a positive uplift in each of our client experience metrics.

We are also pleased to report that many of our clients have renewed their contracts with Cuscal over the past year for further terms of two to seven years.

People

Throughout the year, we have continued to focus on ways to improve employee experience at Cuscal. This has been particularly important, as we had to very quickly adapt and transition to new ways of working as a result of COVID-19.

One of our highlights is in the way we were able to quickly switch to an entirely remote workforce during this period. This change highlighted opportunities for us and our people as we redesigned our ways of working together, learned new skills and found ways to connect and collaborate effectively.

Ensuring that our employees feel engaged has been a priority as we moved to this remote working environment. To support this, we have enhanced communication throughout the organisation, ensuring our employees are more regularly updated on business performance and the impact that COVID-19 is having on our business, as well as providing them with important information about our strategy and priorities.

We have also looked for ways to support their wellbeing throughout this time and have introduced an online resource centre where we share all COVID-19 communications and resources to assist teams working remotely.

Our employees have responded very positively to our enhanced engagement through this process via several surveys that have been conducted during the period.

Cuscal

Letter from the Chairman and Managing Director, continued

People, continued

Further, we have made some changes this year to our approach to measuring employee engagement and have introduced a continuous listening approach to help us adapt and respond more effectively in these times of rapid change. Our most recent survey showed very positive results in the areas of communication, keeping people informed, and understanding our goals and what people need to do to help achieve our goals.

Our continuous listening approach will continue next year, and we will use data to find the most important drivers of engagement and put programs and initiatives in place to support these.

Open Banking

To successfully enable our clients' open data strategies, we have been building a flexible and secure data exchange platform with consent and security as central core features. These foundational capabilities of our Open Banking solution are vital for our clients to successfully deliver valued experiences to their customers whilst managing the data that a consumer has chosen to consent to share.

Cuscal has taken the approach of phasing delivery of our Open Banking solution, focusing on client's initial compliance obligations and providing the option of leveraging other capabilities, such as receiving consumer data as a data recipient, as the market develops. The purpose of this functional approach and our roadmap is to offer clients an end-to-end, managed solution that takes care of their compliance needs, while also partnering with them to identify and leverage value-added opportunities enabled by the introduction of the consumer data right ("CDR").

Towards the end of June 2020, the Open Banking Project achieved the milestone of technical go-live for Phase 1 of its Product Reference Data solution.

Cuscal has deployed automated development pipelines for our Product Reference Data Solution and we are in the process of onboarding interested clients who could be publishing their product data to the market in late August / early September.

New Payments Platform Australia ("NPPA") Mandate Payment Services

In October 2019, the NPPA announced the Mandated Payment Service ("MPS") as a mandatory roadmap capability for 2021.

The NPP MPS will provide customers with more transparency and control around scheduled bill payments because all authorisations will be able to be seen in one place inside their banking application. NPP MPS will open up other possibilities, such as allowing payrolls to be paid by a cloud accounting platform without users having access to re-key details into banking sites.

Cuscal (as an NPP Participant) and our clients (as Identified Institutions) are subject to certain mandatory compliance requirements to implement debtor-related aspects of the MPS.

It is anticipated that a combination of the CDR and NPP MPS will support a shift towards real time payment initiation from many of the applications and services that consumers use every day, as well as execution services allowing customers to shift bank, superannuation, telecommunications and energy accounts between different providers.

It will be important for clients to have the right platform in place that integrates with ecosystem partners, providing a secure and compliant data exchange service.

Consumer consent will be the centrepiece of this platform. Managing the permissions and security of consumer data will require secure and efficient consumer consent capabilities. Cuscal's approach will be aligned to the requirements of both the NPP MPS and CDR to ensure consumer consent can be captured and managed and we therefore expect greater synergies, insights and value for our clients.

86 400 Licencing Agreement

One of the key value propositions that drove our investment in 86 400 was to provide Cuscal Shareholders and clients access to 86 400 capability and learnings.

Letter from the Chairman and Managing Director, continued

86 400 Licencing Agreement, continued

The underlying 86 400 business continues to perform well. At 30 June 2020 there were over 225,000 accounts on 86 400's platform; more than $300m in deposits; more than 650,000 transactions and balance updates each day. While mortgage growth is slower than plan, momentum has increased over recent months as more brokers are accredited.

In recognition of this and Cuscal's founding investment, the Cuscal Board and Leadership Team have been actively engaging with 86 400 to agree a right for Cuscal Shareholders and Clients to licence 86 400's capabilities.

Over the course of the year, the Cuscal Board and Leadership Team have determined the terms of the Licencing Agreement and agreed with 86 400 that Cuscal shall be the exclusive distribution partner for 86 400 products and services to Cuscal's Shareholders and Clients.

We are now working on delivering eight distinct services delivered as APIs built with multiple integration partners as part of our Day 1 service offering during FY21.

Digital APIs

We continue to deliver a variety of card-based APIs with many clients recently taking up digital bundle offerings. During COVID-19, our digital solutions such as Card Controls, Digital Card Issuance and Pays have been particularly helpful to our clients and we expect this will continue to be the way forward into FY21.

Financial Performance

The Consolidated Net Profit After Tax ("NPAT") attributable to the owners of Cuscal was $3.3 million for the year ended 30 June 2020.

This result includes a number of key significant and 'one-off' items, primarily being the continued absorption of 86 400 operating losses (up $8.6m on 2019) and ATM sale benefits recognised in the prior year. Excluding these significant and 'one-off' impacts, the Group Underlying Payments Net Profit after Tax was $21.9m; up $3.1m (16%) from 2019.

The underlying business continued to deliver relatively predictable and stable returns – whilst being significantly impacted by the COVID-19 environment in the latter part of the financial year.

Our capital position and overall financial position remain strong and resilient amid the stresses of the current economic downturn.

We retained our Standard & Poors A+ credit rating.

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

Board

Following the AGM in November 2018, we farewelled William (Bill) Conn who retired as Chairman after serving three, three-year terms. He was replaced by Paul Lahiff who resigned as Chairman in October 2019 due to personal reasons.

While Paul was only Chairman for a brief period of time, we note appreciation for his valuable contribution to Cuscal, in particular the sale of our ATM network to Armaguard.

Trudy Vonhoff was elected by the Board as Interim Chair while Cuscal conducted a search for a new Chairman. During this period, Trudy had a positive impact on the role and made a considerable effort to connect with, and seek feedback from, our Shareholders to ensure we have a strong engagement plan in place. She also played an important role in the delivery of our approach to the COVID-19 crisis. We thank Trudy for her additional and valued contribution as Interim Chair during this period.

We also thank the other Directors who retired during the year, namely Ari Sarker, Rob Goudswaard and Mark Genovese, for their contributions over their terms and we welcome Ling Hai and Wayne Stevenson who joined the Board in September 2019 and January 2020 respectively.

A special note from the Managing Director

After an extensive search, I was pleased to announce that we have appointed Elizabeth Proust AO as an Independent Director and Chairman effective, 1 June 2020.

Elizabeth brings broad experience to the Cuscal Board, having served on a number of high-profile public and private boards, across a range of sectors including Financial Services.

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Letter from the Chairman and Managing Director, continued

The Year Ahead

Over the course of the last year, we have worked closely with the Cuscal Board to refine our vision and strategic priorities to ensure that we continue to increase our relevance in the payments landscape.

In continuing to 'Enable the Future' for our clients, our focus areas are geared towards strategic investments in innovation while at the same time optimising our time and cost to market on existing products – both of which we expect will allow us to expand our client reach.

We will also continue to improve system resilience and cyber security capability to target emerging risks, as well as enhance our products and work with our clients to support their needs in digital payments, innovation and thought leadership in this rapidly changing environment.

Cuscal's financial position remains relatively strong; however we will continue to focus on maintaining and preserving our regulatory capital position and managing risk.

Our people are key to Cuscal and our clients' success. Supporting our people, particularly through an uncertain environment, remains crucial to ensuring we continue to deliver excellent client experiences.

We are mindful of the importance of good communication and regular engagement with our Shareholders on our strategic priorities and performance. We are committed to continuing these activities in the coming year.

Elizabeth Proust AO Chairman Sydney, 24 August 2020	Craig Kennedy Managing Director

Cuscal

Review of Operations

Overview

The Consolidated Net Profit After Tax ("NPAT") attributable to the owners of Cuscal was $3.3 million for the year ended 30 June 2020. This result is after $2.8 million of losses attributable to minority interests within 86 400 Holdings Limited, a subsidiary with the Cuscal Group.

The NPAT result for the current and prior year have been impacted by a number of significant and 'one-off' items:

- $19.5 million of operating losses associated with the 86 400 Digital Banking business (2019: $10.9 million);
- a $0.9 million contribution relating to the discontinued ATM business, which was sold to Armaguard on 13 August 2019 (2019: $5.0 million);
- In 2019 only, a $7.3 million after tax benefit relating to the release of impairment provisions against ATM assets and the release of certain other ATM related business provisions; and
- In 2019 only, a $2.0 million after tax licence provision release.

The 'discontinued ATM business' contribution was included as part of the Underlying Result in the 2019 annual report; in the 2020 Annual Report it has been excluded from the Underlying Result from both the current and prior comparative periods.

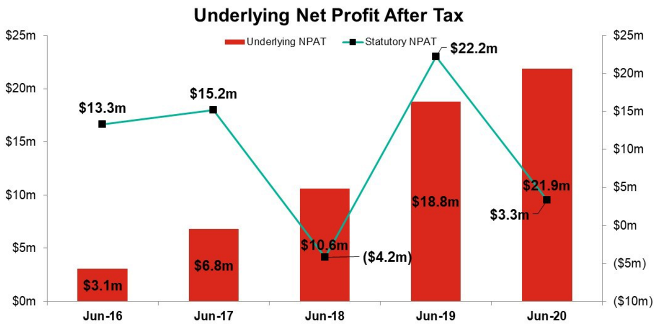
'Underlying' Result

References in the Review of Operations to the 'Underlying' result excludes the significant, 'one-off' or discontinued items noted above.

The prior year Underlying results have been restated to remove the contribution relating to the now discontinued ATM business; which were included as part of the underlying result in previous annual reports.

Underlying NPAT

Underlying NPAT increased 16% from $18.8 million in 2019 to $21.9 million for the year ended 30 June 2020.



A reconciliation of statutory NPAT to underlying NPAT is set out below:

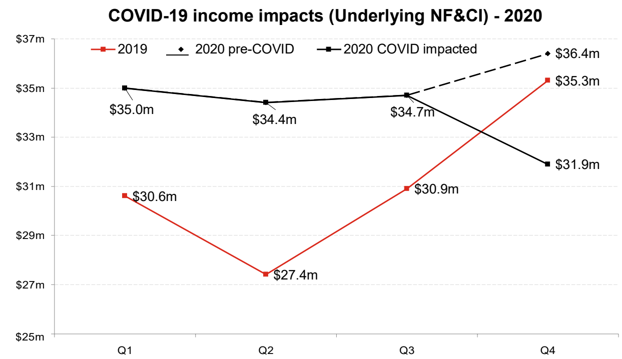
Reconciliation	2020 Pre-tax $m	2020 Post-tax $m	2019 Pre-tax $m	2019 Post-tax $m
Net Profit	**3.2**	**3.3**	**32.2**	**22.2**
86 400 loss*	29.5	19.5	15.6	10.9
ATM contribution	(1.2)	(0.9)	(7.2)	(5.0)
ATM business provisions	-	-	(10.4)	(7.3)
Licence provision	-	-	(2.8)	(2.0)
Underlying Net Profit	**31.5**	**21.9**	**27.4**	**18.8**

*includes the impact of outside shareholder interests

COVID-19 impact to FY20 result

The current year result, particularly for the core payments business, was impacted in late Q3/Q4 of the financial year by material reductions to payment volumes associated with the COVID-19 pandemic.

Increases in operating income during the year through March 2020 were relatively strong – both compared to prior year and in line with plan – but were reduced in the June 2020 quarter by approximately $5m (pre-tax) attributable to the macroeconomic downturn.



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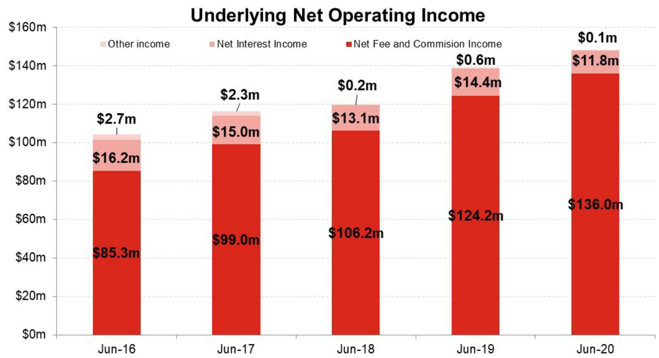
Cuscal mitigated the reduction in income by targeting discretionary spend reductions across all areas of the business.

Underlying Operating Profit

Underlying Net Profit before Tax increased 15% from $27.4 million in 2019 to $31.5 million for the year ended 30 June 2020.



Underlying Net Fee & Commission income increased 10% on 2019. This includes impacts associated with the COVID-19 induced economic environment.

Underlying Net interest income is primarily a result of Balance Sheet activity to support the Payments business. This decreased by 18% during the year as a result of lower cash rates, which were partially offset by high average customer deposit volumes.

Underlying Net Operating Income increased more than the increase in Underlying Operating expenses (6% v 4% respectively), highlighting improved profitability of the core 'Payments' business.

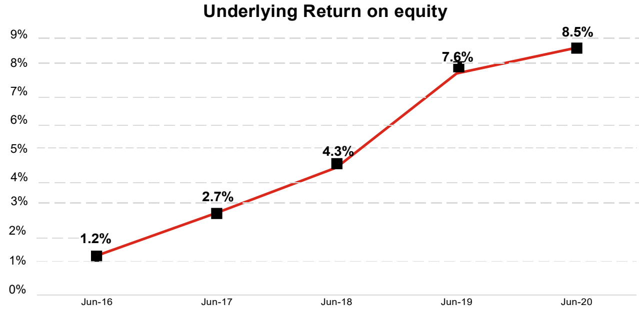
Shareholder returns

Return on Equity

The Return on Equity ("ROE") attributable to owners of Cuscal was 1.3% for the year ended 30 June 2020.

Underlying ROE increased 90 bps or 12% to 8.5% for the year ended 30 June 2020 from 7.6% in 2019.

This increase reflects the impact of a higher contribution from the Underlying Payments business on an increased average equity base.



Earnings and Dividend per share

Earnings per Share attributable to the owners of Cuscal was 1.8 cents per share for the year.

Underlying Earnings per Share increased 1.7 cents per share or 17% to 11.7 cents for the year ended 30 June 2020 from 10.0 cents per share for June 2019.

An interim ordinary dividend of 1.6 cents per share was paid in April 2020 relating to the year ending 30 June 2020.

No final ordinary dividend has been declared.

This has resulted in total distributions of $3.0 million having been paid for the year, a payout ratio of 91% on the full year result.

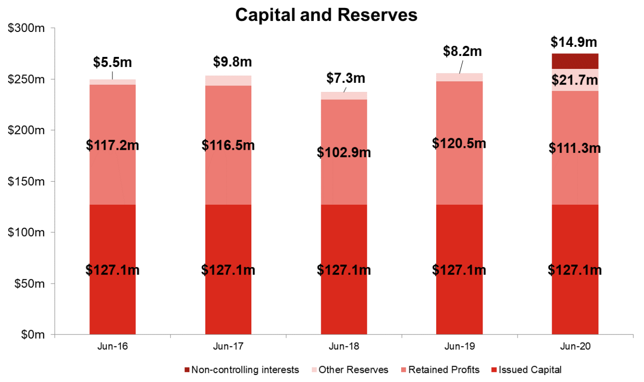
Capital and Reserves

Capital and Reserves remain strong and well in excess of regulatory and internal capital requirements.

At 30 June 2020, Cuscal's capital adequacy ratio was 19.7%, in line with the June 2019 ratio (also 19.7%) on a post final dividend basis.

Broadly, increases in risk-weighted assets arising from the growth of 86 400's digital banking business have been somewhat offset by a reduced 'risk-weighted' portfolio in Cuscal. This approach conforms to the APRA industry guidance on ADI's maintaining a strong capital position in this uncertain environment.

Cuscal



Outlook for 2021

The Underlying payments business continued to deliver reasonably predictable and stable returns through the 9 months to March 2020. Despite material increases in annual compliance costs, increased investment in people capability and strategic initiatives, we were on track to deliver planned results and minimum dividend outcomes.

Like most Australian businesses however, the June quarter of the financial year was materially impacted by COVID-19 related influences. These impacts saw an immediate loss of revenue associated with reductions in transaction volumes; felt most acutely in our acquiring business (ATM & PoS channels). This influence has continued to impact the business into the 2021 financial year.

The predictability of outcomes for 2021 remains challenging in this uncertain environment and are clearly impacted by the pace of recovery of both the specific COVID-19 related health situation and subsequent economic recovery; appearing to be assisted by Government initiatives. Despite the current challenges, there is reason to remain optimistic with some predicted structural changes being somewhat accelerated by the COVID-19 situation, including:

- medium term positive momentum for our investments in NPP, the Pays and prospects for a broader industry ATM utility are all enhanced; and
- increased and accelerated demand for our digital services (albeit this doesn't immediately replace the current short-term volume and revenue lost).

Into 2021, Cuscal's financial position remains relatively strong with our regulatory capital position and credit risk profile well above minimum prudential requirements.

We will continue to balance capital preservation with ongoing investment in strategic initiatives, whilst remaining profitable. This investment includes our Open Banking proposition, Fraud systems enhancements, development of NPP mandated payment capability and upgrades of legacy transactional processing infrastructure. The benefits from this ongoing investment will set us up to emerge from the COVID-19 environment in a stronger business and financial position.

86 400 update

A 'Series A' round of capital raising was completed in April 2020; raising ~$33 million of external capital; settled at an issue price of $1.35 per share. A Series B round of capital raising has now commenced seeking up to $80 million of additional capital at a modest uplift in price to Series A.

The underlying 86 400 business continues to perform well. At 30 June 2020 there were over 225,000 accounts on 86 400's platform; more than $300 million in deposits; more than 650,000 transactions and balance updates each day. While mortgage growth is slower than plan, momentum has increased over the 2 months as more brokers are accredited. Given the size and recent origination of the lending book, we are not expecting any significant impact on quality and performance due to COVID-19.

The positive response from the market on the Series A raising demonstrates confidence in 86 400 and its business model. The progress since then increases our confidence in Series B. Notwithstanding this, the COVID-19 environment has slowed institutional investment appetite in general, as some potential investors await stability and defer investment decisions. 86 400 still expect to continue capital raising activities throughout 2020, but timing is less certain and capital may be secured later than anticipated.

We expect to see 86 400 continue to grow their deposit and mortgage books and to continue to perform in line with expectation, and operations continue to be successfully undertaken in the current operating environment.

Future dividends

As previously flagged, given the current uncertain outlook around profitability, 86 400 capital raising activities and APRA's preferred position for ADIs to preserve capital in these challenging times, it appears unlikely that any dividends will be paid for the 2021 year.

Cuscal

Directors' Report

Introduction

The directors of Cuscal Limited ("Cuscal") submit herewith the annual financial report for the financial year ended 30 June 2020. 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, appointed 1 June 2020
- C N Kennedy (Managing Director)
- S P W Laidlaw
- H Ling, appointed 25 September 2019
- S A Petering
- W Stevenson, appointed 28 January 2020
- T Vonhoff, Interim Chair; October 2019 to June 2020

The following directors retired during the year:

- A R Sarker, 24 September 2019
- P A Lahiff (Chairman), 31 October 2019
- R W Goudswaard, 31 October 2019
- M S Genovese, 24 April 2020

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;
- ATM owner and management services of the rediATM network (to August 2019);
- Digital applications development;
- Liquidity management and settlement services;
- Specialised finance facilities;
- Network communication services;
- Fraud management services;
- Real-time payments services via the New Payments Platform; and
- Retail digital banking – through the '86 400' Group.

Review of Operations

Net Profit after Tax for the year ended 30 June 2020, attributable to the owners of Cuscal, was $3.3 million compared to $22.2 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 6 to 8 of the Annual Report.

Subsequent Events

On July 1 2020, Cuscal began a new lease agreement of its 1 Margaret Street premises. In accordance with AASB 16, at that date Cuscal recognised a right of use asset, and corresponding lease liability, of $22.5 million. In addition, for APRA regulatory capital purposes, this adoption reduces Cuscal's Level 2 Capital Adequacy ratio by approximately 0.5%.

The impact of this event is not reflected in the 2020 Annual Report.

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 2021 is discussed in the Review of Operations on page 6 to 8 of the Annual Report.

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Dividends

In respect of the financial year ended 30 June 2019, a final dividend of 5.0 cents per ordinary share (franked to 100% at the 30% corporate income tax rate) was paid. The total amount paid was $9.4 million.

In respect of the financial year ended 30 June 2020, an interim dividend of 1.6 cents per ordinary share (franked to 100% at the 30% corporate income tax rate) was paid on 2 April 2020. The amount paid was $3.0 million.

The Directors have determined there will be no final dividend declared on the full year result.

Indemnification of Officers and Auditors

Cuscal has agreed to indemnify the following current directors (E Proust, C N Kennedy, S P W Laidlaw, H Ling, S A Petering, W Stevenson, T Vonhoff), the former directors (A R Sarker, P A Lahiff, R W Goudswaard, M S Genovese), the Company Secretary and all executive officers of Cuscal and of any related body corporate, against a liability that may arise from their positions within the Company 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.

Based on information registered with Cuscal in the year, no shares were traded during the financial year ended 30 June 2020.

This information excludes changes in shareholding arising from mergers between shareholders.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 15 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 instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, amounts in this directors' report and the financial report have been 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, 24 August 2020	Craig Kennedy Managing Director

Cuscal

Information on Directors

Elizabeth Proust AO

BA (Hons), LL.B, FAICD

- Chairman, Independent Non-Executive Director
- Appointed 1 June 2020
- Age 69

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 and Remuneration Committee

Directorships in Other Entities:

- Nestle Australia Ltd;
- Lendlease Group
- Advisory Board Bank of Melbourne / Westpac Victoria

Other Declared Interests:

- Nil

Craig Kennedy

MBA, GAICD, FFIN

- Managing Director
- Appointed 8 December 2008
- Age 51

Experience:

- More than 30 years' experience in the financial services sector with particular expertise in electronic and online banking.
- 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.

Directorships in Other Entities:

- NPP Australia Limited
- 86 400 Limited
- Australian Payments Council (member)

Other Declared Interests:

- Nil

Steve Laidlaw

BEc, BCom, FCA, FAICD

- Non-Executive Director
- Appointed 16 November 2016
- Age 50

Experience:

- More than 20 years' experience in people leadership and general management in the retail banking and finance industry.
- Currently the CEO & MD of People's Choice Credit Union.

Special Responsibilities:

- Member of the Board Audit Committee
- Member of the Board Governance and Remuneration Committee

Directorships in Other Entities:

- Australian Central Credit Union Limited (t/as People's Choice Credit Union)
- Financial Solutions Australia Pty Ltd
- Australian Central Services Pty Ltd
- People's Choice Community Foundation Limited

Other Declared Interests:

- Nil

Hai Ling (Ling Hai)

MBA

- Non-Executive Director
- Appointed 25 September 2019
- Age 50

Experience:

- Co-President for Asia Pacific, Mastercard
- Over 9 years at Mastercard and has worked across various regions
- Prior to joining Mastercard, he was head of partnership business and co-brand marketing with 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 worked in management consulting with Booz Allen & Hamilton and A.T. Kearney in both the U.S. and China.

Directorships in Other Entities:

- Trustee on The College of Saint Rose Board of Trustees
- Senior advisory board member of CDIB Capital International
- Chairman, Mastercard-NUCC, a Joint Venture company in bankcard switching headquartered in Beijing

Other Declared Interests:

- Nil

Sonia Petering

BCom, LLB, FAICD

- Independent Non-Executive Director
- Appointed 17 April 2018
- Age 50

Experience:

- Non-executive director of various companies serving on ASX listed, non-listed, Government, and NFP Boards since 1998 in highly regulated industries.
- Non-Executive Director & Chair of the Board of the Rural Finance Corporation of Victoria from 2009 to 2016 and served on the Board of the Transport Accident Commission of Victoria from 2007 to 2016.
- Sonia also holds a current Australian legal practicing certificate and operates her own law firm in Victoria.

Special Responsibilities:

- Chairman of the Board Risk Committee
- Member of the Board Audit Committee
- Member of the Board Governance and Remuneration Committee

Directorships in Other Entities:

- Virtus Health Limited (ASX:VRT)
- Qantm Intellectual Property Ltd (ASX:QIP)
- TAL Dai-Ichi Life Australia

Other Declared Interests:

- Nil

Wayne Stevenson

BCom, CA, FAICD

- Non-Executive Director
- Appointed 28 January 2020
- Age 61

Experience:

- Wayne brings extensive experience from within the financial services industry including 15 years in CFO roles at ANZ involving a broad range of disciplines including the undertaking of significant acquisitions, restructures and divestments. While at ANZ Wayne also held senior positions across Australia, New Zealand and Asia including Group General Manager, Group Strategy and Chief Financial Officer Asia Pacific, Europe and America
- More recently, Wayne has developed his career as a professional Director.

Special Responsibilities:

- Member of the Board Risk Committee

Directorships in Other Entities:

- Credit Union Australia Ltd
- BigTinCan Holdings Ltd
- MediaWorks Holdings Ltd
- ANZ Lenders Mortgage Insurance Ltd

Cuscal

Other Declared Interests:

- Nil

Trudy Vonhoff

GAICD, MBA, BBus (Hons), SF Fin

- Independent Non-Executive Director
- Appointed 10 April 2019
- Age 57

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 Audit Committee
- Member of the Board Risk Committee

Directorships in Other Entities:

- Credit Corp Group Limited (ASX: CCP)
- IRESS Limited (ASX:IRE)

Other Declared Interests:

- Nil

The following directors resigned during the year:

- Ari Sarker (24 September 2019)
- Paul Lahiff (31 October 2019)
- Rob Goudswaard (31 October 2019)
- Mark Genovese (24 April 2020)

Information on Company Secretary

Sean O'Donoghue

BCom, CA, MBA

- Chief Financial Officer & Company Secretary
- Appointed 8 January 2020 (Company Secretary)
- Aged 56

Experience:

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

Helen Mediati resigned as Company Secretary on 20 December 2019.

Cuscal

Attendance at meetings during the year

	Board		Board Audit Committee		Board Governance & Remuneration Committee		Board Risk Committee	
	A	B	A	B	A	B	A	B
E M Proust*	1	1			1	1		
C N Kennedy	15	15						
S P W Laidlaw	15	15	4	4				
H Ling **	10	12						
S A Petering	14	15	4	4	5	5	6	6
W Stevenson ***	5	5					3	3
T Vonhoff	15	15	4	4	2	2	6	6
P Lahiff#	6	6			2	2		
M S Genovese##	12	13			4	4	1	1
R Goudswaard ###	6	6					2	2
A R Sarker####	3	3						

Additional Board meetings have occurred during the past year in response to the COVID-19 matters required to be dealt with by the Board

A Number of meetings attended
B Number of meetings that the Director was eligible to attend
* Appointed 1 June 2020
** Appointed 25 September 2019
*** Appointed 28 January 2020
# Resigned effective 31 October 2019
Resigned effective 24 April 2020
Resigned 31 October 2019
Resigned 24 September 2019

Cuscal

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

The Board of Directors
Cuscal Limited
Level 2, 1 Margaret Street
SYDNEY NSW 2000

24 August 2020

Dear Board Members

Cuscal Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Cuscal Limited.

As lead audit partner for the audit of the financial statements of Cuscal Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Jonathan Perkinson
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
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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 (the "Group") which comprises the Statement of Financial Position as at 30 June 2020, the Statement of Profit or Loss, the Statement of Other Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Company and Group's financial position as at 30 June 2020 and of their financial performance for the year then ended; and

(ii) 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 & 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

Deloitte.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's 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.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Jonathan Perkinson
Partner
Chartered Accountants
Sydney, 24 August 2020

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, 24 August 2020

Craig Kennedy
Managing Director

Statement of Profit and Loss
For the financial year ended 30 June 2020

Cuscal Limited and its controlled entities

	Notes	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
Fee and commission income	2	**190.9**	224.3	**191.9**	224.6
Fee and commission expenses	2	**(54.8)**	(84.6)	**(53.6)**	(83.9)
Net fee and commission income		**136.1**	139.7	**138.3**	140.7
Interest income	3	**31.3**	46.6	**25.2**	39.7
Interest expense	3	**(20.7)**	(34.1)	**(14.7)**	(28.8)
Net interest income		**10.6**	12.5	**10.5**	10.9
Other operating income	4	**0.1**	0.6	**2.0**	1.2
Total net operating income		**146.8**	152.8	**150.8**	152.8
Employment expenses	5	**(86.0)**	(75.6)	**(72.8)**	(67.2)
Occupancy expenses	5	**(3.9)**	(4.7)	**(3.1)**	(4.3)
Non-salary technology expenses	5	**(37.5)**	(33.4)	**(31.6)**	(30.6)
Other expenses	5	**(16.2)**	(17.3)	**(9.5)**	(13.6)
Total operating expenses		**(143.6)**	(131.0)	**(117.0)**	(115.7)
ATM revaluation and provisions	20	**-**	10.4	**-**	10.4
Profit before income tax		**3.2**	32.2	**33.8**	47.5
Income tax expense	6	**(2.7)**	(10.0)	**(9.7)**	(14.5)
Consolidated Profit for the financial year		**0.5**	22.2	**24.1**	33.0
Loss attributable to non-controlling interests	33	**2.8**	-	**-**	-
Consolidated Profit attributable to the owners of Cuscal		**3.3**	22.2	**24.1**	33.0

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 2020

Cuscal Limited and its controlled entities

		Consolidated		Cuscal	
	Notes	2020 $m	2019 $m	2020 $m	2019 $m
Consolidated Profit for the year		**0.5**	**22.2**	**24.1**	**33.0**
Other comprehensive income					
Items that may be reclassified to the Statement of Profit and Loss:					
Unrealised gains on Fair Value through OCI financial instruments taken directly to reserves	30	**0.2**	1.4	**0.2**	1.4
ECL impairment charge on OCI financial instruments taken directly to reserves	30	**(0.1)**	-	**(0.1)**	-
Income tax expense relating to these items		**-**	(0.4)	**-**	(0.4)
Other comprehensive income (net of tax)		**0.1**	1.0	**0.1**	1.0
Total comprehensive income for the year		**0.6**	23.2	**24.2**	34.0
Other comprehensive loss attributable to non-controlling interests		**2.8**	-	**-**	-
Total comprehensive income attributable to owners of Cuscal		**3.4**	**23.2**	**24.2**	**34.0**

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 2020

Cuscal Limited and its controlled entities

	Notes	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
ASSETS					
Cash and cash equivalents	10	**602.1**	796.7	**574.5**	796.6
Receivables due from financial institutions	11	**114.4**	146.9	**109.2**	144.1
Investment securities	12	**1,552.2**	1,141.2	**1,277.6**	1,141.2
Loans	13	**30.6**	1.6	**0.6**	1.6
Loans made by the Securitisation Trust	14	**106.4**	135.4	**-**	-
Derivative financial assets	15	**-**	0.1	**-**	0.1
Other assets	16	**30.4**	27.7	**29.9**	27.5
Investments	17	**4.1**	4.0	**82.6**	56.5
Current tax assets		**1.0**	-	**1.0**	-
Deferred tax assets	18	**12.1**	13.2	**8.2**	11.8
Property, plant and equipment and right-of-use assets	19	**7.5**	4.3	**4.0**	4.3
Intangible assets	21,22	**57.5**	57.4	**15.2**	19.1
Non-current assets held for sale	20	**-**	2.8	**-**	2.8
Total assets		**2,518.3**	**2,331.3**	**2,102.8**	**2,205.6**
LIABILITIES					
Payables due to financial institutions	23	**56.9**	51.5	**56.9**	51.5
Client deposits	24	**1,700.1**	1,423.4	**1,400.1**	1,427.3
Securities sold under agreement to repurchase	25	**144.7**	140.9	**144.7**	140.9
Discount securities issued	26	**62.4**	111.7	**62.4**	111.7
Borrowings of the Securitisation Trust	14	**110.4**	137.2	**-**	-
Other liabilities	27	**133.8**	174.8	**129.7**	174.1
Current tax liabilities		**-**	1.0	**-**	1.0
Deferred tax liabilities	18	**11.3**	11.6	**7.4**	8.2
Derivative financial liabilities	15	**0.2**	-	**0.2**	-
Provisions	28	**23.5**	23.4	**19.6**	20.9
Total liabilities		**2,243.3**	2,075.5	**1,821.0**	1,935.6
Net assets		**275.0**	**255.8**	**281.8**	**270.0**
EQUITY					
Issued capital	29	**127.1**	127.1	**127.1**	127.1
Reserves	30	**21.7**	8.2	**8.3**	8.2
Retained earnings	31	**111.3**	120.5	**146.4**	134.7
Equity attributable to owners of Cuscal		**260.1**	**255.8**	**281.8**	**270.0**
Non-controlling interests	33	**14.9**	-	**-**	-
Total equity		**275.0**	**255.8**	**281.8**	**270.0**

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 2020

Consolidated

30 June 2020	Notes	Issued capital $m	Other capital reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2019		**127.1**	**8.2**	**120.5**	**255.8**	**-**	**255.8**
Initial non-controlling ownership interest	33	**-**	**-**	**-**	**-**	**17.7**	**17.7**
Adjustment on dilution of 86 400	33	**-**	**13.3**	**-**	**13.3**	**-**	**13.3**
General Reserve for Credit Losses	30	**-**	**0.1**	**(0.1)**	**-**	**-**	**-**
Total comprehensive income		**-**	**0.1**	**3.3**	**3.4**	**(2.8)**	**0.6**
Dividends paid	32	**-**	**-**	**(12.4)**	**(12.4)**	**-**	**(12.4)**
As at 30 June 2020		**127.1**	**21.7**	**111.3**	**260.1**	**14.9**	**275.0**

30 June 2019	Notes	Issued capital $m	Other capital reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2018		127.1	7.2	103.0	237.3	-	237.3
Total comprehensive income		-	1.0	22.2	23.2	-	23.2
Dividends paid	32	-	-	(4.7)	(4.7)	-	(4.7)
As at 30 June 2019		127.1	8.2	120.5	255.8	-	255.8

Cuscal

30 June 2020	Notes	Issued capital $m	Other capital reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2019		**127.1**	**8.2**	**134.7**	**270.0**	-	**270.0**
Total comprehensive income		**-**	**0.1**	**24.1**	**24.2**	**-**	**24.2**
Dividends paid	32	**-**	**-**	**(12.4)**	**(12.4)**	**-**	**(12.4)**
As at 30 June 2020		**127.1**	**8.3**	**146.4**	**281.8**	**-**	**281.8**

30 June 2019	Notes	Issued capital $m	Other capital reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2018		127.1	7.2	106.4	240.7	-	240.7
Total comprehensive income		-	1.0	33.0	34.0	-	34.0
Dividends paid	32	-	-	(4.7)	(4.7)	-	(4.7)
As at 30 June 2019		127.1	8.2	134.7	270.0	-	270.0

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 2020

Cuscal Limited and its controlled entities

	Notes	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
Fees, commissions and other income received		**185.6**	224.3	**184.4**	226.5
Fees & commissions paid		**(57.6)**	(83.5)	**(55.1)**	(84.3)
Payments to other suppliers and employees		**(135.9)**	(128.3)	**(115.4)**	(124.4)
Interest received		**30.6**	46.6	**24.5**	39.7
Interest paid		**(23.4)**	(33.9)	**(17.1)**	(28.5)
Dividends received	4	**-**	-	**1.5**	0.3
Net income tax (paid) / received, net of research and development incentives		**(3.4)**	0.6	**(3.4)**	0.6
Net (increase) / decrease in loans		**(29.0)**	0.2	**1.0**	0.2
Net payments for securities		**(410.8)**	(185.7)	**(136.2)**	(185.7)
Net decrease / (increase) in receivables due from financial institutions		**33.2**	(1.7)	**34.9**	(3.4)
Net increase / (decrease) in payables due to financial institutions		**5.4**	(19.5)	**5.4**	(19.5)
Net repayments of discount securities issued		**(49.2)**	(19.5)	**(49.2)**	(19.5)
Net repayments to / (proceeds from) prepaid cardholders		**(34.3)**	1.6	**(34.3)**	1.6
Net proceeds / (repayments) of repurchase agreements		**3.9**	(6.2)	**3.9**	(6.2)
Net proceeds / (repayments) of deposits		**278.8**	105.8	**(25.1)**	90.1
(Decreases) / increase in balances with controlled entities		**-**	-	**(1.7)**	1.0
Net cash used in operating activities	**9**	**(206.1)**	(99.2)	**(181.9)**	(111.5)
Decrease in loans by the Securitisation Trust		**28.4**	29.1	**-**	-
Investments in other entities		**-**	-	**(26.0)**	(1.0)
Payment for intangible assets		**(7.0)**	(11.6)	**(0.6)**	-
Proceeds on sale of ATMs		**0.4**	-	**0.4**	-
Payment for property, plant & equipment		**(2.0)**	(0.2)	**(1.6)**	(0.2)
Net cash provided by/(used in) investing activities		**19.8**	17.3	**(27.8)**	(1.2)
Repayments of borrowings by the Securitisation Trust		**(26.8)**	(30.7)	**-**	-
Dividends paid	32	**(12.4)**	(4.7)	**(12.4)**	(4.7)
Cash payments for funding principal portion of lease liability		**(0.1)**	-	**-**	-
Proceeds from capital issuance - net of transaction costs (86 400)	33	**31.0**	-	**-**	-
Net cash used in financing activities		**(8.3)**	(35.4)	**(12.4)**	(4.7)
Net decrease in cash		**(194.6)**	(117.3)	**(222.1)**	(117.4)
Cash at the beginning of the financial year		**796.7**	914.0	**796.6**	914.0
Cash at the end of the financial year	**10**	**602.1**	796.7	**574.5**	796.6

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 2020

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").

The financial statements were approved by the directors on 24 August 2020.

(b) Basis of preparation

The financial report has been prepared under the historical cost convention, 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 2019, other than where disclosed and with the exception of changes in accounting policies required following the adoption of new accounting standard AASB 16, effective for the Consolidated Entity from 1 July 2019. Changes to the Consolidated Entity's key accounting policies during the year are described in this report in the section titled 'New Australian Accounting Standards and amendments to Accounting Standards that are effective in the current year', on page 35 of this report.

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) COVID-19 impacts

COVID-19, a respiratory illness, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have had a significant impact on global economies and financial markets.

In response, the Australian Government has implemented, and continues to iterate, fiscal stimulus packages to mitigate the impact on the economy. Notwithstanding that to date we have seen some impactful COVID-19 related reductions in payment transaction volumes (a key driver of revenue), these impacts have not been significant enough to allow to Cuscal to qualify for any of these Government packages (e.g. JobKeeper). We continue to monitor the qualifying criteria and operate in a considered manner, with a flexible approach to responding to current and further market disruptions.

Note 1(d) sets out areas where critical accounting judgements are required. Specifically, the Consolidated Entity has also considered the impact of COVID-19 and other market volatility by:

- Updating its ECL model to include a risk uplift for Investment Securities held with counterparties with negative outlook;

Note 1 – Accounting policies, continued

- 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 35;
- 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 carrying amount of intangible assets presented in Note 21;
- The prior year's carrying value of automatic teller machine assets ("ATMs") presented in Note 20;
- The carrying value of financial instruments presented in Note 35; and

The calculation of provisions presented in Note 28.

(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.

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

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

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.

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.

Note 1 – Accounting policies, continued

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

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

When 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

Interest income and expense on all interest bearing assets and liabilities, including those at fair value, is recognised in the Statement of Profit and Loss using the effective interest method.

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

(k) Fees and Commissions

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

- Transactional processing revenue: comprises the majority of Cuscals 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.

Note 1 – Accounting policies, continued

- 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.
- Treasury revenue: Treasury fee income is generally recognised when the service has been provided, at a point in time. This revenue principally falls within the scope of AASB 9.

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.

(o) Taxation

Income tax is recognised in the income statement except when it relates to items recognised directly in Other Comprehensive Income, in which case it is recognised in Statement of Comprehensive Income. Income tax on the profit or loss comprises both current and deferred tax.

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

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

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

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

86 400 Group ceased being a member of Cuscal's tax consolidation group on 28 February 2020.

(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.

Note 1 – Accounting policies, continued

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. The largest such project is the development of payments infrastructure and the 'Customer Experience Engine' detailed in Note 21.

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 in ATMs 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

AASB 9 has three classification categories for financial assets:

- amortised cost,
- Fair Value through Other Comprehensive Income (FVOCI); and
- Fair Value through Profit and Loss.

The Consolidated Entity applies the following principal policies for the financial assets' classifications in terms of AASB 9.

Amortised cost

A financial asset is measured at amortised cost if the financial asset is primarily held to derive contractual 'Principal + Interest' cash flows.

Fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI if the financial asset is primarily held to derive contractual 'Principal + Interest' cash flows and is held for sale.

Fair value through profit and loss

A financial asset or financial liability at fair value through profit or loss is a financial asset or financial liability that:

(i) has been acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(ii) is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
(iii) is a derivative that is not designated and effective as a hedging instrument; or
(iv) eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Investment securities and Investments in Other Entities are recognised and derecognised on settlement date where the purchase or sale of an investment is under a contract, whose terms require delivery of the investment within the timeframe established by the market concerned. These are initially measured at fair value, net of transaction costs, except for those financial assets classified as 'at fair value through profit or loss' which are initially measured at fair value.

For the majority of transactions, settlement date is also the trade date. Any fair value adjustments between trade date and settlement date are not expected to be material.

Financial instruments at fair value through the profit and loss

Financial assets at fair value through the profit and loss are stated at fair value, with any resultant gain or loss recognised in the profit and loss. Fair value is determined in the manner described in Note 35.

Note 1 – Accounting policies, continued

Impairment of financial assets at Amortised Cost or FVOCI

Financial assets measured at amortised cost or FVOCI are assessed for indicators of impairment at each balance date. Recognition and measurement of these financial assets involves assessing the assets 'expected credit loss' ("ECL"); refer Note (oo) for further information on ECL methodology.

For financial assets at Amortised Cost, the carrying amount of the financial asset is reduced by the ECL charge directly against the Statement of Financial Position with a corresponding ECL charge taken to the Statement of Profit and Loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For financial assets at FVOCI, any impairment is recognised firstly against the balance in equity that has arisen from changes in fair value of the investment subsequent to its initial recognition, and then any remaining impairment is recognised in profit or loss within Other Operating Income.

Any subsequent increase in fair value of an FVOCI investment after an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Consolidated Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Consolidated Entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Consolidated Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Consolidated Entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(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 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.

86 400 Limited purchases investment securities with the objective of holding to maturity in order to collect contractual cash flows, which solely represent payments of Principal and Interest.

These investment securities are classified as Amortised Cost. These assets are measured at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and any expected loss allowance. Interest income is calculated using the effective interest method and is recognised in the Statement of Profit and Loss. 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. They include secured loans made to retail borrowers by 86 400.

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

Note 1 – Accounting policies, continued

(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. 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.

(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.

(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 booked under Other Income in the Statement of Profit and Loss.

Investments in subsidiaries (including 86 400) 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:

	2020	2019
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.

Note 1 – Accounting policies, continued

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:

(i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(ii) the intention to complete the intangible asset and use or sell it;

(iii) the ability to use or sell the intangible asset;

(iv) how the intangible asset will generate probable future economic benefits;

(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(vi) 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 labor 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.

- Customer Experience Engine ("CXE") Intangible Asset: The CXE Intangible asset comprises the costs (including eligible internal and external labour costs, vendor costs and where appropriate licence costs) associated with the development and set up of the Customer Experience Engine's core banking capability in 86 400, without which the banking business could not operate. Amortisation for CXE intangible asset began in October 2019 over a useful life of 8 years.

- Software: Software assets are amortised over a useful life of 3-5 years.

- Investment in New Payments Platform Australia Ltd ("NPPA"): NPPA was formed in December 2014 to oversee the build and operation of the NPP Platform. Cuscal has invested in the entity 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.

Note 1 – Accounting policies, continued

(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. This includes 86 400's retail deposits. 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.

(ii) Lease liabilities

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date. Lease payments are allocated between principal and interest expense. Interest expense is shown as a separate line item in Note 3 Interest Income and Expense.

Lease liabilities may be remeasured when there is a change in the underlying assumptions surrounding the lease, such as term or incremental borrowing rate.

(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 wages and salaries, annual leave, long service leave, and other employee benefits expected to be settled wholly within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

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 that are classified as FVOCI. These changes are transferred to profit or loss when the asset is derecognised or impaired.

(mm) Foreign Currency Translation Reserve

The foreign currency translation reserve represents the amount of unrealised gains and losses on Fair Value through OCI investments denominated in foreign currencies.

(nn) Non-controlling interests

External interest in the equity that is controlled by the Consolidated Entity is shown as non-controlling interest in the controlled entities in the equity section of the Statement of Financial Position.

Other notes

(oo) Expected Credit Losses

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

An ECL is required to be recognised on following items:

- A financial asset measured at amortised cost;
- A financial asset 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. Any ECL on the mortgage loan portfolio of 86 400 is accessed on a case-by-case basis.
- 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.

Note 1 – Accounting policies, continued

- Loans made by the Securitisation Trust – under this structure, should credit losses occur, those losses are first subject to Loan Mortgage Insurance (LMI) and if LMI does not perform, then those loans flow to funders of the Trust, not to Cuscal. In the event of total loss on the mortgages in the Trust and a total non-performance of LMI, an event of extremely low probability, the most Cuscal can lose is the amount it has paid in to a special reserve account, currently $0.2m.
- Undrawn commitments – the majority of Cuscal's overdrafts facilities and overdrafts are covered by cash security deposits, therefore in the event of a client failing there would be no credit loss to Cuscal.

(pp) New accounting standards and amendments to Accounting Standards 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.

Standard	Effective for annual reporting periods beginning on or after	Applies to Cuscal for the financial year ending
AASB 16 Leases	1 January 2019	30 June 2020
AASB Interpretation 23 Uncertainty over Income Tax Treatment	1 January 2019	30 June 2020

AASB 16 'Leases' replaces the current AASB 117 Leases standard and sets out a comprehensive model for identifying lease arrangements and subsequent measurement. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. The majority of leases from the lessee perspective are within the scope of AABS 16 and require the recognition of 'right-of-use' asset and a related lease liability representing the present value of future lease payments. This results in an increase in the recognised assets and liabilities in the Statement of Financial Position, as well as a change in expense recognition, with interest expense and amortisation expense replacing operating lease expense.

Upon transition to the new standard, Management assessed existing lease arrangements at the time, and concluded no material leases were identified which transition relief did not apply – therefore no impact to 1 July 2019. AASB 16 has since had the following impact to Cuscal Group:

- The existing Margaret Street Lease expired on 30 June 2020; under transition 'relief' options, the lease qualified as a short term lease with no Statement of Financial Position impact required;
- The Margaret Street Lease; effective 1 July 2020; will incur a right of use asset and lease liability of $22.1m from 1 July 2020;
- The 86 400 Clarence Street Lease; effective May 2020, incurred a right of use asset and lease liability totalling $3.1m from 1 May 2020.

No other changes are expected from adoption of AASB 16.

AASB Interpretation 23 'Uncertainty over Income Tax Treatment' clarified the application of the recognition and measurement criteria in AASB 112 'Income Taxes' where there is uncertainty over income tax treatments, and requires an assessment of each uncertain tax position as to whether it is probable that a taxation authority will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses and unused tax credits or tax rates.

The amount is determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements are reassessed as and when new facts and circumstances are presented.

There has been no impact to the 2020 Annual Report on adoption of this AASB Interpretation 23.

Note 1 – Accounting policies, continued

(qq) New accounting standards and amendments to Accounting Standards that are not yet effective in the current year

Cuscal has reviewed all accounting standards and interpretations that have been issued but are not yet effective.

At the date of authorisation of the financial report, the following Standards and Interpretations issued but are not yet are effective are considered relevant to the preparation of the financial statements of Cuscal and the Consolidated Entity.

Standard	Effective for annual reporting periods beginning on or after	Applies to Cuscal for the financial year ending
AASB 2019-1	1 January 2020	30 June 2021
AASB 2018-6	1 January 2020	30 June 2021
AASB 2018-7	1 January 2020	30 June 2021

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		Cuscal	
	2020 $m	2019 $m	2020 $m	2019 $m
Fee & Commission income				
Transactional product related income[(i)]	**184.7**	218.5	**185.7**	218.8
Client funded project income	**6.0**	5.4	**6.0**	5.4
Treasury and securitisation income	**0.2**	0.4	**0.2**	0.4
Total Fee & Commission income	**190.9**	224.3	**191.9**	224.6
Fee & Commission expense				
Transactional product related direct expenses[(ii)]	**(54.2)**	(83.8)	**(53.0)**	(83.1)
Treasury and securitisation direct expenses	**(0.6)**	(0.8)	**(0.6)**	(0.8)
Total Fee & Commission expense	**(54.8)**	(84.6)	**(53.6)**	(83.9)
Net Fee & Commission income	**136.1**	139.7	**138.3**	140.7
Analysis of Fee & Commission income				
Recognised at a point in time[(iii)]	**188.5**	222.2	**189.5**	222.5
Recognised over time	**2.4**	2.1	**2.4**	2.1
	190.9	224.3	**191.9**	224.6

(i) Transactional product related income includes transactional volume fees, fixed monthly fees and Payment and other Scheme related income.

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

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

Note 3 – Net interest Income

	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
Interest income				
Cash and receivable due from financial institutions	**3.9**	9.8	**3.9**	9.7
Investment securities	**21.8**	29.5	**20.9**	29.5
Loans	**0.6**	0.5	**0.4**	0.5
Loans in Securitisation Trust	**5.0**	6.8	**-**	-
Total interest income	**31.3**	46.6	**25.2**	39.7
Interest expense				
Payables due to financial institutions	**(0.1)**	(0.3)	**(0.1)**	(0.2)
Client deposits	**(14.6)**	(23.8)	**(12.4)**	(24.0)
Discount securities	**(1.2)**	(2.4)	**(1.2)**	(2.4)
Repurchase agreements	**(1.0)**	(2.2)	**(1.0)**	(2.2)
Borrowings by Securitisation Trust	**(3.8)**	(5.4)	**-**	-
Total interest expense	**(20.7)**	(34.1)	**(14.7)**	(28.8)
Net interest income	**10.6**	12.5	**10.5**	10.9
Analysis of Interest Income by category of financial assets				
At amortised cost	**10.4**	17.1	**4.3**	10.2
At Fair Value through other comprehensive income	**20.9**	29.5	**20.9**	29.5
	31.3	46.6	**25.2**	39.7
Analysis of Interest Expense by category of financial liabilities				
At amortised cost	**(20.7)**	(34.1)	**(14.7)**	(28.8)
At Fair Value through Profit and Loss	**-**	-	**-**	-
	(20.7)	(34.1)	**(14.7)**	(28.8)

Note 4 – Other operating income

	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
Foreign exchange gains	**-**	0.4	**-**	0.4
Gain on revaluation on Investments in Other Entities	**0.1**	0.2	**0.1**	0.2
Securitisation Trust distributions	**-**	-	**0.4**	0.3
Dividends received - related parties	**-**	-	**1.5**	0.3
Total other operating income	**0.1**	**0.6**	**2.0**	**1.2**

Note 5 – Operating expenses

	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
Employment expenses				
Salary and salary related costs	**83.4**	71.8	**70.5**	64.5
Other employment expenses	**2.6**	3.8	**2.3**	2.7
Total employment expenses	**86.0**	75.6	**72.8**	67.2
Occupancy expenses				
Operating lease rentals and outgoings(i)	**4.6**	4.2	**4.0**	4.0
Depreciation: right-of-use premises assets	**0.1**	-	**-**	-
Other occupancy expenses(ii)	**(0.8)**	0.5	**(0.9)**	0.3
Total occupancy expenses	**3.9**	4.7	**3.1**	4.3
Non-salary technology expenses				
Communication	**3.9**	3.8	**3.9**	3.8
Depreciation: computer equipment and software	**1.8**	2.0	**1.8**	2.0
Amortisation of intangible assets	**5.9**	4.8	**3.3**	4.8
Repairs and maintenance	**17.1**	12.9	**14.0**	11.9
Outsourced Services	**6.3**	6.1	**6.1**	5.2
Other non-salary technology expenses	**2.5**	3.8	**2.5**	2.9
Total non-salary technology expenses	**37.5**	33.4	**31.6**	30.6
Other expenses				
Auditors remuneration	**1.0**	1.2	**0.8**	1.0
Consulting	**4.5**	4.9	**4.1**	4.5
Travel, conferences and related expenses	**1.1**	1.7	**0.8**	1.6
Legal and insurance	**1.9**	2.5	**1.3**	2.2
Taxes	**1.0**	1.2	**0.4**	1.0
Marketing	**4.3**	2.9	**0.4**	0.8
Internal audit services	**0.8**	0.7	**0.8**	0.7
Other	**1.6**	2.2	**0.9**	1.8
Total other expenses	**16.2**	17.3	**9.5**	13.6
Total operating expenses(iii)	**143.6**	131.0	**117.0**	115.7

(i) Operating lease rentals for the year ending 30 June 2020 are considered short-term in nature upon adoption of AASB 16, as they expire within 12 months of adoption of the standard.

(ii Other occupancy expenses at 30 June 2020 includes $1.4 million writeback of an existing makegood provision upon expiry of the Margaret Street premises lease at 30 June 2020.

(iii) Included in total operating expenses for 2020 is $26.4 million (2019: $15.2 million) relating 86 400 Digital Banking business.

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 2020 $m	2019 $m	Cuscal 2020 $m	2019 $m
Income tax expense comprises:				
Current income tax charge	**1.6**	4.3	**6.7**	10.0
Adjustments in respect of current income tax of previous years	**0.3**	(1.7)	**0.2**	(1.2)
Adjustments in respect of previous years deferred income tax	**-**	(0.1)	**-**	(0.1)
Relating to origination and reversal of temporary differences	**0.8**	7.5	**2.8**	5.8
Income tax expense reported in income statement	**2.7**	10.0	**9.7**	14.5
Reconciliation of income tax expense at the Consolidated Entity's effective income tax rate is as follows:				
Operating profit before income tax expense	**3.2**	32.2	**33.8**	47.5
Income tax expense at 30% thereon	**1.0**	9.7	**10.1**	14.3
86 400 losses not recognised	**1.7**	-	**-**	-
Research and development tax incentive	**-**	0.4	**-**	0.4
Intercompany dividends	**-**	-	**(0.4)**	(0.1)
Adjustments in respect of ITE of previous years	**-**	(0.1)	**-**	(0.1)
Income tax expense	**2.7**	**10.0**	**9.7**	**14.5**

Note 7 – Key management personnel remuneration

	Consolidated 2020 $'000	2019 $'000	Cuscal 2020 $'000	2019 $'000
Short-term employee benefits	**4,302**	5,078	**4,302**	5,078
Post-employment benefits	**167**	203	**167**	203
Other long-term employee benefits	**296**	382	**296**	382
Total key management remuneration	**4,765**	**5,663**	**4,765**	**5,663**

Note 8 – Remuneration of auditors

	Consolidated		Cuscal	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Audit services	**805**	698	**600**	616
Taxation services	**58**	96	**58**	76
Other non-audit services	**124**	360	**109**	284
Total remuneration of auditors	**987**	**1,154**	**767**	**976**

The auditor of Cuscal Limited for both current and comparative financial years is Deloitte Touche Tohmatsu. 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.

Note 9 – Cash flow information

(a) Reconciliation of net cash flows from operating activities

	Consolidated		Cuscal	
	2020 $m	2019 $m	2020 $m	2019 $m
Profit for the year	**0.5**	22.2	**24.1**	33.0
Depreciation expense	**1.9**	2.0	**1.8**	2.0
Amortisation of intangible assets	**5.9**	4.8	**3.3**	4.8
Gain on revaluation on Investments in Other Entities	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Impairment on ATM related assets	**-**	(2.8)	**-**	(2.8)
Provisions on ATM related assets	**-**	(7.6)	**-**	(7.6)
(Decrease)/increase in income tax provision	**(2.0)**	0.4	**(2.0)**	0.4
Decrease in deferred tax items	**0.8**	7.9	**2.8**	6.2
Net decrease/(increase) in other assets and liabilities	**(42.2)**	2.1	**(44.0)**	(2.2)
(Increase)/decrease in loans & advances	**(29.0)**	0.2	**1.0**	0.2
Decrease/(Increase) in receivables from financial institutions	**32.5**	(2.0)	**34.9**	(3.5)
Increase in deposits	**276.7**	105.9	**(27.2)**	90.3
Increase in investment securities	**(411.0)**	(186.9)	**(136.4)**	(186.9)
Increase/(decrease) in payables due to financial institutions	**5.4**	(19.5)	**5.4**	(19.5)
Net decrease in notes issued	**(49.3)**	(19.5)	**(49.3)**	(19.5)
Net increase/(decrease) in repurchase agreements	**3.8**	(6.2)	**3.8**	(6.2)
Net cash used in operating activities	**(206.1)**	**(99.2)**	**(181.9)**	**(111.5)**

Note 9 – Cash flow information, continued

(b) Non-cash investing and financing activities

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

- Deferred settlement of part proceeds of sale of ATM related assets – note 20
- Acquisition of right of use asset – note 38

Notes to the Statement of Financial Position

Note 10 - Cash and cash equivalents

	Consolidated 2020 $m	2019 $m	Cuscal 2020 $m	2019 $m
Cash at Reserve Bank	**374.2**	406.8	**374.2**	406.8
Cash at Bank	**227.9**	308.2	**200.3**	308.1
Cash in ATMs(i)	**-**	81.7	**-**	81.7
Total cash	**602.1**	796.7	**574.5**	796.6

(i) Cash in ATMs was settled to $Nil in August 2019 upon sale of ATM fleet to Armaguard. Refer to Note 19 for further information.

Note 11 – Receivables due from financial institutions

	Consolidated 2020 $m	2019 $m	Cuscal 2020 $m	2019 $m
At amortised cost:				
Prepaid cardholder cash(i)	**104.2**	138.5	**104.2**	138.5
Other amounts due from other financial institutions	**5.2**	5.6	**5.0**	5.6
Cash held in the Securitisation Trust(ii)	**5.0**	2.8	**-**	-
Total receivables due from financial institutions	**114.4**	146.9	**109.2**	144.1

(i) Prepaid cardholder cash is in respect of stored value cards issued by Cuscal Limited.
(ii) 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.

The above amounts are expected to be recovered within 12 months of the balance date. Prepaid cards may be held longer at the discretion of the cardholder.

Note 12 – Investment Securities

	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
At fair value through other comprehensive income:				
Negotiable certificates of deposit	**126.5**	149.4	**126.5**	149.4
Medium term floating rate notes	**990.2**	991.8	**990.2**	991.8
Other bonds	**160.9**	-	**160.9**	-
Total investment securities at FVOCI	**1,277.6**	1,141.2	**1,277.6**	1,141.2
At Amortised cost:				
Negotiable certificates of deposit	**190.4**	-	**-**	-
Medium term floating rate notes	**36.6**	-	**-**	-
Other bonds	**47.6**	-	**-**	-
Total investment securities at amortised cost	**274.6**	**-**	**-**	**-**
Total investment securities	**1,552.2**	1,141.2	**1,277.6**	1,141.2
Cuscal group has determined the following risk concentrations:				
With Banks, Mutual Banks and Credit Union issuers	**1,067.5**	1,141.2	**1,045.4**	1,141.2
With Australian government, semi-government and supranational issuers	**484.7**	-	**232.2**	-
Total investment securities	**1,552.2**	1,141.2	**1,277.6**	1,141.2

Investment Securities expected to mature within 12 months of the balance date is $750.0 million (2019: $459.6 million).

Note 13 – Loans

	Consolidated 2020 $m	2019 $m	Cuscal 2020 $m	2019 $m
Loans (secured)				
At amortised cost:				
Home loans – 86 400	**30.1**	-	**-**	-
Less: provision for impairment	**(0.1)**	-	**-**	-
Home loans net of impairment - 86400	**30.0**	-	**-**	-
Overdrafts	**0.1**	0.9	**0.1**	0.9
Term loans - Cuscal	**0.5**	0.7	**0.5**	0.7
Total loans	**30.6**	1.6	**0.6**	1.6
The Consolidated Entity has determined the following risk concentrations:				
Loans to credit unions and mutual banks	**-**	0.5	**-**	0.5
Loans to other organisations	**0.6**	1.1	**0.6**	1.1
Loans to individuals	**30.0**	-	**-**	-
Total loans	**30.6**	1.6	**0.6**	1.6
Maximum loan credit exposure - Committed Facilities (including drawn amounts detailed above)				
To credit unions and mutual banks				
Overdrafts	**175.6**	170.1	**175.6**	170.1
Other organisations				
Overdrafts	**0.1**	4.5	**0.1**	4.5
Term Loans	**0.8**	1.3	**0.8**	1.3
Individuals – 86 400				
Home loans	**38.7**	-	**-**	-
Total committed facilities	**215.2**	175.9	**176.5**	175.9
Unutilised loan credit exposure - Committed Facilities				
To credit unions and mutual banks				
Overdrafts	**175.6**	169.6	**175.6**	169.6
Other organisations				
Overdrafts	**-**	4.1	**-**	4.1
Term Loans	**0.3**	0.6	**0.3**	0.6
Individuals – 86 400				
Home Loans	**8.7**	-	**-**	-
Total unutilised facilities	**184.6**	174.3	**175.9**	174.3

Overdraft facilities are primarily secured by security deposits and rights of offset from the borrower. (Refer to Note 35 for further information in respect of credit risk).

Note 13 – Loans, continued

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 14 – Securitisation Trust loans and borrowings

	Consolidated 2020 $m	2019 $m	Cuscal 2020 $m	2019 $m
Loans made by the Securitisation Trust				
At amortised cost:				
Residential mortgages	**106.4**	135.4	**-**	-
Total loans by the Securitisation Trust	**106.4**	135.4	**-**	**-**
Specific and collective provision for impairment				
At balance date the amount of the specific provision for impairment of loans	-	-	-	-

Refer to Note 35 for further information in respect of credit risk and maturities of the Securitisation Trust loans and borrowings.

	Consolidated 2020 $m	2019 $m	Cuscal 2020 $m	2019 $m
Borrowings of the Securitisation Trust				
At amortised cost:				
Borrowings – secured	**110.4**	137.2	**-**	-
Total borrowings of the Securitisation Trust	**110.4**	137.2	**-**	-

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 outlined in Note 41 (2019: $0.1 million).

Note 15 – Derivative instruments

	Consolidated 2020 $m	2019 $m	Cuscal 2020 $m	2019 $m
Derivative financial assets				
At fair value through profit or loss:				
Foreign currency forward contracts	**-**	0.1	**-**	0.1
Total derivative financial assets	**-**	0.1	**-**	0.1
Derivative financial liabilities				
At fair value through profit or loss:				
Foreign currency forward contracts	**0.2**	-	**0.2**	-
Total derivative financial liabilities	**0.2**	-	**0.2**	-

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

Note 16 - Other assets

	Consolidated 2020 $m	2019 $m	Cuscal 2020 $m	2019 $m
Trade Receivables(i)	**3.8**	4.2	**3.8**	3.8
Less: Provision for doubtful debts	**(0.1)**	-	**(0.1)**	-
Net trade receivables	**3.7**	4.2	**3.7**	3.8
Prepayments	**7.2**	7.1	**6.3**	6.8
Accrued income	**16.2**	15.8	**16.2**	15.8
Other amounts receivable(ii)	**3.3**	0.6	**3.7**	1.1
Total other assets	**30.4**	27.7	**29.9**	27.5

(i) The majority of trade receivables are settled on an overnight basis by direct debit against debtor deposit accounts.
(ii) Other amounts receivable includes $2.8 million (2019: $Nil) receivable from Armaguard being discounted sale proceeds of ATM assets, less instalments received to date.

In Other Assets, amounts expected to be recovered after 12 months of the balance date are Prepayments of $1.2 million (2019: $1.0 million) and receivables relating to the sale of ATMs of $2.8 million (2019: $Nil). All other amounts are expected to be recovered within 12 months of the balance date.

Note 17 – Investments

	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
At fair value through profit or loss:				
Shares in other entities	**4.1**	4.0	**4.2**	**4.1**
Shares in subsidiaries (refer note 41)	**-**	-	**78.4**	**52.4**
Total Investments	**4.1**	4.0	**82.6**	**56.5**
Shares in other entities				
Balance at beginning of year	**4.0**	3.8	**4.1**	3.9
Revaluation gains	**0.1**	0.2	**0.1**	0.2
Balance at end of financial year	**4.1**	4.0	**4.2**	4.1
Shares in subsidiaries				
Balance at beginning of year	**-**	-	**52.4**	51.4
Additions - investment in '86 400' entities	**-**	**-**	**26.0**	17.0
Capital reduction in Strategic Payment Services Pty Ltd	**-**	**-**	**-**	(16.0)
Balance at end of financial year	**-**	**-**	**78.4**	52.4

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

On 1 July 2019, Cuscal invested an additional $24.0 million capital into 86 400 Holdings Ltd. A further $1.0 million was invested on 12 February 2020 and $1.0 million on 21 February 2020. The impact of these transactions is eliminated upon consolidation.

Note 18 – Deferred tax assets and liabilities

	2020 Consolidated					
	Opening Balance $m	Acquired $m	Utilised $m	Charge to equity $m	Charge to profit $m	Closing Balance $m
Other liabilities	**6.5**	-	-	-	**(0.1)**	**6.4**
86 400 losses[(i)]	-	-	-	-	**1.7**	**1.7**
Provisions - employee entitlements	**2.2**	-	-	-	**0.4**	**2.6**
ATM Impairment & provisions	**4.1**	-	-	-	**(4.1)**	-
Property, plant and equipment	**0.3**	-	-	-	**1.0**	**1.3**
Other assets	**0.1**	-	-	-	-	**0.1**
Total deferred tax assets	**13.2**	-	-	-	**(1.1)**	**12.1**
Other income	**(1.7)**	-	-	-	-	**(1.7)**
Property, plant, equipment and intangible assets	**(8.5)**	-	-	-	**0.3**	**(8.2)**
Fair value revaluations	**(1.4)**	-	-	-	-	**(1.4)**
Total deferred tax liabilities	**(11.6)**	-	-	-	**0.3**	**(11.3)**
Net deferred tax assets	**1.6**	-	-	-	**(0.8)**	**0.8**
Net movement taken to income tax expense					**(0.8)**	

(i) At the reporting date, a deferred tax asset ("DTA") of $1.7 million has been recognised in respect of losses incurred by the 86 400 group of companies ("86 400") after Cuscal ceased to be a 100% shareholder and 86 400 exited the Cuscal consolidated tax group. Deferred tax assets relating to current taxable losses have been recognised as the expected value of the tax losses based on a range of scenarios of future taxable profits which are expected to be available against which they can be realised. The assumptions used to estimate future taxable profits include expectations on product and customer growth, mortgage balances and interest margins. This DTA can be carried forward indefinitely subject to meeting criteria as set out by the Australian Tax Office.

At the reporting date, no deferred tax liability has been recognised on the $13.3 million reserve attributable to Cuscal's dilution in 86 400 (refer Note 30), as a taxable event (temporary difference) has not yet arisen. Temporary differences arising in connection with investments in subsidiaries will be recognised upon either revaluation of the underlying 86 400 investment or when Cuscal sells down a share of its investment in the 86 400 Group.

Note 18 – Deferred tax assets and liabilities, continued

	2020 Cuscal					
	Opening Balance $m	Acquired $m	Utilised $m	Charge to equity $m	Charge to profit $m	Closing balance $m
Other liabilities	**5.3**	**-**	**-**	**-**	**(1.1)**	**4.2**
Provisions - employee entitlements	**2.1**	**-**	**-**	**-**	**0.6**	**2.7**
ATM impairment and provisions	**4.1**	**-**	**-**	**-**	**(4.1)**	**-**
Property, plant and equipment	**0.2**	**-**	**-**	**-**	**0.9**	**1.1**
Other assets	**0.1**	**-**	**-**	**-**	**0.1**	**0.2**
Total deferred tax assets	**11.8**	**-**	**-**	**-**	**(3.6)**	**8.2**
Other income	**(1.7)**	**-**	**-**	**-**	**-**	**(1.7)**
Property, plant, equipment and intangible assets	**(5.1)**	**-**	**-**	**-**	**0.8**	**(4.3)**
Fair value revaluations	**(1.4)**	**-**	**-**	**-**	**-**	**(1.4)**
Total deferred tax liabilities	**(8.2)**	**-**	**-**	**-**	**0.8**	**(7.4)**
Net deferred tax assets	**3.6**	**-**	**-**	**-**	**(2.8)**	**0.8**
Net movement taken to income tax expense					**(2.8)**	

	2019 Consolidated					
	Opening Balance $m	Acquired $m	Utilised $m	Charge to equity $m	Charge to profit $m	Closing Balance $m
Other liabilities	5.5	-	-	-	1.0	6.5
Provisions - employee entitlements	1.9	-	-	-	0.3	2.2
ATM Impairment and business provisions	8.4	-	-	-	(4.3)	4.1
Property, plant and equipment	1.7	-	-	-	(1.4)	0.3
Other assets	0.1	-	-	-	-	0.1
Total deferred tax assets	**17.6**	**-**	**-**	**-**	**(4.4)**	**13.2**
Other income	(0.9)	-	-	-	(0.8)	(1.7)
Property, plant, equipment and intangible assets	(6.2)	-	-	-	(2.3)	(8.5)
Fair value revaluations	(1.0)	-	-	(0.4)	-	(1.4)
Total deferred tax liabilities	**(8.1)**	**-**	**-**	**(0.4)**	**(3.1)**	**(11.6)**
Net deferred tax assets	**9.5**	**-**	**-**	**(0.4)**	**(7.5)**	**1.6**
Net movement taken to income tax expense					**(7.5)**	

Note 18 – Deferred tax assets and liabilities, continued

2019 Cuscal	Opening Balance $m	Acquired $m	Utilised $m	Charge to equity $m	Charge to profit $m	Closing balance $m
Other liabilities	5.3	-	-	-	-	5.3
Provisions - employee entitlements	1.9	-	-	-	0.2	2.1
ATM impairment and provisions	8.4	-	-	-	(4.3)	4.1
Property, plant and equipment	1.6	-	-	-	(1.4)	0.2
Other assets	0.1	-	-	-	-	0.1
Total deferred tax assets	**17.3**	**-**	**-**	**-**	**(5.5)**	**11.8**
Other income	(0.9)	-	-	-	(0.8)	(1.7)
Property, plant, equipment and intangible assets	(5.6)	-	-	-	0.5	(5.1)
Fair value revaluations	(1.0)	-	-	(0.4)	-	(1.4)
Total deferred tax liabilities	**(7.5)**	**-**	**-**	**(0.4)**	**(0.3)**	**(8.2)**
Net deferred tax assets	**9.8**	**-**	**-**	**(0.4)**	**(5.8)**	**3.6**
Net movement taken to income tax expense					**(5.8)**	

Note 19 - Property, plant and equipment and right-of-use assets

	Consolidated		Cuscal	
	2020 $m	2019 $m	2020 $m	2019 $m
ATMs [1]				
At Cost	-	33.3	-	33.3
Accumulated depreciation	-	(15.5)	-	(15.5)
Provision for impairment	-	(15.0)	-	(15.0)
Reclassified to 'Non-current assets held for sale'	-	(2.8)	-	(2.8)
Total ATMs	-	-	-	-
Other Property, plant and equipment				
At Cost	**22.1**	22.0	**20.5**	20.8
Accumulated depreciation	**(17.7)**	(17.7)	**(16.5)**	(16.5)
Total Other Property, plant and equipment	**4.4**	**4.3**	**4.0**	**4.3**
Right-of-use assets - Property				
At Cost	**3.2**	-	-	-
Accumulated depreciation	**(0.1)**	-	-	-
Total Right-of-use assets	**3.1**	-	-	-
Total Property, plant and equipment and right-of-use assets	**7.5**	**4.3**	**4.0**	**4.3**

[1] ATM assets were reclassified to Asset Held for Sale during the 2019 financial year. Refer Note 21 for further information.

Property, Plant & Equipment with remaining expected useful lives of less than 12 months after the balance date is $Nil (2019: $0.2 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 19 - Property, plant and equipment and right-of-use assets, continued

	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
ATMs [1]				
Revaluation/(impairment)	**-**	2.8	**-**	2.8
Reclassified to 'Non-current assets held for sale'	**-**	(2.8)	**-**	(2.8)
Balance at end of financial year	**-**	-	**-**	-
Other Property, plant and equipment				
Carrying value at beginning of year	**4.3**	6.3	**4.3**	6.1
Additions	**2.0**	0.2	**1.6**	0.2
Disposals/written off	**(1.9)**	(1.2)	**(1.9)**	(1.0)
Depreciation	**(1.8)**	(2.0)	**(1.8)**	(2.0)
Depreciation written back on disposals/write-offs	**1.8**	1.0	**1.8**	1.0
Balance at end of financial year	**4.4**	4.3	**4.0**	4.3
Right-of-use asset				
Carrying value at beginning of year	**-**	-	**-**	-
Additions	**3.2**	-	**-**	-
Depreciation	**(0.1)**	-	**-**	-
Balance at end of financial year	**3.1**	-	**-**	-

(1) ATM assets were reclassified to Asset Held for Sale during the 2019 financial year. Refer Note 20 for further information.

Note 20 – Sale of ATM related assets

On 26 February 2019, Cuscal entered into a Sale & Purchase Agreement to sell all Cuscal-owned branch and offsite ATM assets, the rediATM scheme (including all associated trademarks and IP), and all customer-owned servicing contracts, leases and vendor agreements to the Linfox Armaguard Group ("Armaguard").

The transaction was subject to regulatory approval and the satisfaction of certain conditions precedent, the last of which was satisfied on 13 August 2019.

Post the completion of sale, and commercial terms agreed upon:

- ATM cash was reimbursed to Cuscal;
- $0.4m was paid to Cuscal on completion; and
- A discounted receivable of $2.5 million being proceeds to be received from Armaguard 2-3 years post-completion.

Impact on 2019 financial period

The above transaction has had the following impacts on the 2019 financial year:

- **Non-current assets held for sale:** In accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', and upon entering discussions with Armaguard to sell the ATM assets, Cuscal reassessed the recoverable value of the ATM assets and revalued the ATM assets to the fair value of the proceeds payable by Armaguard. These assets were reclassified as 'Non-Current Assets Held for Sale' in the Statement of Financial Position for 30 June 2019, and were written down to $Nil at 13 August 2019.
- **Provisions:** At 1 July 2018, Cuscal carried onerous contract provisions in respect of the ATM business. As a result of the reclassification and the high probability of a sale of the ATM assets at the time, Cuscal reassessed the onerous contract provisions and released excess amounts, which were no longer required. These are disclosed in Note 28 Provisions.

The impact to the Statement of Financial Position is detailed below:

	Consolidated		Cuscal	
	2020 $m	2019 $m	2020 $m	2019 $m
Assets held for sale				
ATM assets reclassified from PP&E and ATMs	-	2.8	-	2.8
Total assets held for sale	-	2.8	-	2.8
ATM business provisions				
Opening Balance	-	11.0	-	11.0
Amounts utilised during the period	-	(3.4)	-	(3.4)
Write-back of provisions	-	(7.6)	-	(7.6)
Total ATM business provisions	-	-	-	-

Note 20 – Sale of ATM related assets, continued

The impact to the Statement of Profit and Loss is detailed below:

	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
Revaluation of ATM assets	-	2.8	-	2.8
Write-back of ATM provisions	-	7.6	-	7.6
ATM revaluation and provisions	-	10.4	-	10.4

Note 21 - Intangible assets

	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
Payments Infrastructure				
At cost	**48.1**	47.9	**43.2**	43.0
Accumulated amortisation (including R&D offsets)	**(36.1)**	(33.8)	**(31.2)**	(28.9)
Total Payments Infrastructure	**12.0**	14.1	**12.0**	14.1
86 400 Customer Experience Engine				
At cost	**24.3**	17.7	-	-
Accumulated amortisation (including R&D offsets)	**(3.6)**	(1.0)	-	-
Total Customer Experience Engine	**20.7**	16.7	-	-
Software				
At cost	**2.0**	3.9	**2.0**	3.9
Provision for impairment	**(0.4)**	(0.4)	**(0.4)**	(0.4)
Accumulated amortisation	**(1.5)**	(2.0)	**(1.5)**	(2.0)
Total Software	**0.1**	1.5	**0.1**	1.5
Investment in NPP Australia Limited (NPPA)				
At cost	**4.0**	4.0	**4.0**	4.0
Accumulated amortisation	**(0.9)**	(0.5)	**(0.9)**	(0.5)
Total Investment in NPPA	**3.1**	3.5	**3.1**	3.5
Goodwill on SPS acquisition	**21.6**	21.6	-	-
Total Intangible assets	**57.5**	57.4	**15.2**	19.1

Intangible assets with remaining expected useful lives less than 12 months after the balance date is $Nil (2019: $0.1 million). Remaining items of Intangible assets have expected useful lives longer than 12 months after the balance date for both current and comparable year.

Note 21 - Intangible assets, continued

	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
Payments Infrastructure				
Carrying value at the beginning of the year	**14.1**	17.3	**14.1**	16.8
Additions	**0.2**	-	**0.2**	-
Amortisation for the year (net of R&D offsets) (i)	**(2.3)**	(3.2)	**(2.3)**	(2.7)
Balance at the end of the year	**12.0**	14.1	**12.0**	14.1
86 400 Customer Experience Engine				
Carrying value at the beginning of the year	**16.7**	5.0	**-**	-
Additions	**6.6**	12.5	**-**	-
Amortisation for the year (net of R&D offsets) (ii)	**(2.6)**	(0.8)	**-**	-
Balance at the end of the year	**20.7**	16.7	**-**	-
Software				
Carrying value at the beginning of the year	**1.5**	2.0	**1.5**	2.0
Additions	**0.2**	-	**0.2**	-
Disposals/written-off	**(2.1)**	(1.2)	**(2.1)**	(1.2)
Impairment for the year(iii)	**-**	0.7	**-**	0.7
Amortisation for the year	**(0.6)**	(0.4)	**(0.6)**	(0.4)
Amortisation write-back on disposals/write-offs	**1.1**	0.4	**1.1**	0.4
Balance at the end of the year	**0.1**	1.5	**0.1**	1.5
Investment in NPPA Australia Limited				
Carrying value at the beginning of the year	**3.5**	3.9	**3.5**	3.9
Amortisation for the year	**(0.4)**	(0.4)	**(0.4)**	(0.4)
Balance at the end of the year	**3.1**	3.5	**3.1**	3.5
Goodwill on SPS acquisition	**21.6**	21.6	**-**	-
Total Intangible assets	**57.5**	57.4	**15.2**	19.1

(i) Amortisation of the year includes $0.1 million R&D concession reversal during the year (2019: $Nil)
(ii) Amortisation for the year includes $0.3 million of R&D concession (2019: $0.8 million). Amortisation on the asset began in October 2019.
(iii) Impairment for the 2019 year of $0.7 million is write-back / reversal of ATM related software impairment.

Note 22 - Impairment of Intangible assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. For the year ended 30 June 2020, the Consolidated Entity divided its activities into the following Cash Generating Units (hereafter "CGU"), with separately identifiable corporate activities:

- **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**.**
- **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.
- **Digital Banking**, this CGU covers the activities of the 86 400 Group ("86 400") which received its banking licence on 18 July 2019 and is developing its operations as a digital bank through expanding its customer base and product offering. The key changes that occurred between Cuscal and 86 400 during the financial year and to the date of this report are summarised in Note 41.

The future strategic direction of the Consolidated Entity is focused on the Payments CGU, as the Consolidated Entity will progressively reduce its shareholding in 86 400 from the 70% interest currently held to a minority shareholding.

The Consolidated Entity's net intangible assets of $57.5 million are allocated to the Payments CGU $35.9 million and to the Digital Banking CGU $20.7 million (2019: $40.7 million to Payments CGU and $16.7m to the Digital Banking CGU).

Corporate CGU - Process and Assumptions

This CGU comprises investment and securitisation activities, whose financial assets largely fall within scope of AASB 9 Financial Instruments. Whilst AASB 136 Impairment of Assets specifically includes investments in subsidiaries, Cuscal's investment in 86 400 Group is effectively represented in the Digital Banking CGU and assessed as outlined below.

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 FY21 Corporate Plan and Budget covering the period to 30 June 2025. The FY21 Corporate Plan and Budget was approved by the Cuscal Board on 17 June 2020. 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 expected further COVID-19 impacts to key revenue drivers and Balance Sheet positions. The Budget as such applies a conservative view to FY21. Further, the Plan allows for the investment required to ensure the Payments CGU is able continue 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.

Note 22 - Impairment of Intangible assets, continued

Payments CGU - Process and Assumptions, continued

- A terminal value growth rate of 3% (2019: 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.
- Discount rates of 10.0% (High), 9.5% (Mid) and 9.0% (Low) have been applied to the Net Cash Flows (2019: 11.4% High; 10.8% Mid; 10.2% Low). The WACC is that assessed by an independent expert advisor as being the Consolidated Entity's WACC as at November 2019. Since the independent assessment was carried out, the impact of COVID-19 has seen interest rates fall to historic lows. However, as a result of the pandemic market risk premiums are likely to have increased to offset a substantial portion of the fall in the risk free rate.
- 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 is it 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% (2019: 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 48% (2019: 48%).

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

Digital Banking CGU - Process and Assumptions

Cuscal has invested $57.0 million in 86 400 Holdings Ltd as at 30 June 2020 (2019: $30.9 million). This investment represents capital invested to fund the development of the Customer Experience Engine ("CXE") asset, which is now operational, and initial operating losses.

The CXE asset comprises the costs associated with the development and implementation of the CXE, including eligible internal and external labour costs and vendor costs, without which 86 400 Ltd (the licenced ADI of the 86 400 Group) would be unable to operate.

The carrying value of the Digital Banking CGU was compared to its recoverable amount under the Fair Value less Cost of Disposal methodology using an implied valuation derived from the Series A capital raising completed by 86 400 Holdings in February 2020 and allowing for disposal costs. The recoverable amount for the CGU, including the CXE asset, was greater than the carrying value of Cuscal's investment.

Additional consideration was given to the sensitivity of the determination of fair value as at the reporting date due to the economic uncertainty brought by COVID-19 on unlisted equity values. When a 20% haircut is applied to the implied valuation, there was still a resulting headroom to support the carrying value of the CXE.

The carrying value of the CXE was also compared to its recoverable amount using the Value in Use methodology based on the 5-year financial forecasts of the 86 400 Group, assuming a 1% terminal value growth rate and applying a 15% pre-tax discount rate, which reflects the 86 400 Group WACC.

The value in use of the CXE exceeded its carrying value.

Note 23 – Payables due to financial institutions

	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
At amortised cost:				
Settlement balances due to other financial institutions, unsecured	**56.9**	51.5	**56.9**	51.5

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

Note 24 – Client Deposits

	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
At amortised cost:				
Deposits at call, unsecured	**648.8**	688.5	**657.2**	692.4
Security deposits	**741.4**	734.9	**742.9**	734.9
Retail Deposits – 86 400	**309.9**	-	**-**	-
Total deposits	**1,700.1**	1,423.4	**1,400.1**	1,427.3
Concentration				
Banks, credit unions and mutual banks	**1,194.9**	1,209.7	**1,194.9**	1,209.7
Other organisations	**195.3**	213.7	**195.3**	213.7
Individuals – 86 400	**309.9**	-	**-**	-
Related parties	**-**	-	**9.9**	3.9
Total deposits by concentration	**1,700.1**	1,423.4	**1,400.1**	1,427.3

All Client Deposits and Retail Deposits are expected to mature within 12 months of the balance date, except for $393.9 million, which will mature after 12 months (2019: $389.1 million).

Note 25 - Securities sold under agreement to repurchase

As part of the arrangements covering the Consolidated Entity's Exchange Settlement Account 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. These repurchase transactions have term of one month, expiring on the first business day of each month.

The Reserve Bank has no recourse to the Consolidated Entity beyond the securities subject to the repurchase agreement.

	Consolidated 2020 $m	Consolidated 2019 $m	Cuscal 2020 $m	Cuscal 2019 $m
At amortised cost:				
Repurchase agreements with the Reserve Bank of Australia	**144.7**	140.9	**144.7**	140.9

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

Note 26 – Discount securities issued

	Consolidated 2020 $m	2019 $m	Cuscal 2020 $m	2019 $m
At amortised cost:				
Negotiable certificates of deposit – unsecured	**62.4**	111.7	**62.4**	111.7

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

Note 27 –Other liabilities

	Consolidated 2020 $m	2019 $m	Cuscal 2020 $m	2019 $m
Liability to prepaid cardholders[(i)]	**104.2**	138.5	**104.2**	138.5
Deferred income	**7.2**	12.2	**7.1**	12.2
Sundry creditors and accrued expenses	**19.5**	24.1	**17.7**	21.0
Lease liabilities	**2.9**	-	**-**	-
Payables due to controlled entities	**-**	-	**0.7**	2.4
Total other liabilities	**133.8**	174.8	**129.7**	174.1

(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.

In other liabilities, all amounts are expected to be recognised within 12 months of the balance date with the exception of Deferred Income of $3.0 million (2019: $5.2 million) and lease liability of $2.9 million (2019: $Nil).

Note 28 - Provisions

	Consolidated		Cuscal	
	2020 $m	2019 $m	2020 $m	2019 $m
Employee benefits	**18.8**	16.4	**15.3**	13.9
Other provisions	**4.7**	7.0	**4.3**	7.0
Total provisions	**23.5**	23.4	**19.6**	20,9
Employee Benefits				
Opening balance	**16.4**	13.7	**13.9**	13.4
Additional provisions	**11.0**	12.8	**8.2**	9.1
Amounts utilised during the year	**(8.6)**	(10.1)	**(6.8)**	(8.6)
Balance at end of financial year	**18.8**	16.4	**15.3**	13.9
ATM business provisions				
Opening balance	**-**	11.0	**-**	11.0
Amounts utilised during the year	**-**	(3.4)	**-**	(3.4)
Write-back of provisions	**-**	(7.6)	**-**	(7.6)
Balance at end of financial year	**-**	-	**-**	-
Other provisions				
Opening balance	**7.0**	2.5	**7.0**	2.5
Additional provisions	**1.7**	5.2	**1.5**	5.2
Amounts utilised during the year	**(4.0)**	(0.7)	**(4.2)**	(0.7)
Balance at end of financial year	**4.7**	7.0	**4.3**	7.0

Provisions expected to be utilised after 12 months of the balance date is $3.9 million (2019: $3.2 million). All other amounts are expected to be recognised and settled within 12 months of the balance date.

Note 29 – Issued capital

Cuscal has 186,858,915 ordinary shares on issue at 30 June 2020 (2019: 186,858,915). Each ordinary share is fully paid, carries one voting right and ranks equally for ordinary dividends with all other shareholders.

	Consolidated		Cuscal	
	2020 $m	2019 $m	2020 $m	2019 $m
Issued and fully paid ordinary shares				
Opening balance	**127.1**	127.1	**127.1**	127.1
Total issued capital at end of financial year	**127.1**	127.1	**127.1**	127.1

Note 30 – Reserves

	Consolidated 2020 $m	2019 $m	Cuscal 2020 $m	2019 $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	**3.3**	3.2	**3.3**	3.2
Adjustment on dilution of 86 400	**13.3**		**-**	
Reserve for credit losses	**2.6**	2.5	**2.5**	2.5
Total reserves	**21.7**	8.2	**8.3**	8.2
Fair Value through OCI reserve				
Balance at beginning of financial year	**3.2**	2.2	**3.2**	2.2
Unrealised gains and losses on financial instruments recognised in reserve (net of income tax)	**0.1**	1.0	**0.1**	1.0
Balance at end of financial year	**3.3**	3.2	**3.3**	3.2
Unrealised gain on dilution of 86 400				
Balance at beginning of financial year	**-**	-	**-**	-
Unrealised gain on dlution of 86 400	**13.3**	-	**-**	-
Balance at end of financial year	**13.3**	-	**-**	-

Note 31 – Retained earnings

	Consolidated 2020 $m	2019 $m	Cuscal 2020 $m	2019 $m
Balance at beginning of financial year	**120.5**	103.0	**134.7**	**106.4**
Profit for the year attributable to the owners of Cuscal	**3.3**	22.2	**24.1**	**33.0**
Transfer to reserves	**(0.1)**	-	**-**	**-**
Dividends paid	**(12.4)**	(4.7)	**(12.4)**	**(4.7)**
Balance at end of financial year	**111.3**	120.5	**146.4**	**134.7**

Note 32 – Dividends paid

	2020 Cents per Share	2020 Total $m	2019 Cents per Share	2019 Total $m
Dividends paid from retained earnings				
Fully paid ordinary shares				
Final dividend, franked to 30%	**5.0**	**9.4**	-	-
Interim dividend – franked to 30%	**1.6**	**3.0**	2.5	4.7
Total dividends paid	**6.6**	**12.4**	**2.5**	**4.7**
Dividend franking account				
Adjusted franking account balance (tax paid basis)		**44.2**		48.7

Note 33 – Non Controlling Interests ("NCI")

The below table summarises financial information for 86 400 Group that has non-controlling interests that are material to the Consolidated Entity. The amounts disclosed are before inter-company eliminations.

86 400 Group	86 400 2020 $m	86 400 2019 $m
Summarised Statement of Financial Position		
Total assets	**371.3**	23.9
Total liabilities	**(321.6)**	(8.8)
Net assets	**49.7**	15.1
Accumulated NCI	**14.9**	**-**

86 400 Group	86 400 2020 $m	86 400 2019 $m
Summarised statement of Profit & Loss		
Net Operating Income	**(3.1)**	(0.4)
Operating Expenses	**(26.4)**	(15.2)
Tax benefit	**7.2**	4.7
Loss for the year	**(22.3)**	(10.9)
Total comprehensive income	**(22.3)**	(10.9)
Loss allocated to NCI	**(2.8)**	**-**

Note 33 – Non Controlling Interests (“NCI”), continued

86 400 Holdings Ltd	86 400 2020 $m	2019 $m
Summarised cash flows		
Cash flows from operating activities	**251.9**	(17.2)
Cash flows from investing activities	**(276.3)**	-
Cash flows from financing activities	**57.0**	17.0
Net increase/(decrease) in cash and cash equivalents	**32.6**	(0.2)
Cash and cash equivalents at the beginning of year	**2.5**	2.7
Net increase/(decrease) in cash and cash equivalents	**35.1**	2.5

In February 2020, 86 400 Holdings Ltd completed its first planned external capital raising, which provided $31.0 million of outside capital (net of issuance costs), which resulted in Cuscal diluting its interest in 86 400 Holdings Ltd from 100% to 70%.

The effect on the equity attributable to the owners of Cuscal Limited during the year is summarised below:

	Consolidated Entity 2020 $m	2019 $m
Consideration paid by NCI (net of issuance costs)	**31.0**	-
Less: Excess consideration paid recognised in reserves	**(13.3)**	
Carrying amount acquired by NCI	**17.7**	-
Less: Losses attributed to NCI	**(2.8)**	-
Non-controlling interests at 30 June	**14.9**	-

There were no other transactions with non-controlling interests in the current and prior comparable periods.

Risk

Note 34 – Capital risk management

Unless otherwise specified, the disclosures in this note and Note 35 are in respect of the Consolidated Entity.

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.

Within the Consolidated Entity, both Cuscal Limited and 86 400 Ltd are Authorised Deposit-taking Institutions ("ADIs") and as such are 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, including 86 400 Group, but excluding the Integrity Series 2014-1 Trust. The Consolidated Entity also reports to APRA at the individual ADI level – Cuscal Limited and 86 400 Limited - and at the 86 400 Group level. APRA requires that each reporting entity maintain a minimum ratio of capital to risk-weighted assets.

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 35 - Financial risk management

Cuscal Group (All entities other than 86 400 Group and 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, both Cuscal and 86 400 are 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 & 40). The Trust has not entered into any derivative financial transactions.

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).

Note 35 - Financial risk management, continued

Foreign currency risk management

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

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

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

Derivative financial instruments

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

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

Market risk

Cuscal and 86 400

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

- Interest rate risk, the risk of loss due to changes in interest rates, arises from the management of Cuscal’s liquidity portfolio. Funds are raised from clients and invested in highly liquid assets. The mismatch between repricing terms for the funds raised and investments in liquid assets gives rise to interest rate risk. Cuscal’s sensitivity to interest rate movement is largely immaterial as the majority of assets and liabilities are either short term or in instruments where the interest rate resets every 3 months;
- Specific issuer risk, the risk of loss due to shifts in credit spreads, arises from the investment of funds in assets, that while highly liquid, whose valuation can move relative to general market conditions;
- Foreign exchange risk, the risk of loss due to movements in foreign exchange rates, arises from supply contracts that are denominated in foreign currency. The variance between budgeted and hedge exposures is monitored on a monthly basis;
- Equity price risk, arises from exposure to investment in unconsolidated entities. In each case, the total investment is approved directly by the Board. The details of these investments are described in Note 17;
- 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.

Note 35 - Financial risk management, continued

Market risk, continued

- 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:

	86 400 Group 2020 $m	 2019 $m
Cuscal		-
Increase in yield curve of 50 bps	**(1.0)**	
Decrease in yield curve of 50 bps	**1.0**	
86 400		
Increase in yield curve of 50 bps	**(0.2)**	
Decrease in yield curve of 50 bps	**0.2**	-

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 13.

Cuscal's loans are reviewed for impairment in accordance with the accounting policy in Note 1. Refer Note 13 for information on loan impairment, if any.

Note 35 - Financial risk management, continued

Credit risk, continued

(a) Cuscal, continued

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.

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) 86 400

The Board of Directors of 86 400 has delegated responsibility for the day-to-day management of credit risk to the Credit Team, Collections Team and Executive Risk Management Committee.

Credit risk is managed principally through embedded controls in the loans origination process. Lending is carried out within the parameters of lending policies (covering approvals, documentation and management). In the case of the 86 400 Group, where the past loss experience is measurable within the bank's existing database for only a 12 month period or less, wider experience from other financial institutions detailed in published material such as from APRA has been considered. However, the small number of borrowers to date also permits the application of the principles on an individual loan basis where the borrowers of higher risk of default are identified based on set criteria.

To maintain the quality of the lending portfolio, prudential standards have been followed and lending policies have been established.

Credit processes are typically structured so that loan origination, approval, document preparation, settlement and account monitoring and control are segregated to different individuals or areas. Credit must be evaluated against established credit policies and be structured, particularly in terms of security, to be prudent for the risk incurred. The Credit Team assesses credit beyond the lending authorities of lending groups and/or outside normal policies and guidelines. The Risk Management Team regularly reviews credit quality, arrears, and expected credit losses, and reports to the 86 400 Board of Directors.

Risk and Internal Audit personnel regularly test internal controls and adherence to credit policies and procedures. The 86 400 Group applies standard credit risk assessment criteria to all extensions of credit, from credit scoring systems for basic retail products to complete credit assessment for commercial and business loans.

The quantification of credit risk is performed by analytical tools and models, which provide estimates of expected credit losses.

86 400 Management regularly reports to the 86 400 Board of Directors on arrears (if any), portfolio composition and stress testing, all approvals with an exception to policy, and all staff loans.

Note 35 - Financial risk management, continued

Credit risk, continued

(b) 86 400, continued

Counterparty risk for investments in financial instruments is generally limited to Australian-owned banks, APRA regulated foreign subsidiary banks and other APRA-regulated ADIs.

(c) 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 will 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.

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; the chain of recovery (in order) is:

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 2020, no provision for impairment is carried in respect of the residential mortgages in the Trust.

Note 35 - Financial risk management, continued

Credit risk, continued

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

	Consolidated 2020 %	2019 %
Financial Assets		
Financial Institutions	**74.1**	93.9
Government, Semi-Government and supranationals	**20.2**	-
Residential Mortgages	**5.7**	6.1
Total credit risk concentration	**92.8**	**92.8**

Maximum credit risk exposure

	Consolidated 2020 $m	2019 $m
Financial Assets		
Cash and cash equivalents	**602.1**	796.7
Receivables due from financial institutions	**114.4**	146.9
Securities	**1,552.2**	1,141.2
Loans	**30.6**	1.6
Loans by the Securitisation Trust	**106.4**	135.4
Derivative financial assets	**-**	0.1
Total financial assets	**2,405.7**	2,221.9
Off-Balance sheet		
Undrawn facilities (including 86 400)	**184.6**	174.3
Total maximum credit risk exposure	**2,590.3**	2,396.2

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

Note 35 - Financial risk management, continued

Liquidity risk, continued

(a) Cuscal, continued

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 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 pandemic has resulted in a large increase in client balances held with Cuscal, which have been deployed into highly liquid assets in accordance with the policy. 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, have been instituted to ensure that there is no adverse impact on Cuscal's capital adequacy.

Cuscal is not dependent on debt to fund its investment in the payment's business and investment in 86 400. 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) 86 400

The 86 400 Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the 86 400 Group's reputation. The 86 400 Group has an overdraft facility with which it can access emergency liquidity through an RBA repo facility in place to assist in adequately managing liquidity.

The 86 400 Group's Risk Management Team assists with the oversight of asset and liability management – including liquidity risk management. The 86 400 Group's liquidity policies are approved by the Board of Directors, after endorsement by the Risk Management Team and the Board Risk Committee. Liquidity standards which are set and approved by the 86 400 Board ensure that at a minimum the APRA standards are sufficiently met.

Liquidity positions are monitored daily, and monthly stress testing occurs to measure the 86 400 Group's capacity to withstand accelerated deterioration of liquidity. Frameworks have been set and approved by the 86 400 Board in relation to liquidity allocations and early warning indicators, which are designed to ensure sufficient escalation channels are available with appropriate timeframes to respond to liquidity movement.

(c) 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.

Note 35 - Financial risk management, continued

Liquidity risk, continued

(d) 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.

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 2020							
Payables due to financial institutions	**56.9**	**-**	**-**	**-**	**-**	**-**	**56.9**
Client deposits	**786.2**	**922.8**	**-**	**-**	**-**	**-**	**1,709.0**
Securities sold under agreement to repurchase	**-**	**144.7**	**-**	**-**	**-**	**-**	**144.7**
Discount securities issued	**-**	**52.0**	**10.4**	**-**	**-**	**-**	**62.4**
Borrowings of the Securitisation Trust	**-**	**6.8**	**18.0**	**89.0**	**-**	**-**	**113.8**
Lease liabilities	**-**	**0.2**	**0.5**	**2.7**	**-**	**-**	**3.4**
Derivative financial liability	**-**	**0.2**	**-**	**-**	**-**	**-**	**0.2**
Liability to prepaid cardholders	**104.2**	**-**	**-**	**-**	**-**	**-**	**104.2**
Loans approved but not advanced - 86 400	**8.7**	**-**	**-**	**-**	**-**	**-**	**8.7**
Total undiscounted cash flows	**956.0**	**1,126.7**	**28.9**	**91.7**	**-**	**-**	**2,203.3**
30 June 2019							
Payables due to financial institutions	51.5	-	-	-	-	-	51.5
Client deposits	422.6	1,033.3	-	-	-	-	1,455.9
Securities sold under agreement to repurchase	-	140.9	-	-	-	-	140.9
Discount securities issued	-	77.0	35.0	-	-	-	112.0
Liability to prepaid cardholders	138.5	-	-	-	-	-	138.5
Borrowings of the Securitisation Trust	-	8.9	23.8	114.7	-	-	147.4
Total undiscounted cash flows	612.6	1,260.1	58.8	114.7	-	-	2,046.2

Note 35 - 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 2020							
Payables due to financial institutions	**56.9**	**-**	**-**	**-**	**-**	**-**	**56.9**
Client deposits	**476.5**	**922.5**	**-**	**-**	**-**	**-**	**1,399.0**
Securities sold under agreement to repurchase	**-**	**144.7**	**-**	**-**	**-**	**-**	**144.7**
Discount securities issued	**-**	**52.0**	**10.4**	**-**	**-**	**-**	**62.4**
Liability to prepaid cardholders	**104.2**	**-**	**-**	**-**	**-**	**-**	**104.2**
Derivative financial liability	**-**	**0.2**	**-**	**-**	**-**	**-**	**0.2**
Total undiscounted cash flows	**637.6**	**1,119.4**	**10.4**	**-**	**-**	**-**	**1,767.4**
30 June 2019							
Payables due to financial institutions	51.5	-	-	-	-	-	51.5
Client deposits	425.5	1,034.3	-	-	-	-	1,459.8
Securities sold under agreement to repurchase	-	140.9	-	-	-	-	140.9
Liability to prepaid cardholders	138.5	-	-	-	-	-	138.5
Discount securities issued	-	77.0	35.0	-	-	-	112.0
Total undiscounted cash flows	615.5	1,252.2	35.0	-	-	-	1,902.7

Fair value

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

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

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

Cash and cash equivalents

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

Note 35 - Financial risk management, continued

Fair value, continued

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.

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.

For 86 400 loans, the carrying value of loans and advances is net of specific provisions for impairment (if any). For variable loans and loans with rates fixed for a period less than six months, the carrying amount is a reasonable estimate of net fair value. The fair value of fixed rate loans greater than six months was calculated by discounting the future interest cash flows using a discount rate based on the current market rate, assuming constant interest rate spreads, for the average remaining term.

Derivative financial assets and liabilities

The fair value of swaps is calculated by 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 35 - 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.

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.

Consolidated - 30 June 2020	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial Instruments – assets				
Investments	-	-	4.1	4.1
Investment securities	-	1,277.6	-	1,277.6
Total financial instruments – assets	-	1,277.6	4.1	1,281.7

Consolidated - 30 June 2019	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial Instruments – assets				
Investments	-	-	4.0	4.0
Investment securities	-	1,141.2	-	1,141.2
Derivative financial asset	-	0.1	-	0.1
Total financial instruments – assets	-	1,141.3	4.0	1,145.3

Note 35 - 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 (oo).

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

	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 2020						
Cash	**602.1**	**-**	**602.1**	**-**	**-**	**-**
Receivables due from FIs	**114.4**	**-**	**114.4**	**-**	**-**	**-**
Investment securities	**274.6**	**1,278.1**	**1,552.7**	**-**	**0.5**	**0.5**
Loans	**30.7**	**-**	**30.7**	**0.1**	**-**	**0.1**
Loans made by the Securitisation Trust	**106.4**	**-**	**106.4**	**-**	**-**	**-**
Other assets (Trade debtors)	**3.8**	**-**	**3.8**	**0.1**	**-**	**0.1**
Undrawn commitments	**184.6**	**-**	**184.6**	**-**	**-**	**-**
Total	**1,316.6**	**1,278.1**	**2,594.7**	**0.2**	**0.5**	**0.7**
30 June 2019						
Cash	796.7	-	796.7	-	-	-
Receivables due from FIs	146.9	-	146.9	-	-	-
Investment securities	-	1,141.6	1,141.6	-	0.4	0.4
Loans	1.6	-	1.6	-	-	-
Loans made by the Securitisation Trust	135.4	-	135.4	-	-	-
Trade debtors	4.2	-	4.2	-	-	-
Undrawn commitments	174.3	-	174.3	-	-	-
Total	1,259.1	1,141.6	2,400.7	-	0.4	0.4

Unrecognised Items

Note 36 - Assets pledged as collateral

Securities

Investment Securities of $167.6 million (2019: $162.8 million) have been pledged to the Reserve Bank of Australia as collateral for the liability for Securities sold under agreement to repurchase in Note 24.

Note 37 – Capital Commitments and contingencies

	Consolidated 2020 $m	2019 $m	Cuscal 2020 $m	2019 $m
Commitment and contingencies				
IT capital expenditure commitments not longer than 1 year	**8.1**	1.2	**1.0**	1.2
Lease commitments not longer than 1 year	**4.5**		**4.5**	
Lease commitments longer than 1 year	**19.9**		**19.9**	
Total commitments and contingencies	**32.5**	1.2	**25.4**	1.2

Lease commitments on 35 Clarence Street (relating to 86 400) are not recognised above as they have been recognised as a right-of-use asset and lease liability. Refer notes 19, 27 and 38.

Note 38 - 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 premises, namely its head office at 1 Margaret Street Sydney and its subsidiary office at 35 Clarence Street Sydney. Rental contracts are typically made for fixed period of 5 years, but may have extension options. Both contracts contain lease components and the Consolidated Entity allocates the considerations in the contract to the leases based on their relative stand-alone prices. 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.

Until the 2019 financial year, leases of property were classified as operating leases. From 1 July 2019, in accordance with the requirements of AASB 16 Leases, leases are recognised as a right-of-use asset and a corresponding liability at the date on which the lease asset is available for use by the Consolidated Entity.

The lease payments are discounted using the interest rate implicit in the lease. The discount rate used to calculate the lease payments is 3.20% for Margaret Street, 4.8% for Clarence 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.

Note 38 – Leases, continued

The Statement of Financial Position shows following amounts relating to leases, all relating to the 35 Clarence Street lease for the year ending 30 June 2020:

	Consolidated		Cuscal	
	2020 $m	2019 $m	2020 $m	2019 $m
Right-of-use assets				
Buildings	**3.1**	-	**-**	-
Total Right-of-use assets	**3.1**	-	**-**	-
Lease Liabilities				
Current	**0.5**	-	**-**	-
Non-current	**2.4**	-	**-**	-
Total Lease liabilities	**2.9**	-	**-**	-

Additions to the right-of-use assets (excluding depreciation) during the 2020 financial year was $3.2 million (2019: $Nil).

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		Cuscal	
	2020 $m	2019 $m	2020 $m	2019 $m
Profit and Loss impact relating to Leases				
Depreciation charge on Property leases	**0.1**	-	**-**	-
Interest expense on Property Lease ROU assets	**-**	-	**-**	-
Expense relating to short-term leases (included in Occupancy expenses)	**4.6**	4.2	**4.0**	4.0
Total Profit and Loss impact relating to leases	**4.7**	4.2	**4.0**	4.0

Upon adoption of AASB 16 on 1 July 2019, the existing leases relating to Margaret Street and York Street premises, which were due to expire within 12 months, were treated as short-term leases for the 2020 year in accordance with AASB 16.

The total cash outflow for leases for the year ending 30 June 2020 was $5.4 million (2019: $5.2 million). Total cash outflow for the year ending 30 June 2020 of $5.4 million includes $0.1 million (2019: $Nil) reduction in principal portion of lease liability relating to 35 Clarence Street.

Note 39 - Credit facilities

	Consolidated 2020 $m	2019 $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	**9.5**	9.5
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	**1.9**	2.5

As at 30 June 2020, $6.1 million (2019: $6.4 million) of the bank guarantee facility was utilised and $Nil (2019: $0.2 million) of purchasing card facility limit was utilised. The remaining credit facilities were unused at balance date.

As at 30 June 2020, $Nil of the asset liquidity facility was utilised (2019: $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.

As at 30 June 2020 neither Cuscal nor any of the Consolidated Entity provided financing facilities to the Trust (2019: $Nil).

Note 40 - Subsequent events

On July 1 2020, Cuscal began a new lease agreement of its 1 Margaret Street premises. In accordance with AASB 16, at that date Cuscal recognised a right of use asset, and corresponding lease liability, of $22.5 million. In addition, for APRA regulatory capital purposes, this adoption reduces Cuscal's Level 2 Capital Adequacy ratio by approximately 0.5%.

The impact of this event is not reflected in the 2020 Annual Report.

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 - 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.

The '86 400 Group' comprises 86 400 Holdings Limited, 86 400 Technology Pty Limited and 86 400 Limited.

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 2020 %	2019 %
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
86 400 Holdings Limited (formerly 86 400 Holdings Pty Limited)	Ord	**70**	100
86 400 Technology Pty Limited[(ii)]	Ord	**100**	100
86 400 Limited[(ii)] (formally 86 400 Pty Limited)	Ord	**100**	100

(i) All controlled entities are incorporated in Australia.
(ii) Controlled entities of 86 400 Holdings Limited.

The entities listed above are proprietary limited as defined by the Corporations Act 2001, with the exception of 86 400 Holdings Limited and 86 400 Limited. All entities are incorporated and have principal place of business in Australia. Votraint No. 1451 Pty Limited is a non-trading entity.

Cuscal Limited and 86 400 Limited are regulated by APRA as Deposit-taking Institutions and 86 400 Holdings Limited is regulated by APRA as a non-operating holding company. Accordingly, these entities are 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.

Key changes to controlled entities during the 30 June 2020 financial year and up to the date of this report:

- On 1 July 2019, Cuscal contributed an additional $24.0 million in 86 400 Holdings Ltd.
- On 18 July 2019, 86 400 Limited was granted a licence to operate as an authorised deposit-taking institution ("ADI") by APRA under the Banking Act 1959. It launched mortgage and home loan products thereafter.
- In February 2020, Cuscal further contributed an additional $2.0 million in 86 400 Holdings Ltd.
- In February 2020, 86 400 Holdings Ltd completed the 1st tranche of its planned external capital raising program. The first tranche of capital raising provided $31.0 million of additional external capital (net of issuing costs), which result in the dilution of Cuscal's interest in 86 400 Holdings Ltd from 100% to 70%.

Note 41 - Particulars in relation to controlled entities, continued

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.

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 and 86 400 Group were members of Cuscal's tax consolidation group for the full year.

86 400 Holdings Group ceased being a member of Cuscal's tax consolidation group on 28 February 2020.

Note 42 - 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 2020 the outstanding balance of loans to directors was $Nil (2019: $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.

Note 42 - Related party disclosures, continued

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 16 and 27.

Note 43 – Earnings per share and net assets per share

	Consolidated 2020 Cents	2019 Cents
Earnings per ordinary share		
Basic earnings per share	**0.1**	11.9
Diluted earnings per share(1)	**1.8**	11.9
Net Assets per ordinary share		
Basic net assets per ordinary share at year end	**$1.47**	$1.37
Diluted net assets per ordinary share at year end(1)	**$1.39**	$1.37

(1) Diluted refers to the component of the result excluding minority interests

Note 44 – 86 400 Employee Share Performance Rights Plan ("ESPRP")

86 400 Holdings Ltd has an Employee Share Performance Rights Plan ("ESPRP") for certain eligible employees of the 86 400 Group. 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.

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 2020 was $67,546 (2019: $60,721).

The movement of performance rights are as follows:

	Consolidated 2020	2019
Number of performance rights		
Opening balance	**10**	-
Granted	**1**	10
Closing balance	**11**	10
Exercisable as at financial year end	**-**	-

Note 44 – Employee Share Performance Rights Plan, continued

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.

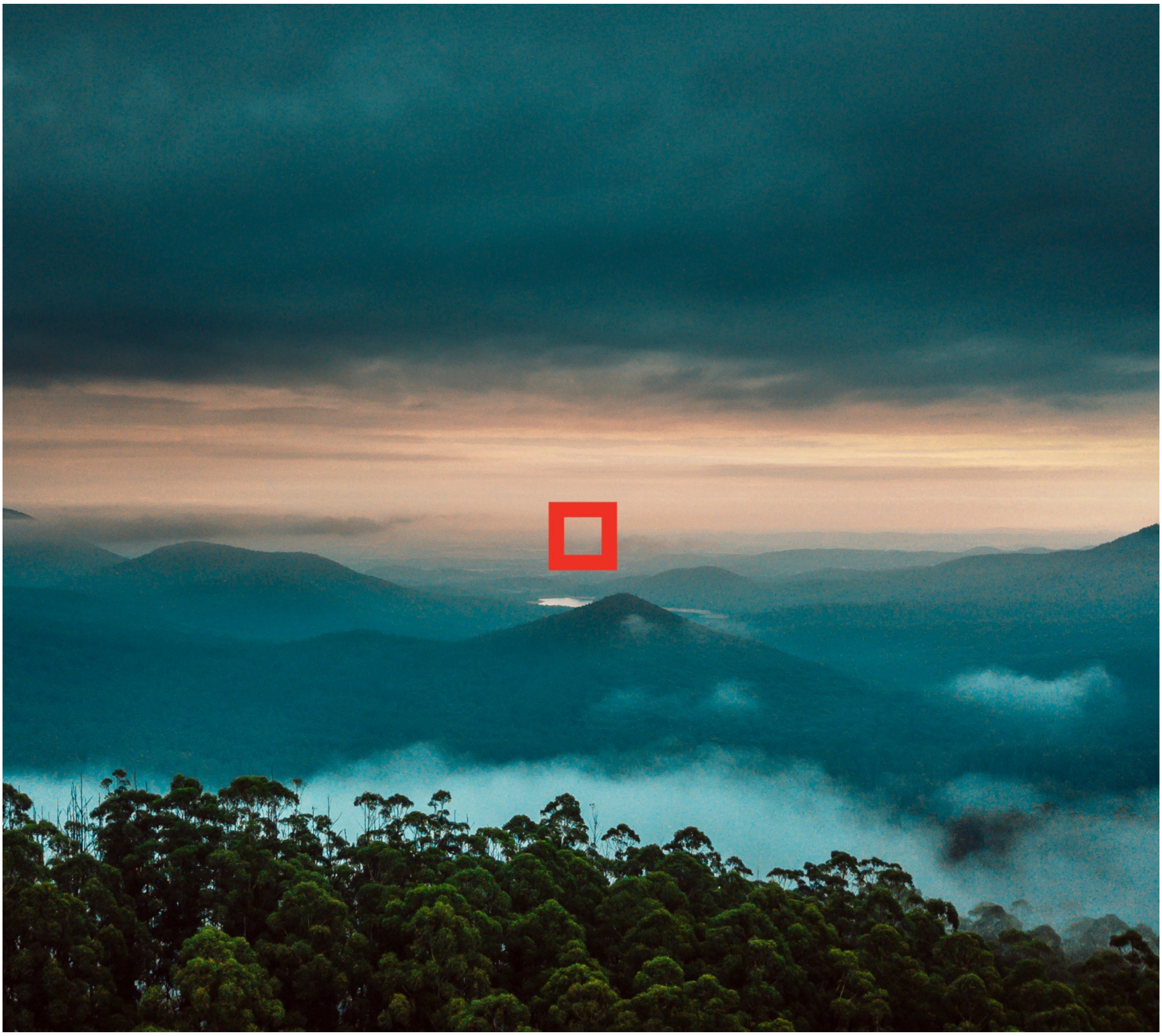
Equity-settled shared-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured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

Note 45 – 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 2020 of the Consolidated Entity is 521 (2019: 450).



Corporate Governance Statement

Cuscal

Corporate Governance Statement 2020

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1. Approach to Governance

This document reflects Cuscal's governance framework as at 30 June 2020 and up to the date of publication of the 2020 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 to the Prudential Standards issued by the Australian Prudential Regulation Authority, *CPS 510 Governance* (CPS 510) and *CPS 220 Risk Management*.

Although Cuscal is not a listed entity, the Board is also committed to complying with the ASX CGC recommendations to the extent that they are applicable to Cuscal.

During the period, the Board also considered the outcomes of the ASIC report on "Director and officer oversight of non-financial risk" and the APRA report and guidance on governance, culture, remuneration and accountability (GCRA).

2. 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, strategy, performance, compliance and policies.

The Board has adopted a formal Board Charter that details the role, responsibilities, composition, Committees, delegations, operation and performance of the Cuscal Board. The Board is also governed by regulation including prudential regulation, general law, the Banking Act, the Corporations Act and the Cuscal Constitution. This includes accountability statements, which have been implemented for Director and Leadership team roles in line with the requirements of the Banking Executive Accountability Regime (BEAR) as issued by 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.

2.1 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. This presently includes oversight of 86 400, an APRA licenced digital retail bank.

86 400 is subject to its own banking license obligations, including its own Board and associated governance. 86 400 is majority owned by Cuscal, therefore Cuscal has implemented a Governance model that strikes an appropriate balance of information flow and enquiry between the respective Boards and (where relevant) across the Leadership teams, to meet prudential, legal

and governance standards.

2.2 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. 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.

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 framework and maintaining an appropriate internal control environment; and
- bringing relevant matters to the Board in a timely and factual manner.

2.3 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 composition is set out on pages 11 to 13 in this Annual Report.

The Board, with guidance from the Board Governance & Remuneration Committee, reviews 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.

The skills and experience profiles of Board members can be found on the Cuscal website.

2.4 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.

Accordingly, in terms of the above definition and criteria, Ms Elizabeth Proust, Ms Sonia Petering and Ms Trudy Vonhoff are considered to be independent non-executive directors.

Appointed Directors are required to complete a declaration confirming their independent status prior to appointment. Their continuing independence is then subject to annual review and is incorporated into the annual Fit and Proper assessment process. Appointed Independent Directors are required to notify the Secretary or Fit and Proper Officer immediately of information relating to changes or possible changes in their independent status.

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 has created the situation whereby elected Directors may not be independent by the usual Prudential definitions. The Board has therefore determined that elected Directors, whose organisations have a material out-sourcing contract with Cuscal, may not be considered to be independent.

Cuscal's current elected Directors are officers of shareholders with more than 5% shareholding in Cuscal and/or have material out-sourcing contracts with Cuscal, so do not meet the criteria of independence under CPS 510 and Cuscal's Board Charter. Cuscal also has (through regulatory approval) one appointed 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.

2.5 Composition

Both the composition of the Board and the election of Directors are determined in accordance with the Cuscal Constitution, and any such regulatory requirements as apply from time to time. The Constitution prescribes that, subject to satisfaction of any regulatory requirements, it will have an equal number of Directors elected by shareholders and Directors appointed by the Board.

APRA's CPS 510 on Governance mandates that ADIs must have a majority of independent Directors at all times. However, under the Standard, special ADI service providers are able to seek alternative Board composition arrangements. Cuscal has obtained approval for alternative Board composition arrangements.

Cuscal has regulatory approval to have one additional non-executive, non-independent Director until 1 December 2020. The maximum number of Directors as determined by the current Constitution is nine, which may comprise up to four Directors elected by shareholders, up to four Directors appointed by the Board, and the Managing Director, who is appointed at the discretion of the Board. The Board currently comprises two elected Directors, four appointed Directors (one of whom is a non-executive, non-independent Director), and the Managing Director, who has been appointed as a non-independent Director under the discretion given to the Board.

Cuscal has written agreements with each Director setting out, inter alia, the terms of his/her appointment. The period of office held by each Director in office at the date of the annual report and his / her status as to independence are set out on pages 11 to 13 in this Annual Report.

Cuscal's elected Directors generally serve three-year terms, retiring at the Annual General Meeting closest to the expiration of their term. Cuscal's independent appointed Directors serve an initial term of no longer than three years, with the terms of office staggered to ensure continuity of experienced Directors. The Board has a selection framework for the appointment of independent Directors, with the Board Governance & Remuneration Committee having oversight of this process. 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 competencies required under the Fit & Proper Policy; and
- an assessment of Cuscal's position with respect to market-based remuneration levels for Directors.

All non-executive Directors and potential candidates are required to be assessed by the Board Governance & Remuneration Committee, in accordance with the criteria contained in Cuscal's Fit and Proper Policy and the requirements of APRA's Prudential Standards CPS 510 and *CPS 520 Fit and Proper*. Other criteria such as professional skills, background, personal qualities, experience and whether the candidate's skills will augment the existing Board are also assessed. Appropriate details about the candidates standing for election (or re-election) are set out in the explanatory memorandum to the notice of meeting relating to, inter alia, the election (or re-election) of directors.

In addition, all Directors are registered by Cuscal with APRA as 'accountable persons', as required under the BEAR.

The Board has adopted a Diversity Policy that sets out Cuscal's objectives for achieving workplace diversity and flexibility, how it will achieve these objectives and how it will measure those achievements. To achieve its objectives, Cuscal:

- will set Board determined measurable objectives for achieving gender diversity
- the Board will assess annually both the objectives and progress in achieving them;
- will assess pay equity on an annual basis; and
- will encourage and support the application of flexibility policy into practice across the business.

2.6 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.

2.7 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. A standing Board meeting agenda item also serves as a reminder to 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.

2.8 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.

2.9 Ongoing Professional Development

In addition to an induction program in place for new Directors, the Board also has a policy on the continuing professional development of Directors. Directors are required to undertake 10 hours professional development per annum (through recognised professional bodies or institutions) which is reviewed as part of the annual Board performance and Fit and Proper assessment process.

In addition, Board meetings periodically include workshops and other development 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 consider various papers from management and external speakers that cover the latest insights regarding strategy, industry and regulation.

2.10 Board Meetings and Processes

The current meeting schedule comprises nine Board meetings per year, but this number may be varied during the year, as required. In addition to these standard meetings, the Board participates in 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 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 in both Board and Board Committee meetings.

Each Director has the right to seek independent professional advice at Cuscal's expense on a matter relevant to the Director's role at Cuscal and affecting a Director's own position, subject to prior approval from the Chairman. The Board policy is that the advice is to be made available to all Directors.

2.11 Board, Committees & Directors Performance Review

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

The Board has established an annual process, with advice from the Board Governance & Remuneration Committee, to conduct the performance evaluations and assessments. The performance evaluation is based on assessment of the Board and each Committee as a collective. Outcomes of the evaluation of the Board and Committees are discussed at the Board and/or the Board Governance & Remuneration Committee and, for individual Directors, with the Chairman. The Director with the longest tenure on the Board conducts the discussion with the Chairman. From time to time, external consultants may be engaged to assist or carry out these performance reviews. For FY20, the Board evaluated its performance adopting a continuous improvement approach, pending a more detailed review in FY21 following the implementation of the outcomes of the Governance review.

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

At the 2018 Annual General Meeting, shareholders approved a total sum of $739,735.86 for Directors remuneration. This amount has remained unchanged. Allocation of this fee pool was made on the following basis:

- Chairman – $165,656.51
- Base Director Fee (including membership of one Board Committee) – $87,397.31
- Membership of a second Committee – additional $10,566.93
- Chair of a second Committee – additional $5,997.88

Additional fees may be paid to Cuscal Directors appointed to selected subsidiary Boards.

2.13 Executive Performance Evaluation & Remuneration

Executive performance is reviewed annually, with criteria being clearly defined, time constrained and based on the achievement of specific objectives, which are aligned to Cuscal's corporate goals. Performance evaluations against those objectives for the 2020 financial year took place in July/August 2020. The executive remuneration approach is to reward performance and provide an appropriately competitive salary to attract, retain, and engage competent and high performing executives.

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

The Board annually reviews the performance and sets the remuneration for the Managing Director after receiving recommendations from the Board Governance & Remuneration Committee. The Managing Director's review involves assessing performance against established criteria.

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

2.14 Company Secretary

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

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

3. Committees and Subsidiary Companies

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

The three standing Committees (Governance & Remuneration, Audit and Risk) undergo an annual process where their performance is evaluated, by reviewing the key responsibilities under each Committee charter and assessing its performance against those responsibilities.

The minutes of subsidiary Boards and Board Committee meetings are included in Cuscal Board papers for the information of all Directors and are reviewed at those meetings. The Board has appointed independent Directors as Chairs of the three Board Committees.

The various Committee Charters are available on Cuscal's website.

Details of Committee members, their qualifications and their attendance at Committee meetings are on pages 14 of the Annual Report.

3.1 Board Governance & Remuneration Committee

The Committee assists the Board on corporate governance practices, Managing Director related matters, Board nominations and appointments, 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 an attendee at Committee meetings, except in relation to discussion on matters affecting his/her own remuneration or performance, or any other matters where a conflict may exist. The Secretary is an attendee, with other management invited as required.

Activities of note for the Committee over the 2020 financial year include:

- the review of Cuscal's corporate governance principles and governance framework;
- reviewed and approval of Cuscal's remuneration disclosures as required

under APRA Standard APS 330;
- review and consider the Board's budget; and
- commission of an independent Governance review taking place in FY21.

3.1 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, evaluation of the 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, and all members are financially literate. The Managing Director is an invitee. The Committee has a standing invitation to External and Internal Audit and selected senior management.

Activities of note for the Committee over the 2020 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;
- 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;
- receipt of the report on auditor independence; and
- tendering of the external audit.

3.2 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 is an invitee to Committee meetings as are other senior management with risk responsibilities.

The Committee's main focus over the 2020 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;
- COVID-19 risks and considerations;
- assessment of risk appetite and strategic risks; and
- input and oversight of the Board self-assessment of the APRA/CBA report.

3.4 Committee Memberships at 30 June 2020

	Board Governance & Remuneration	Board Audit	Board Risk
Elizabeth Proust(1)(i)	♦ (C)		
Sonia Petering(1)	♦	♦	♦ (C)
Trudy Vonhoff(1)		♦ (C)	♦
Steve Laidlaw(2)	♦	♦	
Wayne Stevenson(2(ii))			♦

(C) denotes Chairman
(1) denotes independent, non-executive Director
(2) denotes non-independent non-executive Director
(i) Appointed 1 June 2020
(ii) Appointed 28 January 2020

Director Ling Hai does not sit on a Board Committee.

4. 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.

The External Auditor has a standing invitation to and attends all Board Audit Committee meetings. 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 attends the Annual General Meeting and is available to answer shareholder questions on the conduct of the audit and the audit report.

5. 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. Cuscal's internal audit function is fully outsourced, for the June 2020 year to KPMG. The Board Audit Committee is responsible for assessing whether the Internal Audit function is adequate, properly resourced and independent.

6. 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.

6.1 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, vision and values 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. The Board and management also engage in risk reviews, which culminates in Cuscal's CPS 220 declaration. In addition, a six-monthly update on strategic risks is provided to the Board.

The Board owns the risk profile of Cuscal and approves the risk management framework. As such, the Board is responsible for setting the key risk parameters for the major risks including maintenance of a Group Risk Appetite Statement and alignment with the associated risk management policies. The risk management framework including risk appetite statement and key policies are reviewed annually. The Board evaluates the effectiveness of risk management strategies and internal control processes. The Board Audit and Risk Committees have significant roles in the risk management process. In addition, independent assurance on the risk framework is provided through internal audit activity and external specialists.

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.

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, an annual risk and controls survey is issued to all staff to help assess the effectiveness of Cuscal's risk and controls systems. A newly developed risk culture survey has also been implemented to provide a more informed understanding of Cuscal's risk culture. This risk survey is complemented by quarterly independent culture assessments by our internal auditors, KPMG.

Cuscal has provided APRA with updates to its own self-assessment against key findings from their review of CBA. Cuscal considered its framework fit for purpose and will continue to enhance its risk framework, ensuring the Board and associated Board Committees are provided with appropriate and relevant "insights" on the operation of, and results from, Cuscal's risk management framework.

6.2 Managing Director & Chief Financial Officer (CFO) Assurance

The Board receives regular reports on the financial condition and performance of Cuscal. The Managing Director and CFO also provide an annual statement to the Board that, in all material respects:

- the company's financial statements present a true and fair view of the financial position and results; and
- the risk management and internal compliance and control systems are operating efficiently and effectively.

7. 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. Cuscal has a continuing engagement and disclosure to its shareholders through the following channels.

Cuscal's Website
Information on Cuscal, including details of its Directors and Leadership Team are detailed on Cuscal's public website.

Annual Reports
Each year the Annual Report provides a comprehensive explanation of the Cuscal Group's business performance.

Half Yearly Financial Reports
Each year a half-yearly financial report is provided to shareholders, notwithstanding that there is no statutory obligation for Cuscal to do so.

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.

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 and CEOs and is also posted on the Shareholder Centre secure website. Such news includes financial results, dividends, material announcements and performance updates.

Shareholder Roadshows
From time to time the Board and members of the Leadership team host meetings around Australia. 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 the period, both the Interim Chairman and Chairman have undertaken specific engagements and communications with shareholders on Governance and general business matters.

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.

8. 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 Cuscal values define the way in which employees are encouraged to work together. Quite simply, it's "what we do around here" 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

All employees are required to comply with Cuscal's Code of Conduct. In addition, Directors are bound by a Directors' Code of Conduct.

The Cuscal Code of Conduct is available on Cuscal's website.

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 is committed to the highest standards of ethical, moral and legal business conduct. In line with this commitment, and as a reflection of commitment to transparency, a Whistleblower Protection Policy is in place that aims to provide an avenue for employees, Directors, as well as a range of external parties to raise serious concerns with the reassurance that they will not be disadvantaged for reporting their reasonable suspicions about other persons. These external parties 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.

We recognise the importance of human rights. Our Modern Slavery Statement is available 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 own business, including our supply chain.

Directory

Principal Offices

The Registered Office and Principal Offices for Cuscal Group and the entities:

- Cuscal Limited
- Strategic Payment Services Pty Ltd
- Integris Securitisation Services Pty Ltd
- Cuscal Management Pty Ltd
- Votraint No. 1451 Pty Ltd

Is as follows:
Level 2
1 Margaret Street
Sydney NSW 2000
Telephone: (02) 8299 9000
Facsimile: (02) 8299 9600

The Principal Offices of the 86 400 Group:

- 86 400 Holdings Ltd;
- 86 400 Technology Pty Ltd; and
- 86 400 Ltd

Is as follows:
Level 6
35 Clarence Street
Sydney NSW 2000
Telephone: (02) 8299 9000
Facsimile: (02) 8299 9600

The Registered Offices of the 86 400 Group is as follows:
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

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: (02) 932 7000

Facsimile: (02) 9322 7001