ANNUAL REPORT 2021

Cuscal

Cuscal

Annual Report 2021

Table of Contents

Summary 2020/2021

Financial

Headline Results		Underlying Results	
NPAT	$82.7 million	NPAT	$23.1 million
ROE	27.5%	ROE	7.9%
EPS	44.2 c/share	EPS	12.4 c/share
DPS	17.0 c/share		
S&P Rating	Retained A+		

86 400 Sale

:86400

- Acquisition price $2.25 per share
- Cash proceeds $127.1 million
- Total gain after tax $72.1 million
- Return on investment >120%

Our People

- Proactively supported employees during the various stages of COVID-19, through remote and hybrid working programs
- Embedded employee engagement programs, including continuous listening approach and action planning
- Launched Connect@Cuscal to provide opportunities for employees to connect socially via face-to-face and virtual events
- Continued to roll out Leaning and Development and Wellbeing programs

Our Clients

- Focus on delivery of products and services that align with client needs and improve customer experience for clients
- Committed to material investment programs to support our clients and client engagement through improved ways of working, time and cost to market and relevance of our solutions
- Continued to build loyalty with our clients with multiple key client contract renewals
- On-boarded several new clients across multiple segments and our entire product portfolio

Our Solutions

- Significant YOY growth in NPP transaction volumes – 197 million transactions, which is an uplift of 82%/89 million transactions
- Increased digital wallet transaction volumes by 25% in the last FY. Monthly transactions ~7 million with a combined value of $430 million
- Continued to focus on Open Banking and developing service that will enable clients to take advantage of their data to compete in an Open Banking environment.
- Developing NPP services to support clients and leverage real time assets

Our Technology

- Retained PCI compliance
- Continued to focus on improvements in resiliency, project management and time and cost to market
- Supported our clients and employees with sustained 24/7 operations
- Deployed hybrid working capability to enable hybrid working and fast remote deployment during lockdown, including meeting room enablement and video call capability within corporate technology tools
- Developed Cloud Based network connectivity models with clients to enable fast onboarding

Letter from the Chairman and Managing Director

Annual Report 2021

The last financial year has once again provided many changes, challenges and opportunities in the Financial Services sector and particularly within the Payments industry.

The COVID-19 pandemic resulted in major changes in an already rapidly evolving environment and, despite challenges, Cuscal continued to increase momentum throughout 2021.

Consistent with the prior financial year Cuscal did not apply for or receive any COVID-19 related Government support packages (e.g. JobKeeper).

Notwithstanding the latest COVID impacts, we have seen significant uplift in our transaction volumes across several of our core products compared to prior years.

This includes an increase in NPP volumes and profit contribution, the key drivers for these being the combination of:

- new NPP customer on-boarding;
- growth in volumes from existing customers; and
- overall growth in the NPP market following increased volumes from the big 4 banks.

These results combined with our investment and forecast increased growth from NPP Mandated Payment Services provide a promising outlook for our NPP business.

Additionally, the total number of digital wallet transactions processed by Cuscal has increased significantly in the last 12 months. Monthly digital wallet transactions sit at close to ~7 million transactions a month with a combined value of approximately $430 million.

Financial

The Consolidated Net Profit After Tax ("NPAT") attributable to the owners of Cuscal was $82.7 million for the year ended 30 June 2021.

This result includes a number of key significant and 'one-off' items, primarily being the gain on sale of our investment in 86 400 ($72.1m), continued absorption of 86 400 operating losses ($12.5m) up to disposal date (down $7.0m on 2020) and a component of the result relating to the now discontinued ATM operations sold in the prior year ($0.9m). Excluding these significant and 'one-off' impacts, the Group Underlying Net Profit after Tax was $23.1m; up $1.2m (6%) from 2020.

Cuscal's underlying business has performed above expectations for the year to 30 June 2021. This was mainly due to achieving better than forecast volume and revenue outcomes during a COVID-19 impacted year. Following the sale of 86 400, Cuscal's capital position has improved and remains well above minimum capital ratios.

Our Standard & Poors A+ credit rating has remained unchanged during this financial year.

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

Our People

Our success is dependant largely on our people and we continue to concentrate on building a dynamic and forward-looking culture. We would like to thank all our employees for their resilience and hard work during these unprecedented times.

Throughout the year, we looked at ways to evolve and improve the employee experience at Cuscal. This remains particularly important, as we adapt and transition to new ways of working as a result of the ever-changing situation that COVID-19 places us in.

When the pandemic first commenced, we were able to adapt quickly remote working. Over the course of the last year, we successfully transitioned to a hybrid working model that facilitated the flexibility to work remotely alongside being able to come together face to face for those moments that matter.

Ensuring our employees stay informed and connected, whether in a virtual or face to face environment, has once again been a priority and during this year we were pleased to launch Connect@Cuscal. Throughout the year, we have run a series of physical and virtual social events to encourage social connection at Cuscal and support the wellbeing of our employees.

Our Learning & Development and Wellbeing Programs have also evolved in 2021 and they have been designed to support our employees in career and personal development, physical and financial wellbeing, and supporting mental health.

Letter from the Chairman and Managing Director, continued

This year, we changed our approach to measuring employee engagement and introduced a continuous listening approach via quarterly surveys. This has allowed us to adapt and respond quickly and efficiently to staff feedback and to create action plans in a timely manner.

And finally, we were pleased to launch our talent success program 2021, where we have invited our top performers to participate in an annual program to help develop our future leaders and retain our best talent.

86 400 Sale

In January 2021, National Australia Bank (NAB) entered into a Scheme Implementation Agreement to acquire 100% of the shares in 86 400 Holdings Ltd at an acquisition price of $2.25 per share. The transaction was completed on 19 May 2021.

This represented a return in excess of 120% on invested capital to Cuscal and its shareholders. This return reflected the substantial value 86 400 created through its leading technology, experience and team.

Cuscal Strategy

At the end of last year, we communicated the importance of focussing on our strategic priorities and to ensure that we increase our relevance in the payments landscape.

Throughout this financial year, we have prioritised facilitating our clients' success by:

- increasing the relevance of our payments solutions
- expanding our client reach; and
- optimising our time and cost to market

To that end we will continue to make significant investment in new initiatives such as Open Banking as part of the Consumer Data Right roll out and Pay To (previously known as New Payments Platform Mandated Payment Service). We are also focussing on evolving our core services offering in Payment Acceptance and Issuing.

Following the sale of 86 400 and the execution of capital initiatives, Cuscal will reinvest a significant amount of available capital in our core business including funding a range of transformational initiatives to enable us to deliver on our strategic priorities. These include:

1. undertaking a review of our operating model to ensure that our people, processes, systems, culture and structure are set up for success now and in the future.
2. continuing to define and deliver a detailed roadmap of digital capabilities, platforms and enhancements to help transform the way we deliver our services moving forward.
3. focussing on operational effectiveness and addressing pain points for clients.

Clients

We are continuing with our focus to "Enable the Future" for our clients by delivering innovative products and services and to ensure strong alignment to product and client needs. Our product development roadmap is focused on providing services to improve the end customer experience for our clients.

The COVID-19 pandemic has resulted in a dramatic increase in digital adoption. As a result, Cuscal has focussed on assisting our clients in transforming customer experience in this area and we are powering more banks than ever before with our digital wallet solutions.

We have once again monitored client satisfaction in FY21 via our annual Voice of the Client Survey. The survey is one of the ways we seek to understand client experience with Cuscal. The feedback we receive is invaluable to us, and the results help shape our client experience programs. We were pleased to see that we are continuing to build loyalty with our clients.

The feedback we received from clients this year was consistent with previous years and, in FY21, we will focus on:

- end-to-end project management;
- responsiveness to queries across the business;
- system resilience and related communications; and
- demonstrating the value of our products

To support these areas of feedback and to deliver significant uplift, we have committed to material investment in programs that will improve our ways of working, our time and cost to market and the relevance of our solutions, which we have outlined above.

Cuscal

Letter from the Chairman and Managing Director, continued

After a short break during the pandemic, we once again held our flagship thought leadership event Curious Thinkers. This year, we held the event as a virtual summit and it was very well attended. The theme for the event was 'Value, Unlocked'.

The feedback we received from clients was overwhelmingly positive.

New Clients

We have onboarded a number of new clients throughout the year. These new clients represent an industry mix that is consistent with our organic growth strategy, and cover Banking Government, large Payments and Financial Services companies, as well as smaller local Payments Services companies and Fintechs.

The new clients span our entire product portfolio, driving revenue growth across Issuing, Acquiring and Payments. Many of the new clients are taking on Cuscal NPP services, and several of these have already committed to implementation of PayTo services.

Open Banking

We believe that Open Banking will provide Banks, Fintechs, other Financial Institutions and Corporates an unprecedented opportunity to leverage unique customer data in order to create new customer-centric experiences and streamline operations. In addition to the opportunities in banking the ability to strengthen trust between banks and customers will offer innovative banks the opportunity to play a greater role in customer's digital lives outside of banking.

There is a unique opportunity for Cuscal to facilitate partnerships and deliver sophisticated solutions. Our clients will be able to compete effectively in an Open Banking environment by accessing scale and functionality that otherwise would have been beyond reach individually.

Cuscal's solution will provide a pathway to compliance as well as capabilities that will enable clients to take advantage of their own data and the data available through CDR, putting organisations in a position to compete.

NPP PayTo service

Since November 2017, Cuscal has provided clients with access to the New Payments Platform (NPP), which has enabled fast, flexible and data rich payments between financial institutions, consumers and businesses.

In FY22, NPP Australia Ltd (NPPA) will launch PayTo (previously referred to as the Mandated Payments Service), enabling payer customers to pre-authorise an Initiating Party to make a one-off or recurring real-time payment from their bank account via the NPP.

Cuscal is committed to supporting our NPP Identified Institution clients meet their PayTo compliance obligations as a Payer Participant.

PayTo payment initiation services will enable organisations to:

- modernise the way accounts are used for payments;
- take advantage of future features, and payment innovation;
- deliver enhanced experiences for payer customers, with self-service capabilities providing more control over payment arrangements from bank accounts;
- provide greater visibility and certainty over payments arrangements; and
- offer better products and services to customers.

When it comes to enabling the future of payments, our focus is on continuous development of new NPP services to support our clients and to leverage our real time assets.

Cuscal Board

We farewelled outgoing directors Steve Laidlaw in October 2020 and Sonia Petering in April 2021. We thank them both for their contributions to our governance during their respective terms. We welcomed Daryl Johnson to our Board in February 2021 and Belinda Cooney in June 2021.

Daryl brings knowledge of the mutual sector, banking and technology to the board, Belinda brings payments, technology and deep financial expertise to the Board's collective skills and experience.

At the October 2020 AGM, Mr Ling Hai was elected as an Elected Director, and consequently ceased tenure as an Appointed Director under the then Constitution.

Cuscal

Letter from the Chairman and Managing Director, continued

The Governance review undertaken over the past 12 months determined an appropriate fit for purpose governance model that would enable Cuscal to execute its strategy. The recommendations from the Governance review were presented to shareholders in March 2021. Shareholders approved changes to the Cuscal Constitution at our General Meeting held on 28 July 2021. The changes were proposed as part of the new governance model that involves a fully elected and, in due course, majority independent Board.

Outlook

While certainty of our financial outlook has been challenged over the past few years, Cuscal has continued to perform above expectation.

The sale of 86 400 will provide additional capacity and opportunity to continue to focus on our strategic priorities of enhancing the relevance of our products and solutions and expanding our client reach with the aim of moving towards the centre of payments in Australia. We expect to see the benefit from these programs in the coming years.

For further detail please refer to "Review of Operations" on page 6 of this report.

Elizabeth Proust AO
Chairman
Sydney, 17 August 2021

Craig Kennedy
Managing Director

Review of Operations

Overview

The Consolidated Net Profit After Tax ("NPAT") attributable to the owners of Cuscal was **$82.7 million** for the year ended 30 June 2021; an increase of **$79.4 million** on 30 June 2020.

This result includes a post-tax gain on the sale of 86 400 of **$72.1 million** and is after Cuscal absorbed its share of 86 400's post-tax operating losses of $12.5 million for the year ended 30 June 2021.

For 2021, the financial impacts of the 86 400 Group have been presented as a 'discontinued operation' in accordance with AASB 5 and comparatives restated where applicable.

86 400 sale

As communicated in January 2021, National Australia Bank (NAB) entered into a Scheme Implementation Agreement to acquire 100% of the shares in 86 400 Holdings Ltd at an acquisition price of $2.25 per share. The transaction completed on 19 May 2021. The cash proceeds of the sale were $127.1m and the after tax results for the year includes the $72.1m gain noted above.

The gain represented a significant return on invested capital to Cuscal and its shareholders, and reflects the substantial value 86 400 created through its leading technology, experience and team.

In May 2021, the Board stated it was considering appropriate capital management initiatives in response to the gain on sale of 86 400; with the purpose of balancing returns of capital to shareholders with reinvestment in the core business.

Refer 'Dividends and Dividends per share' and 'Further Capital Management Initiatives' sections for further information.

Group 'Underlying' Result

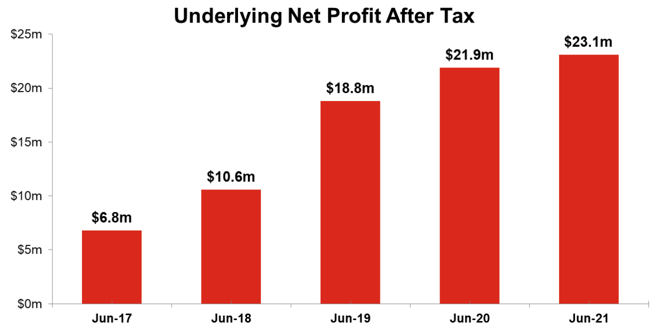
The Group NPAT result for the current and prior year have been impacted by a number of significant and 'one- off' items:

- for 2021 only:
  - a $72.1 million after tax gain on the sale of Cuscal's investment in 86 400 Group on 19 May 2021;
  - $12.5 million of after tax operating losses associated with 86 400 (2020: $19.5 million); and
- for 2020 only, a $0.9 million after tax contribution relating to the discontinued ATM business, which was sold to Armaguard on 13 August 2019.

References in the Review of Operations to the 'Underlying' result excludes these significant and 'one-off' or discontinued items.

Group Underlying NPAT

The Group's 'Underlying' consolidated NPAT for the year ended 30 June 2021 was $23.1 million; $1.2 million (6%) higher than the corresponding year ended 30 June 2020.



A reconciliation of statutory NPAT to 'Group Underlying' consolidated NPAT is set out below:

Reconciliation	June 2021 $m	June 2020 $m
Statutory Net Profit After Tax	**82.7**	**3.3**
Gain on sale of 86 400	(72.1)	-
86 400 loss(i)(ii)	12.5	19.5
ATM contribution	-	(0.9)
Group Underlying Net Profit After Tax	**23.1**	**21.9**

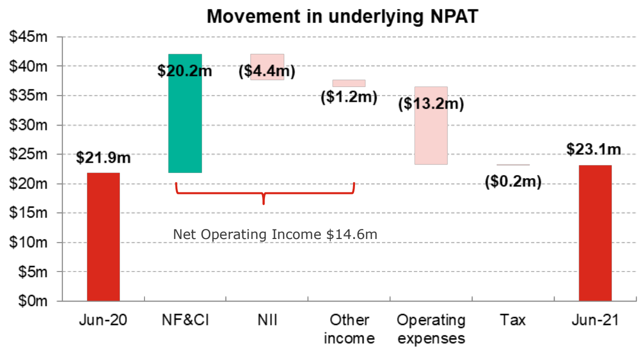
(i) includes the impact of outside shareholder interests

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

Key elements of the net $1.2 million increase in 'Group Underlying' consolidated NPAT for the year ended 30 June 2021 are shown below:

'Group Underlying' Result,
continued

Underlying Operating Performance,
continued



Underlying Net Operating Income

Underlying Net Operating Income (NOI) increased 10% to $162.5 million for 30 June 2021, from $147.9 million for 30 June 2020.

The 'underlying' NOI result for the year ended 30 June 2021 largely reflects:

- volume and revenue growth across core product groups including NPP, DE, Fraud and 'the Pays';
- growth in contribution from our Payment Facilitator clients; offset by
- a reduction in multicurrency revenue due to ongoing international travel restrictions; and
- a decrease in net interest income 'balance sheet' contribution – reflecting a reduction in margins due to low cash rates over the year and the impact from the planned conservative approach to investment management due to uncertainty of both COVID and capital requirements for 86 400 up to the point of sale.

Underlying Operating Expenses

Underlying Operating Expenses increased 11% to $129.6 million for 30 June 2021, from $116.4 million for 30 June 2020.

The 'underlying' operating expense result for the year ended 30 June 2021 largely reflects:

- an increase in spend associated with strategic investment priorities, including upgrades to core Switching Technology Infrastructure, investment in Open Banking, 'NPP Mandated Payments Service' capabilities, and Fraud system enhancement.

  While costs have been incurred in the current period and an appropriate amount capitalised, the benefits of these investments are expected in future periods; offset by
- a net decrease in discretionary operating and support costs.

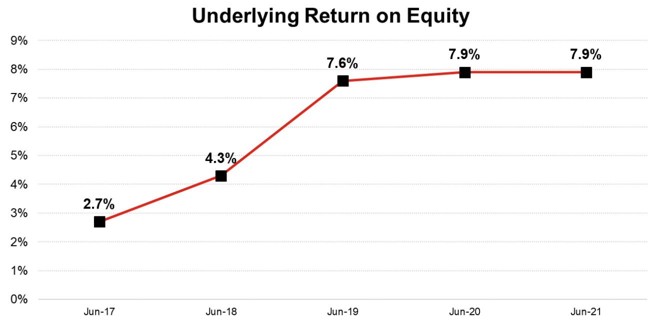
Consistent with the prior financial year, Cuscal did not apply for or receive any COVID-19 related Government support packages (e.g. JobKeeper).

Shareholder returns

Return on Equity

The Return on Equity ("ROE") attributable to owners of Cuscal for the year ended 30 June 2021 was 27.5%; a significant increase on 1.3% for the year ended 30 June 2020.

Underlying ROE of 7.9% for the year ended 30 June 2021 was in line with the year ended 30 June 2020. This reflects the underlying NPAT increase, somewhat diluted by the impact of progressively higher equity balances over the year.



Earnings per share

Earnings per Share attributable to the owners of Cuscal was 44.2 cents per share for the year ended 30 June 2021, a significant increase on 1.8 cents per share for the year ended 30 June 2020.

Underlying Earnings per Share attributable to the owners of Cuscal was 12.4 cents per share for the year ended 30 June 2021, an increase of 0.7 cents per share (6%) on 11.7 cents per share for the year ended 30 June 2020; on a stable 'shares on issue' base.

Cuscal

Shareholder returns, continued

Dividends and Dividends per share

Cuscal's underlying business performed above expectations for the year to 30 June 2021. This was mainly due to achieving better than forecast volume and revenue outcomes during a COVID-19 impacted year.

An interim ordinary dividend of 1.5 cents per share was paid in April 2021, totalling $2.8 million.

In addition to the interim dividend, the Directors have declared a final ordinary dividend of 2.1 cents per share for the 2021 financial year. The dividend will be fully franked, payable to eligible shareholders of record at 7 September 2021 and paid on 5 October 2021.

This brings the full year 'ordinary' dividends to a total of 3.6 cents per share.

In addition to the final dividend outlined above, and in association with the sale of 86 400, the Directors have declared a special dividend of 13.4 cents per share. The dividend will be fully franked, payable to eligible shareholders of record as at 7 September 2021 and also paid on 5 October 2021. The total amount to be paid for this special dividend is $25.0 million.

As a result, total dividends paid or declared for the year ended 30 June 2021 are 17.0 cents per share and total $31.8 million.

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

Further Capital Management Initiatives

In May 2021, the Board stated it was considering appropriate capital management initiatives in response to the gain on sale of 86 400; with the purpose of balancing returns of capital to shareholders with reinvestment in the core business.

Subject to regulatory approval, the Board has declared its intention to return up to ~70% of the net realised gain from the sale of 86 400 to Shareholders via a combination of the $25.0 million special dividend outlined above, and a series of share buy-backs totalling in the order of ~$25 million (subject to shareholder approval); an aggregate capital return package totalling in the order of ~$50 million.

Cuscal is seeking the regulatory approvals required to conduct a series of proposed share buy-backs; being an equal access share buy-back and a selective buy-back; with the latter requiring shareholder approval. Subject to regulatory approval, we expect to bring the relevant resolutions for shareholder approval to the AGM in October 2021.

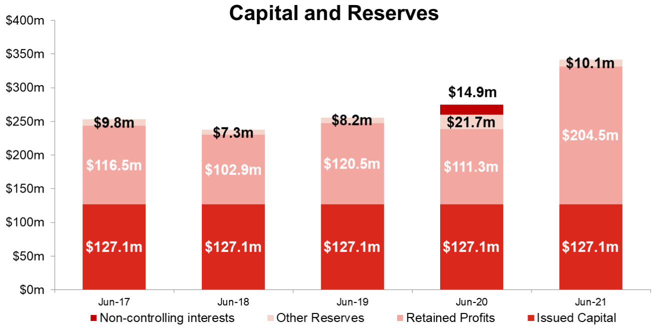
The effect of the combined buy-backs will be to provide an opportunity for all shareholders to participate in a liquidity event and sell their shares back to Cuscal, up to the respective limits in each buy-back offer. The aggregate capital that may potentially be bought back under the two share buy-backs is targeted at ~$25 million.

Capital and Reserves

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

After adjusting for the impact of all dividends declared but not yet paid at the end of each financial year, Cuscal's capital adequacy ratio at 30 June 2021 was 24.0%, a significant increase on 19.7% at 30 June 2020.

The increase in Capital adequacy ratio is driven by the impact of the one-off gain on sale of 86 400 and significant reductions in both risk weighted assets and the operating risk charge following the exit of 86 400 from the Cuscal Group.



Outlook for 2022

Over the past few years we have invested around $75 million in the New Payments Platform (NPP), 'The Pays', Fraud, 'Switch' infrastructure upgrade and more recently in Open Banking and NPP Mandated Payments. This investment has been directed towards our key strategic focus areas of enhancing the relevance of our products and expanding our client reach.

We have made deliberate choices in pioneering 'greenfield' initiatives such as NPP and Open Banking with the aim of capturing meaningful market share as we seek to move more towards the centre of payments in Australia. The benefits of these investments are expected to flow in subsequent years.

The sale of 86 400 provides capacity and opportunity to now pivot our investment focus towards optimising our time and cost to market. We will target investments in this area via transformation of our operating model and a range of strategic digital initiatives. This investment is intended to deliver greater operational efficiency and leverage in future years.

The operating performance of Cuscal, and the wider Payments industry, continued to recover in the 2021 financial year and gained traction as the year progressed. Together with the anticipated acceleration of consumer behaviour towards a more 'cashless' transactional environment, Cuscal's short and medium term outlook is expected to benefit from:

- increased demand for our digital services ('the Pays');
- momentum in usage of the New Payments Platform;
- growth in our Payment Facilitator and Payment Aggregator segments; and
- the enhanced prospects for a broader industry ATM utility.

Cuscal's financial position remains strong, with our current and forecast regulatory capital position (after the special dividend and proposed share buy-backs outlined above) well above minimum prudential requirements.

Cuscal

Directors' Report

Introduction

The directors of Cuscal Limited ("Cuscal") submit herewith the annual financial report for the financial year ended 30 June 2021. This Directors' Report has been prepared in order to comply with the provisions of the Corporations Act 2001.

Directors

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

- E Proust AO, Chairman
- C N Kennedy (Managing Director)
- H Ling, elected 14 October 2020
- W Stevenson
- T Vonhoff
- D Johnson, appointed 24 February 2021
- B Cooney, appointed 18 June 2021

The following directors retired during the year:

- S P W Laidlaw, 14 October 2020
- S A Petering, 15 April 2021

Principal Activities

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

- Electronic and paper payment processing including EFTPOS, direct entry, BPAY and member and corporate chequing;
- Card products including debit, credit and prepaid cards across most of the major schemes in the market;
- Card platform services, including rewards;
- Digital applications development;
- Liquidity management and settlement services;
- Specialised finance facilities;
- Network communication services;
- Fraud management services;
- Real-time payments services via the New Payments Platform; and;
- Retail digital banking – through the '86 400' Group, up to the date of sale of 86 400 on 19 May 2021.

Review of Operations

Net Profit after Tax for the year ended 30 June 2021, attributable to the owners of Cuscal, was $82.7 million compared to $3.3 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 9 of the Annual Report.

Subsequent Events

The section of the Directors' Report headed 'Dividends' outlines the final dividends to be paid in relation to the 2021 financial year.

Other than in relation to dividends, 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 2022 is discussed in the Review of Operations on page 6 to 9 of the Annual Report.

Change in Auditors

Following the resignation of Deloitte Touche Tohmatsu as external auditors at the AGM in October 2020, shareholders voted to appoint Ernst & Young as external auditor of the Cuscal Group for the 2021 financial year.

The Directors welcome Ernst & Young as the new auditor for the 2021 financial year. Further, the Directors would like to thank the previous auditors, Deloitte Touche Tohmatsu, for their services to Cuscal over many years

Cuscal

Directors' Report, continued

Dividends

In respect of the financial year ended 30 June 2020, no final dividend was paid in the 2021 financial year.

In respect of the financial year ended 30 June 2021, an interim dividend of 1.5 cents per ordinary share was paid on 1 April 2021. The amount paid was $2.8 million.

For the year ended 30 June 2021, the Directors have declared a final dividend of 2.1 cents per share to be paid on 5 October 2021. The amount to be paid is $4.0 million.

In addition to the final dividend outlined above, and in association with the disposal of 86 400, the Directors have declared a special dividend of 13.4 cents per share to be paid on 5 October 2021. The amount to be paid is $25.0 million.

As a result, total dividends paid or declared for the year ended 30 June 2021 are 17.0 cents per share.

All dividends paid or declared relating to the year ended 30 June 2021 are fully franked to 100% at the 30% corporate income tax rate.

Indemnification of Officers and Auditors

Cuscal has agreed to indemnify the following current directors (E Proust, C N Kennedy, H Ling, W Stevenson, T Vonhoff, D Johnson, B Cooney), the former directors (S P W Laidlaw, S A Petering), the Company Secretary and all executive officers of Cuscal and officers of any related body corporate, against a liability that may arise from their positions within the Company or related body corporate to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability indemnified.

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

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

Share Transactions

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

Based on information registered with Cuscal in the year, other than changes in shareholdings arising from mergers between shareholders, no shares were traded during the financial year ended 30 June 2021.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 16 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, 17 August 2021

Craig Kennedy
Managing Director

Cuscal

Information on Directors

Elizabeth Proust AO

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

- Chairman, Independent Non-Executive Director
- Appointed 1 June 2020
- Age 70

Experience:

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

Special Responsibilities:

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

Directorships in Other Entities:

- SuperFriend Industry Funds' Mental Health Initiative (Chair)
- Lendlease Group

Other Declared Interests:

- Nil

Craig Kennedy

MBA, GAICD, FFIN

- Managing Director
- Appointed 8 December 2008
- Age 52

Experience:

- More than 35 years' experience in the financial services sector with particular expertise in digital banking and payments. Prior to joining Cuscal, Craig served as Managing Director of Espreon Limited for four years.
He was also head of direct banking at ING and has held a number of senior positions at Advance Bank Australia, State Bank of New South Wales and Monster Worldwide.

Directorships in Other Entities:

- NPP Australia Limited
- Australian Payments Council (member)

Other Declared Interests:

- Nil

Belinda Cooney

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

- Independent Non-Executive Director
- Appointed 18 June 2021
- Age 50

Experience:

- 30 years' experience in global financial markets, focused on the Telecommunications, Media and Technology sector, primarily with Macquarie Capital in both principal investments and investment banking advisory.
- Belinda's experience in working with clients ranges from Fortune 500 companies to early-stage technology ventures and includes working on complex global transactions as well as providing advice on strategy, business transformation, governance, and risk management.
- Belinda has previously been a Non-Executive Director of 86 400 Holdings Limited.

Roles in Other Entities:

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

Other Declared Interests:

- Nil

Cuscal

Information on Directors, continued

Hai Ling (Ling Hai)

MBA

- Non-Executive Director
- Appointed 25 September 2019, elected 14 October 2020
- Age 51

Experience:

- Co-President for Asia Pacific, Mastercard
- Over 10 years at Mastercard and has worked across various regions
- Prior to joining Mastercard, he was head of partnership business and co-brand marketing 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.

Special Responsibilities:

- Member of the Board Risk Committee (part year)

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
- Officer, Mastercard Asia/Pacific (Australia) Pty Ltd

Other Declared Interests:

- Nil

Daryl Johnson

MBA, BBus, GAICD

- Non-Executive Director
- Appointed 24 February 2021
- Age 58

Experience:

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

Special Responsibilities (part year):

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

Directorships in Other Entities:

- Beyond Bank Australia

Other Declared Interests:

- Nil

Wayne Stevenson

BCom, CA, FAICD

- Non-Executive Director
- Elected 28 January 2020
- Age 62

Experience:

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

Directorships in Other Entities:

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

- Over the past 10 years, Wayne has developed his career as a professional Director which has included:
    - Onepath Life Insurance Ltd
    - Onepath General Insurance Ltd
    - QMS Media Ltd

Special Responsibilities:

- Member of the Board Risk Committee (part year)
- Member of the Board Audit Committee (part year)
- Member of the Board Governance & Remuneration Committee (part year)

Cuscal

Information on Directors, continued

Wayne Stevenson, continued

Other Declared Interests:

- Nil

Trudy Vonhoff

GAICD, MBA, BBus (Hons), SF Fin

- Independent Non-Executive Director
- Appointed 10 April 2019
- Age 58

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:

- Interim Chairman of the Board Audit Committee (until 18 August 2021)
- Chairman of the Board Risk Committee
- Member of the Board Governance & Remuneration Committee

Directorships in Other Entities:

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

Other Declared Interests:

- Nil

The following directors resigned or retired during the year:

- Steve Laidlaw (14 October 2020)
- Sonia Petering (15 April 2021)

Information on Company Secretaries

Carmen Fraser

LLB, BJuris, BCom, GAICD

- General Counsel & Company Secretary
- Appointed 11 September 2020 (Company Secretary)
- Age 58

Experience:

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

Sean O'Donoghue

BCom, CA, MBA

- Chief Financial Officer
- Appointed 8 January 2020 (Company Secretary)
- Age 57

Experience:

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

Cuscal

Information on Directors, continued

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	11	11			10	10		
B Cooney*	1	1						
D Johnson**	3	3	1	1			1	1
C N Kennedy	11	11						
H Ling	9	11					4	3
W Stevenson	11	11	3	3	2	2	3	3
T Vonhoff	11	11	5	5	6	6	7	7
S P W Laidlaw#	6	6	1	1	4	4		
S A Petering##	10	10	4	4	5	5	6	6

Additional Board meetings have occurred during the past year in response to the strategic 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 18 June 2021
** Appointed 24 February 2021
# Resigned effective 14 October 2020
Retired effective 15 April 2021

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's independence declaration to the directors of Cuscal Limited

As lead auditor for the audit of the financial report of Cuscal Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Andrew Harmer
Partner
17 August 2021

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent auditor's report to the members of Cuscal Limited

Opinion

We have audited the financial report of Cuscal Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- The Group consolidated and Company statements of financial position as at 30 June 2021;
- The Group consolidated and Company statements of profit and loss, statements of other comprehensive income, statements of changes in equity and cash flow statements for the year then ended;
- Notes to the financial statements, including a summary of significant accounting policies; and
- The directors' declaration.

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

a. Giving a true and fair view of the Company's and the Group's financial position as at 30 June 2021 and of their financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Building a better working world

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young

Ernst & Young

Andrew Harmer
Partner
Sydney
17 August 2021

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, 17 August 2021

Craig Kennedy
Managing Director

Statement of Profit and Loss
For the financial year ended 30 June 2021

Cuscal Limited and its controlled entities

	Notes	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $m
Continuing operations					
Fee and commission income	2	**201.5**	192.0	**201.5**	191.9
Fee and commission expenses	2	**(45.3)**	(53.9)	**(44.8)**	(53.6)
Net fee and commission income		**156.2**	138.1	**156.7**	138.3
Interest income	3	**15.4**	30.1	**12.0**	25.2
Interest expense	3	**(8.0)**	(18.4)	**(5.8)**	(14.7)
Net interest income		**7.4**	11.7	**6.2**	10.5
Other operating (loss)/income	4	**(1.1)**	0.1	**(0.6)**	2.0
Total net operating income		**162.5**	149.9	**162.3**	150.8
Employment expenses	5	**(76.9)**	(72.8)	**(76.9)**	(72.8)
Occupancy expenses	5	**(4.7)**	(3.1)	**(4.7)**	(3.1)
Non-salary technology expenses	5	**(33.5)**	(31.6)	**(33.5)**	(31.6)
Other expenses	5	**(14.5)**	(9.7)	**(14.4)**	(9.5)
Total operating expenses		**(129.6)**	(117.2)	**(129.5)**	(117.0)
Profit before income tax from continuing operations		**32.9**	32.7	**32.8**	33.8
Income tax expense	6	**(9.8)**	(9.9)	**(9.7)**	(9.7)
Profit after tax from continuing operations		**23.1**	22.8	**23.1**	24.1
Discontinued operations					
Gain on sale of 86 400 after tax	41	72.1	-	37.4	-
Loss after tax from discontinued operations	41	(22.0)	(22.3)	-	-
Profit after tax from discontinued operations		**50.1**	(22.3)	**37.4**	-
Profit for the year		**73.2**	0.5	**60.5**	24.1
Add: Loss attributable to non-controlling interests	31	9.5	2.8	-	-
Consolidated Profit attributable to the owners of Cuscal		**82.7**	3.3	**60.5**	24.1

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

Statement of Profit and Loss
For the financial year ended 30 June 2021

(Continued from previous page)

	Notes	Consolidated 2021 $	Consolidated 2020 $	Cuscal 2021 $	Cuscal 2020 $
Earnings per ordinary share ('EPS')					
Basic and diluted earnings per share	44	**$0.44**	$0.02	**$0.32**	$0.13
EPS from continuing operations					
Basic and diluted earnings per share	44	**$0.12**	$0.12	**$0.12**	$0.13

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 2021

Cuscal Limited and its controlled entities

	Notes	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $m
Consolidated Profit for the year		**73.2**	0.5	**60.5**	24.1
Other comprehensive income					
Items that may be reclassified to the Statement of Profit and Loss:					
Unrealised gains on Fair Value through OCI debt instruments		**2.6**	0.2	**2.6**	0.2
ECL impairment charged on Fair Value through OCI debt instruments taken directly to reserves		**-**	(0.1)	**-**	(0.1)
Income tax expense relating to these items		**(0.8)**	-	**(0.8)**	-
Other comprehensive income, net of tax	28	**1.8**	0.1	**1.8**	0.1
Total comprehensive income for the year, net of tax		**75.0**	0.6	**62.3**	24.2
Total comprehensive loss attributable to non-controlling interests		**9.5**	2.8	**-**	-
Total comprehensive income attributable to owners of Cuscal		**84.5**	3.4	**62.3**	24.2

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 2021

Cuscal Limited and its controlled entities

	Notes	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
ASSETS					
Cash and cash equivalents	9	**934.9**	607.1	**931.7**	574.5
Receivables due from financial institutions	10	**37.4**	109.4	**37.4**	109.2
Investment securities	11	**1,685.6**	1,552.2	**1,685.6**	1,277.6
Loans	12	**0.7**	30.6	**0.7**	0.6
Loans made by the Securitisation Trust	13	**81.3**	106.4	**-**	-
Other assets	15	**35.1**	30.4	**36.0**	29.9
Equity Investments	16	**2.6**	4.1	**24.1**	82.6
Current tax assets		**-**	1.0	**-**	1.0
Deferred tax assets	17	**3.8**	0.8	**3.8**	0.8
Property, plant and equipment and right-of-use assets	18	**20.4**	7.5	**20.4**	4.0
Intangible assets	19,20	**42.2**	57.5	**20.6**	15.2
Total assets		**2,844.0**	2,507.0	**2,760.3**	2,095.4
LIABILITIES					
Payables due to financial institutions	21	**100.6**	56.9	**100.6**	56.9
Client deposits	22	**2,006.6**	1,700.1	**2,006.8**	1,400.1
Securities sold under agreement to repurchase	23	**143.7**	144.7	**143.7**	144.7
Discount securities issued	24	**9.4**	62.4	**9.4**	62.4
Current tax liabilities		**39.4**	-	**39.4**	-
Derivative financial liabilities	14	**0.1**	0.2	**0.1**	0.2
Borrowings of the Securitisation Trust	13	**83.3**	110.4	**-**	-
Other liabilities	25	**96.9**	133.8	**96.7**	129.7
Provisions	26	**22.3**	23.5	**22.3**	19.6
Total liabilities		**2,502.3**	2,232.0	**2,419.0**	1,813.6
Net assets		**341.7**	275.0	**341.3**	281.8
EQUITY					
Issued capital	27	**127.1**	127.1	**127.1**	127.1
Reserves	28	**10.1**	21.7	**10.1**	8.3
Retained earnings	29	**204.5**	111.3	**204.1**	146.4
Equity attributable to owners of Cuscal		**341.7**	260.1	**341.3**	281.8
Non-controlling interests	31	**-**	14.9	**-**	-
Total equity		**341.7**	275.0	**341.3**	281.8

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 2021

Consolidated

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

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	31	-	-	-	-	17.7	17.7
Adjustment on dilution of 86 400	28	-	13.3	-	13.3	-	13.3
General Reserve for Credit Losses	28	-	0.1	(0.1)	-	-	-
Total comprehensive income		-	0.1	3.3	3.4	(2.8)	0.6
Dividends paid	30	-	-	(12.4)	(12.4)	-	(12.4)
As at 30 June 2020		127.1	21.7	111.3	260.1	14.9	275.0

Cuscal

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

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	30	-	-	(12.4)	(12.4)	-	(12.4)
As at 30 June 2020		127.1	8.3	146.4	281.8	-	281.8

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 2021

Cuscal Limited and its controlled entities

	Notes	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $m
Fees, commissions and other income received		**196.1**	185.6	**196.9**	184.4
Fees & commissions paid		**(41.5)**	(55.3)	**(39.2)**	(55.1)
Payments to other suppliers and employees		**(115.7)**	(117.7)	**(114.0)**	(115.4)
Interest received		**15.9**	29.6	**12.5**	24.5
Interest paid		**(8.5)**	(21.1)	**(6.3)**	(17.1)
Dividends received	4	**-**	-	**0.1**	1.5
Net income tax paid, net of research and development incentives		**(2.1)**	(8.6)	**(2.1)**	(3.4)
Net (increase) / decrease in loans		**(0.1)**	1.0	**(0.1)**	1.0
Net decrease in receivables due from financial institutions		**71.8**	34.9	**71.8**	34.9
Net increase in payables due to financial institutions		**43.7**	5.4	**43.7**	5.4
Net payments for securities		**(405.1)**	(136.2)	**(405.3)**	(136.2)
Net (repayments) / proceeds of repurchase agreements		**(0.9)**	3.9	**(0.9)**	3.9
Net repayments of discount securities issued		**(52.7)**	(49.2)	**(52.7)**	(49.2)
Net proceeds / (repayments) of deposits		**595.3**	(23.9)	**607.0**	(25.1)
Net payments to prepaid cardholders		**(69.0)**	(34.3)	**(69.0)**	(34.3)
Net operating activity relating to discontinued operations		**(44.5)**	(18.0)	**-**	-
Net cash provided by / (used in) operating activities	**32**	**182.7**	(203.9)	**242.4**	(180.2)
Decrease in loans by the Securitisation Trust		**25.1**	28.4	**-**	-
Investments in other entities		**-**	-	**1.6**	(26.0)
Payment for intangible assets		**(7.4)**	(0.6)	**(7.4)**	(0.6)
Proceeds on sale of ATMs		**1.7**	0.4	**1.7**	0.4
Decreases in balances with controlled entities		**-**	-	**(0.9)**	(1.7)
Payment for property, plant & equipment		**-**	(1.6)	**-**	(1.6)
Proceeds on sale of subsidiary – 86 400, net of deconsolidated cash		**127.1**	-	**127.1**	-
Net investing activity relating to discontinued operations		**(6.7)**	(6.8)	**-**	-
Net cash provided by investing activities		**139.8**	19.8	**122.1**	(29.5)
Repayments of borrowings by the Securitisation Trust		**(27.1)**	(26.8)	**-**	-
Dividends paid	30	**(2.8)**	(12.4)	**(2.8)**	(12.4)
Cash payments for funding principal portion of lease liability		**(4.5)**	-	**(4.5)**	-
Net financing activity relating to discontinued operations		**39.7**	30.9	**-**	-
Net cash provided by / (used in) financing activities		**5.3**	(8.3)	**(7.3)**	(12.4)

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

Cash Flow Statement

For the financial year ended 30 June 2021

(Continued from previous page)

	Notes	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $m
Net increase / (decrease) in cash		**327.8**	(192.4)	**357.2**	(222.1)
Cash at the beginning of the financial year		**607.1**	799.5	**574.5**	796.6
Cash at the end of the financial year	**9**	**934.9**	607.1	**931.7**	574.5

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 2021

Note 1 – Accounting Policies

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

(a) Statement of Compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

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

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

The financial statements were approved by the directors on 17 August 2021.

(b) Basis of preparation

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

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

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value, such as "value in use" in AASB136.

The accounting policies adopted in the preparation of this financial statements are consistent with those adopted and disclosed in the Consolidated Entity's annual financial report for the year ended 30 June 2020. 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 41 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, had a significant impact on global economies and financial markets toward the end of the 2020 financial year, and continues to prove a disruptive element in the 2021 financial year.

Whilst the 2020 financial results saw some impactful COVID-19 related reductions in payment transaction volumes (a key driver of revenue), these impacts were not significant enough to allow to Cuscal to qualify for any Government packages (e.g. JobKeeper). The 2021 year saw significant recovery of transactional volumes, with the primary impact to revenue seen largely in Q1/Q2 as the economy recovered from the initial lockdown period.

Consistent with the prior financial year, Cuscal did not apply for, or receive any, COVID-19 related government support packages (e.g. JobKeeper) during the year ended 30 June 2021.

Given recent state government shutdown efforts in the last month of the year, Cuscal continues to 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:

Note 1 – Accounting policies, continued

- Updating its ECL model to include a risk uplift for Investment Securities held with counterparties with negative outlook;
- Running additional stress testing scenarios, which are an integral component of the Consolidated Entity's risk management framework and a key input to the Internal Capital Adequacy Assessment Process ("ICAAP"), which demonstrated Cuscal's ability to continue to operate through a range of economic scenarios;
- Assessing the impact on Credit & Liquidity risk as described in Note 34;
- 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 19;
- The carrying value of financial instruments presented in Note 35;
- The calculation of provisions presented in Note 26; and
- The consideration of the capital raising leading up to the sale of the 86 400 Group as a 'linked transaction', presented in Note 41.

(e) Foreign currency transactions

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

All exchange differences are recognised in profit or loss.

(f) Functional and Presentation Currency

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

(g) Comparative amounts

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

(h) Principles of consolidation

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

Control is achieved when Cuscal:

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

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

Control is lost when:

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

Note 1 – Accounting policies, continued

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

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

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

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

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

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

(i) Business combinations

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

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

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

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

Income Statement

(j) Interest Income and expense

The effective interest rate method

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

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

Note 1 – Accounting policies, continued

(k) Fees and Commissions

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

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

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

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

(l) Dividend Income

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

(m) Distribution Income

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

(n) Operating Expenses

Operating expenses are recognised as the relevant service is rendered or once a liability is incurred. Staff expenses are recognised over the period that an employee renders the service to receive the benefit. Occupancy and equipment expenses include the depreciation and lease rentals that are outlined in Note 5. IT expenses are recognised as incurred unless they qualify for capitalisation as an asset due to the related service generating probable future benefits.

(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.

Note 1 – Accounting policies, continued

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.

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 20.

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

Financial Assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial assets Amortised costs (debt instruments)

Financial assets at amortised costs are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Consolidated Entity's financial assets at amortised costs include investment securities held by 86 400 in FY20.

Note 1 – Accounting policies, continued

Fair value through other comprehensive income (FVOCI)

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

The Consolidated Entity debt instruments at fair value through OCI includes investments securities.

Financial assets designated at fair value profit through OCI (equity instruments)

Upon initial recognition, the Consolidated Entity can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under 'IAS 32 Financial Instruments: Presentation' and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Consolidated Entity benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Consolidated Entity has not elected to classify its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

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

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

Derecognition

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

- The rights to receive cash flows from assets have expired; or
- The Consolidated Entity has transferred its rights to receive cash flows from assets or assumed an obligation to pay received cash flows in full without material delay to a third party under a 'pass through' arrangement, and either Consolidated Entity has transferred substantially all risks and rewards of asset or the Consolidated Entity has neither transferred nor retained substantially all risks and rewards of the assets but has transferred the control of the asset.

When the Consolidated Entity has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Consolidated Entity continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Consolidated Entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Consolidated Entity has retained.

Impairment

Disclosures relating to impairment of financial assets are provided in note 20.

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

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

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

Note 1 – Accounting policies, continued

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

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

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

For debt instruments at fair value through OCI, the Consolidated Entity applies the low credit risk simplification. Every quarter, the Consolidated Entity evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Consolidated Entity reassesses the credit rating of the debt instrument from credit agencies such as Standards & Poor ("S&P") and Moody's. The Consolidated Entity's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the S&P Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Consolidated Entity's policy to measure ECLs on such instruments on a quarterly basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Financial liabilities

<u>Initial recognition and measurement</u>

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

<u>Subsequent measurement</u>

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

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

<u>Financial liabilities at fair value through profit or loss</u>

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

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

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

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

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

<u>Financial liabilities at amortised cost (loans and borrowings)</u>

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

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

Note 1 – Accounting policies, continued

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

Derecognition

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

(t) Receivables due from financial institutions

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

(u) Investment Securities

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

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

Up to the date of deconsolidation, 86 400 Limited purchased 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 and in note 3. Changes in fair value are recognised in the Statement of Profit and Loss when the asset is derecognised.

(v) Loans

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

(w) Securitisation Trust Loans and Borrowings

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

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

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

(x) Derivative Instruments

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

Note 1 – Accounting policies, continued

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:

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

(iii) Right-of-use ("ROU") assets

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

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

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

(bb) Intangible Assets

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

(ii) Internally generated intangible assets

An internally-generated intangible asset arising from the development of an internal project is recognised if and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

Note 1 – Accounting policies, continued

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. The costs of external consultants engaged to develop the intangible asset or to modify purchased intangibles such as software, internal labour costs directly related to the project and project management costs directly related to the intangible asset are included.

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

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

(ii) Classes of intangible assets

Cuscal Group currently has the following classes of intangible assets:

- Payments Infrastructure: The Payments Infrastructure assets are development costs to bring transactional 'switching' capability to Cuscal customers. This primarily includes internal and external labour costs and licence costs. The Payments Infrastructure intangible assets are currently in-use and are being amortised over a period of 2-8 years. Ongoing expenditure will be incurred to maintain the functional capabilities of the assets in line with current technology.
- 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 2020 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.

(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.

Note 1 – Accounting policies, continued

(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

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

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

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

Lease Payments are included in Interest Expense shown as a separate line item in Note 3 Interest Income and Expense.

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

(hh) Deferred tax assets and liabilities

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

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

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

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

(ii) Provisions

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

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

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

Note 1 – Accounting policies, continued

Employee benefits

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

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

Equity

(jj) Shareholders' Equity

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

(kk) Capital Reserve

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

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

(ll) Fair Value through OCI reserve ("FVOCI")

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

(mm) Non-controlling interests

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

Other notes

(nn) Expected Credit Losses

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

An ECL is required to be recognised on following items:

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

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

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

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

- Receivable due from financial institutions – balance primarily due to settlement processes. Cuscal holds customer security deposits to guarantee settlement. ECL arising on these exposures to Australian ADI's will be low as there is no history of default for any Australian ADI's.
- Investment Securities – Cuscal Group holds high rated securities with financial institutions, predominantly Australian Banks, as well as Government or Semi-Government Bonds. ECL arising on exposures to Australian ADI's is generally low as there is no history of default.
- Loans – Cuscal loans are immaterial hence there is no ECL. 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.
- Loans made by the Securitisation Trust – under this structure, should credit losses occur, those losses are first subject to Loan Mortgage Insurance (LMI). In the event of total loss on the mortgages in the Trust and a total non-performance of LMI, an event of extremely low probability, the most Cuscal can lose is the amount it has paid in to a special reserve account, and any residual income units but only the extent of any amount undistributed by the

Note 1 – Accounting policies, continued

Trust. The complete chain of recovery is discussed in detail in Note 35.

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.

(oo) New accounting standards and amendments to Accounting Standards issued that are effective in the current year

At the date of authorisation of the financial report, the following Standards and Interpretations issued are effective are considered relevant to the preparation of the financial statements of Cuscal and the Consolidated Entity.

Amendments to IFRS 3 – Definition of Business

The amendment to IFRS 3 Business Combination clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all the inputs and processes needed to create outputs.

These amendments had no impact on the consolidated financial statements of the Consolidated Entity, but may impact future periods should the Consolidated Entity enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

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

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

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Consolidated Entity.

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

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

Standard	Effective for annual reporting periods beginning on or after	Applies to Cuscal for the financial year ending
Amendments to IFRS9 Fees in the '10% test for derecognition of financial liabilities	1 January 2022	30 June 2022
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as current or non-current	1 January 2022	30 June 2022

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	
	2021 $m	2020 $m	2021 $m	2020 $m
Fee & Commission income				
Transactional product related income(i)	**195.2**	185.8	**195.2**	185.7
Client funded project income	**6.0**	6.0	**6.0**	6.0
Treasury and securitisation income	**0.3**	0.2	**0.3**	0.2
Total Fee & Commission income	**201.5**	192.0	**201.5**	191.9
Fee & Commission expense				
Transactional product related direct expenses(ii)	**(44.5)**	(53.3)	**(44.5)**	(53.0)
Treasury and securitisation direct expenses	**(0.8)**	(0.6)	**(0.3)**	(0.6)
Total Fee & Commission expense	**(45.3)**	(53.9)	**(44.8)**	(53.6)
Net Fee & Commission income	**156.2**	138.1	**156.7**	138.3
Analysis of Fee & Commission income				
Recognised at a point in time(iii)	**200.8**	189.6	**200.8**	189.5
Recognised over time	**0.7**	2.4	**0.7**	2.4
Total Fee & Commission income	**201.5**	192.0	**201.5**	191.9

(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 recognised at the time of transaction processing.

Note 3 – Net interest Income

	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $m
Interest income				
Cash and receivable due from financial institutions	**0.7**	4.0	**0.7**	3.9
Investment securities	**11.0**	20.9	**11.0**	20.9
Loans	**0.3**	0.4	**0.3**	0.4
Loans in Securitisation Trust	**3.4**	4.8	**-**	-
Total interest income	**15.4**	30.1	**12.0**	25.2
Interest expense				
Payables due to financial institutions	**-**	(0.1)	**-**	(0.1)
Client deposits	**(4.9)**	(12.4)	**(4.9)**	(12.4)
Discount securities	**(0.1)**	(1.2)	**(0.1)**	(1.2)
Repurchase agreements	**(0.1)**	(1.0)	**(0.1)**	(1.0)
Borrowings by Securitisation Trust	**(2.2)**	(3.7)	**-**	-
Lease liabilities	**(0.7)**	-	**(0.7)**	-
Total interest expense	**(8.0)**	(18.4)	**(5.8)**	(14.7)
Net interest income	**7.4**	11.7	**6.2**	10.5
Analysis of Interest Income by category of financial assets				
At amortised cost	**4.4**	9.2	**1.0**	4.3
At Fair Value through other comprehensive income	**11.0**	20.9	**11.0**	20.9
	15.4	30.1	**12.0**	25.2
Analysis of Interest Expense by category of financial liabilities				
At amortised cost	**(8.0)**	(18.4)	**(5.8)**	(14.7)
	(8.0)	(18.4)	**(5.8)**	(14.7)

Note 4 – Other operating (loss)/ income

	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $m
(Loss) / gain on revaluation on Investments in Other Entities	**(1.1)**	0.1	**(1.1)**	0.1
Securitisation Trust distributions	**-**	-	**0.4**	0.4
Dividends received – related parties	**-**	-	**0.1**	1.5
Total other operating (loss)/income	**(1.1)**	0.1	**(0.6)**	2.0

Note 5 – Operating expenses

	Consolidated		Cuscal	
	2021 $m	2020 $m	2021 $m	2020 $m
Employment expenses				
Salary and salary related costs	**74.9**	70.5	**74.9**	70.5
Other employment expenses	**2.0**	2.3	**2.0**	2.3
Total employment expenses	**76.9**	72.8	**76.9**	72.8
Occupancy expenses				
Operating lease rentals and outgoings(i)	**-**	4.0	**-**	4.0
Depreciation: right-of-use premises assets	**4.5**	-	**4.5**	-
Other occupancy expenses(ii)	**0.2**	(0.9)	**0.2**	(0.9)
Total occupancy expenses	**4.7**	3.1	**4.7**	3.1
Non-salary technology expenses				
Communication	**4.0**	3.9	**4.0**	3.9
Depreciation: computer equipment and software	**1.6**	1.8	**1.6**	1.8
Amortisation of intangible assets	**3.1**	3.3	**3.1**	3.3
Repairs and maintenance	**16.4**	14.0	**16.4**	14.0
Outsourced Services	**7.0**	6.1	**7.0**	6.1
Other non-salary technology expenses	**1.4**	2.5	**1.4**	2.5
Total non-salary technology expenses	**33.5**	31.6	**33.5**	31.6
Other expenses				
Auditors remuneration	**0.6**	0.8	**0.6**	0.8
Consulting	**7.1**	4.1	**7.1**	4.1
Travel, conferences and related expenses	**0.1**	0.8	**0.1**	0.8
Legal and insurance	**3.5**	1.3	**3.5**	1.3
Taxes	**0.5**	0.4	**0.5**	0.4
Marketing	**0.3**	0.4	**0.3**	0.4
Internal audit services	**0.8**	0.8	**0.8**	0.8
Other	**1.6**	1.1	**1.5**	0.9
Total other expenses	**14.5**	9.7	**14.4**	9.5
Total operating expenses(iii)	**129.6**	117.2	**129.5**	117.0

(i) Lease rentals for the year ending 30 June 2020 were considered short-term in nature upon adoption of AASB 16 on 1 July 2020, as they expired within 12 months of adoption of the standard.

(ii) Other occupancy expenses in the comparable year ending 30 June 2020 included $1.4 million writeback of an existing makegood provision upon expiry of the Margaret Street premises lease at 30 June 2020.

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 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $m
Income tax expense comprises:				
Current income tax charge	**13.4**	6.8	**13.4**	6.7
Adjustments in respect of current income tax of previous years	**0.2**	0.3	**0.1**	0.2
Relating to origination and reversal of temporary differences	**(3.8)**	2.8	**(3.8)**	2.8
Income tax expense reported in income statement	**9.8**	9.9	**9.7**	9.7
Reconciliation of income tax expense at the Consolidated Entity's effective income tax rate is as follows:				
Operating profit before income tax expense (continuing operations)	**32.9**	32.7	**32.8**	33.8
Income tax expense at 30% thereon	**9.9**	9.8	**9.8**	10.1
Non-deductible expenses	**-**	0.1	**-**	-
Intercompany dividends	**-**	-	**-**	(0.4)
Adjustments in respect of ITE of previous years	**(0.1)**	-	**(0.1)**	-
Income tax expense on continuing operations	**9.8**	9.9	**9.7**	9.7

Note 7 – Key management personnel remuneration

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

	Consolidated 2021 $'000	Consolidated 2020 $'000	Consolidated / Cuscal 2021 $'000	Consolidated / Cuscal 2020 $'000
Short-term employee benefits	**4,942**	4,302	**4,942**	4,302
Post-employment benefits	**181**	167	**181**	167
Other long-term employee benefits	**263**	296	**263**	296
Total key management remuneration	**5,386**	**4,765**	**5,386**	**4,765**

Note 7 – Key management personnel remuneration, continued

The following table lists the remuneration bands for Cuscal's Executives, including the Managing Director, for the year ended 30 June 2021.

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

(1) STI = short term incentives

Note 8 – Remuneration of auditors

	Consolidated		Cuscal	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Audit services	**595**	805	**595**	600
Taxation services	**35**	58	**35**	58
Other non-audit services	**16**	124	**16**	109
Total remuneration of auditors	**646**	987	**646**	767

Ernst and Young were appointed as the auditor of Cuscal Limited for current year effective 14 October 2020. Comparative financial years were audited by Deloitte Touche Tohmatsu who resigned as auditor of Cuscal Limited on 14 October 2020.

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

Notes to the Statement of Financial Position

Note 9 – Cash and cash equivalents

	Consolidated		Cuscal	
	2021 $m	2020 $m	2021 $m	2020 $m
Cash at Reserve Bank	**749.7**	374.2	**749.7**	374.2
Cash at Bank	**182.0**	227.9	**182.0**	200.3
Cash held in the Securitisation Trust(i)	**3.2**	5.0	**-**	-
Total cash	**934.9**	607.1	**931.7**	574.5

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

Note 10 – Receivables due from financial institutions

	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
At amortised cost:				
Prepaid cardholder balances(i)	**35.3**	104.2	**35.3**	104.2
Other amounts due from other financial institutions	**2.1**	5.2	**2.1**	5.0
Total receivables due from financial institutions	**37.4**	109.4	**37.4**	109.2

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

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 11 – Investment Securities

	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
At fair value through other comprehensive income:				
Negotiable certificates of deposit	**190.8**	126.5	**190.8**	126.5
Medium term floating rate notes	**1,275.3**	990.2	**1,275.3**	990.2
Other bonds	**219.5**	160.9	**219.5**	160.9
Total investment securities at FVOCI	**1,685.6**	1,277.6	**1,685.6**	1,277.6
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	**1,685.6**	1,552.2	**1,685.6**	1,277.6
Cuscal group has determined the following risk concentrations:				
With Banks, Mutual Banks and Credit Union issuers	**1,444.0**	1,067.5	**1,444.0**	1,045.4
With Australian government, semi-government and supranational issuers	**241.6**	484.7	**241.6**	232.2
Total investment securities	**1,685.6**	1,552.2	**1,685.6**	1,277.6

Investment Securities expected to mature within 12 months of the balance date is $584.2 million (2020: $750.0 million).

Investment Securities of $165.3 million (2020: $167.6 million) have been pledged to the Reserve Bank of Australia as collateral for the liability for Securities sold under agreement to repurchase in Note 23.

Note 12 – Loans

	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $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	**0.3**	0.1	**0.3**	0.1
Term loans – Cuscal	**0.4**	0.5	**0.4**	0.5
Total loans	**0.7**	30.6	**0.7**	0.6
The Consolidated Entity has determined the following risk concentrations:				
Loans to other organisations	**0.7**	0.6	**0.7**	0.6
Loans to individuals	**-**	30.0	**-**	-
Total loans	**0.7**	30.6	**0.7**	0.6
Maximum loan credit exposure – Committed Facilities (including drawn amounts detailed above)				
To credit unions and mutual banks				
Overdrafts	**183.6**	175.6	**183.6**	175.6
Other organisations				
Overdrafts	**0.4**	0.1	**0.4**	0.1
Term Loans	**0.8**	0.8	**0.8**	0.8
Individuals – 86 400				
Home loans	**-**	38.7	**-**	-
Total committed facilities	**184.8**	215.2	**184.8**	176.5
Unutilised loan credit exposure – Committed Facilities				
To credit unions and mutual banks				
Overdrafts	**183.6**	175.6	**183.6**	175.6
Other organisations				
Overdrafts	**0.1**	-	**0.1**	-
Term Loans	**0.4**	0.3	**0.4**	0.3
Individuals – 86 400				
Home Loans	**-**	8.7	**-**	-
Total unutilised facilities	**184.1**	184.6	**184.1**	175.9

Note 12 – Loans, continued

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).

Of the total committed facilities held with clients at June 2021, $178.5m is secured by security deposits (2020: $175.6m).

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

Note 13 – Securitisation Trust loans and borrowings

	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
Loans made by the Securitisation Trust				
At amortised cost:				
Residential mortgages – Integrity Series 2014-1	**81.3**	106.4	-	-
Total loans by the Securitisation Trust	**81.3**	106.4	**-**	-
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 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
Borrowings of the Securitisation Trust				
At amortised cost:				
Secured borrowings – Integrity Series 2014-1	**83.3**	110.4	-	-
Total borrowings of the Securitisation Trust	**83.3**	110.4	**-**	-

The Integrity Series 2014-1

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

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

All borrowings by the Trust are limited in recourse to the assets of the Trust and neither Cuscal nor any of its subsidiaries have any obligation in respect to the repayment of those borrowings, except for the $0.1 million (2020: $0.1m) Extraordinary Expense Reserve.

Note 14 – Derivative instruments

	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
Derivative financial liabilities				
At fair value through profit or loss:				
Foreign currency forward contracts	**0.1**	0.2	**0.1**	0.2
Total derivative financial liabilities	**0.1**	0.2	**0.1**	0.2

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

Note 15 – Other assets

	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
Trade Receivables(i)	**5.2**	3.8	**5.2**	3.8
Less: Provision for doubtful debts	**-**	(0.1)	**-**	(0.1)
Net trade receivables	**5.2**	3.7	**5.2**	3.7
Prepayments	**7.9**	7.2	**7.9**	6.3
Contract assets	**20.2**	16.2	**20.2**	16.2
Other amounts receivable(iii)	**1.8**	3.3	**2.5**	3.7
Receivables due from controlled entities	**-**	-	**0.2**	-
Total other assets	**35.1**	30.4	**36.0**	29.9

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

(ii) Other amounts receivable includes $1.5 million (2020: $2.8 million) 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 $0.9 million (2020: $1.2million). All other amounts are expected to be recovered within 12 months of the balance date.

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

Note 16 – Equity investments

	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $m
At fair value through profit or loss:				
Shares in other entities	**2.6**	4.1	**2.7**	4.2
At cost less impairment:				
Shares in subsidiaries (refer Note 42)	**-**	-	**21.4**	78.4
Total Equity investments	**2.6**	4.1	**24.1**	82.6
Shares in other entities				
Balance at beginning of year	**4.1**	4.0	**4.2**	4.1
Revaluation (loss) / gain	**(1.5)**	0.1	**(1.5)**	0.1
Balance at end of financial year	**2.6**	4.1	**2.7**	4.2
Shares in subsidiaries				
Balance at beginning of year	**-**	-	**78.4**	52.4
Additions – investment in 86 400 Holdings Ltd	**-**	-	**-**	26.0
Disposals – investment in 86 400 Holdings Ltd	**-**	-	**(57.0)**	-
Balance at end of financial year	**-**	-	**21.4**	78.4

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

Shares in other entities

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

Shares in subsidiaries

Progressively through the 2018-2020 financial years, Cuscal invested a total of $57.0 million into 86 400 Holdings Ltd.

On 29 January 2021, 86 400 and National Australia Bank (NAB) entered into a Scheme Implementation Agreement for NAB to acquire 100% of the shares in 86 400 Holdings Ltd. The agreement involved NAB seeking to acquire the remainder of shares in 86 400 by way of a Scheme of Arrangement (Scheme), which includes all of Cuscal's $57.0 million investment in the 86 400 Group.

This transaction was completed on 19 May 2021, and Cuscal's investment in 86 400 was reversed on that date.

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

Note 17 – Deferred tax assets and liabilities

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

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

Note 17 – Deferred tax assets and liabilities, continued

	2020 Consolidated					
	Opening Balance $m	De-consolidation of 86 400 $m	Acquired/ Utilised $m	Charge to equity $m	Charge to profit $m	Closing Balance $m
Other liabilities	6.5	-	-	-	(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
Contract assets	(1.7)	-	-	-	-	(1.7)
Property, plant, equipment, ROU assets and intangible assets	(8.5)	-	-	-	0.3	(8.2)
Fair value revaluations	(1.4)	-	-	-	-	(1.4)
Net deferred tax assets	1.6	-	-	-	(0.8)	0.8
Net movement taken to income tax expense					(0.8)	

	2020 Cuscal					
	Opening Balance $m	De-consolidation of 86 400 $m	Acquired/ Utilised $m	Charge to equity $m	Charge to profit $m	Closing balance $m
Other liabilities	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
Contract assets	(1.7)	-	-	-	-	(1.7)
Property, plant, equipment, ROU assets and intangible assets	(5.1)	-	-	-	0.8	(4.3)
Fair value revaluations	(1.4)	-	-	-	-	(1.4)
Net deferred tax assets	3.6	-	-	-	(2.8)	0.8
Net movement taken to income tax expense					(2.8)	

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

	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
Property, plant and equipment				
At Cost	**21.6**	22.1	**20.5**	20.5
Accumulated depreciation	**(19.2)**	(17.7)	**(18.1)**	(16.5)
Total Property, plant and equipment	**2.4**	4.4	**2.4**	4.0
Right-of-use assets – Property				
At Cost	**22.5**	3.2	**22.5**	-
Accumulated depreciation	**(4.5)**	(0.1)	**(4.5)**	-
Total Right-of-use assets	**18.0**	3.1	**18.0**	-
Total Property, plant and equipment and right-of-use assets	**20.4**	7.5	**20.4**	4.0

Property, Plant & Equipment with remaining expected useful lives of less than 12 months after the balance date is $0.3 million (2020: $Nil). All other remaining items of Property, Plant & Equipment have expected useful lives longer than 12 months after the balance date for both current and comparable period.

	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
Property, plant and equipment				
Carrying value at beginning of year	**4.4**	4.3	**4.0**	4.3
Additions	**0.3**	2.0	**-**	1.6
Disposals - cost	**-**	(1.9)	**-**	(1.9)
Disposals - accumulated depreciation	**-**	1.8	**-**	1.8
Depreciation	**(1.7)**	(1.8)	**(1.6)**	(1.8)
De-consolidation of 86 400 - cost	**(0.6)**	-	**-**	-
Balance at end of financial year	**2.4**	4.4	**2.4**	4.0
Right-of-use asset				
Carrying value at beginning of year	**3.1**	-	**-**	-
Additions	**22.5**	3.2	**22.5**	-
Depreciation	**(5.1)**	(0.1)	**(4.5)**	-
De-consolidation of 86 400 - cost	**(2.5)**	-	**-**	-
Balance at end of financial year	**18.0**	3.1	**18.0**	-

Note 19 – Intangible assets

	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
Payments Infrastructure				
At cost	**56.6**	48.1	**51.7**	43.2
Accumulated amortisation (including R&D offsets)	**(38.8)**	(36.1)	**(33.9)**	(31.2)
Total Payments Infrastructure	**17.8**	12.0	**17.8**	12.0
86 400 Customer Experience Engine				
At cost	**-**	24.3	**-**	-
Accumulated amortisation (including R&D offsets)	**-**	(3.6)	**-**	-
Total Customer Experience Engine	**-**	20.7	**-**	-
Software				
At cost	**2.0**	2.0	**2.0**	2.0
Provision for impairment	**(0.4)**	(0.4)	**(0.4)**	(0.4)
Accumulated amortisation	**(1.5)**	(1.5)	**(1.5)**	(1.5)
Total Software	**0.1**	0.1	**0.1**	0.1
Investment in NPP Australia Limited (NPPA)				
At cost	**4.0**	4.0	**4.0**	4.0
Accumulated amortisation	**(1.3)**	(0.9)	**(1.3)**	(0.9)
Total Investment in NPPA	**2.7**	3.1	**2.7**	3.1
Goodwill on SPS acquisition	**21.6**	21.6	**-**	-
Total Intangible assets	**42.2**	57.5	**20.6**	15.2

Intangible assets with remaining expected useful lives less than 12 months after the balance date is $0.2 million (2020: $Nil). Remaining items of Intangible assets have expected useful lives longer than 12 months after the balance date for both current and comparable year.

Note 19 – Intangible assets, continued

	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
Payments Infrastructure				
Carrying value at the beginning of the year	**12.0**	14.1	**12.0**	14.1
Additions	**8.5**	0.2	**8.5**	0.2
Amortisation for the year (net of R&D offsets) (i)	**(2.7)**	(2.3)	**(2.7)**	(2.3)
Balance at the end of the year	**17.8**	12.0	**17.8**	12.0
86 400 Customer Experience Engine				
Carrying value at the beginning of the year	**20.7**	16.7	**-**	-
Additions	**4.8**	6.6	**-**	-
Amortisation for the year (net of R&D offsets) (ii)	**(1.9)**	(2.6)	**-**	-
De-consolidation of 86 400	**(23.6)**	-	**-**	
Balance at the end of the year	**-**	20.7	**-**	-
Software				
Carrying value at the beginning of the year	**0.1**	1.5	**0.1**	1.5
Additions	**-**	0.2	**-**	0.2
Disposals - cost	**-**	(2.1)	**-**	(2.1)
Disposals - accumulated depreciation	**-**	1.1	**-**	1.1
Amortisation for the year	**-**	(0.6)	**-**	(0.6)
Balance at the end of the year	**0.1**	0.1	**0.1**	0.1
Investment in NPPA Australia Limited				
Carrying value at the beginning of the year	**3.1**	3.5	**3.1**	3.5
Amortisation for the year	**(0.4)**	(0.4)	**(0.4)**	(0.4)
Balance at the end of the year	**2.7**	3.1	**2.7**	3.1
Goodwill on SPS acquisition	**21.6**	21.6	**-**	-
Total Intangible assets	**42.2**	57.5	**20.6**	15.2

(i) Amortisation of the year includes $0.2 million R&D concession during the year (2020: $0.1 million reversal)

(ii) Amortisation for the year includes $Nil of R&D concession (2020: $0.3 million). Amortisation on the asset began in October 2020.

Note 20 – Impairment of Intangible assets

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

For the year ended 30 June 2021, the Consolidated Entity divided its activities into the following Cash Generating Units (hereafter "CGU"), with separately identifiable corporate activities:

- **Payments**, the main CGU, which covers the processing, and settlement of financial transactions on behalf of clients, generally for their customers. Payments includes Cuscal's card issuance activities, fraud monitoring, data analytics and Cuscal's acquiring switching and driving activities. All goodwill is attributable to the Payments Business;
- **Corporate,** this CGU covers the Consolidated Entity's investment and securitisation activities; including the funding of those activities. The Corporate CGU also manages the investment of the Consolidated Entity's surplus capital; and
- **Digital Banking**, this CGU covered the activities of the 86 400 Group ("86 400") up until 19 May 2021 when all of the Consolidated Entity's shares in 86 400 were acquired by the National Australia Bank Limited as detailed in Note 41, whereupon the Digital Banking CGU ceased activities. As 86 400 continues as a client of the Payments CGU, the sale of 86 400 has had, and is not expected to have, any adverse impact on the Payments CGU.

At balance date, all of the Consolidated Entity's net intangible assets of $42.2 million are allocated to the Payments CGU.

Payments CGU – Process and Assumptions

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

This assessment has been carried out on the following basis:

- It is assumed that the Payments CGU is subject to the same level of prudential regulation as the Australian Prudential Regulation Authority ("APRA") applies to the Consolidated Equity. Accordingly, the returns from the Payments CGU included in the recoverable amount are only after allowing for the maintenance of capital as required under APRA Prudential Standards and applicable internal capital overlays.
- The returns from the Payments CGU are based on the projections for the Payments CGU in the Consolidated Entity's FY22 Corporate Plan and Budget covering the period to 30 June 2026. The FY22 Corporate Plan and Budget was approved by the Cuscal Board on 18 June 2021. 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 FY22. Further, the Plan allows for the significant investment required to ensure the Payments CGU continues to provide high-level functionality to customers.
- The recoverable amount of the Payments CGU has been determined by discounting the net cash flows of the Payments CGU.
- A terminal value growth rate of 3% (2020: 3%) has been applied at the end of the five year period in the FY21 Corporate Plan and Budget.
- The cash flows have been discounted at the Consolidated Entity's weighted average cost of capital ("WACC"), which has been assessed on the basis that ongoing activities of the Consolidated Entity will be focused on the Payments CGU.

Note 20 – Impairment of Intangible assets, continued

Payments CGU – Process and Assumptions, continued

- Discount rates of 10.0% (High), 9.5% (Mid) and 9.0% (Low) have been applied to the Net Cash Flows (2020: 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 2020. 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 it is significantly above its carrying value.

The valuation of the Payments CGU has been stress tested. Firstly, the terminal value growth rate was reduced from 3% to 2% (2020: 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 24% (2020: 48%).

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

Corporate CGU – Process and Assumptions

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

Note 21 – Payables due to financial institutions

	Consolidated		Cuscal	
	2021 $m	2020 $m	2021 $m	2020 $m
At amortised cost:				
Settlement balances due to other financial institutions, unsecured	**100.6**	56.9	**100.6**	56.9

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

Note 22 – Client Deposits

	Consolidated		Cuscal	
	2021 $m	2020 $m	2021 $m	2020 $m
At amortised cost:				
Deposits at call, unsecured	**1,243.2**	648.8	**1.243.4**	657.2
Security deposits	**763.4**	741.4	**763.4**	742.9
Retail Deposits – 86 400	**-**	309.9	**-**	-
Total deposits	**2,006.6**	1,700.1	**2,006.8**	1,400.1

Note 22 – Client Deposits, continued

	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $m
Concentration				
Banks, credit unions and mutual banks	**1,294.8**	1,194.9	**1,294.8**	1,194.9
Other organisations	**711.8**	195.3	**711.8**	195.3
Individuals – 86 400	**-**	309.9	**-**	-
Related parties	**-**	-	**0.2**	9.9
Total deposits by concentration	**2,006.6**	1,700.1	**2,006.8**	1,400.1

All Client Deposits and Retail Deposits are expected to mature within 12 months of the balance date, except for $334.9 million, which will mature after 12 months (2020: $393.9 million).

Note 23 – Securities sold under agreement to repurchase

As part of the arrangements covering the Consolidated Entity's Exchange Settlement Account ("ESA") with the Reserve Bank of Australia, the Consolidated Entity is required to sell qualifying securities to the Reserve Bank in exchange for funds held in the ESA account to meet outflows of funds that may occur after the normal trading day. 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. Investment Securities of $165.3 million (2020: $167.6 million) have been pledged to the Reserve Bank of Australia as collateral for the liability for Securities sold under agreement to repurchase.

	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $m
At amortised cost:				
Repurchase agreements with the Reserve Bank of Australia	**143.7**	144.7	**143.7**	144.7

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

Note 24 – Discount securities issued

	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $m
At amortised cost:				
Negotiable certificates of deposit – unsecured	**9.4**	62.4	**9.4**	62.4

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

Note 25 –Other liabilities

	Consolidated		Cuscal	
	2021 $m	2020 $m	2021 $m	2020 $m
Liability to prepaid cardholders(i)	**35.3**	104.2	**35.3**	104.2
Contract liabilities(ii)	**8.7**	7.2	**8.7**	7.1
Sundry creditors and accrued expenses	**34.2**	19.5	**34.0**	17.7
Lease liabilities	**18.7**	2.9	**18.7**	-
Payables due to controlled entities	**-**	-	**-**	0.7
Total other liabilities	**96.9**	133.8	**96.7**	129.7

(i) The liability to prepaid cardholders is in respect of stored value cards issued by Cuscal Limited, which are shown under Receivables due from Financial Institutions in the Statement of Financial Position.

(ii) Contract liabilities includes cash advances received and not recognised in the statement of profit and loss as at balance date.

In other liabilities, all amounts are expected to be recognised within 12 months of the balance date with the exception of contract liabilities of $0.2 million (2020: $3.0 million) and lease liability of $14.1 million (2020: $2.9 million).

Contract liabilities

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

	Consolidated		Cuscal	
	2021 $m	2020 $m	2021 $m	2020 $m
Transactional product related revenue	**3.0**	2.8	**3.0**	2.8
Project revenue	**2.4**	3.2	**2.4**	3.2
Total revenue recognised in current reporting period from carried forward contract liabilities	**5.4**	6.0	**5.4**	6.0

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

Note 26 - Provisions

	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $m
Employee benefits	**17.0**	18.8	**17.0**	15.3
Other provisions	**5.3**	4.7	**5.3**	4.3
Total provisions	**22.3**	23.5	**22.3**	19.6
Employee Benefits				
Opening balance	**18.8**	16.4	**15.3**	13.9
Additional provisions	**13.0**	11.0	**9.9**	8.2
Amounts utilised during the year	**(10.9)**	(8.6)	**(8.2)**	(6.8)
De-consolidation of 86 400	**(3.9)**	-	**-**	-
Balance at end of financial year	**17.0**	18.8	**17.0**	15.3
Other provisions				
Opening balance	**4.7**	7.0	**4.3**	7.0
Additional provisions	**2.3**	1.7	**2.3**	1.5
Amounts utilised during the year	**(1.3)**	(4.0)	**(1.3)**	(4.2)
De-consolidation of 86 400	**(0.4)**	-	**-**	-
Balance at end of financial year	**5.3**	4.7	**5.3**	4.3
Total provisions	**22.3**	23.5	**22.3**	19.6

Provisions expected to be utilised after 12 months of the balance date is $4.7 million (2020: $3.9 million). All other amounts are expected to be recognised and settled within 12 months of the balance date.

Note 27 – Issued capital

Cuscal has 186,858,915 ordinary shares on issue at 30 June 2021 (2020: 186,858,915). Each ordinary share is fully paid, carries one voting right and ranks equally for ordinary dividends with all other shareholders.

	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $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

Of the total ordinary shares on issue 37,371,783 shares (2020: 37,371,783) were issued at $1.00 (2020: $1.00) and the remaining shares 149,487,132 (2020: 149,487,132) were issued at $0.60 (2020: $0.60).

Note 28 – Reserves

	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
Capital profits reserve	**0.5**	0.5	**0.5**	0.5
General reserve	**2.0**	2.0	**2.0**	2.0
Fair Value through OCI reserve (debt instruments)	**5.1**	3.3	**5.1**	3.3
Adjustment on dilution of 86 400	**-**	13.3	**-**	-
Reserve for credit losses	**2.5**	2.6	**2.5**	2.5
Total reserves	**10.1**	21.7	**10.1**	8.3
Fair Value through OCI reserve				
Balance at beginning of financial year	**3.3**	3.2	**3.3**	3.2
Unrealised gains and losses on financial instruments recognised in reserve (net of income tax)	**1.8**	0.1	**1.8**	0.1
Balance at end of financial year	**5.1**	3.3	**5.1**	3.3
Unrealised gain on dilution of 86 400				
Balance at beginning of financial year	**13.3**	-	**-**	-
Adjustment on dilution of 86 400	**-**	13.3	**-**	-
De-consolidation of 86 400	**(13.3)**		**-**	-
Balance at end of financial year	**-**	13.3	**-**	-
Reserve for credit losses				
Balance at beginning of financial year	**2.6**	2.5	**2.5**	2.5
Increase in provision - 86 400 loans	**-**	0.1	**-**	-
De-consolidation of 86 400	**(0.1)**	-	**-**	-
Balance at end of financial year	**2.5**	2.6	**2.5**	2.5

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

Note 29 – Retained earnings

	Consolidated 2021 $m	Consolidated 2020 $m	Cuscal 2021 $m	Cuscal 2020 $m
Balance at beginning of financial year	**111.3**	120.5	**146.4**	134.7
Profit for the year attributable to the owners of Cuscal	**82.7**	3.3	**60.5**	24.1
Transfer from reserves	**13.3**	(0.1)	**-**	-
Dividends paid – refer note 30	**(2.8)**	(12.4)	**(2.8)**	(12.4)
Balance at end of financial year	**204.5**	111.3	**204.1**	146.4

At date of sale of Cuscal's investment in 86 400 Holdings Limited, $13.3 million of 'Adjustment on dilution of 86 400 reserves' was transferred from Reserves. This amount relates to the capital raising activities that did not result in the parent (Cuscal Limited) losing control of the subsidiary. This transaction is considered an equity transaction and upon loss of control, was reclassified to Retained Earnings (refer Note 28).

Note 30 – Dividends paid

	2021 Cents per Share	2021 Total $m	2020 Cents per Share	2020 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%	**1.5**	**2.8**	1.6	3.0
Total dividends paid	**1.5**	**2.8**	6.6	12.4
Dividend franking account				
Adjusted franking account balance (tax paid basis)		**43.7**		44.2

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

The below table summarises financial information for 86 400 Group (being 86 400 Holdings Ltd, 86 400 Ltd and 86 400 Technology Pty Ltd) 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 2021 $m	86 400 2020 $m
Summarised Statement of Financial Position		
Total assets	**-**	371.3
Total liabilities	**-**	(321.6)
Net assets	**-**	49.7
Accumulated NCI	**-**	14.9

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

86 400 Group	86 400 2021 $m	2020 $m
Summarised statement of Profit & Loss		
Net Operating Income	**(5.9)**	(3.1)
Operating Expenses	**(29.1)**	(26.4)
Tax benefit	**13.0**	7.2
Loss for the year	**(22.0)**	(22.3)
Total comprehensive income	**(22.0)**	(22.3)
Loss allocated to NCI	**(9.5)**	(2.8)

86 400 Group	86 400 2021 $m	2020 $m
Summarised cash flows		
Cash flows from operating activities	**(44.5)**	(18.0)
Cash flows from investing activities	**(6.7)**	(6.8)
Cash flows from financing activities	**39.7**	57.0
Net increase/(decrease) in cash	**(11.5)**	32.6
Cash at the beginning of year	**35.1**	2.5
Cash at the end of the financial period	**23.6**	35.1

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 period is summarised below:

	Consolidated Entity 2021 $m	2020 $m
Opening Balance	**14.9**	-
Consideration paid by NCI (net of issuance costs)	**-**	31.0
Less: Excess consideration paid recognised in reserves	**-**	(13.3)
Carrying amount acquired by NCI	**14.9**	17.7
Less: Losses attributed to NCI	**(9.5)**	(2.8)
De-consolidation of 86 400	**(5.4)**	-
Non-controlling interests at the end of the financial period	**-**	14.9

Notes to the Cash Flow Statement

Note 32 – Reconciliation of net cash flows from operating activities

	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
Consolidated profit for the year	**73.2**	0.5	**60.5**	24.1
Depreciation expense	**6.1**	1.9	**6.1**	1.8
Amortisation of intangible assets	**3.1**	5.9	**3.1**	3.3
Gain on revaluation on Investments in Other Entities	**1.5**	(0.1)	**1.5**	(0.1)
Pre-tax gain on sale of 86 400	**(101.6)**	-	**(66.9)**	-
(Decrease) / increase in income tax provision	**40.4**	(2.0)	**40.4**	(2.0)
Decrease / (increase) in deferred tax items	**(3.0)**	0.8	**(3.0)**	2.8
Net decrease / (increase) in other assets and liabilities	**(55.0)**	(40.0)	**(59.4)**	(42.3)
(Increase) / decrease in loans & advances	**29.9**	(29.0)	**(0.1)**	1.0
Decrease / (Increase) in receivables from financial institutions	**72.0**	32.5	**71.8**	34.9
Increase / (decrease) in payables due to financial institutions	**43.7**	5.4	**43.7**	5.4
Increase in investment securities	**(133.4)**	(411.0)	**(408.0)**	(136.4)
(Decrease) / increase of repurchase agreements	**(1.0)**	3.8	**(1.0)**	3.8
Decrease in discount securities issued	**(53.0)**	(49.3)	**(53.0)**	(49.3)
Increase / (decrease) in client deposits	**306.5**	276.7	**606.7**	(27.2)
Deconsolidation of 86 400	**(46.7)**	-	**-**	-
Net cash provided by / (used in) operating activities	**182.7**	(203.9)	**242.4**	(180.2)

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

- Deferred settlement of part proceeds of sale of ATM related assets – note 15
- Acquisition of right of use asset – note 38

Note 33 – Changes in liabilities from financing activities

Consolidated	Opening Balance $m	Cash flows $m	New leases $m	Other $m	Closing balance $m
30 June 2021					
Borrowings of securitisation trust	**110.4**	**(27.1)**	**-**	**-**	**83.3**
Lease liabilities(i)	**2.9**	**(4.5)**	**22.5**	**(2.2)**	**18.7**
Total liabilities from financing activities	**113.3**	**(31.6)**	**22.5**	**(2.2)**	**102.0**
30 June 2020					
Borrowings of securitisation trust	137.2	(26.8)	-	-	110.4
Lease liabilities	-	-	3.2	(0.3)	2.9
Total liabilities from financing activities	137.2	(26.8)	3.2	(0.3)	113.3

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

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:

Note 34 – Capital risk management, continued

- 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 & 42). 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.

Note 35 – Financial risk management, continued

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

Foreign currency risk management

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

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

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

Derivative financial instruments

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

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

Market risk

Cuscal and 86 400

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

- Interest rate risk, the risk of loss due to changes in interest rates, arises from the management of Cuscal's liquidity portfolio. Funds are raised from clients and invested in highly liquid assets. The mismatch between repricing terms for the funds raised and investments in liquid assets gives rise to interest rate risk. Cuscal's sensitivity to interest rate movement is largely immaterial as the majority of assets and liabilities are either short term or in instruments where the interest rate resets every 3 months;
- Specific issuer risk, the risk of loss due to shifts in credit spreads, arises from the investment of funds in assets, that while highly liquid, whose valuation can move relative to general market conditions;
- Foreign exchange risk, the risk of loss due to movements in foreign exchange rates, arises from supply contracts that are denominated in foreign currency. The variance between budgeted and hedge exposures is monitored on a monthly basis;
- Equity price risk, arises from exposure to investment in unconsolidated entities. In each case, the total investment is approved directly by the Board. The details of these equity investments are described in Note 16;
- Commodity price risk, the risk of loss due to movement in commodity prices. Cuscal has no exposure to commodity prices.

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

Note 35 - Financial risk management, continued

Market risk, continued

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

- Net Interest Earnings at Risk ("NIER") - NIER is the worst-case change in earnings due a 100bps parallel shock in interest rates over a 12-month time horizon.
- Present Value of a Basis Point ("PVBP") - Dollar impact of a 1 basis point movement in the yield curve.

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

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

	86 400 Group 2021 $m	 2020 $m
Cuscal (Parent)		
Increase in yield curve of 50 bps	**(1.8)**	(1.0)
Decrease in yield curve of 50 bps	**1.8**	1.0
86 400		
Increase in yield curve of 50 bps	**n/a**	(0.2)
Decrease in yield curve of 50 bps	**n/a**	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 12.

Note 35 - Financial risk management, continued

Credit risk, continued

(a) Cuscal, continued

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

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

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

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

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 following information relates to 86 400 across the 2020 financial year and the 2021 financial year up to date of deconsolidation from the Cuscal Consolidated Entity on 19 May 2021.

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

Credit risk was managed principally through embedded controls in the loans origination process. Lending was 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 had been considered. However, the small number of borrowers also permitted 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 were followed and lending policies established.

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

Risk and Internal Audit personnel regularly tested internal controls and adherence to credit policies and procedures. The 86 400 Group applied 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.

Note 35 - Financial risk management, continued

Credit risk, continued

(b) 86 400, continued

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

86 400 Management regularly reported 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.

Counterparty risk for investments in financial instruments was 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 2021, no 'expected credit loss' 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 2021 %	2020 %
Financial Assets		
Financial Institutions	**88.9**	74.1
Government, Semi-Government and supranationals	**8.3**	20.2
Residential Mortgages	**2.8**	5.7
Total credit risk concentration	**100.0**	100.0

Maximum credit risk exposure

	Consolidated 2021 $m	2020 $m
Financial Assets		
Cash and cash equivalents	**934.9**	607.1
Receivables due from financial institutions	**37.4**	109.4
Securities	**1,685.6**	1,552.2
Loans	**0.7**	30.6
Loans by the Securitisation Trust	**81.3**	106.4
Total financial assets	**2,739.9**	2,405.7
Off-Balance sheet		
Undrawn facilities	**184.1**	184.6
Total maximum credit risk exposure	**2,924.0**	2,590.3

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 repurchase ('repo') eligible securities have been added to the panel of available issuers to diversify Cuscal's investment profile. In addition, Cuscal has tested its capability to realise the value of investments in securities via repurchase with financial institutions.

The 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. 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 following information relates to 86 400 across the 2020 financial year and the 2021 financial year up to date of deconsolidation from the Cuscal Consolidated Entity on 19 May 2021.

The 86 400 Group's approach to managing liquidity was to ensure, as far as possible, that it would 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 had an overdraft facility with which it could access emergency liquidity through an RBA repo facility in place to assist in adequately managing liquidity.

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

Liquidity positions were monitored daily, and monthly stress testing occurred to measure the 86 400 Group's capacity to withstand accelerated deterioration of liquidity. Frameworks had been set and approved by the 86 400 Board in relation to liquidity allocations and early warning indicators, which were designed to ensure sufficient escalation channels were 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 2021							
Payables due to financial institutions	**100.6**	**-**	**-**	**-**	**-**	**-**	**100.6**
Client deposits	**1,136.9**	**714.7**	**161.7**	**-**	**-**	**-**	**2,013.3**
Securities sold under agreement to repurchase	**-**	**143.7**	**-**	**-**	**-**	**-**	**143.7**
Discount securities issued	**-**	**5.9**	**3.5**	**-**	**-**	**-**	**9.4**
Borrowings of the Securitisation Trust	**-**	**5.1**	**13.5**	**66.9**	**-**	**-**	**85.5**
Lease liabilities	**-**	**1.3**	**3.7**	**14.4**	**-**	**-**	**19.4**
Derivative financial liability	**-**	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Liability to prepaid cardholders	**35.3**	**-**	**-**	**-**	**-**	**-**	**35.3**
Total undiscounted cash flows	**1,272.8**	**870.8**	**182.4**	**81.5**	**-**	**-**	**2,407.5**
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

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 2021							
Payables due to financial institutions	**100.6**	**-**	**-**	**-**	**-**	**-**	**100.6**
Client deposits	**1,137.2**	**714.7**	**161.7**	**-**	**-**	**-**	**2,013.6**
Securities sold under agreement to repurchase	**-**	**143.7**	**-**	**-**	**-**	**-**	**143.7**
Discount securities issued	**-**	**5.9**	**3.5**	**-**	**-**	**-**	**9.4**
Lease liabilities	**-**	**1.3**	**3.7**	**14.4**	**-**	**-**	**19.4**
Liability to prepaid cardholders	**35.3**	**-**	**-**	**-**	**-**	**-**	**35.3**
Derivative financial liability	**-**	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Total undiscounted cash flows	**1,273.1**	**865.7**	**168.9**	**14.4**	**-**	**-**	**2,322.1**
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

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.

Investment Securities

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

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

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

Loans and loans made by the securitisation trust

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

For 86 400 loans, the carrying value of loans and advances was 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 was 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. Consolidated Entity classes its equity investments at as Level 3 where valuation technique which is not supported by market inputs.

Valuation technique used to determine level 3 fair values

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

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

Note 35 - Financial risk management, continued

Fair value, continued

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

Consolidated - 30 June 2020	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Investment securities	-	1,277.6	-	1,277.6
Loans	-	0.1	30.5	30.6
Loans made by securitisation trust	-	-	106.4	106.4
Equity investments	-	-	4.1	4.1
Total financial assets	-	1,277.7	141.0	1,418.7
Financial liabilities				
Derivative financial liabilities	-	0.2	-	0.2
Client deposits	-	1,709.0	-	1,709.0
Securities sold under agreement to repurchase	-	144.7	-	144.7
Discount securities issued	-	62.4	-	62.4
Borrowings of securitisation trust	-	113.8	-	113.8
Total financial liabilities	-	2,030.1	-	2,030.1

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(nn).

The table below presents the gross exposure and related ECL allowance for assets measured at amortised cost or FVOCI and off-Balance Sheet exposures subjected to impairment requirements of AASB 9.
All ECL amounts fall under stage 1. Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

	Gross exposure for Financial asset carried at[1]			ECL allowance on Financial assets carried at		
Consolidated	Amortised cost $m	FVOCI $m	Total exposure $m	Amortised cost $m	FVOCI $m	Total ECL allowance
30 June 2021						
Cash	**934.9**	**-**	**934.9**	**-**	**-**	**-**
Receivables due from FIs	**37.4**	**-**	**37.4**	**-**	**-**	**-**
Investment securities	**-**	**1,686.1**	**1,686.1**	**-**	**0.5**	**0.5**
Loans	**0.7**	**-**	**0.7**	**-**	**-**	**-**
Loans made by the Securitisation Trust	**81.3**	**-**	**81.3**	**-**	**-**	**-**
Other assets (Trade debtors)	**5.2**	**-**	**5.2**	**-**	**-**	**-**
Undrawn commitments	**184.1**	**-**	**184.1**	**-**	**-**	**-**
Total	**1,243.6**	**1,685.6**	**2,929.7**	**-**	**0.5**	**-**
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

Unrecognised Items

Note 36 - Assets pledged as collateral

Securities

Investment Securities of $165.3 million (2020: $167.6 million) have been pledged to the Reserve Bank of Australia as collateral for the liability for Securities sold under agreement to repurchase in Note 23.

Note 37 – Commitments and contingencies

	Consolidated		Cuscal	
	2021 $m	2020 $m	2021 $m	2020 $m
Commitment and contingencies				
IT capital expenditure commitments not longer than 1 year	**7.0**	8.1	**7.0**	1.0
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	**7.0**	32.5	**7.0**	25.4

Lease commitments for prior year relates to premises lease that had been entered into before 30 June 2020 but not commenced until 1 July 2020.

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, as well as the 86 400 Group office at 35 Clarence Street Sydney up to the date of sale of the 86 400 on 19 May 2021.

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 2020 financial year, leases of property were classified as operating leases. From 1 July 2020, 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 3.2% 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 the following amounts relating to premises leases for the year ending 30 June 2021:

	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
Right-of-use assets				
Buildings	**18.0**	3.1	**18.0**	-
Total Right-of-use assets	**18.0**	3.1	**18.0**	-
Lease Liabilities				
Current	**4.2**	0.5	**4.2**	-
Non-current	**14.5**	2.4	**14.5**	-
Total Lease liabilities	**18.7**	2.9	**18.7**	-

Additions to the right-of-use assets (excluding depreciation) during the 2021 financial year was $22.5 million (2020: $3.2 million).

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

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

	Consolidated 2021 $m	2020 $m	Cuscal 2021 $m	2020 $m
Continuing Operations				
Profit and Loss impact relating to Leases				
Depreciation charge on Property leases	**4.5**	-	**4.5**	-
Interest expense on Property Lease ROU assets	**0.7**	-	**0.7**	-
Expense relating to short-term leases (included in Occupancy expenses)	**-**	4.6	**-**	4.0
Total Profit and Loss impact relating to leases	**5.2**	4.6	**5.2**	4.0

Upon adoption of AASB 16 on 1 July 2019, the existing lease costs relating to Cuscal's Margaret Street and 86 400's York Street premises, which were due to expire within 12 months, were treated as 'expenses relating to short-term leases' for the 2020 year in accordance with AASB 16.

The total cash outflow for leases for the year ending 30 June 2021 was $4.5 million (2020: $5.4 million).

Refer to Note 35 for Consolidated Entity's maturity profile based on contractual undiscounted payments.

Note 39 - Credit facilities

	Consolidated 2021 $m	2020 $m
(a) Committed financing activities that are available to Cuscal are as follows:		
i) Bank overdraft	**7.0**	7.0
ii) Within the day accommodation	**100.0**	100.0
iii) Encashment negotiation advice, payroll delivery services, and corporate purchasing card	**193.0**	193.0
iv) Bank guarantee	**6.5**	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	**1.5**	1.9

As at 30 June 2021, $5.5 million (2020: $6.1 million) of the bank guarantee facility was utilised. The remaining credit facilities were unused at balance date.

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

As at 30 June 2021, asset liquidity facility was un-utilised (2020: $Nil). This facility is only available to the Trust in accordance with the contractual arrangements of the Trust. Neither Cuscal, nor any of its subsidiaries are able to access this facility.

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

As at 30 June 2021, neither Cuscal nor any other part of the Consolidated Entity provided financing facilities to the Trust (2020: $Nil).

Note 40 - Subsequent events

- In respect of the financial year ended 30 June 2021, the Directors have determined that

  a) a final dividend of 2.1 cents per ordinary share shall be paid to all shareholders registered at 7 September 2021. The final dividend will total $4.0 million. The dividend will be franked to 100% at the 30% corporate income tax rate; and

  b) a special dividend be payable, relating to the gain on sale of 86 400, of 13.4 cents per ordinary share shall be paid to all shareholders registered at 7 September 2021. The final dividend will total $25.0 million. The dividend will be franked to 100% at the 30% corporate income tax rate.

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

Other Information

Note 41 – Discontinued Operations (86 400 Group)

Background

Cuscal invested $57.0 million in 86 400 between October 2017 and February 2020. In order to support growth in the business, 86 400 undertook 2 capital raises and added external capital.

Subsequent to January 2020, 86 400 conducted a 'Series A' capital raise, running from February 2020 to April 2020, and raised $32.6 million on a cash basis. This diluted Cuscal's holdings in 86 400 to ~70%. The dilution of 30% for the year ended 30 June 2020 was shown as non-controlling interest for the year ended 30 June 2020.

Subsequent to July 2021, 86 400 conducted a 'Series B' capital raise, running from August 2020 to 19 May 2021. On 29 January 2021, 86 400 and National Australia Bank (NAB) announced they had entered into a Scheme Implementation Agreement for NAB to acquire 100% of the shares in 86 400 Holdings Ltd. The agreement involved NAB seeking to acquire the remainder of shares in 86 400 by way of a Scheme of Arrangement (Scheme) and included all of Cuscal's $57.0 million investment in the 86 400 Group.

Cuscal considers the initial 'Series B' investments, NAB's initial investments in November 2020 and the subsequent investment announced in January 2021 as all comprising part of the 'Series B' capital raise. This has been accounted for as a linked transaction on the basis that:

- Each of the 2 investments by NAB were entered into in contemplation of each other;
- The 2 investments form a single transaction that was designed to achieve an overall commercial effect for NAB (i.e. to acquire 100% of the equity of 86 400); and
- The initial investment by NAB (i.e. to own a ~19% investment in 86 400) was not economically justified. However, when considered together with the second investment, the goal of acquiring 100% of the equity in 86 400 has been achieved.

The transaction was settled on 19 May 2021. The acquisition price for the remaining shares in 86 400 was a cash consideration of $2.25 per share. The gain on sale of 86 400 is shown below:

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

Based on the above 86 400 Group was classified as a discontinued operation for the year ended 30 June 2021 and 2020. The results of 86 400 Group are presented below:

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

86 400 Group	19 May 2021 $m	2020 $m
Statement of Profit and Loss		
Net fee & commission income	**(3.6)**	(2.0)
Net interest income	**(2.4)**	(1.1)
Other income	**0.1**	-
Total Net operating income	**(5.9)**	(3.1)
Employment expenses	**(14.5)**	(13.2)
Occupancy expenses	**(1.0)**	(0.8)
Non-salary technology expenses	**(7.0)**	(6.0)
Other expenses	**(6.6)**	(6.4)
Total operating expenses	**(29.1)**	(26.4)
Loss before income tax	**(35.0)**	(29.5)
Tax benefit	**13.0**	7.2
Net Loss after tax from discontinued operations	**(22.0)**	(22.3)
Gain on sale of 86 400 after tax	**72.1**	-
Total profit after tax from discontinued operations	**50.1**	(22.3)
Add: Loss attributable to the owners of Cuscal	**9.5**	2.8
Consolidated Profit on discontinued operations attributable to the owners of Cuscal	**59.6**	(19.5)
EPS on discontinued operations		
Basic and diluted earnings / (losses) per share(i)	**$0.32**	($0.10)

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

The major classes of assets and liabilities of 86 400 Ltd de-consolidated as at 19 May 2021 were as follows, compared to June 2020:

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

86 400 Group	19 May 2021 $m	2020 $m
Summarised Statement of Financial Position		
Cash and cash equivalents	**23.6**	35.1
Receivables due from FI's	**0.6**	-
Investment securities	**225.2**	276.0
Loans	**272.8**	30.0
Deferred tax asset	**12.1**	3.8
Property, plant & equipment & Right of use assets	**3.1**	3.5
Intangible assets	**23.9**	20.7
Other assets	**4.8**	2.2
Total assets	**566.1**	371.3

86 400 Group	19 May 2021 $m	2020 $m
Summarised Statement of Financial Position, continued		
Payables due to FI's	**0.2**	-
Client deposits	**473.6**	309.9
Repurchase agreements	**15.0**	-
Other liabilities	**6.2**	6.7
Provisions	**4.2**	5.0
Total liabilities	**499.2**	321.6
Net assets directly associated with discontinued operation	**66.9**	49.7

Note 42 - Particulars in relation to controlled entities

Controlled entities

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

The '86 400 Group' comprises 86 400 Holdings Limited, 86 400 Technology Pty Limited and 86 400 Limited. The 86 400 Group was de-consolidated on 19 May 2021 from the Consolidated Financial Statements.

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

Note 42 - Particulars in relation to controlled entities, continued

	Class of Share	Interest Held 2021 %	2020 %
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
86 400 Technology Pty Limited(ii)	Ord	**-**	100
86 400 Limited(ii) (formally 86 400 Pty Limited)	Ord	**-**	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 2021 financial year and up to the date of this report:

- On 29 January 2021, National Australia Bank (NAB) entered into a Scheme Implementation Agreement to acquire 100% of the shares in 86 400 Holdings Ltd at an acquisition price of $2.25 per share. The transaction completed on 19 May 2021, and at that date the 86 400 Group was de-consolidated from the Consolidated Entity. Refer note 41 for further information.

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.

Note 42 - Particulars in relation to controlled entities, continued

Structured Entities included in the consolidated financial statements, continued

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 43 - Related party disclosures

(a) Key management personnel

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

(b) Loans to directors

As at 30 June 2021 the outstanding balance of loans to directors was $Nil (2020: $Nil).

(c) Directors' interests in contracts

As required by the Corporations Act 2001, some Directors have given notice that they hold office in specified credit unions, mutual banks and other companies and as such are regarded as having an interest in any contract or proposed contract, which may be between Cuscal and its controlled entities and those credit unions, mutual banks and companies. All transactions between credit unions and other companies in which a Director is an officer or a member and Cuscal and its controlled entities are transacted in the normal course of business and on commercial terms and conditions.

(d) Controlled entities

Cuscal's controlled entities receive administrative support services from Cuscal. These transactions are in the normal course of business and on commercial terms and conditions. Transactions between Cuscal and its controlled entities include the provision of financial facilities on commercial terms and conditions. Details of the amounts paid or received from related entities in the form of dividends, interest, management charges and asset usage fees are set out in Notes 3, 4 and 5.

Amounts receivable from and payable to controlled entities are disclosed in Note 15 and 26.

Note 44 – Earnings per share

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

Weighted average number of ordinary shares outstanding during the year was 186.9 million (2020: 186.9 million)

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

	Consolidated	
	2021 Cents	2020 Cents
Earnings per ordinary share ('EPS')		
Basic and diluted earnings per share	**$0.44**	$0.02
EPS from continuing operations		
Basic and diluted earnings per share	**$0.12**	$0.12

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

	Consolidated	
	2021 $m	2020 $m
Gain on sale of 86400 after tax	72.1	-
Profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations for the basic EPS calculation	(12.5)	(19.5)

Note 45 – Net assets per share

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

	Consolidated	
	2021 Cents	2020 Cents
Net Assets per ordinary share		
Basic net assets per ordinary share at year end	**$1.83**	$1.47

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

The following information relates to 86 400 across the 2020 financial year and the 2021 financial year up to the date of deconsolidation from Cuscal on 19 May 2021.

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

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

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

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

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

	Consolidated	
	2021	2020
Number of performance rights		
Opening balance	**11**	10
Granted	**-**	1
De-consolidation of 86 400	**(11)**	
Closing balance	**-**	11
Exercisable as at financial year end	**-**	-

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

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

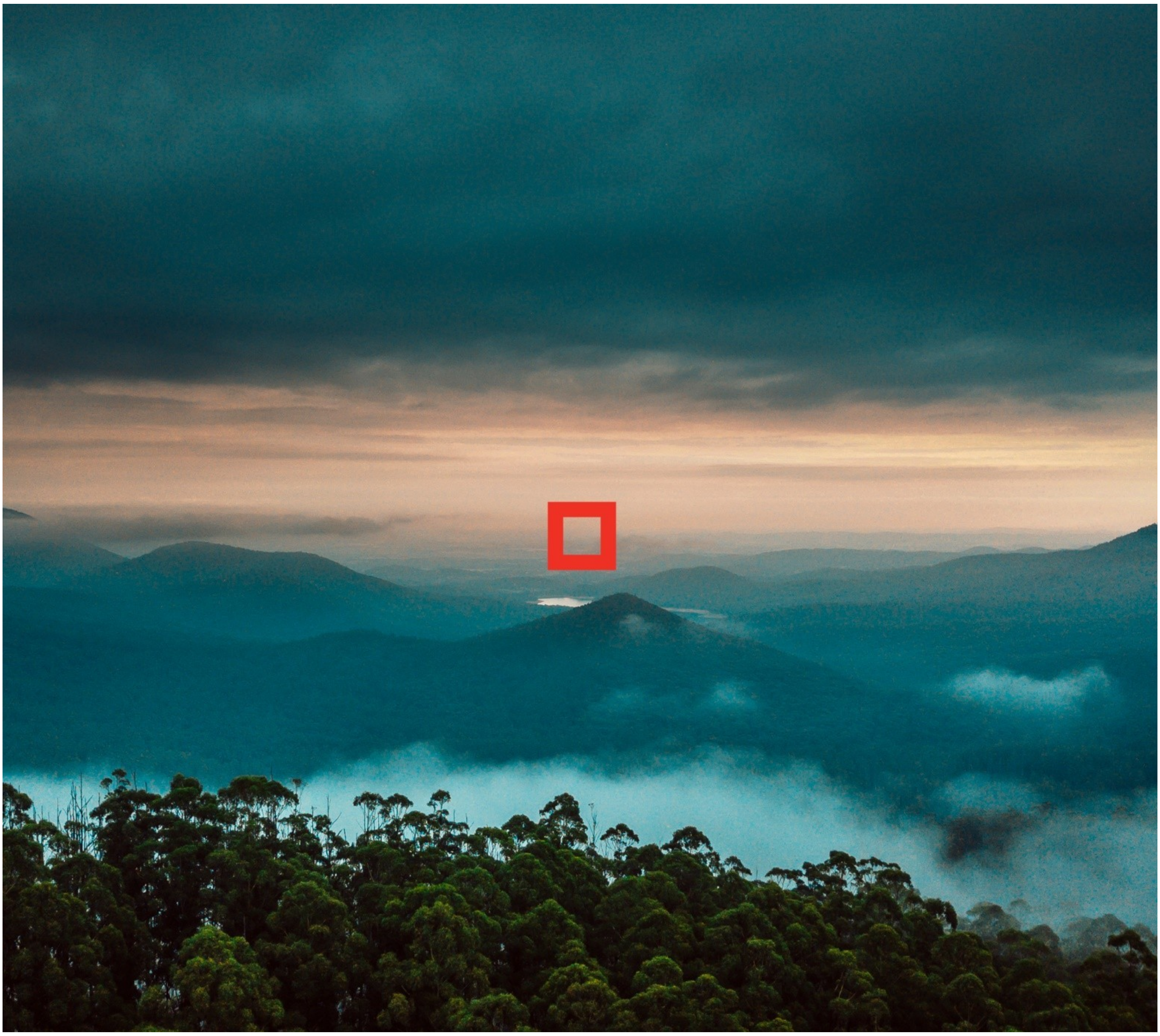
Equity-settled shared-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured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

Note 47 – Additional company information

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

Level 2
1 Margaret Street
SYDNEY NSW 2000

The number of employees at 30 June 2021 of the Consolidated Entity is 453 (2020: 521).



Corporate Governance Statement

Corporate Governance Statement 2021

Contents | Page

1. Approach to Governance

This document reflects Cuscal's governance framework as at 30 June 2021 and up to the date of publication of the 2021 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. Over time, Cuscal aspires to expand this Corporate Governance Statement on the themes of environmental, social and governance criteria and diversity.

Cuscal completed a detailed Board Governance review during the period. A recommendation from the review was to adopt an investor governance model more in line with a public listed company. Accordingly, Cuscal's Constitution was amended by a special resolution passed by shareholders on 28 July 2021 (Modified Constitution). References to the Constitution in this Corporate Governance Statement means the Constitution as at 30 June 2021 unless there is an express reference to the Modified Constitution.

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 included oversight of 86 400, an APRA licensed digital retail bank that was majority owned by Cuscal until 19 May 2021. 100% of Cuscal's holding in 86 400 was disposed of at that time.

During the period 86 400 was majority owned by Cuscal, Cuscal implemented a Governance model that struck 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, which is subject to periodic review

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 and Committees 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 12 to 15 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 Belinda Cooney and Ms Trudy Vonhoff have been declared by the Board 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 naturally creates the situation whereby elected Directors will 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 Directors 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.

Under the recently Modified Constitution the criteria for independence remained unchanged. However, the distinction between Appointed Directors and Elected Directors was removed.

2.5 Composition

Both the composition of the Board and the election of Directors are determined in accordance with the Constitution and Modified Constitution, and any such regulatory requirements as apply from time to time. The Constitution prescribed 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. Under the Modified Constitution, all directors will be elected by shareholders.

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

The maximum number of Directors as determined by the Constitution (and Modified Constitution) is nine, including the Managing Director, who is appointed at the discretion of the Board. The Board currently comprises three elected Directors, three appointed Directors, 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 12 to 15 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. Under the Modified Constitution, all Directors in office as at 28 July 2021 will have until the third AGM after that date to stand for election or re-election as the case may be. Upon election, they will serve a term of three years, subject to the requirement under the Modified Constitution for at least one Director to retire and stand for election at each AGM.

The Board has a selection framework for the appointment of 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 seven 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. External consultants may be engaged to assist or carry out these performance reviews.

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.

Total remuneration for all non-executive Directors, last voted upon by shareholders at the 2018 Annual General Meeting is not to exceed $739,735. For the year ended 30 June 2021 and noting there were vacancies for part of the year, the total of the Director's remuneration paid to all non-executive Directors was $612,334. The base payment for each non-executive Director was $87,397, the Chairman's remuneration was $171,654 (inclusive of BGRC Committee Chairman role) and the Chairman of each of the other Committees receives a loading of $5,998. The base payment includes membership of one Committee. A loading of $10,567 applies for membership of a second Committee. These amounts are rounded to the nearest dollar and are inclusive of applicable superannuation.

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

Additional fees may be paid to Cuscal Directors appointed to selected subsidiary Boards. No additional fees have been paid in FY21.

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 2021 financial year took place in July/August 2021. 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 including whether there has been an appropriate approach to risk management outcomes for the period.

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 or when there are any changes in Board membership during the year, and are based on the capabilities and experience of individual Directors, as well as any applicable regulatory requirements.

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 12 to 15 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 2021 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
- oversight of the Governance review and implementation of the recommended governance model arising from the review.

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 2021 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
- transition of the external audit to the new auditor as a result of the audit tender conducted in FY20.

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 2021 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; and
- assessment of risk appetite and strategic risks.

3.4 Committee Memberships at 30 June 2021

Remuneration	Board Governance	Board Audit	Board Risk &
Elizabeth Proust[1]	♦[(C)]		
Belinda Cooney[(1)(i)]		♦	♦
Trudy Vonhoff[1]	♦	♦[(C)(ii)]	♦[(C)]
Ling Hai[2]			♦
Wayne Stevenson[2]	♦	♦	

(C) denotes Chairman
(1) denotes independent, non-executive Director
(2) denotes non-independent non-executive Director
(i) Appointed 24 June 2021. To assume Chair of Board Audit Committee 18 August 2021.
(ii) Interim Chair role that will end on 18 August 2021

Director Daryl Johnson has been an interim member of the Audit and Risk Committees during part of FY21 but is not a member of a Board Committee as at the date of the Annual Report.

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 2021 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, regular updates on strategic risks are 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 risk culture survey commenced in 2020 to provide a more informed understanding of Cuscal's risk culture. This risk survey is complemented by quarterly independent culture assessments by Cuscal's internal auditors, KPMG.

Cuscal 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.

Cuscal's risk management framework includes a program of insurance that is appropriate for the nature, scale and complexity of its business. During FY21, a sub-committee of the Board provided oversight of the RFP process for the provision of insurance broker services to Cuscal which resulted in the Board's endorsement of management's recommendation to appoint a new insurance broker.

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 with shareholders. These provide the opportunity for shareholders to be consulted on significant decisions and provided with updates about financial results, strategic initiatives and future plans. In the period, there have been specific webinars by the Chairman, Managing Director and members of the Leadership Team and communications with shareholders on the Governance review, Cuscal strategy 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

Company Secretaries

Carmen Fraser
Telephone: (02) 8299 9000
Facsimile: (02) 8299 9600

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

Auditors

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