Cuscal

Prospectus

Initial Public Offering of Shares

BofA SECURITIES

Sole Global Coordinator,
Sole Bookrunner and
Joint Lead Manager

GILBERT
+TOBIN

Issuer Counsel

Cuscal Limited ACN 087 822 455

Important Notices

This document is not for distribution or release in the United States

Offer

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares (**Shares**) in Cuscal Limited ACN 087 822 455 (**Cuscal** or the **Company**). This Prospectus is issued by the Company and Cuscal SaleCo Limited ACN 670 386 713 (**SaleCo**). See **Section 7** for further information on the Offer, including as to details of the securities that will be issued and transferred under this Prospectus.

Lodgement and Listing

This Prospectus is dated 8 November 2024 and was lodged with ASIC on that date (**Prospectus Date**).

The Company will apply to the ASX within seven days after the Prospectus Date for admission of the Company to the Official List and quotation of the Shares on the ASX (**Listing**).

Neither ASIC nor the ASX takes any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry date

No Shares will be issued or transferred on the basis of this Prospectus after the expiry date, being 13 months after the Prospectus Date.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any prospective investor.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in the Shares. Some of the key risk factors that should be considered by prospective investors are set out in **Section 1.5** and **5**. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the assumptions underlying the Forecast Financial Information set out in **Section 4.8** and the risk factors set out in **Section 5** that could affect the Company's business, financial condition and results of operations.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares.

Exposure Period

The Corporations Act prohibits the Company from processing applications to subscribe for, or acquire, Shares offered under this Prospectus (**Applications**) in the seven-day period after lodgement of this Prospectus with ASIC (**Exposure Period**). This Exposure Period may be extended by ASIC by up to a further seven days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale or accurately represent the technical aspects of the products.

Disclaimer and forward-looking statements

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company, SaleCo, the Directors, the directors of SaleCo, the Bookrunner, the other Joint Lead Managers or any other person in connection with the Offer. You should rely only on information in this Prospectus when deciding whether to invest in Shares. Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

This Prospectus contains forward-looking statements which are statements that may be identified by words such as 'may', 'will', 'would', 'should', 'could', 'believes', 'estimates', 'expects', 'intends', 'plans', 'anticipates', 'predicts', 'outlook', 'forecasts', 'guidance' and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward-looking statements. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, the Company expects to occur (including the key assumptions set out in **Section 4.8**).

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management of the Company and SaleCo. Forward-looking statements should therefore be read in conjunction with, and are qualified by reference to, **Sections 4 and 5**, and other information in this Prospectus. The Company and SaleCo cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. As set out in **Section 7.14.3**, it is expected that the Shares will be quoted on the ASX initially on a conditional and deferred settlement basis. The Company, SaleCo, the Company's service provider, Link Market Services Limited (ABN 54 083 214 537) (**Share Registry**) and the Bookrunner disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Merrill Lynch Equities (Australia) Limited has acted as Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager (**Bookrunner**) to the Offer. Bell Potter Securities Limited, Ord Minnett Limited and MST Financial Services Pty Ltd have acted as joint lead managers to the Offer (each a **Joint Lead Manager**). The Bookrunner and the Joint Lead Managers have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by the Bookrunner, a Joint Lead Manager or by any of their respective affiliates or related bodies corporate (as defined in the Corporations Act) (**Related Bodies Corporate**), or any of their respective officers, directors, employees, partners, advisers or agents. To the maximum extent permitted by law, the Bookrunner, each Joint Lead Manager, their respective affiliates and Related Bodies Corporate, and any of their respective officers, directors, employees, partners, advisers or agents expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the accuracy, reliability or completeness of this Prospectus.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial information presentation

All references to FY22, FY23, FY24, FY25 and FY28 appearing in this Prospectus are to the financial years ended 30 June 2022, 30 June 2023 and 30 June 2024 and ending 30 June 2025 and 30 June 2028 respectively, unless otherwise indicated. All references to 1HFY25 and 2HFY25 appearing in this Prospectus are to the half years ending 31 December 2024 and 30 June 2025, unless otherwise indicated.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in **Section 4.2**.

This Prospectus includes Forecast Financial Information which is based on the best estimate assumptions of the Directors.

The Financial Information in this Prospectus should be read in conjunction with, and it is qualified by reference to, the information contained in **Sections 4** and **5**.

Non-IFRS financial information

Investors should be aware that certain financial data included in this Prospectus is 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of the Company. The non-IFRS financial information does not have standardised meanings prescribed by Australian Accounting Standards or International Financial Reporting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should it be construed as an alternative to other financial information determined in accordance with Australian Accounting Standards or International Financial Reporting Standards. Readers are cautioned, therefore, not to place undue reliance on any non-IFRS financial information or ratio included in this Prospectus.

Market and industry data based primarily on management estimates

This Prospectus (and in particular **Section 2**) contains data relating to the industries, segments, sectors and channels in which the Company operates (**Industry Data**).

Such information includes, but is not limited to, statements and data relating to: product segment and category sizes (by number of units and net sales), estimated sector growth (by revenue), channel segmentation and the Company's estimated revenue share and its industry position in specified geographic areas. Unless otherwise stated, this information has been prepared by the Company using both publicly available data and internally generated data (including industry research and interviews with industry participants). The Company's internally generated data is based on estimates and assumptions that both the Directors and the Company's management believe to be reasonable, as at the Prospectus Date.

The Industry Data has not been independently prepared or verified and neither The Initiatives Group (the author of the Industry Report) nor the Bookrunner can assure you as to its accuracy or the accuracy of the underlying assumptions used to estimate such Industry Data.

The Company's estimates, industry assumptions and forecasts involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors set out in **Section 5**.

Any statements, data or other contents referenced or attributed to reports by a third party (each a **Third Party Report**) in this Prospectus represent research opinions or viewpoints only of that third party, and are in no way to be construed as statements of fact. While the views, opinions, forecasts and information contained in a Third Party Report are based on information believed by the third party author in good faith to be reliable, authors of Third Party Reports do not make any representation or guarantee as to the accuracy or completeness of any information upon which a view, opinion or forecast or any information contained in any Third Party Report is based. Any views, opinions or predictions contained in a Third Party Report are subject to inherent risks and uncertainties, and third parties do not accept responsibility for actual results or future events.

Any statement made in a Third Party Report is made as at the date of that Third Party Report and any forecasts or expressions of opinion are subject to future change without notice by any respective third party author of such reports. As such, investors are cautioned not to place undue reliance on such information. A third party is not obliged to, and will not, update or revise any content of a Third Party Report, other than where required by law, irrespective of any changes, events, conditions, availability of new information or other factors which may occur subsequent to the date of that Third Party Report. The Third Party Reports do not represent investment advice nor do they provide an opinion regarding the merits of the Offer.

Investors should note that industry and sector data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual industry or market conditions.

In addition to the Industry Data, this Prospectus uses third party data, estimates and projections. There is no assurance that any of the third party data, estimates or projections contained in this Prospectus will be achieved. The Company has not independently verified such information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors set out in **Section 5**.

Important Notices

Obtaining a copy of this Prospectus

This Prospectus is available in electronic form to Australian and New Zealand residents on the Company's offer website, https://events.miraqle.com/**cuscal-ipo**. The Offer constituted by this Prospectus in electronic form is available only to Australian and New Zealand residents accessing the website within Australia or New Zealand and is not available to persons in any other jurisdictions, including the United States.

A hard copy of the Prospectus is available free of charge during the Offer Period to any person in Australia or New Zealand by calling the Cuscal Offer Information Line on 1800 336 109 (toll free within Australia) or +61 1800 336 109 (outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays).

Applications for Shares may only be made on the Application Form attached to, or accompanying, this Prospectus in its hard copy form, or in its soft copy form available online at https://events.miraqle.com/**cuscal-ipo**, together with an electronic copy of this Prospectus. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

No cooling off rights

Cooling off rights do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

No offering where illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus (including in electronic form) outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in the United States. In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any State of the United States, and may not be offered or sold, directly or indirectly, in the United States, or to or for the account or benefit of, a US Person, except transactions exempt from or not subject to the registration requirements of the US Securities Act and any other applicable US securities laws. The Offer is not being extended to any investor outside Australia and New Zealand, other than to certain Institutional Investors as part of the Institutional Offer.

See **Section 9.12** for more detail on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia and New Zealand.

New Zealand Warning Statement

The Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

The Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

Currency exchange risk

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

Trading on financial product market

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

A copy of this Prospectus, other documents relating to the Offer and a copy of the Constitution have been, or will be, lodged with the New Zealand Companies Office and are, or will be, available on the Disclose Register (NZ).

While the Offer is being extended to New Zealand investors under the New Zealand Mutual Recognition Regime, no application for listing and quotation is being made to NZX Limited.

Privacy

By completing an Application Form, you are providing personal information to the Company and SaleCo through the Share Registry, which is contracted by the Company to manage Applications. The Company and SaleCo, and the Share Registry on their behalf, and their agents and service providers may collect, hold, disclose and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration, and for other purposes related to your investment listed below.

If you do not provide the information requested in the Application Form, the Company, SaleCo and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included on the Share register. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included on the Share register if you cease to be a Shareholder.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Share register;
- the Bookrunner or a Joint Lead Manager to assess your Application;
- printers and other companies for the purposes of preparation and distribution of documents and for handling mail;
- market research companies for analysing the Company's shareholder base; and
- legal and accounting firms, auditors, management consultants and other advisers for administering, and advising on, the Shares and for associated actions.

The Company's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

You may request access to your personal information held by or on behalf of the Company and SaleCo. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry as follows:

Telephone:
(outside Australia)
+61 1300 554 474

(toll free within Australia)
1300 554 474

Address:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

Financial Services Guide

The provider of the Independent Limited Assurance Report is required to provide Australian retail clients with a Financial Services Guide in relation to its independent review under the Corporations Act. The Independent Limited Assurance Report and accompanying Financial Services Guide are provided in **Section 8**.

Intellectual Property

This Prospectus may contain trademarks of third parties, which are the property of their respective owners. Third party trademarks used in this Prospectus belong to the relevant owners and use is not intended to represent sponsorship, approval or association by or with us.

Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in this Prospectus, is incorporated in this Prospectus by reference.

Defined terms and abbreviations

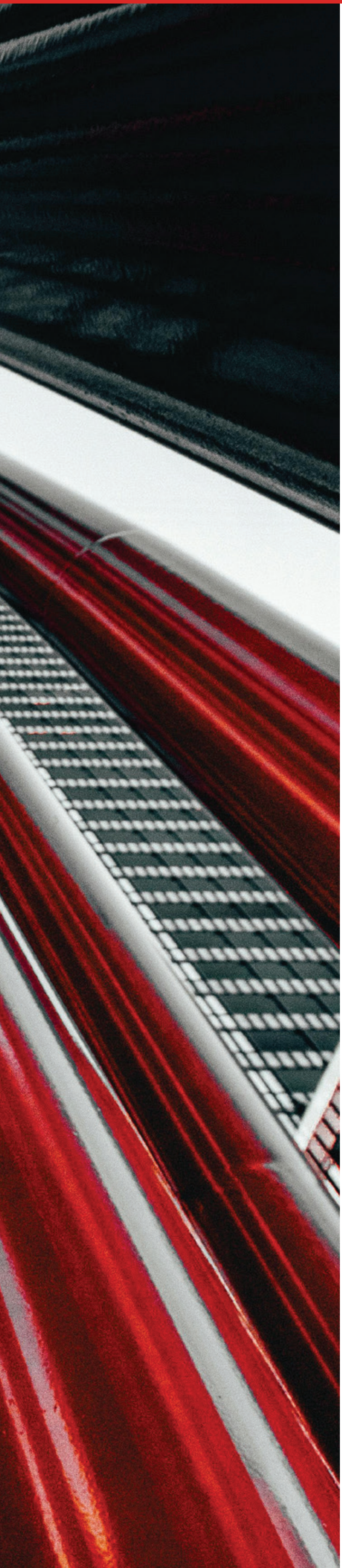
Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meaning given in the glossary at the end of the Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to Sydney time.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Questions

If you have any questions in relation to the Offer, contact the Cuscal Offer Information Line on 1800 336 109 (toll free within Australia) or +61 1800 336 109 (outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays).

This document is important and should be read in its entirety.



Contents

Key Offer Information

Important dates

Prospectus lodgement date	**8 November 2024**
Retail Offer period opens	**18 November 2024**
Retail Offer period closes	**20 November 2024**
Institutional Offer bookbuild	**21 November 2024**
Expected commencement of trading of Shares on ASX on a conditional and deferred settlement basis	**25 November 2024**
Settlement	**26 November 2024**
Issue and transfer of Shares (**Completion**)	**27 November 2024**
Expected commencement of trading of Shares on ASX on a normal settlement basis	**27 November 2024**
Expected dispatch of holding statements	**28 November 2024**

Dates may change

The dates above are indicative only and may change without notice.

The Company and SaleCo, in consultation with the Bookrunner, reserve the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notification to any recipient of this Prospectus or any Applicants. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law. If the Offer is cancelled or withdrawn before the issue or transfer of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

How to invest

Applications for Shares can only be made by completing and lodging the Application Form (other than as expressly provided in this Prospectus).

Instructions on how to apply for Shares are set out in **Section 7** and on the back of the Application Form.

Questions

If you have any questions in relation to the Offer, contact the Cuscal Offer Information Line on 1800 336 109 (toll free within Australia) or +61 1800 336 109 (outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays). If you are unclear in relation to any matter, or you are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

Key Offer Statistics

Offer Price	**$2.50 per Share**
Total proceeds under the Offer	**$336.8 million**
Proceeds under the Offer paid to Selling Shareholders	**$296.8 million**
Proceeds under the Offer from the issue of Shares by Cuscal	**$40.0 million**
Total number of Shares available under the Offer	**134.7 million**
Number of Shares to be held by Existing Shareholders after the Offer	**56.6 million**
Total number of Shares on issue at Completion[1]	**191.6 million**
Market capitalisation at the Offer Price[2]	**$479.0 million**
Pro forma historical net debt / (cash) at 30 June 2024	**$0.0**
Enterprise value at Completion[3]	**$479.0 million**
Enterprise value / pro forma forecast FY25 Adjusted EBITDA[4]	**7.7x**
Offer Price / pro forma forecast FY25 NPATO per Share[5]	**13.1x**
Annualised pro forma forecast 2HFY25 dividend yield at the Offer Price[6]	**3.7%**

1. This includes Restricted Shares to be issued under the ESOP from Listing (see **Section 6.3** for further details).
2. Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on issue at Completion of the Offer (and the number of Shares includes Restricted Shares to be issued under the ESOP from Listing).
3. The enterprise value at Completion is defined as the market capitalisation plus net debt. Net debt is defined as outstanding debt less unrestricted cash. Cuscal's corporate debt balance is nil as at 30 June 2024. The nature of Cuscal's business model means Cuscal holds significant cash from customer deposit balances that are restricted in nature and therefore excluded from net debt. Cuscal also holds cash and cash equivalents against regulatory capital and minimum liquidity requirements. Regulatory capital is required to support the continued growth of the business and is also therefore restricted in nature and excluded from net debt. Cuscal has therefore assumed its net debt and net cash position to be zero for the purposes of valuation such that enterprise value is equal to its market capitalisation.
4. The enterprise value / pro forma forecast FY25 Adjusted EBITDA multiple is calculated as the enterprise value divided by the FY25 forecast Adjusted EBITDA (see Section 4.4 for further details).
5. The Offer Price / pro forma forecast FY25 NPATO per Share multiple is calculated as the Offer Price divided by NPAT attributable to the owners of Cuscal (see Section 4.4 for further details).
6. Calculated based on the 2HFY25 expected dividend of $0.055 per share divided by the Offer Price, annualised to reflect a holding period from the settlement date to 30 June 2025. This is an indicative figure based on the proposed forecast 2HFY25 dividend and is not a representation of the future expected annual dividend yield. New investors will not be eligible to receive any interim dividend for 1HFY25 (see **Section 4.11** for further details).

Chairman's Letter

Elizabeth Proust AO
Independent Chairman

Dear Investor,

On behalf of the Board of Directors, I am pleased to offer you the opportunity to become a shareholder in Cuscal Limited (**Cuscal** or the **Company**).

Cuscal is an authorised deposit taking institution (**ADI**), with the licences, connectivity and processing capability to support all payment types and regulated data services. The combination of these capabilities and credentials within a single organisation in Australia is limited to the four major Australian banks (**Major Banks**) and Cuscal.

Cuscal powers seamless and secure connections for its clients and their customers across payments and regulated data services. This is underpinned by three key drivers:

- Strong competitive advantages;
- A predictable financial model; and
- Attractive growth fundamentals.

Strong competitive advantages

Having originally been formed in 1966 to service Australia's mutual banking organisations, Cuscal's business has focused on innovation and investment to expand its capabilities. As at 30 June 2024, Cuscal served a diverse range of 92 clients through a broad suite of products and services – its 'End-to-End *capabilities'* – cementing its position as a leading player in Australia's payments industry.

Cuscal is differentiated from its competitors as a connector to the Australian payments landscape by the range of capabilities and services it offers centrally and its business to business (**B2B**) model. Cuscal has long been a trusted partner for its clients, which include banks, financial technology companies (**Fintechs**) and corporates. Cuscal's role in supporting connectivity to the Australian payments infrastructure is critical. As a B2B provider, Cuscal is well placed to support its clients by allowing them to focus their investment budget and operational capacity where they can best create strategic advantages – typically in helping their end customers with better user experiences. Cuscal has a truly independent role in this respect, as it does not compete with its clients for end customers and accordingly supports businesses that may otherwise not be able to compete.

The delivery of this range of services is often complex and difficult to replicate as it requires investment in building the requisite infrastructure as well as obtaining and maintaining licences and regulatory approvals, including being an ADI and the regulatory oversight that entails. Cuscal has invested in meeting these regulatory expectations and will continue to invest to maintain and mature its capabilities particularly as the market context evolves.

Cuscal's ongoing focus on regulatory compliance, combined with its well-capitalised balance sheet and investment grade credit rating, positions Cuscal as a trusted partner for payment solutions. To further help its proposition and ability to adapt to innovation and trends, Cuscal continues to invest in its operating model, improving the ways in which Cuscal's people work and serve its clients, the benefits of which Cuscal expects to see in its ability to manage risk, its business and competitive advantages and ultimately, in financial performance. Further investment has been made in areas such as Cuscal's technology stack, where the Company recently upgraded its core platforms, as well as risk maturity and in the emerging area of regulated data services. Cuscal sees regulated data services as a reinforcing adjacency to its core payments offerings as it is able to offer additional services to better retain its existing clients and to add new clients who value Cuscal's ability to meet their needs through one service provider rather than obtaining services from multiple vendors.

Chairman's Letter (continued)

Predictable Financial Model

Cuscal's dedicated focus on its clients, combined with the investment described above, has meant its clients typically have long tenure, and Cuscal has ambitions to continue to broaden its relationship with its clients by offering them more services through the investments it has made, as well as to continue to add new clients. Cuscal's client relationships are typically under long-term contracts and Cuscal has delivered high revenue retention with the revenue of churned clients only representing approximately 1% of total revenue generated over the last three financial years.

The dramatic and disruptive growth of the Australian payments industry has challenged traditional payment methods by creating innovative products that increase consumer choice. At the same time, this growth and innovation has increased complexity in the payments ecosystem, which has exposed consumers to new and emerging risks and heightened regulatory attention. The Australian Government is on a regulatory drive to modernise, future-proof and create a fit-for-purpose regulatory architecture to meet these emerging risks.

Cuscal has been actively investing in and upgrading its approach to support clients through these changes, including the headwinds that many financial service companies (including Cuscal and its clients) as well as the broader Australian community are facing in relation to fraud and scams. While Cuscal continues to invest in monitoring, detection, prevention and education, scams and fraudulent payments are a challenge for numerous sections of the Australian economy. Cuscal welcomes changes to the regulatory landscape that will bring clarity and certainty to participants as well as create common expectations for the industry, and which will allow Cuscal to appropriately set and assess its ongoing risk appetite and controls. Cuscal aims to be a part of the whole of ecosystem response to help better protect customers, in what remains an uncertain and dynamic environment. Funding for this ongoing investment in payments capabilities, regulated data services and operational risk uplift, was in part secured through Cuscal's success in realising great outcomes from prior investments as evidenced by Cuscal's establishment and eventual exit from its investment in 86 400 (now part of Ubank) which not only provided capital for technology investment but also generated significant benefits for Cuscal's shareholders through capital returns.

Cuscal's broad product offering, continued investment in innovation, operations and systems, combined with its long-standing relationships with clients, help to drive a financial profile that is both predictable and profitable. In FY24 Cuscal generated $244.9m in net fee and commission revenue across all its operations, supporting statutory historical net profit after tax attributable to Cuscal owners of $31.6m (see **Section 4** for further information). This solid performance is anticipated to continue into FY25, and in future years, Cuscal will continue to focus on driving growth from both its core payments capabilities and, in time, regulated data services.

Attractive Growth Fundamentals

Cuscal is well positioned to grow with its clients given the market context in which it operates, with the volume of non-cash payments by number (being a key driver in Cuscal's revenue model) in the Australian market increasing by 8.8% on a Compound Annual Growth Rate (**CAGR**) basis from 2020 to 2024 and increasing to 10.7% from FY25 to FY28 according to market projections provided by The Initiatives Group (see **Section 2** for further information).

Cuscal's continued investment has been pivotal to delivering its track record of innovation. Cuscal was the first Australian company to launch connectivity solutions for Apple Pay, Google Pay and Samsung Pay, enabling its clients to be the first Australian financial institutions to offer their customers all three 'Pays'. As one of the 13 original shareholders of the New Payments Platform (**NPP**) Australia, Cuscal played a key role in the design and initial delivery of the NPP as well as in the continued evolution of the NPP with services such as PayTo (see **Section 2.2.5.2**). Cuscal enabled more than 60% of financial institutions that launched on day one of the NPP coming into operation. Of the more than 60 financial services brands that were involved in the launch of the NPP, Cuscal enabled 40 of those brands. Since 2018, Cuscal has conducted over 60 client NPP integrations – helping more organisations to access the NPP than any other of the original shareholders, which include the Major Banks (see **Section 3** for further information).

Underpinning Cuscal's operational and financial performance is Cuscal's experienced Management team and its dedicated staff. Cuscal's Management team has deep sector expertise and connectivity across the payments landscape, including representation on a number of industry bodies, which helps Cuscal navigate the emerging trends it faces.

As outlined in more detail in **Section 3.7**, Cuscal has developed a consolidated two-year program to strengthen its risk management foundations and support progressive change and improvements to align to regulatory expectations and continue to build a resilient business which achieves its strategic objectives in a sound and prudent way.

The fundamental purpose of becoming a listed company is to give Cuscal deeper access to funding sources and provide the Management team greater flexibility to execute growth initiatives. The Offer size of $337m comprises $40m of new capital to be raised by Cuscal, with the remaining $297m allowing existing shareholders an opportunity to realise part of their investment in Cuscal. Proposed uses of the proceeds of the issue of new Shares include to support working capital requirements; maintain a strong balance sheet and meet regulatory capital requirements; pay for the costs of the Offer; maintenance and further enhancements of Cuscal's core technology stack and its risk uplift investment program; and for general corporate purposes, including executing Cuscal's growth strategy. This Prospectus provides detailed information about the Offer and the financial and operating performance and outlook for Cuscal.

As with all payments companies, Cuscal is subject to a variety of sector and general risks, as well as risks specific to an investment in the Company. These risks include compliance and regulatory risks (including the risks stemming from matters such as scams and fraud as highlighted above, future regulatory changes and from the need to mature compliance arrangements on an ongoing basis including to meet increasing regulatory requirements imposed on ADIs and to respond to findings of internal and external reviews of its risk management and related arrangements), the impact of competitors and new technologies, failure to achieve growth or to access expected benefits from M&A and other investments, risks associated with Cuscal's technology (including risks of cyber-attacks) and general market risk. These risks are covered in more detail in **Section 5.** I would strongly recommend that any potential investor reviews this Section in detail to inform a sufficient understanding of the risks associated with an investment in Cuscal. I would further encourage you to read this Prospectus carefully and in its entirety before making an investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder.

Yours Sincerely,

Elizabeth Proust AO

Investment Overview

1

1. Investment Overview

1.1 Overview of Cuscal

Topic	Summary	For more information
Who is Cuscal?	There are five Authorised Deposit-taking Institutions (**ADIs**) in Australia that have, within a single entity, the licences, connectivity and processing capability to support the underlying payments infrastructure and to process all payment types. These are the Major Banks and Cuscal. Cuscal is an ADI that provides payment and regulated data services in Australia and on a limited basis through a non-ADI subsidiary in New Zealand. As at 30 June 2024, Cuscal provided payment services to banks, Fintechs and corporates, enabling its clients to provide payment services to their customers. As a B2B provider, Cuscal operates in the infrastructure layer of the Australian payments market, connecting clients to local payments infrastructure so they can focus on where they can best create strategic advantage – at the user experience layer and improving how their end customers access their products and services. Cuscal does not compete with its clients for end customers and the provision of these products and services.	Section 3.1.1
What is Cuscal's history?	Cuscal has been operating since 1966 through its earliest predecessor, the Australian Federation of Credit Union Leagues, which became the Credit Union Services Corporation (Australia) Limited in 1997 following mergers with a number of other companies. Shortening its name to Cuscal Limited in 2006, Cuscal has evolved from its origins as an aggregator of services for mutual ADIs to a trusted payments solutions provider across a diverse client base of banks, Fintechs and corporates. Cuscal's history illustrates a demonstrated ability to create value from strategic investments and a track record in innovation and being first to market with key industry initiatives. Cuscal acquired Strategic Payments Services Pty Ltd (**SPS**) in 2014, which supported Cuscal's growing focus on payment solutions and a broader client base. Since then, Cuscal has expanded its core payments capabilities and continued its track record of innovation including, most recently, investment in regulated data services (including through its acquisition of Basiq, a Data and Open Banking API platform, comprised of parent company Braavos Corporation Pty Ltd and its wholly-owned subsidiary Basiq Pty Ltd. as well as Basiq.io D.O.O BEOGRAD NOVI BEOGRAD (forming **Basiq**)). Cuscal has also taken a leading role in real-time payments including as a founding shareholder in the NPP; connecting more than 60% of Financial Institutions (**FI**s) in Australia to the NPP on the day it launched in February 2018; and enabling the first PayTo payments in 2022. Cuscal's leading role in real-time payments as well as its recent development and subsequent sale of digital bank 86 400 are examples of its capabilities in innovation.	Section 3.1.2

1. Investment Overview continued

1.1 Overview of Cuscal continued

Topic	Summary	For more information
What does Cuscal offer?	Cuscal's business model includes the provision of three core payments capabilities including issuing, acquiring and payments. These core payments capabilities enable Cuscal's clients to facilitate a range of transactions, from card-based payments to Batch and real-time solutions for their end customers. These core payments offerings are enhanced through *enabling foundations* (see **Section 3.2.2.2**) that support the client experience, such as the optional provision of back-office operations that are required to deliver payments solutions, increasing the relevance of Cuscal's payment solutions and as a payments partner. Additionally, Cuscal is building capabilities in the emerging regulated data services industry and, while in its early days, it is anticipated that this *reinforcing adjacency* (see **Section 3.2.2.1**) may provide additional opportunities for growth as regulated data services becomes increasingly integrated with payments in Australia.	Section 3.2
Who are Cuscal's clients?	Cuscal's core clients have historically been Australia's mutual ADIs in the form of banks and credit unions. This client base has evolved as Cuscal has expanded its core payments capabilities, with 55.4% of clients as at 30 June 2024 consisting of non-mutual ADIs, Fintechs and corporates. Cuscal's Fintech clients include a range of diverse service providers, including Payment Service Providers (**PSPs**) that enable payment capabilities for their own customers utilising Cuscal's payments capabilities. This diversification in clients has resulted in broader demand for products, with Cuscal able to tailor payments solutions to suit the varying needs of each client segment. It has also broadened Cuscal's exposure to a wider set of payments participants, including (in limited cases) Digital Currency Exchanges (**DCEs**). Cuscal does not have any clients that are DCEs, however some DCEs are customers of Cuscal's clients. In the last 16 months, Cuscal has implemented a number of limitations on its PSPs' clients ability to provide services to DCEs and has enhanced its capabilities around monitoring of PSPs and their merchants. In FY24, Cuscal had approximately 64% of its revenue attributable to contracts with two or more years remaining in the initial service period. This long-contracted customer base demonstrates Cuscal's valuable relationships with its clients and the stability of its revenue streams.	Section 3.4
What is Cuscal's revenue model?	The majority of Cuscal's revenue is from its core payments capabilities and is largely generated on a per transaction basis. Cuscal primarily earns fee and commission revenue per transaction for services provided in its three core payments capabilities outlined in **Table 3.2**. These fees will usually include a fixed per transaction fee. Cuscal's fees in relation to these services are described in **Section 3.2.1**. Cuscal typically charges a fixed fee per transaction facilitated, resulting in a revenue model that is driven predominantly by transaction volume. As set out in **Section 2.2.8.1**, as Australian consumers are shifting to making more frequent payment transactions at lower values, this may support revenue growth for Cuscal and consequentially, the resiliency of Cuscal's operating profile. Cuscal also charges variable fees linked to the value of the transaction (see **Section 3.2.1.1**).	Section 3.2

Topic	Summary	For more information
	Outside of the core payments capabilities, Cuscal charges fees for its enabling foundations (for example for Cuscal's fraud monitoring services). With the ongoing investment in regulated data services Cuscal is also beginning to generate revenue in this reinforcing adjacency for growth that will further support the core payments capabilities. Cuscal's revenue can be grouped as follows: • **Fee and commission income:** Transaction-based revenue generated from core payments capabilities and other revenue streams from its enabling foundations and reinforcing adjacency; • **Net interest income:** Generated from funds held for clients to facilitate payments activities (which is a by-product of the core payments capabilities and not a major driver of operations); and • **Other income:** Not significant to the overall business; includes items such as revaluation on investments.	
Who are Cuscal's competitors?	Across most payment products provided, the Major Banks have the majority of market share in Australia; however, they typically only provide these services to their own banking customers. This means that Cuscal's closest competitors are other B2B infrastructure connectivity players competing for the same clients as Cuscal. Indue, ASL and Fiserv are other B2B infrastructure connectivity providers with comparable offerings to Cuscal for specific payment types. Cuscal's model however positions it as the only B2B infrastructure service provider to possess end to end capabilities across the payments landscape in a single organisation, with other competitors requiring partnerships with external vendors to offer equivalent services to Cuscal. This, in addition to long-tenured relationships with clients, has helped Cuscal to be one of the largest players by market share outside of the Major Banks for the majority of services that it provides.	Section 2.2.6
How does Cuscal distinguish itself from its peers?	Cuscal is differentiated from its direct peers in both the breadth of payment services it provides and the supporting capabilities it offers its clients to enable them to extract the most out of Cuscal's expertise. With capabilities across card and non-card payment types, Cuscal's core offering is both complex and expensive to replicate due, in large part, to the licensing and regulatory requirements relating to certain payments capabilities. With no other independent B2B business in the Australian market offering the same range of services in a single organisation, Cuscal is one of the largest payments infrastructure providers outside of the Major Banks in Australia. With a long-tenured client base, along with a licensed and regulated payments offering, Cuscal's position is difficult to replicate. The enabling foundations that Cuscal provides to clients empower them to make the most of Cuscal's payments offerings.	Section 3.3.2

1. Investment Overview continued

1.1 Overview of Cuscal continued

Topic	Summary	For more information
	Cuscal's track record of innovation also separates it from its peers, with a demonstrated ability to identify market trends and position itself for shifting dynamics. The development of Cuscal's real-time payments capability is an example of Cuscal identifying an opportunity and then investing early in its NPP proposition, leading to strong performance for its clients when the system went live in 2018. Cuscal's investment allowed it to bring 40 FIs onto the platform when first entering the market, highlighting Cuscal's strong credentials in innovation and investment.	
How does Cuscal manage risk?	Risk management is critical for any ADI, and particularly one operating in a dynamic environment with increasing regulatory requirements. Cuscal seeks to manage the risks inherent in its business activities and operations by maintaining an effective risk management framework and strategy that enables it to identify, analyse and manage current and emerging risks within its business. Cuscal is committed to managing risks in a manner that has due regard to the interests of relevant stakeholders, including shareholders, clients and their customers, as well as regulators. Cuscal's risk management framework and strategy outlines Cuscal's approach to managing its material risks and includes a risk appetite statement that sets the degree of risk that Cuscal is prepared to accept in pursuit of its strategic objectives. The objectives of Cuscal's risk management framework and strategy include to enable Cuscal to: • identify, analyse and manage material risks at Cuscal; • ensure that appropriate strategies and policies, and effective operating controls and other risk mitigants, are in place and operating effectively; • provide reliable and meaningful risk information (reporting) to decision makers; • ensure there is adequate governance and oversight of Cuscal's risk profile and management frameworks; and • facilitate a sound risk culture. Further details regarding Cuscal's approach to risk management are set out in **Section 3.7**. Cuscal is in the process of implementing a risk management enhancement program as part of its commitment to continuous improvement and maturity in its governance, accountability, risk culture and risk management practices in line with prudential regulatory requirements. Cuscal has developed a consolidated program to strengthen its risk management foundations and to support progressive change and improvements to align to regulatory expectations and continue to build a resilient business which is positioned to achieve sound and prudent growth in pursuit of its strategic objectives and business plan. The program has commenced and will continue for a two-year period from the date of this Prospectus. The program comprises a comprehensive response to upcoming regulatory changes, Cuscal's interactions with regulators and the outcomes of internal and external reviews of its approach to risk management, as well as management self-assessments, including against common control weaknesses notified to the industry by APRA.	Section 3.7

Topic	Summary	For more information
	The improvements being implemented as part of the program include activities to strengthen and mature Cuscal's operational risk management and compliance framework, which is currently being improved to comply with APRA's new Prudential Standard CPS 230 Operational Risk (**CPS 230**) effective 1 July 2025. Cuscal's program of work also encompasses improvements in its management of technology, data and information security, scams and fraud management, as well as Cuscal's business continuity arrangements and service provider management which are key areas of focus under CPS 230. This work is designed to strengthen Cuscal's operational resilience and builds on a technology resilience program undertaken in 2023-2024 to enhance processes and practices in relation to incident prevention, incident communications and incident resolution and add value to its technology practices, its clients and their customers. Cuscal has committed significant resources and allocated an appropriate significant component of its annual strategic investment funding to mature its risk frameworks, as well as to meet new regulatory requirements. The strengthening of Cuscal's risk frameworks will support the sound and prudent management of Cuscal in alignment with Cuscal's strategic objectives. The enhancements are designed to ensure the effectiveness of Cuscal's risk management commensurate with the nature, scale and complexity of Cuscal's operations both now and into the future as a listed entity. Cuscal continues to monitor emerging trends in the broader market and the potential impacts to its business as well as its clients and will take proactive steps where needed to either adjust broader business practices (including off-boarding of clients and clients' customers, where required) or recommend client process changes to help better protect those clients and their customers such as introducing payment friction to help minimise erroneous or fraudulent payments. Despite Cuscal not being a direct to consumer (**D2C**) business and as such, is typically removed from direct interaction with the customers of its clients, Cuscal is increasingly focussed on supporting its clients by proactively seeking to employ better practices in the management of risks potentially impacting end customers given it operates as a common provider of services to the payment sector. As part of this initiative: • Cuscal is a member of the Australian Banking Association (**ABA**) and a member of the Australian Financial Crimes Exchange (**AFCX**); • Cuscal regularly engages with the Customer Owned Banking Association (**COBA**) to help share perspectives and insights; • Cuscal also engages with other industry bodies, including Australian Payments Plus, on reviews and updates of rules and regulations governing payment schemes such as the NPP; and • Cuscal has recently enhanced its monitoring of its Fintech clients with a particular focus on PSPs and regularly reviews its contractual risk allocation with those clients including seeking indemnification for Cuscal's exposure as a sponsor to the payment rails for such clients. This remains an area that will need continued investment and development given the evolving nature of risks and the regulatory responses to those risks.	

1. Investment Overview continued

1.1 Overview of Cuscal continued

Topic	Summary	For more information
Why does Cuscal have an ADI licence?	While Cuscal holds an ADI licence, it does not operate like a typical consumer facing bank. Cuscal requires an ADI licence to hold security deposits and money deposited by clients to meet their pre-funding obligations as well as to operate an ESA account. Cuscal's ADI licence also provides access to certain payments capabilities including, for example, the ability to directly settle transactions on the NPP. Unlike a typical bank, Cuscal does not hold retail deposits or engage in retail lending activities. Also, unlike a typical bank, Cuscal designs its payments products and services for its clients to utilise for their end-customers, whereas a typical bank designs products for its own use.	Section 3.3.2.3
How does Cuscal approach technology?	Cuscal operates in a highly regulated and complex technological landscape, and its technology platforms must operate seamlessly and comply with strict standards set by APRA and other regulatory bodies, card schemes and payment systems in order to meet the needs of both Cuscal and its clients. Cuscal operates a technology stack designed under a model which focuses on leveraging technology providers to deliver cost-competitive services for Cuscal's clients and which includes both building its own capabilities and buying or partnering with providers. A cornerstone of this model is Cuscal's API Strategy and Microservices Architecture, which is designed to enable the delivery of intelligent, responsible, flexible and scalable services to its clients. Cuscal has invested, and continues to invest, significantly in its technology stack, owning key pieces of technology that are core to its delivery of services and to deliver to heightened industry standards. Where Cuscal buys or partners for technology, it does so with trusted partners aligned to Cuscal's values and purpose. Cuscal has also made significant investments to strengthen its technology resilience in key areas, including in incident communication, incident resolution and incident prevention. These efforts enable Cuscal to be well-prepared to maintain service continuity.	Section 3.5

1.2 Key features of the payments industry

Topic	Summary	For more information
What industry does Cuscal operate in?	Cuscal operates in the Australian payments industry, which supports the provision of secure and efficient methods for companies, individuals, government and FIs to exchange value. This exchange of value is facilitated through a variety of cash, card and non-card based methods. Most of these methods, excluding cash, require support from underlying payments infrastructure to execute transactions, with companies such as Cuscal providing the connection to this infrastructure layer. With use of cash declining, the total non-cash payments market in Australia is considerable. According to The Initiatives Group, in the year ended 30 June 2024, 20.1bn individual payments transactions worth a total of $19.8tn were made in Australia, with this total non-cash payments market projected to grow at a 10.7% CAGR from FY25 to FY28, resulting from both underlying Australian economic growth and a continued shift towards non-cash based methods of transacting. Each non-cash payment type is enabled by its own unique infrastructure, supporting different but often overlapping ecosystems of payment providers. Due to the breadth of Cuscal's offering it competes across a variety of these non-cash based payments types; some are mature and declining in usage, some are highly utilised and some are emerging. Of these various payment types, debit cards and the NPP are forecasted to see the most growth from FY25 to FY28, anticipated to expand at CAGRs of 12.9% and 30.1% respectively. Cuscal's strong capabilities in both card-based and real-time transactions positions it well, providing it with exposure to the forecasted industry growth in each of debit cards and the NPP payment types. Cuscal has also invested in building its capability in regulated data services. While the regulated data services industry in Australia is still in its infancy, it is anticipated to become increasingly integrated with payments as the market matures. Finally, Cuscal has established a limited operation in New Zealand in the core payment capability of acquiring, but this operation currently services only one client and is not currently financially material to the Group.	Section 2.2
What are the key trends affecting the payments industry?	The Australian payments sector is currently being impacted by a number of key trends: • **Retail spending dynamics:** The global payments sector is seeing an industry-wide transition towards cashless payments. In Australia cash accounted for only 9% of transactions made in FY24. The Australian payments industry has also seen a shift towards consumers making more frequent, lower value transactions, as people are increasingly spending less per transaction but transacting more often, which benefits certain industry participants such as Cuscal, whose revenue is more closely linked to transaction volume rather than value.	Section 2.2.8

1. Investment Overview continued

1.2 Key features of the payments industry continued

Topic	Summary	For more information
	• **Industry Consolidation and Investment:** A number of clients Cuscal supports are in a period of consolidation. Australia's mutual ADIs, as an example, have seen elevated merger activity as they seek to take advantage of scale benefits and opportunities for synergies. To date, the impact of this trend has resulted in Cuscal having less clients but generally the same or higher transaction volumes. Even with volume tiering arrangements Cuscal's revenue typically increases with the additional transaction volume gained from merged client entities, making Cuscal's client base more sustainable. Outside of consolidation, there has been significant investment by other businesses with B2C exposure in the improvement of customer interfaces and user experiences driving further reliance by these businesses on external service providers, such as Cuscal, to help enable these new innovations. The NPP and the increased use of mobile wallets are indicative of this trend, providing examples of innovation and increased reliance on providers such as Cuscal to help businesses bring new payments offerings to market. • **Rise of Disruptive Fintech Competitors in Payments Landscape:** The Australian payments industry is increasingly seeing new market entrants in the form of Fintech competitors who are disrupting incumbents and heightening market competition. Many of these Fintechs are focused on niche, albeit large, segments of the market that have not historically been well serviced by the incumbent market players. To date, many of the new ways to pay that have been introduced by new entrants are enabled through technology that sits on top of and utilises existing systems and payments infrastructure and as such, providers such as Cuscal have benefitted as Fintech competitors have grown their share of payments volume. • **Subscription-Based Payment Models:** The rise of subscription-based payment models, such as streaming services, has seen consumers shift away from paying for individual items and agreeing to consistent monthly transactions, generating regular payment streams for the sector to process. The NPP, with the introduction of PayTo, is creating easier ways for businesses to collect payments from payers, with the ability to collect regular or recurring payments such as subscriptions in real time representing a substantial improvement on older methods such as direct debit. • **Convergence of Data and Payments:** The CDR regime in Australia may allow payments data to be used for purposes beyond merely facilitating payments by allowing approved participants to share data, with the customer's consent, to create more seamless and efficient experiences for consumers. As the CDR regime matures, Cuscal expects further innovation from the convergence of payments and data including, for example, Action Initiation that is expected to create a new channel for customers to instruct businesses to initiate actions on their behalf with consent.	

Topic	Summary	For more information
	• **Growth in Digital Payments:** As the use of cash declines, end-customers are increasingly adopting and increasing their reliance on digital payment methods (such as digital cards, in app payments and the NPP) and the channels through which those digital payment methods are accessed (such as mobile wallets and online banking). As digital payments become more ubiquitous, this creates both significant opportunities and new challenges for Cuscal's clients and their customers. Reduced friction in the payments process potentially enhances the customer experience albeit also making it harder to reverse payments to the extent those payments were made in error or are the subject of fraud or scam. Cuscal is actively supporting industry-wide and client responses to refining digital payments processes and rules to seek better outcomes across the Australian community.	
What regulatory bodies have oversight over the industry?	There are a number of governing bodies, laws and recent regulatory developments in the Australian payments and banking industries particularly relevant to Cuscal. Cuscal is primarily regulated as an ADI by APRA and as a holder of an Australian Financial Services Licence (**AFSL**) by ASIC. Other regulators and government bodies that oversee Cuscal's activities include AUSTRAC in relation to the AML/CTF Act, the Office of the Australian Information Commissioner (**OAIC**) and the RBA as well as the New Zealand Department of Internal Affairs (**DIA**) for Cuscal's New Zealand subsidiary. From time to time, each regulator will identify areas of strategic importance or focus. For example: • **Information security:** The strengthening of cyber resilience across the Australian financial system is identified as a strategic shift under APRA's strategic objective, 'maintain financial and operational resilience' in APRA's 2024-25 Corporate Plan. APRA is targeting areas of non-compliance with its prudential requirements in this area, prompting many APRA-regulated institutions such as Cuscal to review their arrangements against the common industry shortcomings identified by APRA and to further enhance their information security controls to ensure they are appropriate for the continually evolving cyber threat landscape. • **Fraud and Scams:** In its latest Corporate Plan released in August 2024, ASIC identified as a strategic priority for 2024-2028 the advancement of digital and data resilience and safety. Technology-enabled scams and misconduct is one of the focus areas of this strategic priority. The rising prevalence and sophistication of fraud and scams is leading to increased pressure for entities in the Australian payments, telecommunications and digital ecosystems to take action to mitigate the risks posed by this trend. Recent increases in scams including investment, payment redirection and romance scams across the Australian economy have had a significant impact on	Section 2.4

1. Investment Overview continued

1.2 Key features of the payments industry continued

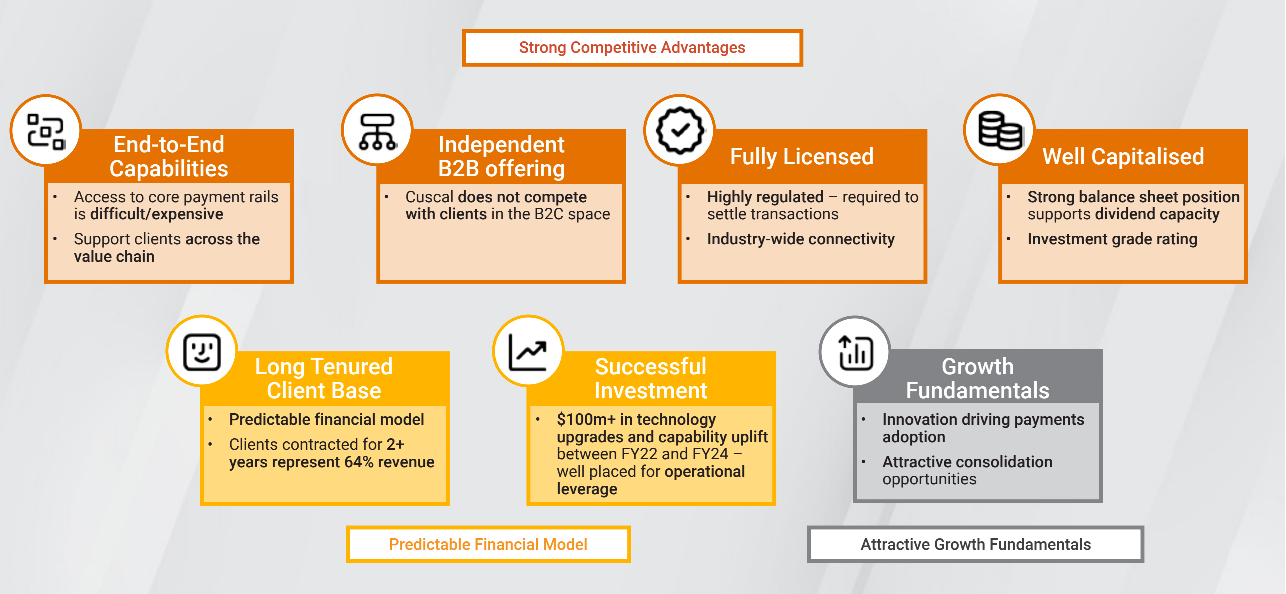
Topic	Summary	For more information
	end-customers and resulted in increased regulatory focus on industry responses to the heightened risk. This has resulted in industry and regulatory changes from bodies such as ASIC, ACCC and APRA that will require increased investment and focus by key participants, including telecommunications providers, social media platforms, digital platforms, ADIs and payments providers to proactively manage this risk for both their own operations and for their clients to the extent possible. Cuscal welcomes a common approach to fraud and scam prevention across the identified sectors and the creation of a baseline of standards and principles to support the security and resilience of Australia's economy.	
How does development of real-time payments impact the industry?	In 2023, when it announced the Strategic Plan for Australia's Payments System, Treasury highlighted industry research was already underway to look at the transition from the Bulk Electronic Clearing System (**BECS**) to modern payment systems like the NPP. It highlighted that the transition would present both an opportunity and a challenge for the Australian financial sector, requiring development of institution-level business cases for investment prioritisation and transformation planning to ensure a seamless and efficient transition. In the Plan, the Australian Government indicated its support for this industry-led process, encouraged participation, and expects this work to inform industry initiatives and the next strategic plan. The NPP, Australia's real-time payments solution, first went live in 2018 and is displacing the incumbent non-card Batch payment methods. Having grown to 7% of total non-cash transactions in 2024 the NPP is forecasted to grow by The Initiatives Group at a CAGR of 30.1% from FY25 to FY28, by which point it will represent 15% of the total market. This rapid rise in the segment will be partially driven by payments transitioning out of BECS, which is forecasted to decline at a CAGR of 5.3% for the same period. Furthermore, industry, through AusPayNet, announced the intention to retire the BECS framework by 2030. The RBA expects transaction volumes on BECS will migrate to the NPP further driving the rise in the segment. Cuscal is well positioned for this transition, having strong market share in the NPP (16% in the year ending 30 June 2024) vs Batch payments (11%) over the same period as a result of its first mover advantage and reliable capabilities. With further NPP enabled payment types coming into the market, demand is anticipated to remain strong and help the NPP to continue driving disruption in the Australian payments industry. As the NPP becomes increasingly prevalent, there will likely continue to be further refinements from both the industry and applicable regulatory bodies to ensure end customer outcomes are appropriate and the risk around payment systems and their operation is managed well. Cuscal is actively involved in those forums given its leading market share and the number of clients it supports, and while any changes are uncertain, Cuscal believes it is well positioned to continue to support its clients in real-time payments as the industry evolves.	Section 2.2.5.2

1.3 Key strengths

Cuscal believes it has a range of key strengths that position it as the differentiated B2B connector to the Australian payments landscape from its competitors. These strengths can be summarised into three key themes of:

- Strong competitive advantages;
- A predictable financial model; and
- Attractive growth fundamentals.

Each of these themes is multi-faceted as shown in **Figure 1.1** below:



Strong Competitive Advantages

End-to-End Capabilities
- Access to core payment rails is **difficult/expensive**
- Support clients **across the value chain**

Independent B2B offering
- Cuscal **does not compete with clients** in the B2C space

Fully Licensed
- **Highly regulated** – required to settle transactions
- **Industry-wide connectivity**

Well Capitalised
- **Strong balance sheet position** supports **dividend capacity**
- **Investment grade rating**

Long Tenured Client Base
- **Predictable financial model**
- Clients contracted for **2+ years represent 64% revenue**

Successful Investment
- **$100m+ in technology upgrades and capability uplift** between FY22 and FY24 – well placed for **operational leverage**

Growth Fundamentals
- **Innovation driving payments adoption**
- **Attractive consolidation** opportunities

Predictable Financial Model

Attractive Growth Fundamentals

Further details on Cuscal's key strengths are provided below.

Themes	Topic	Summary	For more information
Strong Competitive Advantages	End-to-End Capabilities	Cuscal offers connectivity across the range of payment types and regulated data services in Australia. Outside of the Major Banks, who service their own banking customers, Cuscal is the largest centralised provider of payment infrastructure connectivity in the Australian payments industry. Cuscal's offering is likely to be costly, time-consuming and technologically challenging for potential competitors to replicate, helping Cuscal to protect its existing business and continue to win new business.	Section 3.3.2.1
Strong Competitive Advantages	Agnostic, Independent B2B Offering	Operating solely in the B2B channel, Cuscal is agnostic and independent of its clients and their customers and is able to sit alongside offerings from other large competitors, such as the Major Banks. Cuscal has independently developed its technology infrastructure through a combination of internally developed and externally licensed software and other technology products to enable it to deliver services to its clients.	Section 3.3.2.2

1. Investment Overview continued

1.3 Key strengths continued

Themes	Topic	Summary	For more information
Strong Competitive Advantages	Fully Licensed	Cuscal's possession of the required, and often difficult to obtain, licences, authorisation and accreditation requirements helps to protect its position in the market. In order to provide settlement services (see **Section 2.2.4 and Section 2.2.5**), as well as directly connect to the NPP, a provider needs to be an ADI, requiring it to hold regulatory capital and be subject to APRA's regulatory standards. In addition to being an ADI, Cuscal is PCI Data Security Standard compliant, ensuring safe data handling, security and privacy protection for customers' card data. The complexity associated with obtaining these licences makes the provision of Cuscal's infrastructure connectivity solutions potentially difficult for competitors to replicate. Cuscal also has representatives on a number of industry boards and committees including Australian Payments Network Limited and Australian Payments Plus. These relationships help to support Cuscal's unique position within the Australian payments industry and allow it to proactively respond to and anticipate changes and developments.	Section 3.3.2.3
Strong Competitive Advantages	Well Capitalised Balance Sheet	Cuscal's well capitalised balance sheet, regulatory capital requirements and investment grade credit rating have the Company well positioned to maintain its core operations while also giving Cuscal the ability to invest in growth opportunities as required.	Section 3.3.2.4
Predictable Financial Model	Long Tenured Client Base	With long tenured client relationships, a significant portion of Cuscal's revenue is contracted over two years to expiry of initial service period. The significant costs and time associated with switching payments infrastructure partners provides further incentive for clients to remain with Cuscal, leading to low client churn. When Cuscal has seen client churn, it has been typically immaterial with the revenue of churned clients over the last three years (ending 30 June 2024) only representing approximately 1% of total revenue generated, highlighting the resilience of its client base, which helps to protect future performance.	Section 3.3.2.5

Themes	Topic	Summary	For more information
Predictable Financial Model	Track Record of Successful Investment	Cuscal has a demonstrated track record of successful investment in new technology and products, highlighting its constant focus on innovation and emerging technologies and optimising end-customer experiences. An example of Cuscal's ability to deliver innovative payments solutions includes Cuscal's enablement of 40 FIs to NPP services on launch of the NPP as well as the recent launch of PayTo services via the NPP to its clients. Furthermore, the development, launch and subsequent sale of 86 400 is a strong credential that highlights Cuscal's ability to successfully invest in the build-out of new capabilities, while the acquisition of Basiq highlights Cuscal's drive to seek out strategic investment to remain relevant in the evolving payments and regulated data services industries.	Section 3.3.2.6
Attractive Growth Fundamentals		Cuscal is well positioned to grow with its clients, with the volume of non-cash payments by number in the Australian market increasing by 8.8% on a Compound Annual Growth Rate (**CAGR**) basis from 2020 to 2024, driven by continued innovation and industry trends. Beyond its core capabilities, Cuscal continues to monitor for inorganic growth opportunities, and continues to invest in its regulated data services offering, providing further potential pathways to continued growth.	Section 3.3.2.7

1.4 Key financial information

Topic	Summary	For more information
What is Cuscal's pro forma and statutory historical and forecast financial performance?	A selected summary of Cuscal's pro forma and statutory historical financial performance and pro forma and statutory forecast financial performance is set out below. The information presented includes non-IFRS financial measures, is intended as a summary only and should be read in conjunction with the more detailed discussion of the financial Information set out in **Section 4,** including the assumptions underlying the forecast financial information, management discussion and analysis and sensitivity analysis, as well as the key risks set out in **Section 5.** A reconciliation of the pro forma forecast to the statutory forecast financial information is provided in **Section 4.7.3.**	Section 4.4

1. Investment Overview continued

1.4 Key financial information continued

Topic	Summary	For more information

	Pro Forma Historical			Pro Forma Forecast
$m	**FY22**	**FY23**	**FY24**	**FY25**
Gross fee and commission revenue	235.2	300.0	325.9	347.4
Direct fee and commission expense	(57.1)	(76.4)	(81.0)	(88.0)
Net fee and commission revenue	**178.1**	**223.6**	**244.9**	**259.4**
Net interest income	**7.3**	**22.0**	**27.6**	**30.0**
Other operating income / (loss)	0.1	(2.0)	12.0	0.3
Total net operating income	**185.5**	**243.6**	**284.5**	**289.7**
Total operating expenses	**(159.5)**	**(212.5)**	**(240.1)**	**(237.3)**
Net Profit before Tax	**26.0**	**31.1**	**44.4**	**52.4**
Income tax expense	(9.1)	(11.4)	(13.0)	(15.8)
NPAT	**16.9**	**19.7**	**31.4**	**36.6**
Add: loss attributable to non-controlling interests	1.0	1.4	1.5	–
NPAT attributable to the owners of Cuscal	**17.9**	**21.1**	**32.9**	**36.6**
Year on Year Growth (%)	*n.a.*	*18%*	*56%*	*11%*

See **Section 4** for further detailed information.

Topic	Summary	For more information

	Statutory Historical			Statutory Forecast
$m	**FY22**	**FY23**	**FY24**	FY25
Gross fee and commission revenue	232.1	297.2	325.9	347.4
Direct fee and commission expense	(57.1)	(76.4)	(81.0)	(88.0)
Net fee and commission revenue	**175.0**	**220.8**	**244.9**	**259.4**
Net interest income	**7.3**	**22.5**	**27.6**	**30.0**
Other operating income / (loss)	0.1	(2.5)	12.0	0.3
Total net operating income	**182.4**	**240.8**	**284.5**	**289.7**
Total operating expenses	**(149.4)**	**(203.4)**	**(241.9)**	**(251.0)**
Net Profit before Tax	**33.0**	**37.4**	**42.6**	**38.7**
Income tax expense	(9.6)	(11.6)	(12.5)	(11.6)
NPAT	**23.4**	**25.8**	**30.1**	**27.1**
Add: loss attributable to non-controlling interests	–	0.3	1.5	–
NPAT attributable to the owners of Cuscal	**23.4**	**26.1**	**31.6**	**27.1**

See **Section 4** for further detailed information.

Topic	Summary	For more information
What is Cuscal's dividend policy?	Cuscal seeks to balance returns to shareholders against regulatory capital requirements and the need to retain sufficient capital to continuously reinvest in the core business and innovation. Cuscal's targeted dividend policy is a dividend payout ratio of 40% to 60% of statutory NPAT attributable to the owners of Cuscal at the discretion of the Board of Directors. The payment of a dividend remains at the discretion of the Directors and will be a function of a number of factors including the general business environment, the operating results, cash flows and financial condition, future funding requirements, capital management initiatives, taxation considerations (including the level of Australian franking credits), any contractual, legal or regulatory restrictions on the payment of dividends and any other factors the Directors may consider relevant. No assurance can be provided about the level of future dividends or the extent to which any of the dividends will be franked. The Directors do, however, envisage that Cuscal will continue to pay dividends for the foreseeable future and that future dividends will be franked to the maximum extent possible.	Section 4.11

1.5 Key risks

Topic	Summary	For more information
Operating in a highly regulated environment	Cuscal operates in a highly regulated environment and holds a number of licences and accreditations (including being an Accredited Data Recipient, an ADI and holding an AFSL). Despite having an internal compliance management system to manage compliance risk, this system may not always have been, or continue to be, effective at all times. Breakdowns may occur in this compliance management system due, for example, to flaws in the design or maturity of control identification or poor execution of underlying processes. This could result in potential breaches of Cuscal's compliance and regulatory obligations. As an AFSL holder, Cuscal is subject to certain specific obligations and responsibilities which are monitored and regulated by ASIC. A failure by Cuscal to comply with those obligations and responsibilities may expose Cuscal to regulatory risk. ASIC has a range of options available to it in relation to enforcement action it may take as a result of any non-compliance. Like all other ADIs, Cuscal is continuously assessed by APRA in relation to a range of risk factors as discussed in **Section 2.4.1.2**, including in response to a failure to comply with applicable prudential standards and/or deficiencies in its processes and controls to ensure compliance with those standards, which: • impact on the level of APRA's supervisory intensity on Cuscal; and • may result in Cuscal being required to undertake remedial action, including by reviewing and improving its practices, processes, controls and/or risk culture, and, if appropriate, holding relevant person(s) accountable and/or holding more regulatory capital. APRA has engaged with Cuscal in relation to its governance, risk and compliance practices and Cuscal has previously committed to the regulator to engage external experts to conduct a review of its arrangements as well as a review of Cuscal's risk culture. As disclosed in **Section 3.7.7**, Cuscal is in the process of implementing the recommendations from these reviews as part of its broader program of work to improve its governance, accountability, risk culture and risk management. This is a significant program which commenced in 2023 and will likely continue for a further two years from the date of the Prospectus. There is a risk that if the program is not delivered consistently with APRA's expectations either by failure to implement, embed and sustain enhanced practices, or failure to demonstrate improved risk management effectiveness, or the results of the reviews committed to APRA point to actual or potential deficiencies in Cuscal's governance, risk and compliance arrangements in breach of relevant laws and regulations, then APRA may conduct heightened supervision or targeted reviews of Cuscal, may impose licence conditions or additional capital requirements on Cuscal, or require Cuscal to give an enforceable undertaking to take corrective action with independent external oversight and assurance. Cuscal also carries regulatory and reputational risk as a consequence of relying on its clients to perform certain compliance obligations. For example, for a small number of clients, Cuscal acts as the issuer of prepaid card products distributed by those clients and provides to the clients' cardholding customers a 'designated service' as defined in the AML/CTF Act. As is typical for distribution arrangements, Cuscal relies on the client for the purposes of:	Section 5.2.1

Topic	Summary	For more information
	• carrying out obligations under the AML/CTF Act that relate to the identification and verification of those clients' own customers; • ensuring all marketing, communications and distribution of required product disclosure documentation for the prepaid cards is in line with AFSL requirements; and • managing customer complaints (including complaints made to the Australian Financial Complaints Authority (**AFCA**)). The consequences of Cuscal not observing its compliance and regulatory obligations include Cuscal ceasing to be authorised or licensed to carry out all (or part of) its business as well as being subject to fines, increased regulatory capital and liquidity requirements, increased costs as well as suffering reputational damage.	
Increasing Prevalence and Sophistication of Fraud and Scams	There has been an increase in the prevalence and sophistication of fraud and scam activity in Australia which has significant implications for numerous sectors of the economy including payments infrastructure providers like Cuscal. There has been a recent focus by industry and regulators on scam detection and prevention to address the increasing prevalence of frauds and scams in Australia. For example, Cuscal expects the introduction of the proposed Scams Prevention Framework (as outlined in **Section 2.4.1.3.2**) will be a significant change to the legislative landscape in Australia. The obligations to be imposed on certain sectors of the economy (telecommunications providers, social media platforms, digital platforms and ADIs, including Cuscal) pursuant to the Scams Prevention Framework (and its associated initiatives, including the banking scams code) are presently undergoing a consultation process. On 7 November 2024, the Government introduced the *Scams Prevention Framework Bill 2024* to Parliament following a public consultation on an exposure draft of the proposed Bill. Cuscal welcomes a common approach to fraud and scam prevention across the identified sectors that will provide greater certainty and clarity via sector-agnostic rules, and the creation of a baseline of standards and principles to support the security and resilience of Australia's economy and which will allow Cuscal to appropriately set and assess its ongoing risk appetite and controls. Cuscal anticipates that responding to and complying with the Scams Prevention Framework and the foreshadowed underlying banking scams code will require initial and ongoing dedication of resources and investment from Cuscal. As a member of the AFCX and the ABA, Cuscal is already taking steps to respond to industry initiatives to combat frauds and scams, including by committing resources and investment to meet the standards set out in the ABA's Scam Safe Accord. Cuscal will continue to respond to the changes that emerge in this dynamic area. There is a risk that the Scams Prevention Framework or other new statutory regimes and/or regulatory intervention could prohibit or limit Cuscal's clients' ability to provide services to specific clients or client segments which could result in a reduction in transaction volumes on Cuscal's networks (which would reduce Cuscal's revenues). There are limits to the extent this risk may be mitigated by Cuscal other than by continuing to seek to diversify its client base.	Section 5.2.5

1.5 Key risks continued

Topic	Summary	For more information
	The expectations on participants (including telecommunications providers, social media platforms, digital platforms and ADIs) to take reasonable steps to ensure they have appropriate systems, processes and controls with respect to fraud and scam risk management are currently heightened. In this environment, other specific risks to Cuscal include: • exposure to claims for compensation or fines under the rules of industry schemes such as the NPP Regulations (in respect of which Cuscal has obligations), where a client that Cuscal sponsors to access payment infrastructure (such as the NPP) fails to meet an obligation and the contractual arrangements between Cuscal and the client do not allow Cuscal to pass on that liability under the Cuscal-client contract; • exposure to monetary (or other) penalties for non-compliance with obligations imposed pursuant to legislative reform, including the proposed Scams Prevention Framework addressed in **Section 2.4.1.3.2** either by way of regulator action or direct consumer action, including class actions; • negative media and reputational damage to Cuscal and its clients; • increased regulatory focus on the payments ecosystem generally; • increased compliance and monitoring costs and diversion of resources from other priorities within Cuscal's business to meet increasing requirements or expectations with respect to fraud and scam risk management. As scams become increasingly sophisticated, the use by scammers of technologies such as advanced phishing, social engineering and AI-generated content will become increasingly prevalent. Cuscal will need to allocate resources towards the enhancement of security measures and advanced fraud detection systems to protect itself and its clients from these risks. For example, Cuscal expects it will need to invest in continuously improving client onboarding practices, scam monitoring capabilities and fraud detection services. This includes expanding Cuscal's fraud monitoring capabilities to help support non-Financial Crime Clients (see **Section 3.2.2.2**). Cuscal otherwise continues to invest in its capabilities and improve its processes across its entire business operations, including instructing clients to offboard their customers where Cuscal believes it is appropriate to do so or offboarding Cuscal's clients (in accordance with Cuscal's own internal policies). ASIC has been engaging with Cuscal to better understand Cuscal's fraud and scam risk management systems in light of: • scam payments addressed to accounts held by customers of clients for whom Cuscal provides payment processing services; and • Cuscal's awareness of the increasing prevalence and sophistication of scam and fraud activity. As part of that engagement, ASIC issued notices to Cuscal that required the compulsory production of documents and the provision of information. Cuscal has responded to the document and information requests and ASIC has advised Cuscal that its specific engagement with Cuscal in this context has concluded. Having regard to the increasing prevalence and sophistication of fraud and scam	

Topic	Summary	For more information
	activity and following implementation of the proposed Scams Prevention Framework or any other legislative reforms, Cuscal expects there will be additional regulatory oversight and supervision across the payments ecosystem which may result in changes to business practices that may adversely affect Cuscal's business, financial performance, reputation, financial condition and/or growth.	
New Regulations or Changes to Regulations	Cuscal is subject to specific regulations including payments and financial services and other industry-specific regulations. These laws and regulations are subject to frequent review and revision. Recent reforms have led to increased regulation and more serious repercussions for any contraventions. It is not possible to predict future regulatory changes, nor the impact of those changes on Cuscal's business; however, examples of potential changes may include increasing required levels of liquidity and capital adequacy, restricting exposure limits, imposing additional licence requirements, increasing tax burdens generally or on financial institutions or transactions, and/or limiting the types of services and products that can be offered by Cuscal enhancing the competitive position of Cuscal's competitors. There is a risk that regulations that Cuscal is subject to change, creating unpredictability in the cost and obligations for Cuscal to meet those requirements.	Section 5.2.2
Regulatory Capital Requirements	As Cuscal is an ADI, it is subject to prudential capital and liquidity requirements as well as minimum balances it needs to hold with the RBA to access the exchange settlement process. These requirements may change over time creating more onerous financial obligations on Cuscal. Factors such as failure by Cuscal to adequately manage its regulatory capital and liquidity position, macroeconomic conditions, future increases in capital and/or liquidity requirements and changes in the methodology for calculating risk exposure could result in Cuscal having to raise additional capital to manage balance sheet growth and/or stress, APRA imposing higher regulatory capital requirements on Cuscal or requiring Cuscal to hold more liquid assets in proportion to its liabilities and/or more stable funding requirements, or Cuscal not being able to satisfy its short-term financial obligations.	Sections 5.2.4 and 4.6.2
Card Schemes and Payment System Participation Risk	Cuscal relies on strategic memberships with card schemes (for example Visa, Mastercard and eftpos) and payment systems (for example BECS, BPAY (see **Section 2.2.5.1**)), NPP and the Reserve Bank Information and Transfer System (**RITS**) (see **Section 2.2.5.2.3**) to enable its clients to process payment transactions in Australia and in limited instances, New Zealand. Cuscal is required to comply with each card scheme's and payment system's own set of operating rules. In addition to managing its own compliance, Cuscal also acts as sponsor for many of its clients and carries the burden of ensuring the compliance by those clients with these card schemes and payment systems. This can leave Cuscal liable for payments of fines and compensation should it or its clients fail to comply with the applicable rules. Although Cuscal seeks to manage this risk through its contracts with its clients as well as through other means such as insurance cover, there is a risk that such rights may not respond or be sufficient to reimburse Cuscal for its loss. Cuscal also relies on its internal compliance management system with frameworks, policies, procedures and controls to manage its exposure to this risk. These systems may not always	Section 5.2.6

1. Investment Overview continued

1.5 Key risks continued

Topic	Summary	For more information
	have been, or continue to be, effective at all times. Breakdowns may occur in this compliance management system due, for example, to flaws in the design of controls or poor execution of underlying processes. This could heighten Cuscal's exposure to liability through breaches by its clients of scheme and payment system operating rules. Each card scheme and payment system has its own rules, with the discretion to interpret and change the rules as the operators see fit. Where the card scheme or payment system operator changes those rules or interprets them in a way that is inconsistent with the way Cuscal operates, this could increase compliance complexity for Cuscal and its clients, and may require Cuscal to make changes to its business that could be costly or difficult to implement. If Cuscal fails to make such changes or otherwise fails to resolve an issue with a card scheme or payment system, Cuscal could be subject to fines or suspended or terminated from the card scheme or payment system. In addition, non-compliance with any card scheme or payment system rules or any failure to maintain good relationships with the card scheme or payment system operators could impact Cuscal's ability to receive incentives from them in the future, increase Cuscal's costs or otherwise harm Cuscal's business. Each card scheme may be subject to changes in regulation which may in turn indirectly impact Cuscal and its operations. For example, as disclosed in **Section 2.4.2.9**, the RBA has released an issues paper outlining potential regulatory changes for consultation, which include: • the potential for a cap on scheme fees which could impact schemes' revenue and indirectly impact Cuscal's revenue. However, it is highly uncertain this would arise as it would depend on the level of the caps (if any), and how the schemes respond to such caps; and • measures to improve Least Cost Routing, which could indirectly impact Cuscal if it results in merchants processing fewer payments through certain schemes. However, it remains uncertain whether this would negatively impact Cuscal as Least Cost Routing is an existing initiative and Cuscal's diversified business (i.e., processing payments across multiple schemes) means it may pick up additional revenue elsewhere. If Cuscal is unable to process payments via the card schemes and payment systems of which it is a member, or is limited in its ability to do so, this would materially adversely affect Cuscal's business, financial performance, financial condition or growth.	

Topic	Summary	For more information
Impact of Competitors and New Technologies	The payments industry in Australia is highly competitive and subject to significant change driven by factors including advancements in technology, changing consumer behaviours, new products and services, evolving industry standards, regulatory oversight, and the changing needs of clients. The Australian payments market is dominated by the Major Banks and there is a risk that the Major Banks could increase their competitive position (including through increased marketing activity, product innovation, or price discounting) or move into new areas of business which compete with Cuscal. There is also a risk that large international competitors and/or global technology leaders (for example, a SaaS banking service provider) could enter the Australian payments industry or expand their existing presence. These competitors may have greater financial resources to allocate to R&D, sales and marketing, or may have access to a large existing Australian consumer or client base, which may enable them to enter or expand into the payments industry. In addition, new or existing competitors that are not subject to Australian regulations may be able to develop and operate business models with lower compliance costs. Coupled with their scale and ability to secure more favourable terms from third parties like card schemes, large competitors may be able to offer a more attractive value proposition to clients. Increased competition in the financial services sector could also lead to reduced market share of Cuscal's clients which in turn could lead to reduced transaction volumes on Cuscal's networks. Each of these factors could materially adversely affect Cuscal's business, financial performance, financial condition, reputation or growth. New or established competitors could develop alternative payment methods, technologies or system integrations, creating their own closed loop system, circumventing the banks and the card schemes; and if Cuscal fails to anticipate and respond to market, technological or product changes, Cuscal's products and services may become less relevant or obsolete and its business, financial performance, financial condition, reputation or growth could be materially adversely affected.	Section 5.2.7

1. Investment Overview continued

1.5 Key risks continued

Topic	Summary	For more information
Failure to Retain Existing Clients and Attract New Clients	Cuscal's performance is dependent on its ability to attract new clients, to retain existing clients and to assist with the growth of and cross-sell products to its existing clients. Cuscal's top 10 clients were responsible for approximately 57% of Cuscal's gross fee and commission revenue in FY24 (excluding scheme incentive and passthrough revenue). Although Cuscal maintains long-term relationships with its clients and generates the majority of its revenue through long-term contracts, there is a risk that one or more of these clients could terminate their service contracts with Cuscal (which may generally be terminated for convenience upon payment of an early exit fee), reduce the number of services that they engage Cuscal to provide or successfully negotiate commercial terms that are less favourable to Cuscal when their contractual service periods are up for renewal. Furthermore, there is a risk that Cuscal may not be able to attract new clients in line with its forecasts and growth objectives. There are a number of factors which could lead to these risks materialising, including that: • Cuscal could fail to adapt and respond to client needs or to deliver the functionality, reliability, pricing, client support and value that Cuscal's clients expect; • Cuscal's competitors (including large international competitors and/or global technology companies which may enter the Australian market) may offer more attractive prices, features or other services; • prospective clients of Cuscal may be reluctant to switch to a new payment provider, for example due to switching costs imposed by their existing provider, the time and resources required to set up the new system, or the work required to integrate new systems; • Cuscal's larger clients may use their leverage to negotiate better terms or lower prices when renewing their contracts with Cuscal; • Cuscal's mutual ADI clients could merge with or be acquired by other entities that are not Cuscal's clients, or that use fewer of Cuscal's services; or • Cuscal's reputation could be negatively impacted due to any one or more of the other risks set out in **Section 5** occurring, which could result in the loss of existing clients or make it more difficult for Cuscal to obtain new clients. If Cuscal is unable to retain existing clients and attract new clients, at the pricing, size, frequency, and at the cost it has forecasted, this could materially adversely affect Cuscal's business, financial performance, financial condition or growth.	Section 5.2.8

Topic	Summary	For more information
Reliance on Information Technology	Cuscal's ability to service its clients relies on the efficient and uninterrupted operation of its technology platforms and networks. Cuscal's technology platforms may, in whole or part, at any time, be subject to system failures, interoperability or compatibility issues, service outages, programming or human errors, natural disasters, fire, power outages or other events outside Cuscal's control. Measures implemented by Cuscal to protect against such occurrences may also be ineffective, and Cuscal may not be able to recover its critical business functions, assets and data in a timely manner or at all. Implementation delays, interruptions of service or hardware device defects could damage Cuscal's relationship with its clients and could cause Cuscal to incur substantial expenses, including having to provide service credits to clients and pay other liabilities. A prolonged interruption to Cuscal's platforms or networks could cause Cuscal to experience data loss or a reduction in revenue, and significantly impact Cuscal's clients' businesses and the customers they serve. A significant interruption of service could also have a negative impact on Cuscal's reputation and could cause Cuscal's current and potential clients to choose an alternative service provider. Cuscal is evolving its technology platforms as it grows to scale. This may involve upgrading, changing and replacing certain systems and service providers. Any failure or delay by Cuscal to appropriately design, develop, scale, implement, maintain or upgrade its technology platforms or any investment in new technology that does not meet Cuscal's expectations or keep pace with rapid technological change, consumer expectations or the regulatory environment, could materially adversely affect Cuscal's business, financial performance, financial condition, reputation or growth and expose Cuscal to regulatory fines or penalties. Any such failure may also contribute to an increase in manual processes and interventions, which may carry additional operational costs and risks.	Section 5.2.9
Cybersecurity and Data	There is a risk that Cuscal may be exposed to a security breach or service interruptions where all or part of its technology platform or applications may experience downtime, delays, system failure, interruption or corruption as a result of cyber-attacks including from computer viruses, bugs, worms, ransomware, data theft, technical failures, natural disasters, fraud or other events outside Cuscal's influence or control. There is a risk that security measures taken by Cuscal may not be sufficient to detect or prevent unauthorised access to, or disclosure of, personal or confidential information, whether malicious or inadvertent. Cuscal collects, processes, handles and retains personal and confidential information regarding its clients and their customers, service providers, business partners and investors. Cyber risks may also result directly or indirectly from a security breach of one of Cuscal's third-party service providers. Cuscal relies on its third-party service providers' cyber resilience capabilities. However, third-party service provider counter measures may not be sufficient to detect or prevent unauthorised malicious acts. Cuscal is subject to a number of prudential standards that apply to the security of its technology platforms which may also change and create additional cost or obligations for Cuscal. For example, in 2023 and 2024 APRA's mandatory independent assessments and reviews of information security frameworks	Section 5.2.10

1.5 Key risks continued

Topic	Summary	For more information
	identified common findings across the industry and APRA is working with the industry to lift the industry's cyber resilience benchmark. Cuscal undertakes independent and self-assessments of its information security arrangements and consistent with many other FIs, Cuscal has a program of work to ensure compliance with this prudential standard. Cuscal's program remains ongoing as it continues to work on enhancing its risk framework to appropriately manage information security and cyber threats as discussed in **Section 3.5**. There is a risk that if Cuscal is unable to deliver this program of work appropriately (including to address the findings of Cuscal's reviews of its information security arrangements) to ensure compliance with applicable legal and regulatory requirements, APRA or ASIC may take enforcement action against Cuscal or impose other consequences, such as those referred to in **Section 5.2.1**. While Cuscal frequently monitors and upgrades its technology platform and continues to enhance the maturity of its policies, processes and controls in relation to information security (including committing to address any findings from independent reviews of compliance with APRA prudential standards), there can be no guarantee that this will be sufficient to prevent or detect future cyber-attacks or otherwise prevent information security breaches. In addition, there are potential indirect risks for Cuscal and Cuscal's clients, as following a number of high-profile cyber security breaches at other institutions, there has been substantial leakage of personal identification documents which has made it easier for scammers to establish bank accounts and gain access to the payments financial ecosystem. This creates capacity for increased fraud and costs to consumers as well as increased regulatory costs which may have a detrimental impact directly to Cuscal or indirectly, to Cuscal's clients. Any cyber-attack or information security breach or breach of prudential standards regarding information security may cause significant damage to Cuscal's reputation, its ability to provide its products and services, its ability to service clients in a timely manner and its ability to retain existing clients and attract new clients, any of which could materially adversely affect Cuscal's business, financial performance, financial condition or growth, and may expose Cuscal to third-party litigation or to regulatory action, including being subject to higher operational and compliance costs, penalties or enforcement actions, having conditions imposed on one or more of Cuscal's licences or authorisations including its ADI licence or ceasing to be authorised as an ADI.	

Topic	Summary	For more information
Relationship with Third-Party Service Providers	Cuscal's business is dependent on arrangements with key outsourced providers, including operational and business process support services, card schemes and payment systems, communications and technology suppliers, and other software and infrastructure providers. Cuscal could face significant additional costs or business disruption if, among other matters: • third-party service providers fail to provide Cuscal with the agreed services in a timely, secure, professional, effective or reliable manner; • there is a misalignment on technology direction between Cuscal and the third-party service provider due to changes in the provider's prioritisation of its relationship with Cuscal, the acquisition of the third-party service provider by another party, or a change to the objectives or strategies of the third-party service provider, any of which could negatively impact Cuscal through delays in features, resources and slowed pace of business outcomes; • third-party service provider relationships are terminated, altered or affected by circumstances outside Cuscal's influence or control, including any change, default, interruption, or reduced availability, or due to a third-party service provider becoming insolvent (or becoming subject to other analogous circumstances) or using any unilateral right it may have to change its standard terms and conditions, or due to the third party becoming (or operating in a jurisdiction that becomes) subject to sanctions; • third-party service providers become subject to any information security breach or other reputational issue that makes them ineligible to be a supplier of services to an ADI; • a third-party service provider fails to undertake response planning and testing procedures as required by Cuscal's security and data risk policies, which increases the likelihood or severity of a cyber-attack or information security breach; • Cuscal is unable to execute or renew any required service contracts on commercially acceptable or favourable terms; or • Cuscal is unable to comply with its contractual obligations or is unable to adequately fund or minimise its exposure to potential liability in relation to its third-party service providers. A number of Cuscal's contracts with its third-party service providers may be terminated by either party at will or on short notice. Further, Cuscal's contracts with third-party service providers may contain change of control rights which may be triggered by the Offer or a subsequent sale of Shares. If consent to the change of control is not obtained from the relevant third-party service provider, there is a risk that the relevant third-party service provider could terminate its agreement with Cuscal, revise the terms of the contract or require Cuscal to pay increased costs.	Section 5.2.11

1. Investment Overview continued

1.5 Key risks continued

Topic	Summary	For more information
Retention of Key Personnel	Cuscal's success relies on its ability to attract and retain qualified and skilled Board members, senior management team and key technical staff with significant depth and breadth of experience and specialist skills in payments, technology and financial services (among other matters). If Cuscal fails to retain these individuals, or to identify and engage suitable replacements, this may materially adversely impact Cuscal's business, its ability to drive and maintain an appropriate organisational culture, and its financial and operational performance, and may also lead to the loss of, or a change in the conditions attached to, one or more of Cuscal's licences or authorisations.	Section 5.2.13
Operational, Conduct and Business Continuity	Cuscal is exposed to significant operational and conduct risks, including cyber risks, risks arising from process, communications or systems errors, outsourced service provider conduct, system failure, failure of security and/or physical infrastructure, human error or fraud and inadequate product development and review, or monitoring failures. In addition to these risks, there is a risk to business continuity through the failure of Cuscal's internal controls, policies and processes to combat such risks. There is a risk that Cuscal's internal controls, policies or processes will not reduce or prevent the incidence of operational risks, and any failure to detect, reduce or prevent such risks may materially adversely impact Cuscal's business, financial performance, financial condition, reputation or growth, and expose Cuscal to regulatory sanctions or litigation. This could, in turn, affect Cuscal's ability to provide its products and services, retain existing clients and attract new clients.	Section 5.2.14
Macroeconomic Conditions	Cuscal's performance and the Australian payments industry in which Cuscal operates depend heavily on the state of the Australian economy, consumer and investor confidence, and prevailing market conditions, including the overall level of consumer and business spending in Australia. A decline in general economic conditions or changes in certain macroeconomic factors (including rising unemployment, lack of income growth, reduced consumer confidence, inflation, volatility in local or global financial markets, economic tensions, a prolonged recessionary environment and government intervention, including with respect to changes in interest rates) could reduce transaction volumes and therefore the profitability of Cuscal's business.	Section 5.2.15

Topic	Summary	For more information
Failure to Realise Benefits from M&A	Cuscal considers inorganic growth opportunities from time to time and will continue to make further strategic acquisitions in the future where those acquisitions are aligned with Cuscal's strategy and are expected to realise benefits such as accelerated development and delivery of products and services, increased client base, or the provision of new product or service offerings. There are a range of risks associated with strategic acquisitions including but not limited to: • Cuscal may not be successful in identifying attractive acquisition opportunities at attractive valuations or obtaining financing to fund such acquisitions, and to the extent that Cuscal is able to make acquisitions, the acquisition costs could be substantial; • acquisitions may result in Cuscal incurring significant debt and unknown or contingent liabilities, being or becoming liable for unforeseen costs or incurring damage to its reputation; • Cuscal's due diligence enquiries may not identify all issues in relation to businesses acquired by Cuscal; • Cuscal could suffer a loss in relation to an acquisition in respect of which full or partial recovery is unavailable to it under the relevant acquisition agreement or if the relevant seller does not have the funds to satisfy a claim which Cuscal has made; and • Cuscal may fail to achieve expected synergies and cost savings in relation to an acquisition, or the business or assets acquired by Cuscal may not be profitable or result in the benefits Cuscal anticipates. Any failure by Cuscal to achieve any or all of its growth strategies, or the market's perception of Cuscal's ability to deliver growth to Shareholders, is likely to have an adverse impact on the business and its performance.	Section 5.2.17
Environmental, Social and Governance (ESG)	Cuscal could be exposed to the adverse impact of ESG risks including those that might impact its clients, suppliers or the broader economy. These risks could impact Cuscal through reputational factors, environmental factors, insurance risk and business disruption which may have an adverse impact on financial performance. Cuscal may also fail to keep pace with employee, customer, community or regulatory expectations which may also have an adverse impact on the business and its performance.	Section 5.2.19
Other risks	See **Section 5** for further information on risks specific to an investment in Cuscal as well certain general investment risk factors relevant to the Offer.	Section 5

1. Investment Overview continued

1.6 Key people, interests and benefits

Topic	Summary	For more information
Who are Cuscal's Directors?	• Elizabeth Proust AO (Independent Chairman) • Craig Kennedy (Managing Director) • Belinda Cooney (Independent Non-Executive Director) • Trudy Vonhoff (Independent Non-Executive Director) • Claudine Ogilvie (Independent Non-Executive Director) • Ling Hai (Non-Executive Director) • Wayne Stevenson (Non-Executive Director) As at the date of Listing, a majority of the Board's members will be independent Directors.	Section 6.1
Who are the Shareholders and what will be their interest at Completion?	**Summary of Shareholders**	Section 7.2

Shareholder	Shares Held at the Prospectus Date	Shares Held on Completion[1] $	Shares Held on Completion %
Credit Union Australia Limited trading as Great Southern Bank	25,965,632	12,982,816	6.8%
Other Existing Shareholders	149,391,021	43,655,166	22.8%
New Shareholders	0	134,947,471	70.4%
Total	175,356,653	191,585,453	100.0%

---

[1] This includes Restricted Shares to be issued under the ESOP from Listing (see **Section 6.3** for further details).

<table>
<thead>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
</thead>
<tbody>
<tr>
<td>What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?</td>
<td>
<p>The Directors of the Company currently hold the following interests in Cuscal. The Directors are not required by the Constitution to hold any Shares. It is intended that a Minimum Shareholding Policy for Non-Executive Directors will be in place from Listing requiring Non-Executive Directors to hold a minimum holding of shares equivalent to each Non-Executive Director's base fee, with a period of five years to meet the minimum holding requirement.</p>
<p>Craig Kennedy will participate in the incentive schemes as set out in Section 6.3.3.1</p>
<table>
<thead>
<tr><th></th><th colspan="2">Interest held at the Prospectus Date</th><th colspan="2">Interest Held at Completion</th></tr>
<tr><th>Director[1]</th><th>Shares</th><th>Performance Rights/Share Rights</th><th>Shares</th><th>Performance Rights/Share Rights</th></tr>
</thead>
<tbody>
<tr><td>Elizabeth Proust AO</td><td>NIL</td><td>NIL</td><td>NIL</td><td>NIL</td></tr>
<tr><td>Craig Kennedy[2]</td><td>NIL</td><td>NIL</td><td>NIL</td><td>NIL</td></tr>
<tr><td>Trudy Vonhoff</td><td>NIL</td><td>NIL</td><td>NIL</td><td>NIL</td></tr>
<tr><td>Belinda Cooney</td><td>NIL</td><td>NIL</td><td>NIL</td><td>NIL</td></tr>
<tr><td>Claudine Ogilvie</td><td>NIL</td><td>NIL</td><td>NIL</td><td>NIL</td></tr>
<tr><td>Ling Hai</td><td>NIL</td><td>NIL</td><td>NIL</td><td>NIL</td></tr>
<tr><td>Wayne Stevenson</td><td>NIL</td><td>NIL</td><td>NIL</td><td>NIL</td></tr>
</tbody>
</table>
<p><i>1. And/or their associated entities. See Section 6 for further information.</i></p>
<p><i>2. Craig Kennedy will participate in the incentive schemes as set out in Section 6.3.3.1.</i></p>
<p>The table above outlines the Shares expected to be held by Directors on the Completion of the IPO (excluding any participation in the Employee and Director Priority Offer). Directors are entitled to remuneration as outlined in Section 6.3.4.</p>
<p>Separately, advisers are entitled to fees for service as summarised in Section 6.3.1.</p>
</td>
<td>Sections 6.3.2.5 and 6.3.3</td>
</tr>
<tr>
<td>Will there be a controlling interest in the Company?</td>
<td>Under the proposed structure there will be no controlling interest in the Company.</td>
<td>Section 7.2</td>
</tr>
<tr>
<td>Will any Shares be subject to restrictions on disposal following Completion?</td>
<td>Yes, certain shareholders (the Escrowed Shareholders) have agreed to enter into voluntary escrow arrangements in relation to the Shares retained by them on Completion.</td>
<td>Section 7.11</td>
</tr>
<tr>
<td>Are there any other related party arrangements in place?</td>
<td>The proposed structure incorporates no other related party arrangements.</td>
<td>Section 6.4</td>
</tr>
</tbody>
</table>

1. Investment Overview continued

1.7 Overview of the Offer

Topic	Summary	For more information
Who are the issuers of this Prospectus?	Cuscal Limited (ACN 087 822 455) and Cuscal SaleCo Limited (ACN 670 386 713).	Important Notices
What is the Offer?	The Offer is an initial public offering of 134,718,671 Shares at an Offer Price of $2.50 per Share. The Shares offered under this Prospectus will represent approximately 70.3% of Shares on issue at Completion. The Offer is expected to raise approximately $337m.	Section 7.1
What is SaleCo?	SaleCo is a special purpose vehicle established to enable existing shareholders to sell part or all of their investment in the Company on Completion.	Important Notices
What is the price payable for the Shares?	Successful Applicants under the Offer will pay the Offer Price, being $2.50 per Share.	Section 7.1
What is the purpose of the Offer?	The purpose of the Offer is to: • provide the Company with continued and easier access to equity capital; • provide Existing Shareholders with liquidity and the ability to partially exit their holding; • allow the Company to motivate its staff with an equity-based remuneration more effectively as an ASX-listed company; and • use proceeds of the Offer received by the Company as set out below.	Section 7.1.2
What is the proposed use of funds raised under the Offer?	The Offer is expected to raise gross proceeds of $337m. The proceeds Cuscal receives from the issue of New Shares under the Offer will initially be invested in investment securities. Cuscal also expects the funds to be used to support working capital requirements; maintain a strong balance sheet and meet regulatory capital requirements; pay for the costs of the Offer; support continued investment in system resilience; and for general corporate purposes, including executing Cuscal's growth strategy (see **Section 3.8**).	Section 7.1.2
How is the Offer structured?	The Offer comprises: • the **Retail Offer**, consisting of the: – **Broker Firm Offer**, which is open only to Australian and New Zealand resident investors who are not Institutional Investors and who have received an invitation from their Broker to participate; – **Employee and Director Priority Offer**, which is open to Eligible Employees and Directors in Australia who may each apply for a guaranteed minimum allocation of $5,000 worth of Shares; and • the **Institutional Offer**, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and a number of other eligible jurisdictions.	Section 7.1.1

Topic	Summary	For more information
Will the Shares be quoted on the ASX?	The Company has applied for admission to the official list of, and quotation of its Shares by, ASX under the code 'CCL'. Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.14.1
Who is the Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager for the Offer?	The Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager is Merrill Lynch Equities (Australia) Limited.	Section 6.3.1
Is the Offer underwritten?	No. The Offer is not underwritten. Details are provided in **Section 7.10** and **Section 9.6**	Sections 7.10 and 9.6
What is the allocation policy?	• The allocation of Shares between the Broker Firm Offer, Employee and Director Priority Offer and Institutional Offer will be determined by the Company, SaleCo and the Bookrunner (subject to the overall cap on the size of the Employee and Director Priority Offer of $3,000,000 not being exceeded). • The allocation of Shares to participants under the Institutional Offer will be determined by the Company, SaleCo and the Bookrunner. • For Broker Firm Offer participants, the Broker will decide how it allocates Shares among its retail clients, and it (and not the Company, SaleCo or the Bookrunner) will be responsible for ensuring that retail clients who have received an allocation from their Broker receive the relevant Shares. • The Company will determine the allocation of Shares to participants in the Employee and Director Priority Offer in its absolute discretion. The Company reserves the right to scale back allocations in the Employee and Director Priority Offer, subject to the guaranteed minimum allocation of the lesser of: – the number of Shares applied for; and – $5,000 worth of Shares.	Sections 7.6.4, 7.7.4 and 7.8.3
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.	Section 7.5

1. Investment Overview continued

1.7 Overview of the Offer continued

Topic	Summary	For more information
What are the tax implications of investing in the Shares?	The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own independent professional tax advice prior to deciding whether to invest. Summaries of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in **Section 9.11** (which may also be relevant for Eligible Employees who participate in the Employee and Director Priority Offer (see **Section 6.3.5.5**)).	Sections 6.3.5.5 and 9.11
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be mailed to Successful Applicants by post on or about 28 November 2024.	Section 7.5
What is the minimum Application size under the Offer?	**Broker Firm Offer** • The minimum Application under the Broker Firm Offer is $2,000 worth of Shares and in multiples of $500 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. • The Bookrunner, the Company and SaleCo reserve the right to treat any Applications in the Broker Firm Offer that are from persons who they believe may be Institutional Investors, as bids in the Institutional Offer or to reject or scale back the Applications. The Bookrunner, the Company and SaleCo also reserve the right to aggregate any Applications that they believe to be multiple applications from the same person. **Employee and Director Priority Offer** The minimum Application under the Employee and Director Priority Offer is $2,000 worth of Shares and in multiples of $500 thereafter with a guaranteed minimum allocation of $5,000 worth of Shares per Eligible Employee or Director. There is no maximum value of Shares that an individual may apply for under the Employee and Director Priority Offer; however the total size of the Employee and Director Priority Offer is capped at a maximum of $3,000,000. The Company reserves the right to reject any Applications which they believe are not from Eligible Employees. The Company also reserves the right to scale back allocations under the Employee and Director Priority Offer, subject to a guaranteed minimum allocation of the lesser of: • the number of Shares applied for; and • an application amount or $5,000 worth of Shares per Eligible Employee or Director.	Section 7.5

Topic	Summary	For more information
How can I apply?	**Broker Firm Offer Applicants** Broker Firm Offer Applicants may apply for Shares by completing the Application Form included in or accompanying this Prospectus, and lodging it with the Joint Lead Managers and Broker who invited them to participate in the Offer. Note that you must be a client of a participating Broker in order to participate in the Broker Firm Offer. **Employee and Director Priority Offer Applicants** Applicants under the Employee and Director Priority Offer may apply for Shares by completing the online Employee and Director Priority Offer Application Form in accordance with the instructions provided to you by the Company. **Institutional Offer Applicants** The Bookrunner will separately advise Institutional Investors of the Application procedure under the Institutional Offer. To the extent permitted by law, an Application received under the Offer is irrevocable. There is no general offer to the public.	Sections 7.6.2, 7.7.2 and 7.8.1
When can I sell my Shares on the ASX?	It is expected that trading of the Shares on ASX will commence on or about 25 November 2024 initially on a conditional and deferred settlement basis. Trading will be on a conditional basis until the Company has advised the ASX that: • Settlement has occurred; and • the Company has issued Shares and SaleCo has transferred Shares, to Successful Applicants under the Offer, which is expected to have occurred prior to market open on 27 November 2024. Trading will then be on a normal settlement basis. It is the responsibility of each Applicant to confirm their own holdings before trading on ASX. Any Applicant who sells Shares before it receives an initial holding statement does so at its own risk.	Section 7.5
Can the Offer be withdrawn?	The Company and SaleCo reserve the right not to proceed with the Offer at any time before the issue or transfer of Shares to Successful Applicants or bidders under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the Offer not proceeding.	Section 7.14.3

1. Investment Overview continued

1.7 Overview of the Offer continued

Topic	Summary	For more information
Where can I find out more information about this Prospectus or the Offer?	If you have any questions in relation to the Offer, call the Cuscal Offer Information Line on: 1800 336 109 (toll free within Australia); or +61 1800 336 109 (outside Australia); between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays). All enquiries in relation to the Broker Firm Offer should be directed to your broker. If you have any questions about whether to invest, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.	Section 7.5

Industry Overview

2

2. Industry Overview

2.1 Introduction

Australia is a mature payments market undergoing innovation and change with high and increasing levels of penetration of technology and digital payments services. This has created a broad choice of payment types for Australians, who are changing the way they pay, making more payments electronically and moving away from traditional forms of payment such as cash and cheques. These changing dynamics have driven evolving consumer dynamics so that by 2022 approximately nine in ten card purchases at the point of sale were contactless.

The Major Banks and large retailers such as Woolworths and Coles have enabled this transition by supporting more convenient, faster, and secure ways to pay. The transition to a more seamless payment experience is enabled by the underlying payments infrastructure.

There are five Authorised Deposit-taking Institutions (**ADIs**) in Australia that have the licences, connectivity and processing capability, within a single organisation, to support all payment types and regulated data services. These are the Major Banks and Cuscal. The Major Banks have this connectivity primarily to offer banking products to their end customers rather than third parties. Cuscal is a business-to-business (**B2B**) provider meaning that it provides payments infrastructure services to other businesses like banks, Fintechs and corporates; who, in turn, provide payment services and experiences to their customers through their applications and consumer interfaces. Outside of the Major Banks and Cuscal, there are other providers of B2B payment services; however Cuscal has a differentiated offering based on its end-to-end capability contained within one organisation.

With the arrival of Open Banking, through the introduction of the Consumer Data Right (**CDR**) legislation in 2019 (which launched in Australia in July 2020), data capabilities and the ability to support consented sharing of customer data are now a regulatory obligation for banks. These CDR obligations are scheduled to flow to other industry sectors including Energy, Telecommunications and Open Finance (allowing the personalisation of a financial services experience for a customer through sharing of data). Through CDR, there is a regulated path for Australians to consent to the sharing of their data to accredited persons and entities in a safe and secure manner. This creates an opportunity for businesses to develop meaningful services for customers using data. Given these regulatory obligations and opportunities, Cuscal has developed the infrastructure in regulated data services and holds the licencing required to deliver end-to-end payments and regulated data services.

This **Section 2** contains an overview of:

- The Australian payments industry (refer to **Section 2.2**);
- The Australian regulated data services industry and its relevance for payments (refer to **Section 2.3**); and
- The current regulatory environment in which Cuscal operates (refer to **Section 2.4**).

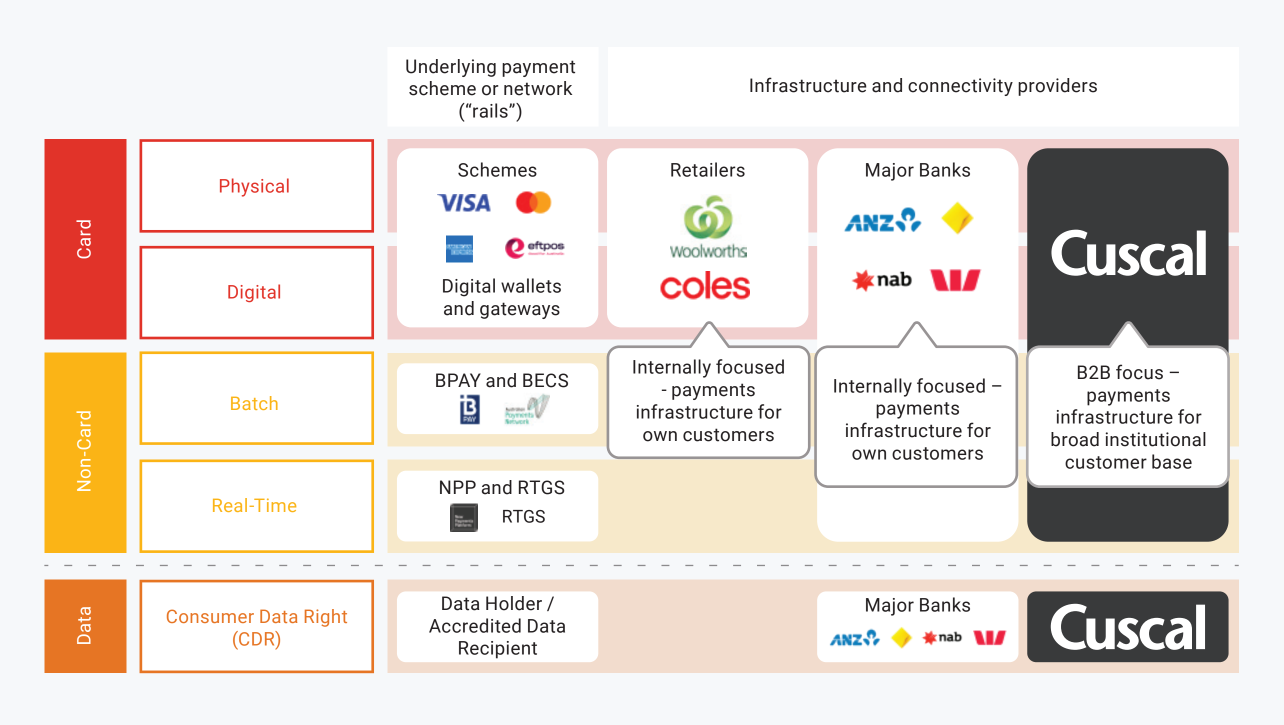
Market estimates and forecasts contained in this Prospectus are based on a report that Cuscal has commissioned from The Initiatives Group entitled *Overview of the Australian Payments Market and Cuscal's Market Position*, September 2024 (the **Industry Report**). Data from the Industry Report is based on various assumptions (see **Section 2.2.8.6**).

2.2 Overview of the Australian Payments Industry

2.2.1 Payments Landscape

The Australian payments landscape consists of a diverse group of institutions participating in a network of arrangements and infrastructure supporting various ways to pay. Cuscal's role is as a connector or access point to the payments system, providing its clients with connectivity to all the key payment types and a range of associated services. As set out in **Figure 2.1**, Cuscal and the Major Banks are currently the only participants that have the technology and the requisite licences to be able to directly connect and process payments across all the key payment types in one organisation.

Figure 2.1 Non-Cash Payments Landscape



2.2.2 Payment Channels and Payment Types

A payment is an exchange of value. The Australian payments system provides secure and efficient methods for companies, individuals, government and FIs to exchange value. Payments in Australia can be made using cash or non-cash products. Every payment requires a payment type to hold value and a channel to conduct the transfer of value.

The various payment types used in Australia are distributed through three main channels as outlined in **Figure 2.2**. These channels are described as Physical, Digital and Emerging, some of which are mature methods declining in usage, some are currently highly utilised and some that have been introduced in recent years. Cuscal facilitates payments for its clients across all payment channels (see **Figure 2.2**) and the majority of payment types, including all key payment types (see **Figure 2.3**).

Figure 2.2 Payment Channels in Australia

A Physical
- Cash Transfer
- Payment Terminals
- Bank Branches
- Australia Post
- Mail
- ATM

B Digital
- E-Commerce
- Online Banking
- Subscription
- Interactive Voice Response (IVR) / Telephone

C Emerging
- In-App
- Embedded Payments
- Social Media
- QR Code
- PayID

2. Industry Overview continued

2.2 Overview of the Australian Payments Industry continued

2.2.2.1 Physical Channel

In the Physical Channel the payer (who is the person or entity making the payment) is physically present at the time the payment is made and involves a method of payment that can be made in-person. Examples include in-store retail and hospitality payments. Bank branches are another example, where a payer or payee initiates cash payments or withdrawals in a branch along with other transactions such as an ATM withdrawal or deposit. Additionally, banks have established agency channels that allow access to banking products in locations where bank branches are not available. For example, Australia Post provides a physical presence for banking services in Australia, where consumers can make transactions, such as paying bills for utilities.

2.2.2.2 Digital Channel

The Digital Channel includes online banking and e-commerce and has grown within Australia and globally with the rise of more user-friendly technologies and supporting infrastructure. This channel does not require the payer to be physically present when the payment is made. The Digital Channel has delivered improvements in user experience and convenience, which has driven uptake of the Digital Channel and other industry trends including the reduction in cash usage (see **Section 2.2.8.1**).

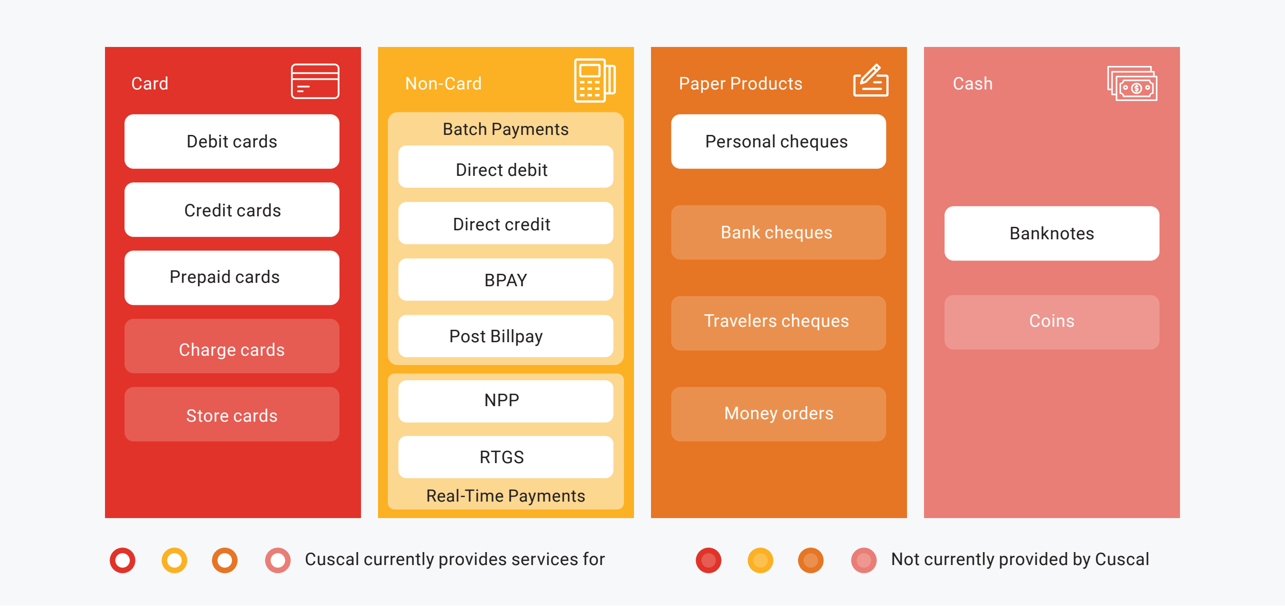
2.2.2.3 Emerging Channel

The Emerging Channel includes in-app payments, social media, embedded payments, QR codes and PayID. An example of embedded payments is ride share apps, in which the payment is embedded within another transaction (i.e. the booking of the ride). There is no separate payment action required of the user outside of booking the ride. Social media, with Facebook Pay on Facebook or Messenger as examples, is another area of the Emerging Channel experiencing growth.

2.2.2.4 Payment Types

In these three channels, payers and payees can transact via a number of payment types (and products) including cash, payment cards, electronic products and paper products (see **Figure 2.3**). Cuscal enables these products for its clients to deliver experiences in all three channels referred to in **Figure 2.2**.

Figure 2.3 Payment Types



Most payment types, with the exception of cash, can be used in multiple channels. For example, cards can transact through the Physical Channel via payment terminals or through the Digital Channel via e-commerce gateways (see **Section 2.2.4**); or non-card payment types such as BPAY (see **Section 2.2.5.1**) or NPP (see **Section 2.2.5.2**) can be used through the Digital Channel via online banking or in-app in the Emerging Channel through services such as Osko or PayTo. As the utility of different payment channels and their associated use of different payment types evolves, there will be a consequential impact on the required payment infrastructure and the businesses that provide connection to that infrastructure.

2.2.3 The Payment Process

The payment process starts with a payment initiation, where the payer initiates a payment, and ends with receipt, in which the payee receives the payment.

The simplest form of payment is a cash-based transaction, in which a payer will transfer value through the exchange of physical cash to a payee. As per **Figure 2.3**, beyond cash-based payments, the Australian payment process includes other (non-cash) payment types including:

- credit, debit and other payment cards (**Section 2.2.4**)
- Batch payments (**Section 2.2.5.1**)
- real-time payments (**Section 2.2.5.2**)
- cheques and other paper-based payment methods (**Section 2.2.5.3**)

Cuscal's payments connectivity allows the facilitation of the majority of these non-cash payment types and certain cash payment types.

Non-cash payments are made using networks that are either created by independent companies (such as the card payment schemes created by Visa, Mastercard, American Express and eftpos) or which are sponsored by central banks like the Reserve Bank of Australia (**RBA**) (such as real-time payments networks like the NPP). These networks (commonly referred to as payment 'rails') are governed by protocols or rules that require compliance by all participants that access them. The rules for a card transaction are set by the companies which provide the card payment schemes (such as Visa) or are contained in national standards that are sponsored by central banks (such as BECS or BPAY where for example a business sends its customer a bill with the option to pay using BPAY). **Figure 2.1** shows the major payment rails in Australia.

Payment infrastructure providers (such as Cuscal) provide their clients with access to these payment rails.

2.2.4 Cards

Card transactions in Australia are predominantly facilitated through either a debit or credit card, with the other card types (charge, store and prepaid cards) only accounting for a small proportion of the total card market in Australia.

Cards are the most commonly used payment method in Australia, accounting for approximately 75% of the total number of non-cash payments in 2024. The payments can come from either a physical card or a digital card. With more consumers embracing the adoption of digital cards, with the use of Apple Pay, Google Pay and Samsung Pay, the number and value of card payments in Australia continues to rise, growing at an annual rate of 10.4% and 7.4% for number and value of card payments respectively from FY14 to FY24.

Regardless of the type of card, there are a number of stakeholders and partners (see **Table 2.1**).

2. Industry Overview continued

2.2 Overview of the Australian Payments Industry continued

Table 2.1 Key stakeholders and concepts in the card payment process

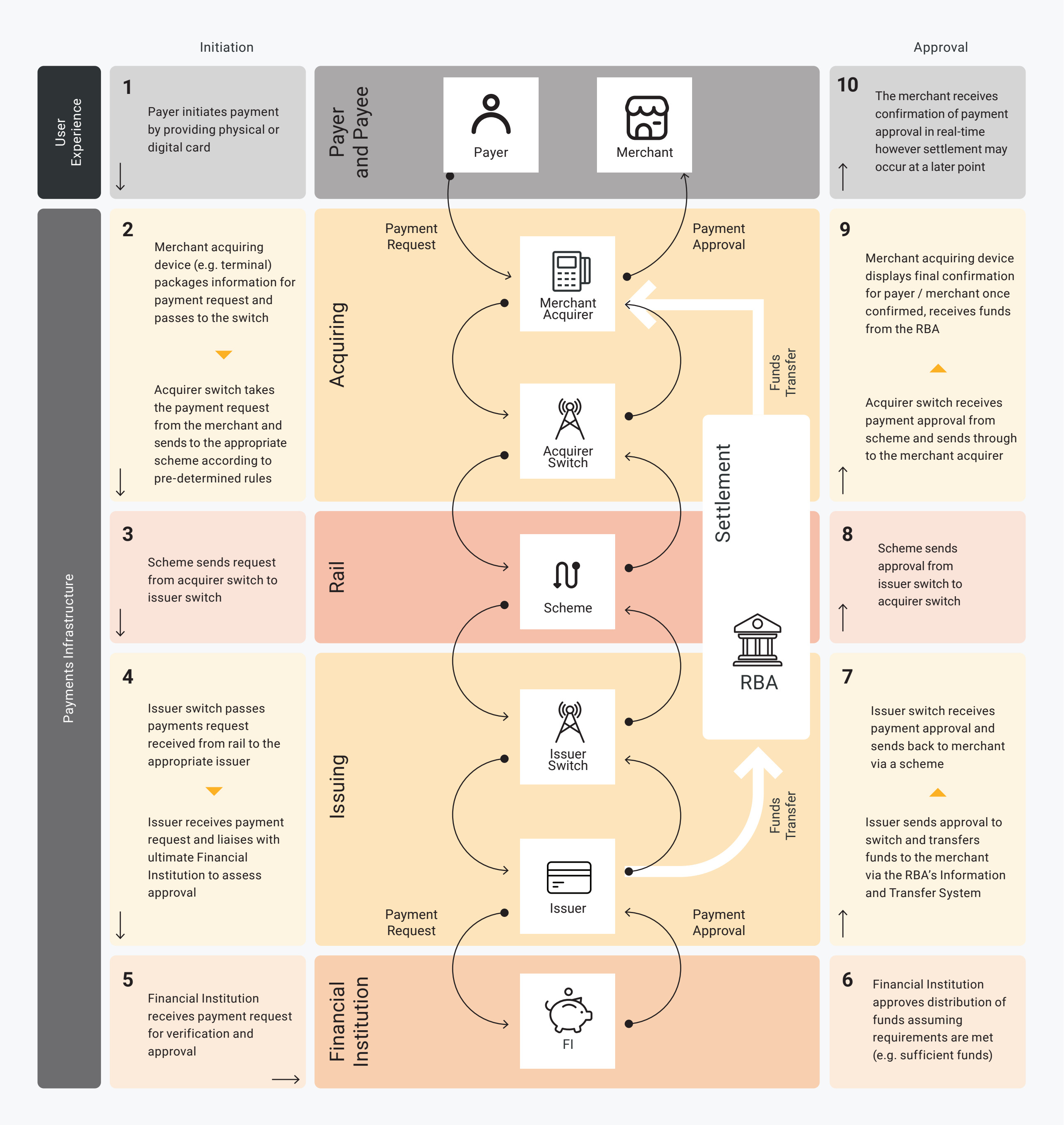
#	Stakeholder	Key Roles
1	Payer	An individual or business purchasing either a good or service from a merchant (payee).
2	Merchant (or Payee)	The merchant is the provider of a good or service and provides a means of payment for the payer through the use of a merchant acquirer (for example, has a payment terminal in their physical store for a payer to 'tap' their card).
3	Merchant Acquirer	Owns the direct relationship with the Merchant, and typically provides hardware or devices to allow the merchant to accept payments. Businesses such as Smartpay are merchant acquirers; and while Cuscal is not a merchant acquirer it can be the Acquirer (see below).
4	Acquirer	Provides the infrastructure for the merchant acquirer to accept a payment from a payer. This will include the required connectivity to card payment schemes (or card networks) such as Visa, Mastercard or eftpos. In some instances, the merchant acquirer is also the Acquirer (as they have the requisite connectivity to the card payment schemes themselves); but in other examples, a third party such as Cuscal provides those services to the merchant acquirer and may act as the merchant of record with the scheme (i.e. companies such as Cuscal are deemed to have 'acquired' the payment through their acquiring switch by the relevant scheme in the payment process described below in **Figure 2.4**).
5	Issuer	The issuer of the card used by the payer. The issuer receives the payment request from the merchant acquirer and determines whether to accept or deny the transaction, organising funds transfer if it approves the transaction.
6	Financial Institution	The FI holds the payer's funds (for example a bank providing a bank account) which they may use to purchase either a good or service.
7	Payment Processor	Connects a merchant acquirer or issuer or both to the underlying payment rails (for example, Mastercard, Visa, eftpos). The payment processor's technology platform and record keeping tool receives information on the transaction, records it, checks the validity of the payment data (such as checking for fraud), and in the case of issuing, verifies that the customer has sufficient funds, and allocates it to the relevant payee or payer via a payment rail (this technology function is sometimes referred to as a 'switch').
8	Card Payment Rails (Schemes or Networks)	Providers of card payment schemes create a network for making card-based payments (Visa, Mastercard or eftpos) and impose rules to govern use of the network. They also verify that transactions are compliant. The provider will charge an interchange (or scheme) fee per transaction for transacting through their network.
9	Settlement Bank	The settlement bank is an Authorised Deposit-taking Institution (**ADI**) that has an Exchange Settlement Account (**ESA**) with the RBA to facilitate settlement of funds.
10	RBA	The RBA is Australia's central bank. It has regulatory oversight of payments systems in Australia and provides ESAs to Settlement Banks.

2.2.4.1 Card Payment Process

Figure 2.4 illustrates the card payment process for an exchange of goods or services.

Figure 2.4 Card Payment Process

Note: The figure below is illustrative and simplifies some aspects of the card payment process. In this figure there is a payment processor that connects to the underlying payment rails on the issuing side (the issuing switch) and a payment processor on the acquirer side (the acquiring switch). It is possible for companies such as Cuscal to operate as the switch on the acquiring side for a merchant and then receive the same request from the scheme as the issuing switch for the credit or debit card; however it is more typical for a transaction to involve separate switches operated by two different payment processors.



1 Payer initiates payment by providing physical or digital card

2 Merchant acquiring device (e.g. terminal) packages information for payment request and passes to the switch

Acquirer switch takes the payment request from the merchant and sends to the appropriate scheme according to pre-determined rules

3 Scheme sends request from acquirer switch to issuer switch

4 Issuer switch passes payments request received from rail to the appropriate issuer

Issuer receives payment request and liaises with ultimate Financial Institution to assess approval

5 Financial Institution receives payment request for verification and approval

6 Financial Institution approves distribution of funds assuming requirements are met (e.g. sufficient funds)

7 Issuer sends approval to switch and transfers funds to the merchant via the RBA's Information and Transfer System

Issuer switch receives payment approval and sends back to merchant via a scheme

8 Scheme sends approval from issuer switch to acquirer switch

9 Acquirer switch receives payment approval from scheme and sends through to the merchant acquirer

Merchant acquiring device displays final confirmation for payer / merchant once confirmed, receives funds from the RBA

10 The merchant receives confirmation of payment approval in real-time however settlement may occur at a later point

2.2 Overview of the Australian Payments Industry continued

Cuscal is able to provide services to its clients across the card payment process including acting as a payment processor, the provision of a switch for both merchant acquirers and card issuers as well as (in certain instances) providing card issuing services for financial institutions who require that capability. It also provides settlement services through its ESA with the RBA.

2.2.5 Non-Card payments

Non-Card payments consist of both Batch payments (see **Section 2.2.5.1**) and real-time payments (see **Section 2.2.5.2**).

2.2.5.1 Non-Cards: Batch

2.2.5.1.1 Overview

Batch payments are transactions between FIs that are settled in bulk at set times during the day (which means they are not immediate or ‘real-time’ payments). Batch payments are used by government agencies and companies for bulk payments of salaries, pensions, interest, dividends and social security benefits. In Australia, there are two main systems (or rails) for making Batch payments, being BECS and BPAY, both of which are facilitated by a central clearing system.

BECS operates through a two-tiered system to facilitate the sending and receiving of bulk payments. Tier 1 members, including Cuscal, are able to connect directly to the BECS infrastructure and need to be able to clear and settle payments through an ESA; while Tier 2 members do not have direct connection and need access to be provided by a Tier 1 member.

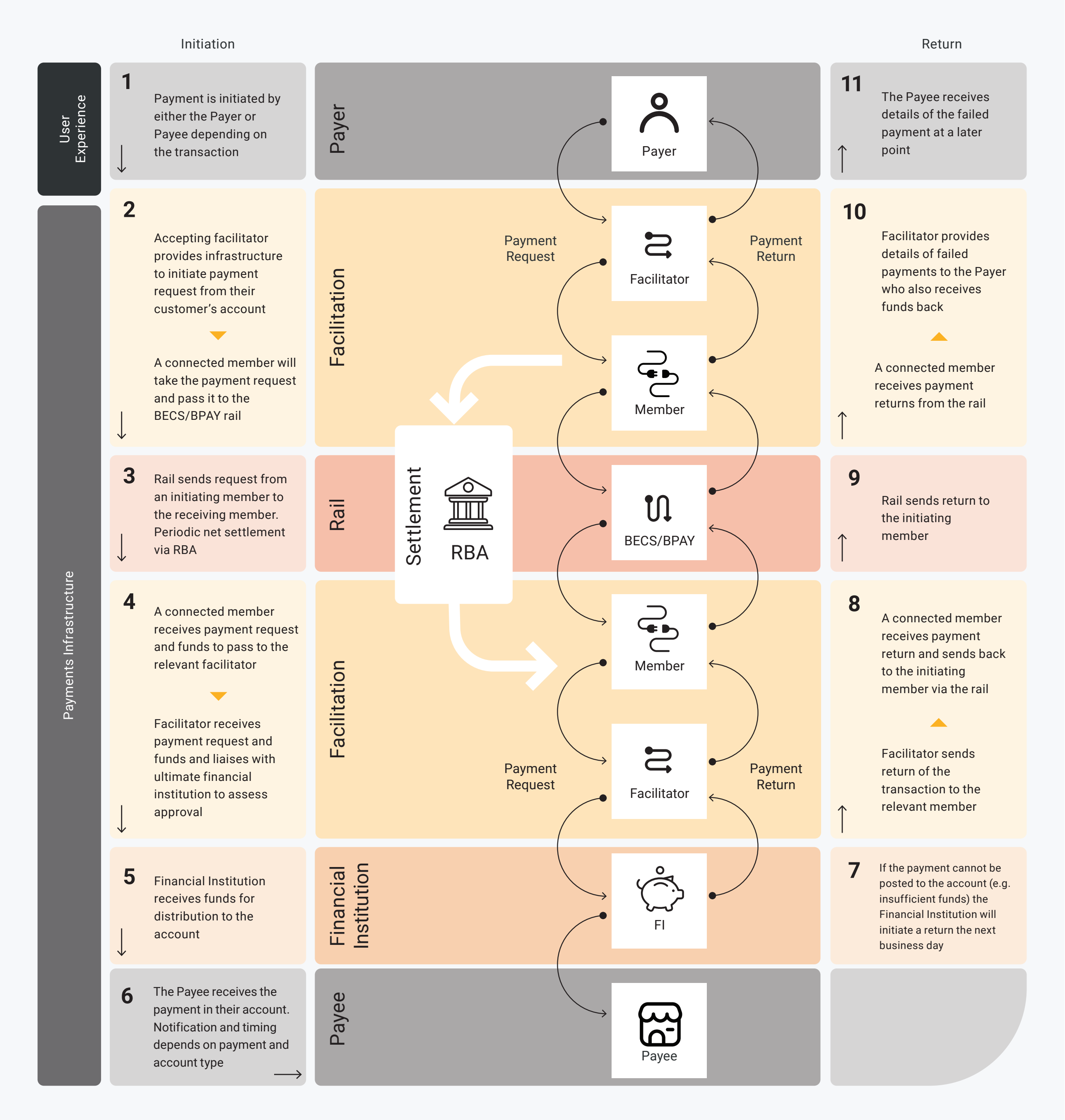
BPAY is another form of Batch payment. Offered by most financial institutions, it is an electronic bill payment service. Operated by Australian Payments Plus (an organisation bringing together three Australian domestic payments providers, BPAY Group, eftpos and NPP Australia), the scheme counts 150 FIs as members as at 15 September 2024 who utilise the system as an effective means of facilitating bill payments for end customers.

The use of these non-card payment types requires operation of distributed processing systems and direct access to centralised infrastructure and settlement systems that support them. This creates a need for providers (such as Cuscal) to provide connections to clients such as Fintechs and corporates who otherwise would not have access to these systems (see **Section 2.2.2**). Cuscal also provides connectivity to banks that would prefer to outsource management of this infrastructure.

2.2.5.1.2 Non-Cards: Batch Payment Process

Figure 2.5 Batch Payment Process

Note: The figure below is illustrative and simplifies some aspects of the non-card Batch payment process.



1 Payment is initiated by either the Payer or Payee depending on the transaction

2 Accepting facilitator provides infrastructure to initiate payment request from their customer's account

A connected member will take the payment request and pass it to the BECS/BPAY rail

3 Rail sends request from an initiating member to the receiving member. Periodic net settlement via RBA

4 A connected member receives payment request and funds to pass to the relevant facilitator

Facilitator receives payment request and funds and liaises with ultimate financial institution to assess approval

5 Financial Institution receives funds for distribution to the account

6 The Payee receives the payment in their account. Notification and timing depends on payment and account type

7 If the payment cannot be posted to the account (e.g. insufficient funds) the Financial Institution will initiate a return the next business day

8 A connected member receives payment return and sends back to the initiating member via the rail

Facilitator sends return of the transaction to the relevant member

9 Rail sends return to the initiating member

10 Facilitator provides details of failed payments to the Payer who also receives funds back

A connected member receives payment returns from the rail

11 The Payee receives details of the failed payment at a later point

2.2 Overview of the Australian Payments Industry continued

2.2.5.2 Non-Cards: Real-Time Payments

2.2.5.2.1 New Payments Platform (NPP) Overview

The RBA's *Strategic Review of Innovation in the Payments System* in 2012 highlighted the benefits of having a nation-wide system for real-time (i.e. immediate) settlement of funds and identified the growing global focus on speeding up payment processing. This resulted in the creation of the New Payments Platform, or NPP.

At its core, the NPP is comprised of three main components: the Basic Infrastructure; the Fast Settlement Service (**FSS**); and Overlay Services.

The Basic Infrastructure:

The NPP uses technology called the NPP Basic Infrastructure (**BI**), which is distributed and managed by each of the Direct NPP Participants (including Cuscal). It comprises a network that connects participating financial institutions, a switch that moves messages between them via the network and an addressing service. The NPP is a decentralised network with no central hub that each member transacts with (which sets the NPP apart not only from the way Batch payments are made in Australia but also from alternative real-time payment solutions used in other countries (such as the United Kingdom)). This means that each Direct NPP Participant, including Cuscal, is responsible for building and maintaining its own infrastructure to connect to all other participating members' infrastructure (such as the Major Banks). The benefit of a decentralised system is that it avoids the risk of one central counterparty to all providers failing (see **Table 2.2** for key stakeholders in this process). This means that the NPP functions by Direct NPP Participant members interacting directly with one another each time they initiate, verify and settle a real-time payment.

The FSS:

The FSS is a component of the Basic Infrastructure that is provided by the RBA to give each participating ADI that is directly connected to the NPP (called Direct NPP Participants) the capability to transact in real time. The FSS facilitates real-time payments through ESAs held by each Direct NPP Participant. The FSS allows cleared NPP payments to be settled in real time by debiting and crediting the ESAs of the two FIs that are acting for the payer and payee customers. It is the settlement finality in the ESA funds that effectively enables the posting of value to the end-customer's account within seconds. When a settlement request for a payment is received, the FSS tests the payment against technical criteria and for funds availability in the relevant ESA. If this testing is successful, settlement will occur irrevocably and unconditionally in real time. Payments are final and irrevocable. The NPP was designed this way to manage liquidity risk for Direct NPP Participants settling payments.

Cuscal is one of 11 Direct NPP Participants. Both ING and Bendigo and Adelaide Bank were original shareholders of the NPP and had the opportunity to be a Direct NPP Participant but instead chose to utilise Cuscal's connectivity solution (see **Figure 2.6**). The NPP was specifically designed to be open and facilitate fair access by businesses across the Australian payments ecosystem. In addition to the Direct NPP Participant members, other key stakeholders are able to connect to the NPP to offer NPP services to their customers by being sponsored by a Direct NPP Participant (such as Cuscal) or by limiting the type of payment messages they send and receive.

Figure 2.6 NPP Clearing and Settling Participants

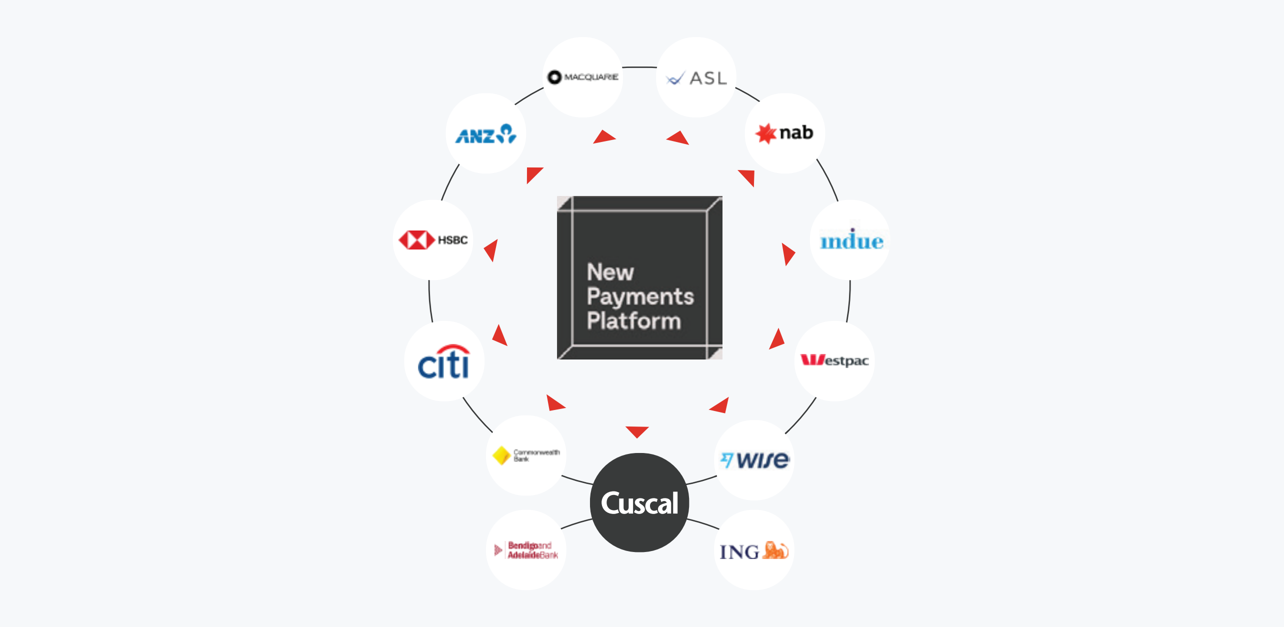


Table 2.2 Key Stakeholders in the NPP Payment Process

#	Stakeholder	Key Roles
1	Direct NPP Participant	As at the date of this Prospectus there are 11 Direct NPP Participants, including Cuscal, the Major Banks and Cuscal's payments infrastructure competitors, ASL and Indue. Directly connected NPP Participants need to meet the technical requirements of establishing and maintaining a technology integration to other direct participants in a real-time environment. Direct NPP Participants use their RBA ESA for real-time settlement and can act as a Settlement Sponsor for Identified Institutions.
2	Identified Institution	No direct connection to the BI and must therefore use a Direct NPP Participant as a Clearing and Settlement Sponsor. Requires a commercial agreement to be in place between the Direct NPP Participant (such as Cuscal) and the Identified Institution.
3	Settlement Participant/ Indirect Participant	No direct connection to the BI and must therefore use a Clearing Sponsor, however they will use their own ESA for settlement. Required to be an ADI (or Restricted Authorised Deposit-Taking Institution (**R-ADI**)) and hold an ESA at the RBA (for example ING or Bendigo and Adelaide Bank, which are connected via Cuscal but use their own ESA for settlement).
4	Connected Institution	Can have a direct connection to the BI and is able to send requests and other messages to initiate payments between NPP Participants, however they cannot send their own payment clearing or settlement messages.

2.2 Overview of the Australian Payments Industry continued

Overlay Services:

Overlay Services are the payments-related products or services that leverage the Basic Infrastructure to send payment messages, address payments and send detailed information with payments. The Basic Infrastructure supports multiple overlay services which could be offered by a range of service providers allowing for competition and innovation in the provision of payment services. Overlay services can range from simple arrangements to more complex payment solutions. Cuscal plays a critical role in providing access to the NPP to allow its clients to innovate and compete using these Overlay Services. See **Table 2.3** for current NPP Overlay Services.

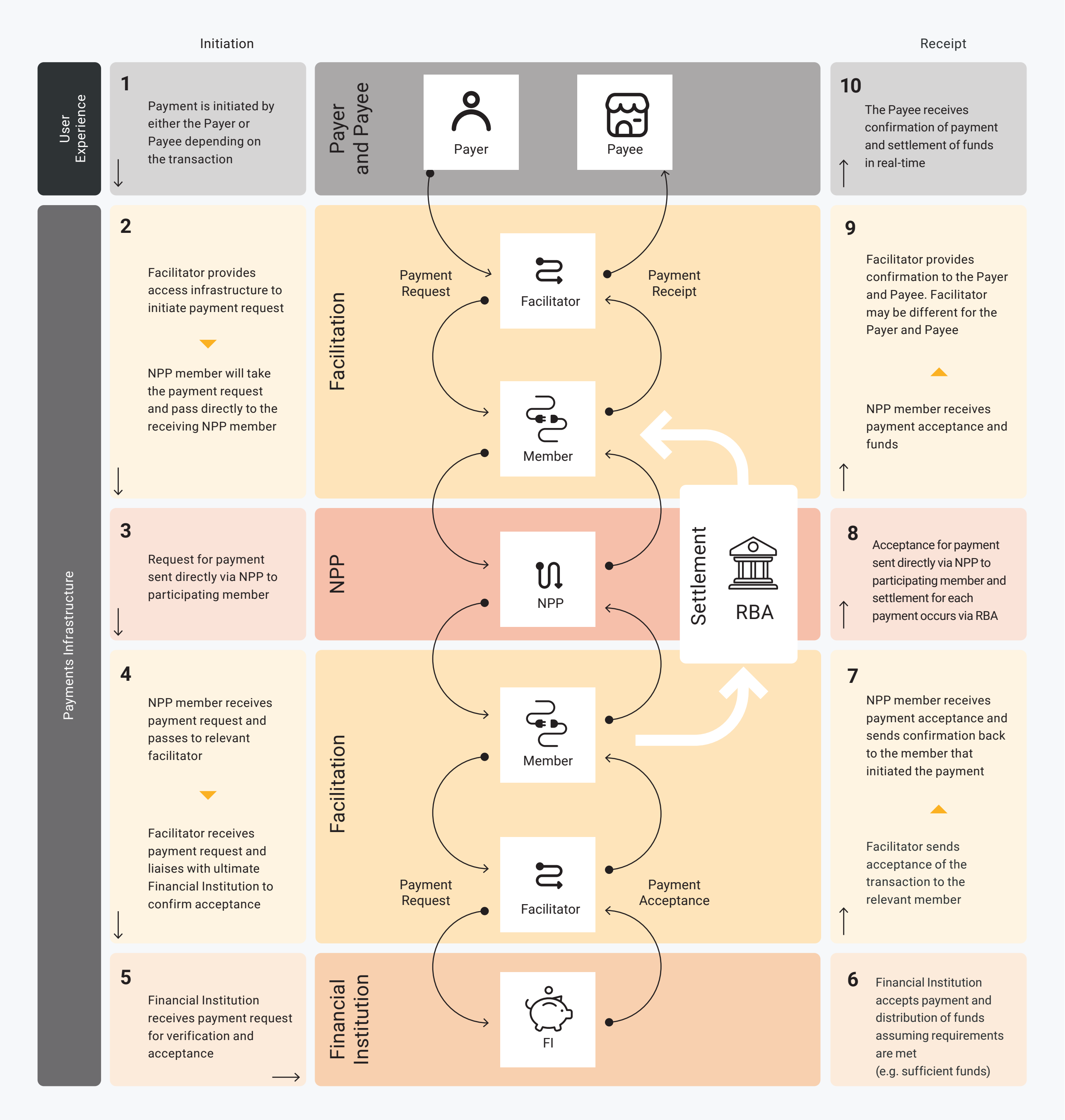
Table 2.3 NPP Overlay Services and Features

#	Service	Overview
1	PayID	Allows a payment to be made without disclosing account details. A payment can be made using any of the following alternate identifiers: • Mobile number; • Email address; • ABN; or • Organisation Identifier. This centralised addressing service enables account portability, as customers do not need to be identified by their bank account. Also helps to reduce financial crime as the payee's account name is confirmed by the payer prior to completing the payment.
2	Osko	Facilitates real-time person to person payments.
3	PayTo	Allows merchants, businesses and individuals (**Initiators**) to initiate (or request) real-time payments with consent (sometimes called 'pull' payments).

2.2.5.2.2 NPP Payment Process

Figure 2.7 NPP Payment Process

Note: The figure below is illustrative and simplifies some aspects of the non-card NPP payment process from the perspective of the payer and payee.



1 Payment is initiated by either the Payer or Payee depending on the transaction

2 Facilitator provides access infrastructure to initiate payment request

NPP member will take the payment request and pass directly to the receiving NPP member

3 Request for payment sent directly via NPP to participating member

4 NPP member receives payment request and passes to relevant facilitator

Facilitator receives payment request and liaises with ultimate Financial Institution to confirm acceptance

5 Financial Institution receives payment request for verification and acceptance

6 Financial Institution accepts payment and distribution of funds assuming requirements are met (e.g. sufficient funds)

7 NPP member receives payment acceptance and sends confirmation back to the member that initiated the payment

Facilitator sends acceptance of the transaction to the relevant member

8 Acceptance for payment sent directly via NPP to participating member and settlement for each payment occurs via RBA

9 Facilitator provides confirmation to the Payer and Payee. Facilitator may be different for the Payer and Payee

NPP member receives payment acceptance and funds

10 The Payee receives confirmation of payment and settlement of funds in real-time

In order for the benefits of the NPP to be experienced by end customers, overlay services and features have been developed to provide additional functionality. Examples of these are detailed in **Table 2.3** above.

2.2 Overview of the Australian Payments Industry continued

2.2.5.2.3 Real-Time Gross Settlement (RTGS)

Real-Time Gross Settlement (**RTGS**) refers to a system of funds transfer that settles in real time. Australia's RTGS payments are made using the Reserve Bank Information and Transfer System (**RITS**), Australia's interbank settlement system for high value payments. RTGS payments between banks are made individually in real time out of funds in the paying bank's ESA with the RBA. Introduced in 1998, the RTGS system provided an important upgrade to the core settlement systems underpinning payments in Australia, reducing settlement risk within the financial system and providing greater efficiency to the payments system through real-time payments.

2.2.5.3 Non-Cards: Cheques and Other Paper-Based Payment Methods

Cheques and other paper-based payment methods are not as prevalent as they used to be within the payments ecosystem, however the following products are still able to be used as a form of payment within Australia:

Table 2.4 Cheques and Other Paper-Based Products

Products	Key characteristics
Cheque	A document that instructs a financial institution to make a payment on behalf of the payer. Can be drawn directly against their own account (personal cheques) or against the FI (bank cheque).
Travellers Cheque	Can be purchased by anyone, normally as a means of acquiring foreign exchange before travelling abroad, offering security to the customer and involving a charge by the provider and the bank that converts them to cash.
Money Order	Cheque-like product that can be drawn against Australia Post, providing a means of transferring currency through the mail system without the need for the payer or payee to have a bank account.

2.2.6 Competitive Landscape

2.2.6.1 Payments Infrastructure Services Competitive Landscape and Participants

The Major Banks hold a majority market share in a variety of consumer and business lending and deposit products alongside merchant acquiring products. Accordingly, the majority of payments in Australia are processed by the Major Banks. The Major Banks typically deal directly with consumer and business customers rather than selling payment connection services to third-party intermediaries such as smaller ADIs. This has led to payment infrastructure service providers such as Cuscal becoming an attractive partner to ADIs, Fintechs and corporates.

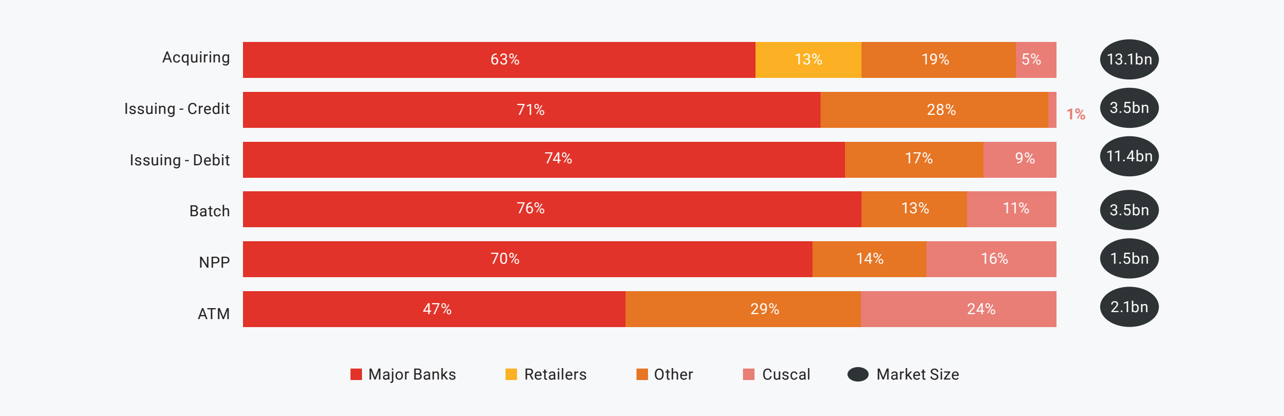
Cuscal's competitors are other payment infrastructure providers who include Indue, ASL and Fiserv. Cuscal and these other service providers are payment connectors/aggregators and typically have no retail customers; instead they provide other businesses with access to different payment systems such as debit and credit cards, BECS, BPAY and the NPP. The Major Banks maintain substantial positions in both the card payment acquiring and issuing markets.

Cuscal's clients include banks, credit unions, building societies, mortgage originators and new market entrants, such as Fintechs, that seek to compete with incumbent bank merchant acquiring and other payments capabilities. Agnostic to the end retail customer, payment infrastructure service providers such as Cuscal can sit behind the end user experience, playing a unique and differentiated role in the payment process and ultimately driving further competition and innovation.

2.2.6.2 Market Share Analysis and Competitive Dynamics

Below in **Figure 2.8** is market share analysis for payments infrastructure services as described in **Section 2.2** and this includes competitors that service their payments requirements in-house.

Figure 2.8 Breakdown of Share of Total Market Transaction Volume by Payment Type for the Year Ending 30 June 2024[1]



Sourced from The Initiatives Group, The Industry Report

2.2.6.2.1 Overview

As can be seen in **Figure 2.8**, the Major Banks have over 70% share in the core non-cash-based payments transaction types (that is, excluding acquiring and ATMs). For merchant acquiring, the two largest retailers in Woolworths and Coles also operate significant merchant busineses for their stores that they service in-house, leading to market share of 13%. Outside of the Major Banks, Cuscal has a strong position in the provision of payment services in merchant acquiring (5% market share) and debit card issuing (9% market share). The transition to the NPP will see a composition similar to Batch payments, with the Major Banks continuing to hold significant share; however Cuscal's first mover advantage in NPP saw it hold 16% of total NPP payments processing volume as of June 2024, and excluding the Major Banks, Cuscal held 53%. Seperately, with the Major Banks exiting their ATM businesses, Cuscal is taking the opportunity to hold a stronger position in this channel, highlighted by its 24% total share and 45% share excluding the Major Banks. While the ATM channel and the cash payment type which ATMs represent are declining in use, Cuscal intends to utilise its scale as a payment processor to ATM networks to offset the impact of reduced transaction volumes (see **Section 2.2.8.2**).

As the Major Banks have a dominant market share (by customer) and typically provide payment products through their own infrastructure for their own banking customers, the majority of payments in Australia are processed by the Major Banks (as outlined in **Figure 2.8** above and **Figure 2.9** below).

Batch and NPP transactions in particular are key strengths for Cuscal, processing approximately half of the total transactions of the payments volumes that are not processed by the Major Banks for their banking customers. As discussed further in **Section 2**, the potential for the Major Banks to outsource their payments operations or partner with other providers, such as ANZ Banking Group's partnership with Worldline for the provision of merchant acquiring services, brings potential upside to Cuscal, with the opportunity to break into areas of the market that are currently controlled by the Major Banks such as large corporate or government-related payments.

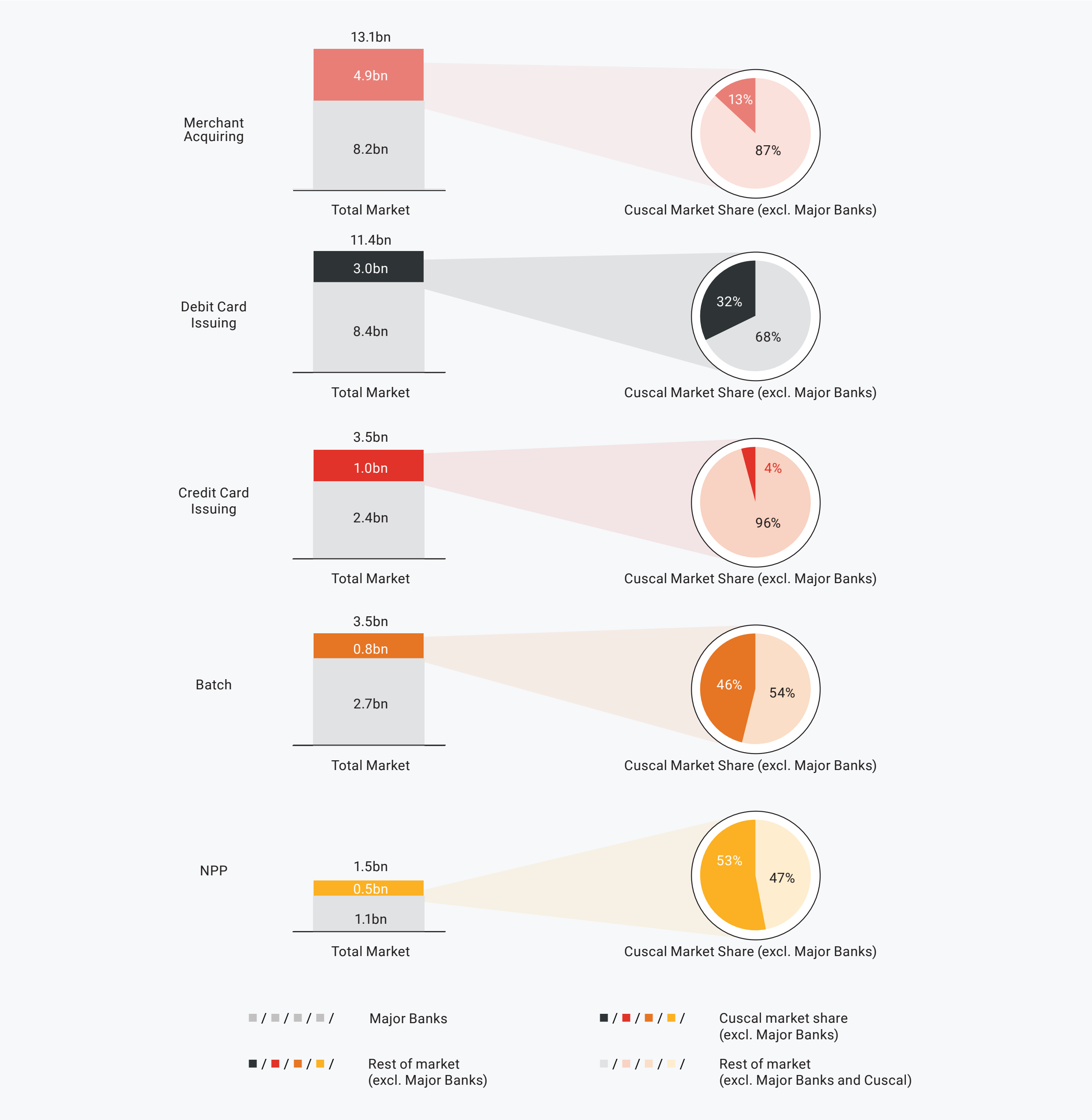
Figure 2.9 below outlines the total market size by volume for the year ending 30 June 2024 for each payment type. This market has been shown on a total basis as well as excluding the Major Banks.

1. Note: Based on payments transactions for the 12 months ending 30 June 2024. ATM refers to cash withdrawals and has been included as a proxy for cash transactions. Market share relates to the provision of payment processing services for cash withdrawals. Cuscal does not operate ATM networks but it provides payment processing services (for example verifying an end customer has sufficient funds to withdraw cash) for the operators of the ATMs.

2. Industry Overview continued

2.2 Overview of the Australian Payments Industry continued

Figure 2.9 Breakdown of Cuscal's Share of Total Market (excluding the Major Banks) Transaction Volume by Payment Type for the Year Ending 30 June 2024



Sourced from The Initiatives Group, The Industry Report. Note: regardless of payment method, each payment has a Payer and Payee on either side of the transaction. For example, for a debit card transaction there is an issuing and acquiring side, as such that transaction would be included in the Merchant Acquiring as well as the Debit Card Issuing market share data above. Furthermore, Cuscal records transactions on a fee event basis, which can lead to multiple fee events being recognised on a single transaction (for example within Cuscal's issuing capability it may provide issuing services and settlement services for the same transaction). Similarly, Cuscal may record multiple fee events for a single NPP transaction. Accordingly, The Initiatives Group has adjusted Cuscal's volumes such that it is comparable to the industry volume estimates to avoid double counting and over-representing market share.

Note: Based on payments transactions for the 12 months ending 30 June 2024.

2.2.6.2.2 Card Schemes

Payment cards are the most frequently used payment method in Australia. Mastercard and Visa are the two largest credit card schemes, with a combined market share of approximately 89% of the value of credit card transactions in Australia as at 2022. These schemes do not issue cards directly and rely on banks and other financial institutions to separately issue cards to be used on their payments network and to provide acquiring services. In contrast, American Express acts as both the acquirer and the issuer in the payment process involving American Express credit cards in Australia only.

The main participants in the debit card market are Mastercard, Visa and eftpos. According to a report from the RBA dated 15 September 2017, Mastercard and Visa held a combined market share of approximately 60% of the Australian debit card market, with their debit card transactions growing at a faster rate than eftpos over the past decade. This is reflective of Mastercard's and Visa's earlier introduction of contactless and online payments compared to eftpos.

It is typical for card issuers to have incentive arrangements with the payment schemes in which the schemes will offer incentives such as rebates or funding for projects. Cuscal acts as the Payment Processor for all schemes and currently has an exclusive relationship with Visa for its card issuing services it provides to its clients which means that Visa is the preferred partner for issuing cards subject to certain exceptions.

2.2.6.2.3 Card Issuing

Reflective of the broader banking market, the Major Banks are the largest card issuers in Australia. Spending (by value) on credit and debit cards that are issued by Major Banks has remained stable over the past decade, accounting for almost 80% of the value of card transactions.

Credit card issuance is less concentrated than the overall card market, partly due to the presence of American Express, who issues credit cards directly to cardholders (rather than through another financial institution) as well as competition from non-bank financial institutions such as Latitude.

Debit card issuance is slightly more concentrated than credit cards. This is partly because debit cards are issued as part of a bundle of transactional account services and are not offered or priced as a standalone product like credit cards.

2.2.6.2.4 Acquiring

In acquiring, the Major Banks' market share has declined over the past decade, partly due to the growth in market share of American Express cards, which are acquired directly by American Express, as well as the two large Australian retailers who have developed a payment-switching capability that allows them to self-acquire transactions. Tyro, a specialist merchant acquirer, entered the market following the RBA's initial access reforms in the early 2000s, obtaining a banking licence and offering business banking products. Subsequently, other specialist merchant acquirers entered the market, notably Adyen, Stripe and First Data (now known as Fiserv), although their market shares remain lower than the incumbents. More recently, high-growth Fintechs such as Square, Zeller and Smartpay have also started competing in the domestic merchant acquiring sector, taking market share from the more established incumbent competitors. Cuscal is one of the payment infrastructure providers offering connections to the growing Fintech segment and has a 5% market share in the total merchant acquiring market.

2.2.6.3 Non-Card Payments Competitive Dynamics

BECS operates a two-tiered model (discussed in **Section 2.2.5.1**). This restricts direct access to the clearing system to Tier 1 members only. Some Tier 1 members only handle their own transactions, whilst a number of Tier 1 members, including Cuscal, compete to service the Tier 2 members and others who do not have access to the BECS clearing system. Currently, Cuscal services more Tier 2 members than any other Tier 1 member in the market, representative of its strong position in the BECS sector. Outside of differences in reliability and security, BECS transactions are undifferentiated, resulting in competition amongst Tier 1 members for external volumes largely focusing on pricing, customer service and speed of connectivity.

2.2 Overview of the Australian Payments Industry continued

Similarly, the NPP restricts who is able to directly access the payments infrastructure. Only 11 participants are directly connected, and like BECS, only a select number of connected participants provide access to external parties. Of the Direct NPP Participants, Cuscal, ASL, Indue and ANZ are the only members currently offering connectivity for external parties. Cuscal has to date been the most successful in providing connectivity, having completed over 60 implementations since the NPP launched in 2018, and enabling over half of all the institutions indirectly connected to the NPP.

Competition to provide access to the NPP to external parties is driven by:

- speed and cost to connect;
- capacity to provide associated services such as fraud monitoring;
- ongoing transactional pricing;
- roll-out of new functionality such as PayTo; and
- reputation.

As new capabilities, such as new overlay services, come to market, it is likely that providers who continue to offer the latest innovation first in a secure and reliable manner will win market share; benefiting those, such as Cuscal, with strong capabilities, scale and a track record of delivery.

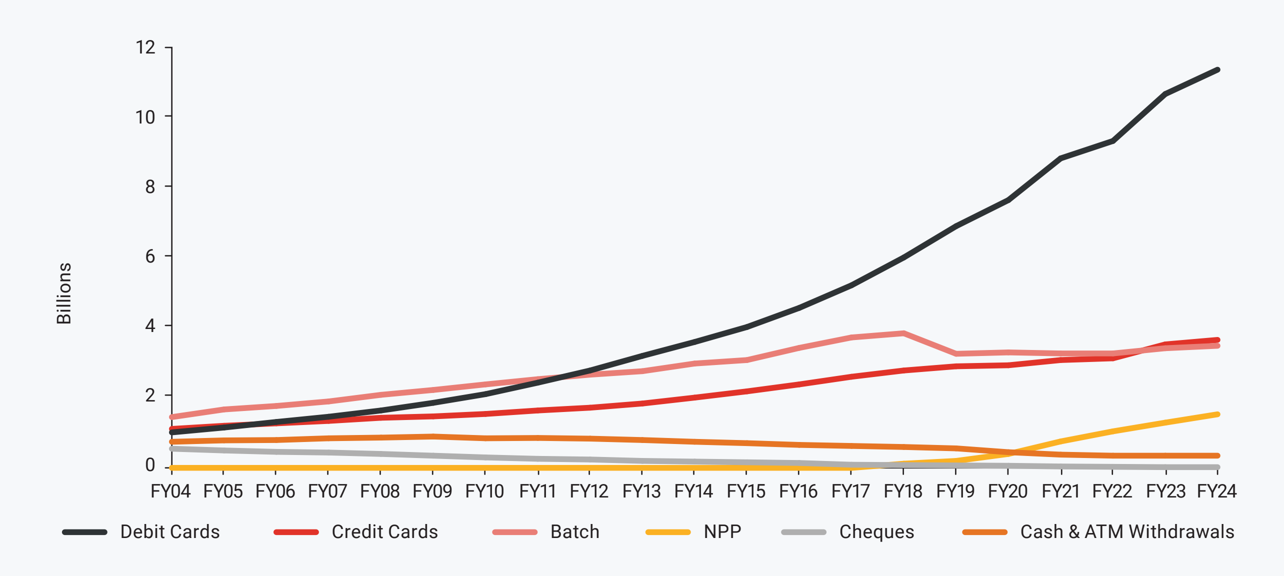
2.2.7 Australian Payments Market Size and Composition

2.2.7.1 Size of the Payments Market in Australia

The size of the Australian payments market can be quantified in two ways – by the volume of payments and the value of payments made in a specified period. Cuscal's revenue is primarily generated on a flat fee per transaction, meaning that Cuscal's revenue is predominantly driven by number of transactions (volume) rather than the dollar amount of the transaction (value). This revenue model means that transaction volume is the most relevant metric for Cuscal when assessing the size of the payments market in Australia.

The size of the payments market differs between cash and non-cash payments. Non-cash payments can be further broken down to cover the payment types mentioned in **Figure 2.3** which encompasses cards, Batch, the NPP and cheques.

Figure 2.10 Annual Transaction Volume by Payment Type[2]



Sourced from The Initiatives Group, The Industry Report

[2] ATM Cash Withdrawals have been included as a proxy for cash transactions.

2.2.7.2 Cash Payments

The use of cash for everyday payments has been declining for many years, with consumers preferring to make their payments electronically (see the decline in ATM Withdrawals (i.e. cash to be used for payments) in **Figure 2.10**). The decline in cash payments has been more notable for lower-value purchases made in person, which was accelerated in recent years particularly during (and since) the COVID-19 pandemic (see **Section 2.2.8.1**). In 2007, cash accounted for 56% of the number of total payments in Australia. In 2024, this figure reduced to 9%.

2.2.7.3 Non-Cash Payments

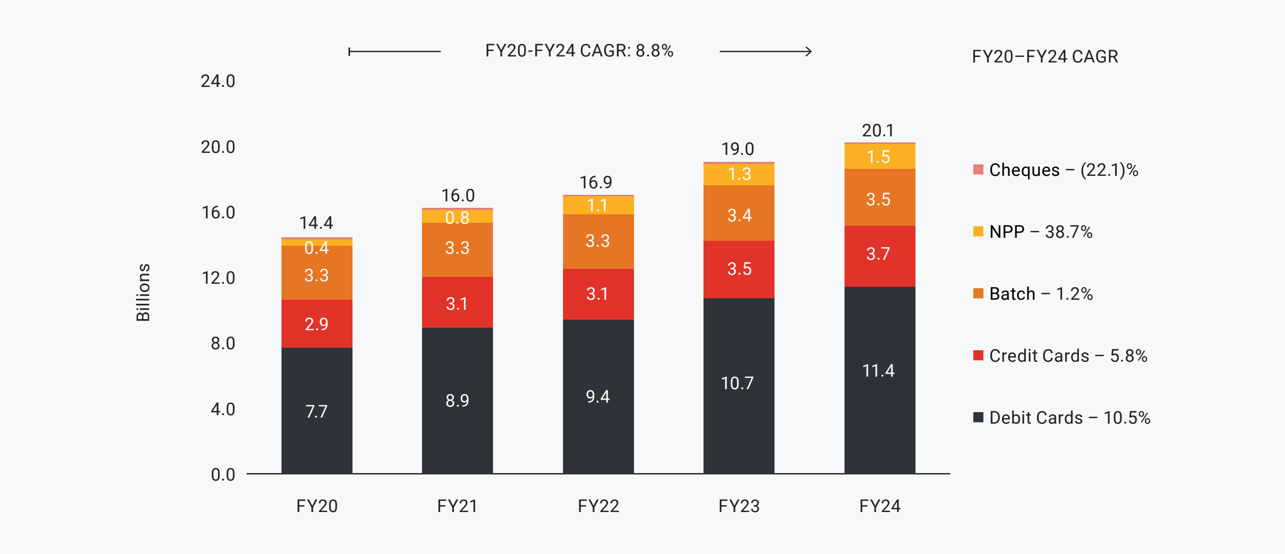
Non-cash payments make up the majority of payments in the Australian economy by volume and value, with approximately 20.1bn payments transactions made in 2024 (see **Figure 2.11**). As identified in **Section 2.2.8.1**, consumers are shifting to more frequent but lower value transactions. This can be seen in **Figure 2.12** and **Figure 2.13**, which highlight that for many payment types the average value per transaction grew to a lesser extent than overall volume of transactions.

2.2.7.3.1 Cards

Cards, whether they be debit cards or credit cards, are the most used payment type in Australia, making up 75% of the total volume of non-cash payments in 2024. Payers made 15.1bn card payments in 2024, an increase of 6.0% from the prior year. In Australia, card transaction growth has been driven by the rapid adoption of contactless payments, with consumers choosing to Tap'n'Go for low value transactions, which used to be the domain of cash. During 2020 to 2024, the aggregate volume of debit and credit card payments increased by 9.2% on a Compound Annual Growth (**CAGR**) basis. The aggregate value of card payments has also increased 10.1% over the past four years on a CAGR basis, and from 2023 to 2024 grew 7.7% to $1,014bn.

When paying with a card, Australians are increasingly choosing debit cards rather than credit cards, with debit cards representing 56.7% of total non-cash payments volume in 2024, compared to credit cards which comprised 18.3%. 11.4bn debit card payments were made in 2024, an increase of 6.7% from the prior year. Over the past four years, the number of debit card payments grew at a CAGR of 10.5%. The aggregate value of debit card payments grew at a CAGR of 12.8% over the past four years to $592bn in 2024.

Figure 2.11 Volume of Australian Non-Cash Payments

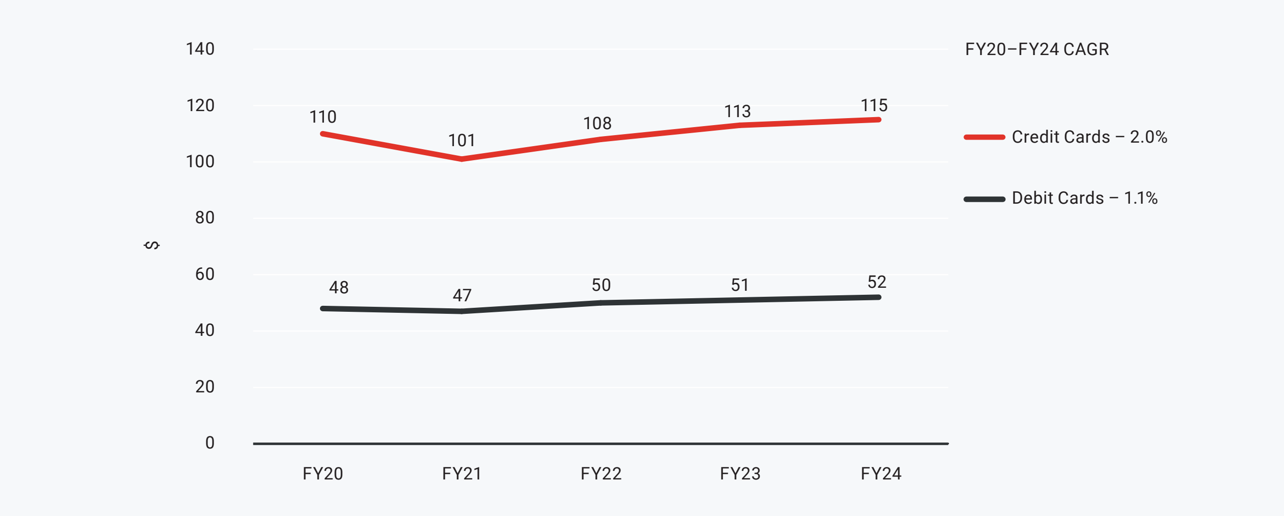


Sourced from The Initiatives Group, The Industry Report

2. Industry Overview continued

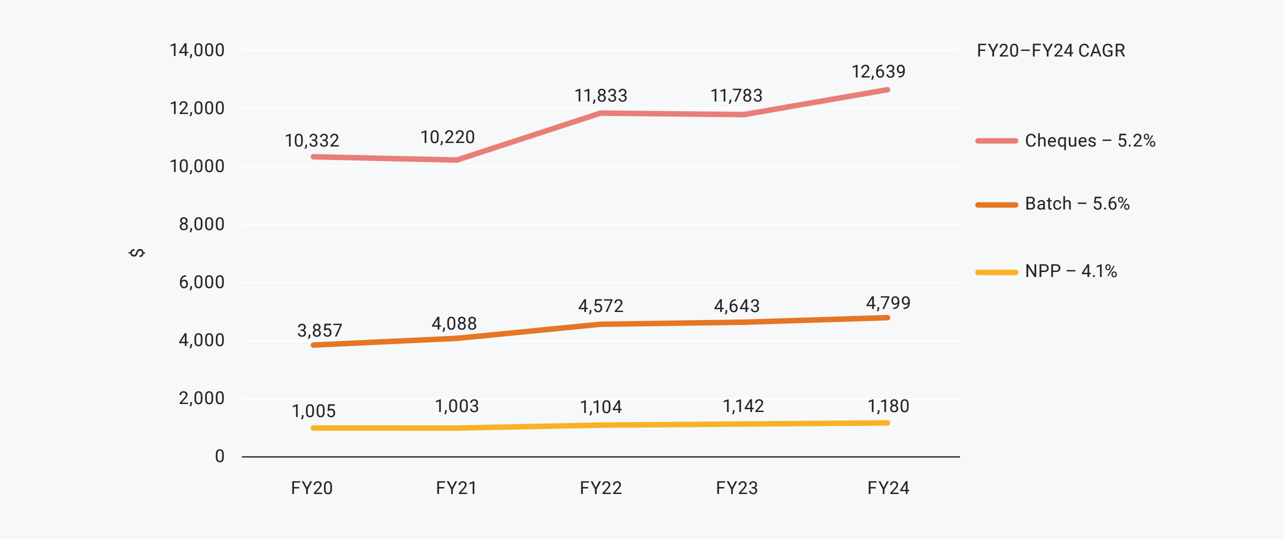
2.2 Overview of the Australian Payments Industry continued

Figure 2.12 Average Value per Transaction of Australian Non-Cash Payments (Cards)



Sourced from The Initiatives Group, The Industry Report

Figure 2.13 Average Value per Transaction of Australian Non-Cash Payments (Non-Cards)



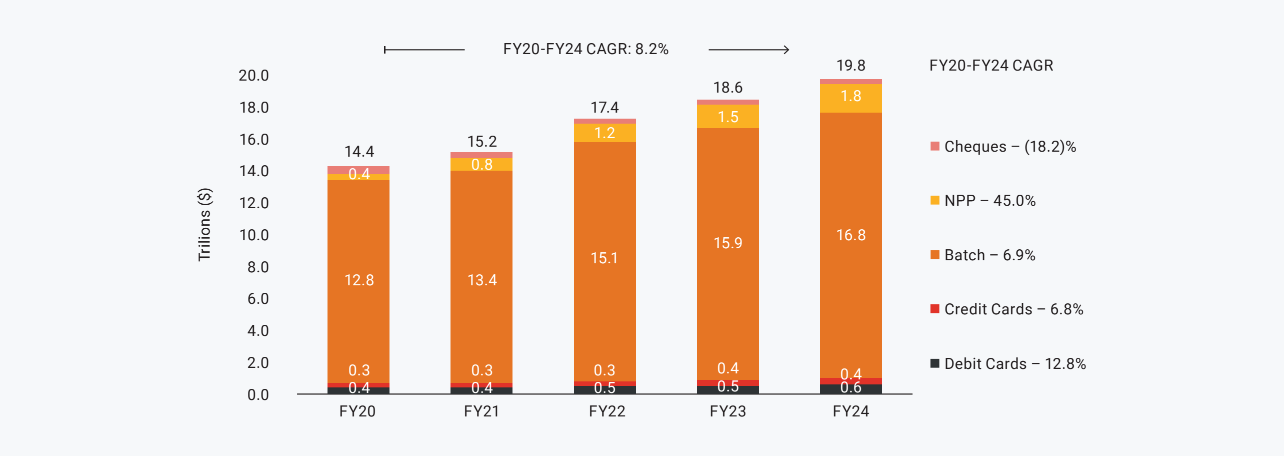
Sourced from The Initiatives Group, The Industry Report

By comparison, the number of credit card payments made in 2024 was 3.7bn, an increase of 4.1% from the prior year. Over the past four years, the number of credit card payments made has increased by a CAGR of 5.8%. The value of credit card payments grew 5.4% from 2023 to $422bn in 2024. The growth of debit card transactions over credit card transactions is driven by many different factors, one being (in Australia) the transition of moving from using a debit card at an ATM to using it at a point of sale (**POS**) terminal. Another is consumer concerns about getting ‘trapped’ into debt.

2.2.7.3.2 Batch

While cards are the most common payment method, Batch payments represented 85% of the dollar value of non-cash retail payments made in 2024 (for example payments collected from customers’ bank accounts by organisations such as gyms or internet service providers using direct debit to collect regular and recurring payments from clients; or payments that are sent to specific accounts, such as a business paying its employees).

Figure 2.14 Aggregate Value of Australian Non-Cash Payments



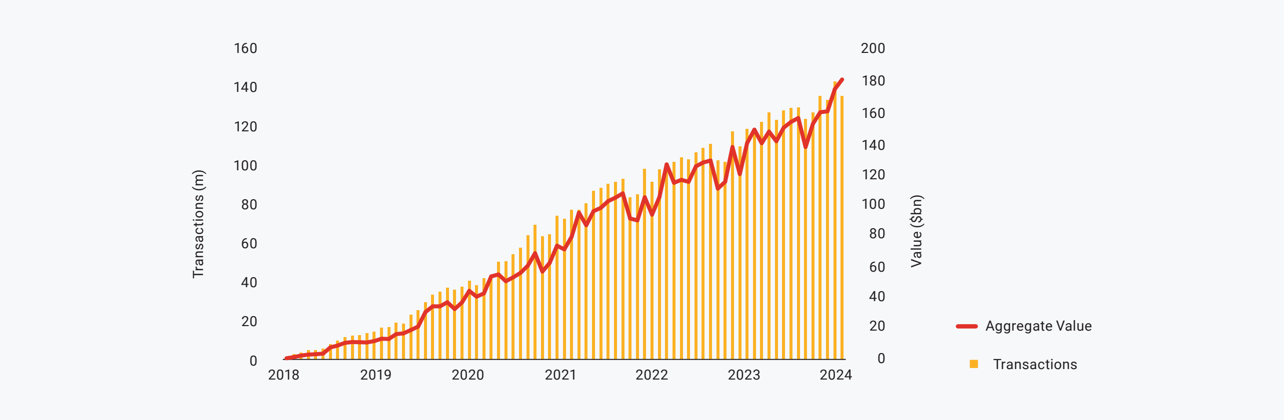
Sourced from The Initiatives Group, The Industry Report

In 2024, Batch accounted for 17% of the volume of non-cash payments made, with 3.5bn Batch payments during the year. The relative growth of Batch payments as a payment type has been contracting, partly due to the recent introduction of the NPP, which has resulted in payment providers starting to send transactions through the NPP instead of the Batch systems. The volume of Batch payments made has increased by a CAGR of 1.2% over the past four years. The value of Batch payments grew 5.1% from 2023 to be $16.8tn in 2024, representing a 6.9% CAGR over the past four years.

2.2.7.3.3 New Payments Platform

The NPP has continued to grow since its launch in 2018. Currently, the NPP represents approximately 7% of the volume and 9% of the value of non-cash payments. Over 100 payment providers, including some non-bank PSPs, now offer NPP services to over 100m customer accounts. Out of the different payment options, the NPP has experienced the highest annual growth in both the volume and value of transactions, increasing by 19.7% and 23.8% in 2024 respectively. As shown in **Figure 2.11**, **Figure 2.14** and **Figure 2.15**, in 2024 the NPP processed around 1.5bn payments worth $1.8tn. During 2020 to 2024, the number of NPP payments made has increased by 38.7%, and the value of payments made via the NPP has grown 44.4% over the same period on a CAGR basis.

Figure 2.15 NPP Monthly Growth[3]



Source: RBA.

3. Excludes transactions between accounts held at the RBA for the purposes of intra-government funding transfers.

2.2 Overview of the Australian Payments Industry continued

2.2.7.3.4 Cheques

Cheque use in Australia has been declining over the past decade, as consumers and businesses have been transitioning to other payment types. In 2023, there were less than one cheque transactions per person in the year (compared with around 45 per person in the mid-1990s). The value of cheque payments also fell 18.2% over the same period to $229bn in 2024. In June 2023, the Federal Treasurer of Australia released a report entitled *A Strategic Plan for Australia's Payments System*, which stated that the cheques system in Australia will wind down by no later than 2030.

In 2024, cheques accounted for less than 0.1% of the number of all non-cash payments made. During 2020 to 2024, the number of cheque payments made decreased by a CAGR of 22.1%.

2.2.8 Australian Payments Trends

The Australian payments market is subject to a number of key trends.

2.2.8.1 Retail Spending Dynamics

Globally the payments sector is seeing an industry-wide shift towards cashless payments. Australia has also experienced this trend, with cash accounting for only 9% of transactions made in 2024. The transition has been driven by a number of factors including (but not limited to):

- convenience of contactless payments availability;
- impact of the COVID-19 pandemic;
- changing consumer preferences;
- increased technological innovation;
- rise of new market entrants;
- rewards; and
- security and fraud protection.

The COVID-19 pandemic may have accelerated the transition due in part to health concerns over handling of physical cash. It was observed that many merchants encouraged the use of contactless card and mobile payments, while consumers changed their behaviour to avoid the use of cash or contact with payment terminals. The card networks such as Visa and Mastercard supported this transition by temporarily increasing the no-PIN limit on contactless card transactions from $100 to $200 to reduce the need for contact with payment terminals. The continued transition towards a cashless economy is set to drive growth in electronic payment types such as physical card and real-time payments, while rendering older established transaction types such as physical cash and cheques obsolete.

In recent years, there has been a shift in consumer spending habits towards making lower value purchases but on a more regular basis. While the average value per transaction of a card payment increased at a CAGR of 0.8% from 2020 to 2024, the annual number of transactions grew at a CAGR of 9.2% for the same period.

This consumer preference for higher volume, lower transaction value spending has been driven by a number of factors such as the rising cost of living (for example consumers shifting to monthly rather than annual billing) and ease of access to non-cash payment products, a trend that is further enabled by the growing convenience of cashless payments (for example the rise of subscription-based payment models (see **Section 2.2.8.4**)). In Australia, low-value payments were historically made mostly in cash; however in 2022 approximately 70% of these payments were made using cards – up from around 50% in 2019. The widespread acceptance of card payments, adoption of contactless functionality and changes in payment preferences in response to the COVID-19 pandemic have supported the sharp increase in the use of cards for low-value transactions over the past decade, which benefits certain industry participants such as Cuscal, whose revenue is more closely linked to transaction volume rather than value. The Industry Report forecasts that total volume for the non-cash payments market will increase at a CAGR of 10.7% from FY25 to FY28, highlighting the anticipated increasing frequency of transactions.

2.2.8.2 Industry Consolidation and Investment

The mutual ADIs, many of whom are Cuscal's clients, have been in a period of consolidation. This has involved mutuals engaging in strategic mergers to take advantage of scale benefits and opportunities for synergies as well as being able to better meet emerging compliance expectations and rating agency requirements through increased scale. While there is a risk that Cuscal may lose customers following consolidation activities, to date these consolidations have largely benefited Cuscal, as, while consolidation may result in Cuscal having less clients, it typically results in the same or higher transaction volumes. Even with volume tiering arrangements Cuscal's revenue typically increases with the additional transaction volume making Cuscal's client base more sustainable. Their improved sustainability is a result of increased scale (including a greater ability to invest in innovation to meet customer needs), more efficient operations and a greater ability to generate capital.

Separately, the development of cashless payment alternatives is driving a corresponding decrease in cash-based transactions. As consumer expectations and preferences have changed, the Major Bank ATM operators have cut ATM fees for users which has resulted in ATM deployers' profitability reducing and necessitating consolidation. There is potential for further consolidation as Major Banks continue to rationalise ATM networks and outsource to aggregated providers. Cuscal historically operated ATM networks but has proactively divested these networks. However, Cuscal continues to provide services to ATM deployers. As ATM deployers continue to acquire ATMs from Major Banks, there is an opportunity for businesses such as Cuscal to increase share in providing services in a declining market. Furthermore, while the use of cash is declining, it is still an important aspect of Australia's payments ecosystem. This is evidenced by the $50m capital injection by a number of industry participants into Armaguard, the major transporter of cash in Australia. This provision of funds, agreed in June 2024 by Armaguard's biggest customers, including the Major Banks, Coles and Woolworths, will support the company in its continued operation, highlighting the ongoing importance of the cash economy, and the still relevant role that Armaguard, and by extension cash itself, continues to play in the broader Australian payments ecosystem.

Additionally, across the payment process there has been significant investment by banks, Fintechs and businesses with Business-to-Consumer (**B2C**) exposure into capabilities and product offerings mostly focused on improving the customer interface, generating a more convenient and seamless payment experience. As an example, many businesses are developing their own mobile applications where 'in-app payment' is required. To remain relevant, competitors with exposure to the B2C experience layer are having to regularly adapt their offerings to end customers for the latest developments, which can be difficult for companies with limited capacity for investment in their own capabilities. This has driven certain businesses to deploy their investment into the user experience layer and increasingly rely on external service providers, such as Cuscal, to help enable these new innovations with regards to payments. The NPP is an example of this, as only a limited number of companies have both the opportunity and resources to directly build-out their own NPP capability to be a Direct NPP Participant due to the technical requirements of establishing and maintaining a connection in a real-time environment. The majority of companies instead choose to partner with Payment Service Providers, such as Cuscal, to gain access to the NPP and enable real-time payment capabilities. It is anticipated by Cuscal that there will be ongoing product and feature releases in payment and associated digital products and the trend for businesses to partner with service providers such as Cuscal, as opposed to building this capability in-house, will continue.

Increased use of digital wallets is another example of how technological innovation has directly impacted the Australian payments industry. Digital wallets, such as those launched by Apple, Google and Samsung, allow customers to store digital versions of their debit or credit cards in their digital wallets, driving convenience, for example via enabling contactless transactions using their mobile phones. Since their introduction, digital wallets have become increasingly popular, with more than 70% of Australians stating they are comfortable leaving their home without their physical wallet and relying on their phone instead as of 2023, highlighting the significant impact technological development is having on the Australian payments industry. Cuscal has facilitated its clients' access to digital wallets, with the majority of clients opting to consume this capability from Cuscal rather than develop and run it in-house.

2.2.8.3 Rise of Disruptive Fintech Competitors in Payments Landscape

While some segments of the Australian payments ecosystem have experienced a period of consolidation (see **Sec**tion 2.**2.8.2**), other segments are seeing increased competition from new market entrants.

2.2 Overview of the Australian Payments Industry continued

Industry innovation is partially driven by the emergence of specialist Fintechs, which often take advantage of new technologies and introduce new product offerings. Not only does this serve to drive growth in the payments market, it also results in an evolving competitive landscape. Many of these Fintechs are focused on niche, albeit large, segments of the market that have not historically been well serviced by the incumbent market players. The Industry Report identified that globally traditional banks may need to transform their IT architecture or partner with Fintechs that are driving competition by focusing on niches within the payment process. An example is Westpac's investment and partnership into mx51 for the provision of services related to Westpac's merchant acquiring business. By enabling the success of the new entrants, the payments ecosystem benefits from greater innovation, heightened growth and increased competition.

While there is significant disruption and innovation in the payments industry, it is mostly at the customer interface level, generating a more convenient and seamless payment experience for customers. Also referred to as the 'user experience' level, it is the only aspect of the payments process that the end customer will see, with examples including online gateways that enable e-commerce and apps that allow for payment through a mobile device such as Apple Pay. To date, the new ways to pay are veneers sitting on top of and utilising existing systems and payments infrastructure. As an example, digital wallet transactions such as Apply Pay are enabled by an underlying debit or credit card using the card payment schemes. While the user experience layer developed by the digital wallet provider delivers a seamless experience for customers, the payment technology to enable the card payment remains the same whether the card payment is initiated through a digital wallet, in person at a retail outlet using a physical card or in an online shopping experience where a customer may input their card details into an online portal. This means that payments infrastructure service providers such as Cuscal may benefit from the growth in payment volumes through the development of new customer experiences where those experiences utilise payments rails reliant on their existing capability with existing infrastructure. However, to the extent that disruption impacts Cuscal's clients (or that of the other providers who Cuscal competes with) there may be a risk to those businesses and their providers (such as Cuscal) as they lose market share (see **Section 5.2.7** for further details).

There is also potential for new banking-as-a-service or payments-as-a-service companies to enter the market or add incremental capabilities; however these businesses will either need the appropriate licensing, including the potential need to be authorised as an ADI, or connectivity and sponsorship by partners such as Cuscal.

2.2.8.4 Subscription-Based Payment Models

The rise of subscription-based models, such as streaming services, has encouraged customers to shift away from purchasing individual items and instead agree to regular monthly payments to access content and products. This has resulted in a greater allocation of payments through the online gateways that enable these payment models. The COVID-19 pandemic accelerated the popularity of e-commerce, partly enabled by subscription-based models.

The introduction of PayTo on the NPP (see **Section 2.2.5.2**) is creating easier ways for businesses to collect payments from payers, with the ability to collect regular or recurring payments such as subscriptions in real time representing a substantial improvement on older methods such as direct debit. PayTo will enable a business to send a request (through a banking app) to agree to recurring payments being made for the service. If consented, the payments will be made without the need for card or account details being provided by the payer. The payer can view any recurring payment arrangements in place, through the banking app, and stop or pause those payments at any time. Cuscal expects that this capability will see increased innovation as uptake accelerates, driving the transition to subscription-based models which in turn, Cuscal expects, will support increased volume through NPP enabled solutions.

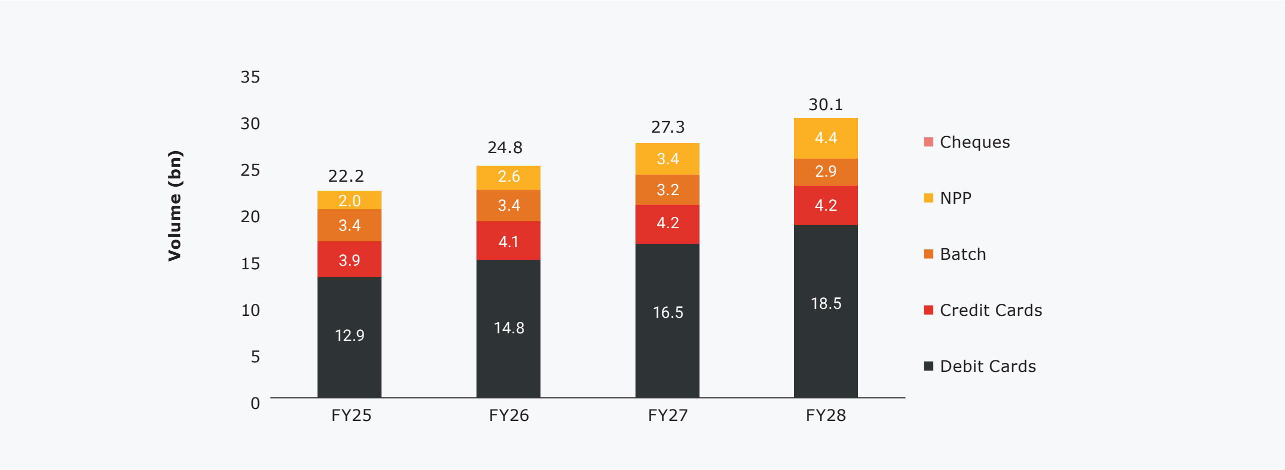
2.2.8.5 Growth in Digital Payments

As the use of cash declines (see **Section 2.2.7.2**), customers are increasingly adopting and increasing their reliance on digital payment methods (such as digital cards and the NPP) and the channels through which those digital payment methods are accessed (such as mobile wallets and online banking). Data published by the ABA shows that between 30 June 2019 and 30 June 2022, online and app banking transactions by customers of the Major Banks increased by 26% while branch transactions decreased by 46%, and that the volume of digital wallet transactions increased by 8,100% between 2018 and 2022. These digital payment methods and channels enhance the customer experience by making the means of payment easier to access, with reduced friction. However, they also present new challenges including making it harder to reverse payments to the extent those payments were made in error or are the subject of fraud or scam.

As digital payments become more ubiquitous, it is likely there will be further innovation and regulatory focus, including how customer outcomes are impacted by use of these methods and channels from a broader conduct perspective. For example, both the ACCC and ASIC (see **Section 2.4.1.3.1**) continue to consult with the industry through various forums. There will be increasingly a broader obligation on the industry, including Cuscal, to take all reasonable steps to help protect customers and minimise areas for erroneous payments including those related to scams and fraud which may become harder to reverse in a real-time environment. As such Cuscal is actively supporting industry-wide and client responses to refining the real-time payments process for better outcomes across the Australian community.

2.2.8.6 Market Outlook

Figure 2.16 Non-Cash Payments Market Volume Growth Forecasts



Sourced from The Initiatives Group, The Industry Report

The Industry Report forecasts that the overall non-cash payments market (by volume of transactions) will grow at a CAGR of 10.7% from FY25 to FY28, expanding from 22.2bn transactions to 30.1bn by 2028. This is largely driven by growth in debit cards (12.9% CAGR) as end customers continue to transition to card-based payments; and driven by the rapid adoption of contactless payments, with customers choosing to Tap'n'Go at lower and lower purchase values, which used to be the domain of cash. The Industry Report anticipates that NPP will see the largest growth amongst the various payment types, forecasted to expand at a 30.1% CAGR from 2.0bn transactions in 2025 to 4.4bn in 2028. This growth is partially driven by payment volume transitioning out of Batch payments to the NPP, and as a result Batch payment volume is forecasted to fall at a CAGR of 5.3% from 2025 to 2028. The core assumptions underpinning these forecasts by The Initiatives Group in The Industry Report include (but are not limited to):

- total payments value linked to Australia's Gross Domestic Product (**GDP**) as economic growth is the key driver in value of payments (but not necessarily volume). An historic multiplier of 7.1x has been applied to the forecast years to reflect money changing hands multiple times;
- broadly flat average transaction value as many services continue to offer both higher frequency payments and subscription services;
- debit card transaction volume to increase over one-and-a-half times between 2024 and 2028;
- single Credit Transfer and Osko to largely replace Direct Credit and PayTo to largely replace Direct Debit; and
- NPP activity to increase by a factor of greater than two-and-a-half times in volume between 2024 and 2028.

While the overall non-cash payments market is expected by The Initiatives Group in The Industry Report to grow at a CAGR of 10.7% between FY25 and FY28, Cuscal's own growth is expected to differ due to Cuscal having limited or no exposure to clients in certain segments of the market (see **Section 3.8.1**).

2.3 Overview of the Australian Regulated Data Services Industry

2.3.1 Introduction to Regulated Data Services

Around the world, countries are introducing regulated data services legislation to encourage the sharing of consumer data in a controlled, regulated manner. The creation of a regulated data services ecosystem is intended to empower consumers by allowing them to share their data with service providers and to increase the potential for business innovation and competition.

The CDR was enshrined in legislation that passed in 2019 to introduce a regulated data services regime into Australia. The first phase of the CDR – Open Banking – launched in 2020. Created in response to the RBA's *Review into Open Banking in Australia* report from 2017, the CDR was designed to provide access to the benefits of regulated data services identified in the report which included:

- improvements to product comparison services that use a customer's transaction data to provide tailored recommendations;
- better data aggregation services that provide a full picture of an individual's financial position and payment behavior to help with budget management and decision making; and
- facilitation of payment initiation services that secure online payments directly from a customer's account without the need to provide bank login details to a third party.

The CDR enables a consumer to direct a Data Holder (**DH**) to pass the customer's CDR data to an Accredited Data Recipient (**ADR**) if that ADR is compliant with the CDR legislation, facilitating the flow of data with many potential use cases. The regulatory intent of the CDR is to give consumers greater access to and control over their personal data.

Regulated by the Australian Competition and Consumer Commission (**ACCC**), the CDR allows a consumer to 'opt-in' to having their information transferred using secure, automated data technology. The transfer is only able to occur between a DH and an ADR, both of whom must have passed a rigorous accreditation process. A consumer therefore could choose to share data from a DH (for example the customer's interest rate) with an ADR to assess whether a competitor may have a more attractive product for them.

The banking sector was the first industry in Australia to be impacted by the CDR, in line with continued global open banking innovation. One reason for this is that a payment is not only a transfer of value but is by its nature also a transfer of data. This creates potential synergy opportunities between the two sectors (payments and data). The CDR was later extended to the Energy sector and is also planned to be extended to the Non-bank lending and Telecommunications sectors.

While the regulatory framework for the CDR gives consumers the ability to 'opt-in' to having their data shared amongst approved participants, the CDR also presents an opportunity for the convergence of payments and data through the introduction of initiated actions (**Action Initiation**). This creates a potential new channel for consumers to allow a business to initiate actions on their behalf with the consumers' consent, expanding the CDR from a data sharing scheme to one that allows consumers to act upon received insights. This, for example, could be a budgeting tool provided by a Fintech that uses a consumer's data to assess the cost of their current utility provider versus other potential providers and allows the consumer to move to a different utility provider and authorise a payment to that new provider. In the context of Open Banking, this action could be made by either the consumer or the Fintech (known as an Action Initiator) to initiate a transaction (such as a new recurring billing using the NPP). The opportunity is that Fintechs, banks or other organisations will require a regulated entity such as Cuscal to perform this payment or Action Initiation on their behalf.

The Government introduced Action Initiation legislation into the Parliament in November 2022, which was assented to on 26 August 2024. The legislation is primarily an amendment to the CCA and is designed to enable consumers that have opted-in for CDR to have an action initiated and performed on their behalf using the CDR framework. Example actions that could be initiated include making a payment, opening and closing an account and switching providers. The law does not affect the performing of an action itself; only that a consumer using the CDR can initiate the action through the CDR framework.

The Government's funding underlines its continued commitment to prioritise policy and design work on Action Initiation and payment initiation albeit there have been some delays in the extension of the remit of CDR into other sectors. In August 2024, the Government committed to the extension of the CDR to non-bank lenders by 2026 as well as adopting a number of policy changes recommended by a third-party report that the Government had commissioned. The Government believes these measures will simplify the adoption of CDR and broaden its utility as well as strengthen the CDR as the preferred method for sharing of regulated data services compared to alternatives such as screen scraping. It will do this in consultation with numerous stakeholders, such as banks, consumer interest bodies and regulators. Related payments system initiatives will be a key consideration in the development of Action Initiation in the CDR.

2.3.2 Australian Regulated Data Services Industry Size

As it is still in its infancy, it is unclear yet how large Australia's regulated data services industry may become. Currently, the ACCC outlines that in the case of banking, all the Major Banks and most other ADIs are currently DHs, while the Australian Government identified 48 ADRs[4] as at 16 September 2024.

The UK's open banking solution was launched in 2019 and is currently the closest global comparator to Australia's regulated data services regime. Given its similarities and its launch several years before Australia's solution, the UK market offers potential insights into how the Australian regime may develop.

In June 2024 in the UK, there were nearly 1.5bn open banking Application Programming Interface (**API**) calls (i.e. where a consumer consents to a third party accessing their data via a digital instruction or API), representing approximately 22 calls per capita during the month. Of these, 15.9m API calls were for payment initiation, or approximately 0.23 payments per capita (or 1.1% of total API calls). Payment initiations (i.e. where a consumer consents to a payment transaction based on consented shared data) are still growing, with Open Banking UK reporting an increase in open banking payment initiations of 64% in June 2024 compared to June 2023.

2.3.3 Convergence of Data and Payments

For any transaction that is not cash-based, to enable the transfer of value there also needs to be a corresponding transfer of information that begins with the initial request for payment. This means that the payments sector naturally generates a high volume of data that is, as of now, largely underutilised outside of facilitating the payment itself. As an example, data in relation to spending preferences (both in terms of product choices and the location of the transaction) may be useful data for retail organisations.

The CDR regime in Australia may allow this data to be utilised for purposes beyond merely facilitating the payment itself by allowing approved participants to engage in the sharing of data, with the consumer's consent, to facilitate a more seamless and efficient experience for consumers. Participation in this data exchange requires compliance with regulatory and technical standards creating costs associated with both entry and ongoing operations. Cuscal has developed (or acquired) CDR services to enable connectivity and ongoing services that enable participants to connect and participate without having to build and maintain compliant capability.

At this stage, the CDR regime has not meaningfully changed the consumer experience in Australia, as the financial sector has largely focused on CDR as a compliance initiative. However, as the CDR regime matures, Cuscal expects that Action Initiation will create a new channel for consumers to instruct a business to initiate actions on their behalf and with their consent. Action Initiation will expand the CDR from a data-sharing scheme to one that allows consumers to act upon the insights that they receive. These actions could include opening and closing an account, switching providers and updating personal details (such as address) across multiple providers, and, more pertinent for Cuscal, making a payment. Action Initiation also presents a significant opportunity for B2B payment infrastructure providers (such as Cuscal). In the UK, 30% of companies with an open banking licence are payment infrastructure or connection providers that assist with helping other companies bring their customer-facing open banking solutions to market.

2.4 Regulatory Environment

This section provides an overview of governing bodies, laws and recent regulatory developments in the Australian payments and banking industries particularly relevant to Cuscal.

The dramatic and disruptive growth of the Australian payments industry has challenged traditional payment methods by creating innovative products that increase consumer choice. At the same time, this growth and innovation has increased complexity in the payments ecosystem, which has exposed consumers to new and emerging risks and heightened regulatory attention. The Australian Government is on a regulatory drive to modernise, future-proof and create a fit-for-purpose regulatory architecture to meet these emerging risks. Cuscal welcomes changes to the regulatory landscape that will bring clarity and certainty to participants as well as create common expectations for the industry, and which will allow Cuscal to appropriately set and assess its ongoing risk appetite and controls.

[4] Sourced from cdr.gov.au. Some companies in the list have been counted multiple times, such as Cuscal and Basiq which are counted separately, and Intuit which has been counted twice. Of the 48 ADRs, 34 ADRs are active, 7 ADRs are accredited and 7 ADRs are surrendered.

2.4.1 Overview of key regulations, standards and rules

2.4.1.1 Regulatory bodies and relevant laws

Cuscal is primarily regulated:

- as an ADI, by the Australian Prudential Regulation Authority (**APRA**), including under the *Banking Act 1959* (Cth) (**Banking Act**) and the prudential standards determined by APRA; and
- as a holder of an AFSL by the Australian Securities and Investments Commission (**ASIC**), including under the *Corporations Act 2001* (Cth) (**Corporations Act**) and the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**).

Other regulators and government bodies that oversee Cuscal's activities include:

- the Australian Transaction Reports and Analysis Centre (**AUSTRAC**), in relation to Cuscal's obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**AML/CTF Act**);
- the Office of the Australian Information Commissioner (**OAIC**), in relation to Cuscal's obligations under the *Privacy Act 1988* (Cth) (**Privacy Act**);
- the ACCC, including in relation to Cuscal's obligations under the *Competition and Consumer Act 2010* (Cth) (**CCA**);
- the RBA, in relation to payment systems and clearing and settlement operations; and
- the DIA, in relation to Cuscal's limited operations in New Zealand.

2.4.1.2 APRA

Cuscal is authorised by APRA under the Banking Act to carry on banking business in Australia (an ADI authorisation).

The Banking Act empowers APRA to make and vary prudential standards to be complied with by ADIs, and to monitor compliance with those standards. These prudential standards are aimed at maintaining the safety and solvency of institutions that APRA regulates by imposing requirements including in relation to:

- **capital adequacy**: these standards aim to ensure that ADIs hold sufficient capital as a buffer to be able to absorb any unexpected losses that they may experience in running their businesses (such as loans that default) and ultimately to protect customers in the event that the ADI becomes insolvent (which in practice has been extremely rare in Australia but more common in other countries). The standards require ADIs to, among other things, have an Internal Capital Adequacy Assessment Process, maintain required levels of regulatory capital, operate a capital conservation buffer and a countercyclical capital buffer, inform APRA of any adverse change in actual or anticipated capital adequacy, and seek APRA's approval for any planned capital reductions;
- **risk management**: these standards aim to ensure that regulated institutions implement proper systems for identifying, monitoring and controlling material risks associated with their business activities, including in relation to credit, market and investment, liquidity, insurance and operational risks and risks arising from the institution's strategic objectives and business plans;
- **governance**: Prudential Standard CPS 510 Governance (**CPS 510**) sets out minimum foundations for good governance of an APRA-regulated institution. Its objective is to ensure that an institution and group is managed soundly and prudently by a competent Board (or equivalent), which can make reasonable and impartial business judgements in the best interests of the institution and group and which duly considers the impact of its decisions on depositors and/or policyholders. CPS 510 imposes specific requirements with respect to Board size and composition, independence of directors, Board performance assessment and renewal and for the establishment of a Board Audit Committee and Board Risk Committee;
- **fit and proper**: this standard sets out minimum requirements that regulated institutions must take to ensure that the institution's responsible persons are fit and proper persons to hold their positions;
- **information security**: APRA Prudential Standard CPS 234 Information Security (**CPS 234**) aims to ensure APRA-regulated entities take measures to be resilient against information security incidents (including cyber-attacks) through maintaining an information security capability commensurate with information security vulnerabilities and threats. A key objective of CPS 234 is to minimise the likelihood and impact of information security incidents on the confidentiality, integrity or availability of information assets (including those managed by related parties or third parties). In 2023 and 2024, APRA's mandatory independent assessments and reviews of information security frameworks identified common findings across the industry and APRA is working with the

industry to lift the industry's cyber resilience benchmark. The strengthening of cyber resilience across the Australian financial system was identified as a strategic priority in APRA's 2023-24 Corporate Plan and continues to be a focus area in APRA's 2024-25 Corporate Plan. APRA is targeting areas of non-compliance with its prudential requirements in this area, prompting many APRA-regulated institutions such as Cuscal to review their arrangements against the common industry shortcomings identified by APRA and to further enhance their information security controls to ensure they are appropriate for the continually evolving cyber threat landscape; and

- **business continuity management**: this standard requires regulated institutions to identify risks to business continuity and to develop a business continuity plan.

The Prudential Standards also impose requirements in relation to large exposures, credit risk, associations with related entities, outsourcing, recovery and resolution planning, securitisation, liquidity and audit. APRA has also determined the new Prudential Standard CPS 230 on Operational Risk Management which takes effect from 1 July 2025, discussed in more detail below.

Under the *Financial Sector (Collection of Data) Act 2001* (Cth) APRA also has the power to determine reporting standards in respect of 'reporting documents' that must be complied with by ADIs (and other financial sector companies). The reporting standards include reports, returns and other documents containing financial, accounting or other information relating to the business or activities of the entities. The data collected under these standards is used by APRA as an input to its supervisory action plans and to publish statistics which inform participants and other regulators in the Australian financial system.

Like other ADIs, Cuscal is subject to ongoing supervision by APRA based on its assessment of:

- the potential impact that any failure, imprudent behaviour or operational disruptions by Cuscal could have on financial stability, economic activity and the welfare of the Australian community (including its banking clients and their customers); and
- the level of risk faced by Cuscal, having regard to a range of risk factors including Cuscal's external environment, business risk, client outcomes, as well as the strength of its governance and risk management culture and financial resilience, including its capital and liquidity resources and its ability to recover from stress.

The outcome of this risk assessment determines APRA's level of supervisory intensity on Cuscal based on the associated risk.

The Banking Act also confers APRA with powers to take action against ADIs for non-compliance with provisions of the Banking Act and prudential standards including imposing conditions on ADI authorisations, issuing directions to ADIs to comply with laws or do (or not do) certain things, removing a director or senior manager of an ADI, conducting investigations, or accepting enforceable undertakings.

The *Financial Accountability Regime Act 2003* (**FAR**) received Royal Assent on 14 September 2023 and commenced for Cuscal on 15 March 2024. The FAR, which replaces the Banking Executive Accountability Regime (**BEAR**), is administered by ASIC, as well as APRA. FAR deferred remuneration obligations will apply to Cuscal's remuneration decisions from 1 July 2025. Prior to this time, the BEAR deferred remuneration obligations will still apply. Deferred remuneration will continue to be subject to the BEAR obligations until the period of deferral finishes.

The purpose of the FAR is to improve the operating culture of entities in the banking, insurance and superannuation industries and to increase transparency and accountability across these industries – both in relation to prudential and conduct-related matters. The FAR will impose four core sets of obligations:

- accountability obligations – which require entities and their directors and most influential executives to conduct their business in a certain manner (i.e. with honesty and with care, skill and diligence);
- key personnel obligations – which require entities to nominate senior and influential executives to be responsible for all areas of their business;
- deferred remuneration obligations – which require entities to defer variable remuneration for their directors and most senior and influential executives; and
- notification obligations – which require entities to meet core or enhanced notification obligations.

Prudential Standard CPS 511 Remuneration, which complements the remuneration-related obligations in FAR, commenced to apply to Cuscal from 1 January 2024. The prudential standard imposes obligations relating to Board governance of remuneration, the design of a remuneration framework, remuneration outcomes and public disclosures on remuneration.

2.4 Regulatory Environment continued

2.4.1.3 ASIC

ASIC is Australia's integrated corporate, markets, financial services and consumer credit regulator. ASIC is empowered under the ASIC Act and regulates corporate conduct via that Act and other legislation/regulations including the Corporations Act.

Under the ASIC Act, ASIC's main role and regulatory responsibilities include:

- maintaining, facilitating and improving the performance of the financial system and entities within it. This includes monitoring corporate conduct, consumer protections and market integrity in the financial services sector and capital markets;
- working closely with the Australian Securities Exchange to ensure compliance with the Corporations Act and Market Integrity Rules;
- promoting confident and informed participation by investors and consumers in the financial system;
- administering the law effectively and with minimal procedural requirements;
- making information about companies and other bodies available to the public as soon as practicable; and
- engaging in regulatory action when necessary to enforce and give effect to relevant law.

Under these laws, ASIC has a number of enforcement powers. Some of these powers include:

- grant relief from provisions of the legislation that ASIC administers;
- make product intervention orders;
- investigate actual and suspected breaches of the law;
- compulsory information gathering powers including requiring the production of books or requiring individuals to answer questions at examinations;
- issue infringement notices for breaching certain laws;
- commence prosecutions or refer matters to the Commonwealth Director of Public Prosecutions;
- seek injunctions, declarations and/or civil penalties; and
- impose, suspend or cancel licences and make banning orders. Licences can also be varied by imposing additional licence conditions or removing licence authorisations.

A person that carries on a financial services business in this jurisdiction must hold an AFSL or be able to rely on an exemption. ASIC administers the granting of AFSLs.

Cuscal holds an AFSL under which it is authorised to provide financial product advice and deal in certain financial products including basic deposit products, deposit products other than basic deposit products and non-cash payment products. Cuscal's AFSL also has an authorisation to make a market in derivatives.

If Cuscal's business activities change, or laws or regulations change, Cuscal must consider whether the scope of its AFSL covers the provision of different financial services or financial products.

2.4.1.3.1 Fraud and Scams

As part of its latest Corporate Plan released in August 2024, ASIC identified five strategic priorities for 2024-2028, including the advancement of digital and data resilience and safety. Technology-enabled scams and misconduct is one of the focus areas for this strategic priority. ASIC has noted that ADIs have a critical role to play as part of a broader ecosystem that includes other financial institutions, telecommunications providers, social media platforms and digital platforms, among others, in helping to minimise the impact of scams on the Australian community by:

- preventing and disrupting scammers from misusing banking services to carry out and financially benefit from scams; and
- supporting customers by having effective scam prevention, detection and response activities.

The strategic priorities identified by ASIC in its Corporate Plan for 2024-2025 follow its *Report 761: Scam prevention, detection and response by the four major banks* (**Report 761**) published in April 2023. Report 761 highlighted a number of areas where ASIC found the Major Banks were deficient in their approach, including:

- the strategy around scams and governance was highly variable and, overall, less mature than ASIC had expected;
- inconsistent and narrow approaches to determining liability and that scam victims were not always well supported by their bank;
- gaps and inconsistencies in the abilities of the Major Banks to detect and stop scam payments – for example, ASIC noted that the ability to hold (i.e. pause) payments in real time differed between banks, and depended on the specific payment channel and network involved; and
- a great deal of variability in the steps being undertaken by the Major Banks to help prevent their customers from becoming the victim of a scam – for example:
  - some banks were imposing more friction into the payments process than others;
  - some banks had been more successful than others in working with telecommunications providers to implement measures to minimise misuse of their phone numbers and SMS 'alpha tags' (whereby scammers use software to copy the phone number or sender ID of a business); and
  - some banks had been quicker to adopt new technologies.

While Report 761 was specific to the Major Banks, Cuscal believes Report 761 is reflective of the broader challenges that the payments industry faces around prevention of fraud and scams. For example, following a number of high-profile cyber security breaches, there has been substantial leakage of personal identification documents. Access to these documents has made it easier for scammers to establish bank accounts and gain access to the payments financial ecosystem. In this context, Cuscal believes there is increasingly a broader expectation on industry, including Cuscal, to take all reasonable steps to help protect customers and minimise this type of activity.

In August 2024, ASIC published *Report 790: Anti-scam practices of banks outside the four major banks* (**Report 790**). Report 790 contains ASIC's analysis of its review of the current scam-related activities of 15 of Australia's ADIs (Cuscal was not included as one of the 15 ADIs surveyed by ASIC). In Report 790, ASIC stated that it found the scam detection, prevention and response practices of the reviewed banks to be less mature than expected. For example, ASIC found that only five of the 15 reviewed banks had a scams strategy with only one having that strategy fully implemented. ASIC also found that a significant number of reviewed banks did not have payment hold capabilities and the majority had not fully implemented monitor and stop capabilities across all payment channels.

2.4.1.3.2 Proposed Scams Prevention Framework

On 30 November 2023, the Treasury launched a public consultation paper on a new 'Scams Prevention Framework' (**Scams Prevention Framework**). The consultation paper proposed that the Scams Prevention Framework be implemented by introducing an overarching regime into legislation (with the CCA proposed as the overarching legislation). This consultation closed on 29 January 2024.

On 7 November 2024, the *Scams Prevention Framework Bill 2024* (**SPF Bill**) was introduced into Parliament following a public consultation on an exposure draft of the proposed Bill between 13 September 2024 and 4 October 2024.

The SPF Bill provides for overarching principles that will apply to all regulated entities, including Cuscal. In addition, the SPF Bill makes provision for sector-specific codes and standards to apply in the future and proposes to put in place an external dispute resolution mechanism. To date, there are no terms or other details available in relation to the proposed banking scams code.

The SPF Bill contains six overarching principles that will require regulated entities (including Cuscal) to:

- document and implement governance arrangements (including annually certified policies, procedures, metrics and targets) for protecting consumers against scams;
- take reasonable steps to prevent scams;
- take reasonable steps to detect scams including to take reasonable steps when in possession of actionable scam intelligence;
- share information, including reports about scams and possible scams with the ACCC, a relevant sector regulator (ASIC, for the banking sector), and/or a specified authorised third-party data gateway, portal or website;

2.4 Regulatory Environment continued

- take reasonable steps to disrupt an activity in respect of which it has actionable scam intelligence, and to prevent loss or harm (including further loss or harm) arising from the activity;
- have in place and publish an accessible mechanism for consumers to report scams and become a member of an authorised external dispute resolution scheme for dealing with complaints about scams.

Under the SPF Bill, factors relevant to whether 'reasonable steps' have been taken include the size of the regulated entity, services of the entity, the entity's consumer base, the specific types of scam risk relevant to the entity and whether the entity has complied with the relevant sector-specific code.

The SPF Bill provides that the Minister may make sector-specific codes which must be consistent with the six overarching principles. The banking scams code will be implemented via ASIC-administered legislation such as the Corporations Act. ASIC will be responsible for the enforcement of the banking scams code. The Treasury consultation paper published on 30 November 2023 launching the first consultation process listed a range of potential bank-specific obligations that could be included in the banking scams code including to:

- implement processes to enable confirmation of the identity of a payee;
- have in place processes and methods to detect higher risk transactions;
- take appropriate action to warn the consumer, and/or block or suspend the transaction;
- take other measures to reduce scam activity and limit exit channels for the proceeds of scams, including blocking or disabling the scammer account;
- have in place methods or processes to identify and share information with other banks on likely scams; and
- assist a consumer to trace and recover transferred funds, including for receiving banks to revert a transfer within 24 hours of receiving a recall request from a sending bank.

The Minister intends to authorise the existing AFCA scheme (see **Section 2.4.1.8.4**) to be the single external dispute resolution scheme for the regulated sectors (including the banking sector) under the Scams Prevention Framework. This scheme will provide consumers the opportunity to seek redress from the AFCA (including compensation within the caps set by the AFCA) for breaches of the overarching principles of the Scams Prevention Framework and associated industry codes.

The SPF Bill provides that contraventions of the overarching principles of the Scams Prevention Framework and sector specific codes will be civil penalty provisions. It also proposes that, in addition to other redress options that may also be available, a private right of action will be available to persons who suffer loss or damage to recover the amount of the loss or damage from any person involved in the contravention. The SPF Bill sets out factors a court must have regard to when apportioning liability between any two or more defendants to such an action, including the extent to which the claimant has negligently contributed to their loss.

The Parliamentary process may result in changes to the law establishing the Scams Prevention Framework that differ from that proposed in the SPF Bill. As part of the consultation process preceding the introduction of the SPF Bill, the Australian Government has also acknowledged that there is a need for a consistent and whole-of-ecosystem approach to enforcement. As such, the Australian Government is proposing to introduce Memoranda of Understanding that will set responsibilities between regulators to manage and coordinate enforcement and compliance actions so that there is a consistent administration and enforcement of the proposed Scams Prevention Framework.

Cuscal welcomes a common approach to fraud and scam prevention across the identified sectors that will provide greater certainty and clarity via sector-agnostic rules, and the creation of a baseline of standards and principles to support the security and resilience of Australia's economy and which will allow Cuscal to appropriately set and assess its ongoing risk appetite and controls.

As a result of its Financial Crimes Services (see **Section 3.2.2.2**), governance arrangements, membership of the ABA and AFCX (see **Section 2.4.1.8**) and meeting its requirements under the Scam Safe Accord, Cuscal is taking steps to be compliant with a range of the obligations proposed under the Scams Prevention Framework (and banking scams code). Cuscal will continue to invest in its end-to-end anti-scam capabilities and will take all reasonable steps to ensure compliance with any legislation, codes and standards implemented in accordance with the proposed Scams Prevention Framework.

2.4.1.3.3 Digital Currency Exchanges

ASIC has issued Information Sheet 225 for businesses involved with digital assets including DCEs within the existing regulatory perimeter. In October 2023, the Treasury launched a consultation process on introducing a new regulatory framework for digital asset platforms, which would typically include DCEs (see **Section 2.4.2.6**). These entities would be required to hold an AFSL, hold a minimum amount of capital and would be supervised by ASIC. To date, no Bill enacting these changes has been introduced to Parliament.

DCEs are vulnerable to misuse as a conduit through which scam proceeds flow, as scammers are attracted to certain inherent qualities of cryptocurrencies (such as the ease by which cryptocurrency assets can be sent overseas and the difficulty in tracing and reversing cryptocurrency transactions). However, DCEs also perform an important function in enabling access to legitimate investments in digital currency assets. To perform these legitimate services, DCEs require access to the domestic banking and payments infrastructure in the countries in which they operate.

Payments companies that connect Fintechs and PSPs to payments infrastructure, such as Cuscal, may have indirect exposure to DCEs that may be customers of Cuscal's Fintech or PSP clients. The potential new regulatory framework for DCEs and the increasing focus on DCEs as a conduit for scammers will require payment companies like Cuscal to continue to enhance proactive risk management and compliance programs to balance the risks posed by the DCEs with the need to facilitate open access to the Australian payments ecosystem for legitimate forms of investment.

2.4.1.4 AUSTRAC

AUSTRAC is Australia's financial intelligence agency. AUSTRAC administers the AML/CTF Act. The AML/CTF Act regulates businesses with an Australian geographical link that provide designated services.

Cuscal provides designated services and has a geographical link to Australia and is therefore a reporting entity that must comply with the AML/CTF Act.

Key AML/CTF Act obligations include:

- enrolling with AUSTRAC;
- adopting and implementing an anti-money laundering and counter-terrorism financing compliance program that complies with the AML/CTF Act and AML/CTF Rules. This includes conducting and documenting an AML/CTF risk assessment, applicable customer identification procedures and ongoing customer due diligence procedures;
- appointing an AML/CTF Compliance Officer; and
- reporting certain matters to AUSTRAC, including an annual compliance report and suspicious matters.

In September 2024, the Attorney-General introduced the Anti-money Laundering and Counter-terrorism Financing Amendment Bill 2024 into Parliament (see **Section 2.4.2.4**)

2.4.1.5 ACCC/OAIC

2.4.1.5.1 ACCC

The ACCC administers and enforces the CCA. The ACCC protects and promotes competition in markets and enforces the law on anti-competitive behaviour. The ACCC may grant exemptions to businesses planning an activity that may breach competition law, including through the authorisation process. Applications for authorising arrangements in the payments system that could be contrary to competition law are made to the ACCC and may be granted if they do not substantially lessen competition.

The ACCC is increasingly targeting scams through government and regulatory initiatives. Scam detection and disruption is a key enforcement and compliance priority of the ACCC for 2023-24, and the ACCC's National Anti-Scam Centre was launched on 1 July 2023 (see **Section 2.4.1.5.3**).

The SPF Bill for the Scams Prevention Framework (see **Section 2.4.1.3.2**) establishes the ACCC as the general regulator empowered to monitor, supervise and enforce the Scams Prevention Framework. However, other regulators will have responsibility for the industry-specific codes that are proposed to be implemented pursuant to the Scams Prevention Framework (for example, as noted above, it is proposed that ASIC would be responsible for enforcing the proposed banking scams code).

In the ACCC's Digital platform services Inquiry Interim report No. 5, the ACCC recommended digital service-specific codes to address interoperability restrictions, including with respect to digital wallets used to process payments on mobile devices. The Government has indicated in-principle support for these reforms.

2.4 Regulatory Environment continued

2.4.1.5.2 Consumer Data Right

The ACCC and OAIC jointly regulate and enforce the CDR, which is set out in the CCA and the *Competition and Consumer (Consumer Data Right) Rules 2020* (Cth) (**CDR Rules**). The CDR was enshrined in legislation that passed in 2019 to introduce a regulated data services regime into Australia. The Data Standards Body within the Commonwealth Department of Treasury develops the standards that prescribe how data is shared under CDR. The OAIC is responsible for regulating privacy and confidentiality under the CDR, including handling complaints and notifications of eligible data breaches relating to CDR data. The ACCC is responsible for the accreditation process, including managing the CDR Register and ensuring providers are complying with the CDR Rules and taking enforcement action where necessary. Legislation was assented to on 26 August 2024 that was designed to enable consumers that have opted in for CDR to have an action initiated and performed on their behalf using the CDR framework. Example actions that could be initiated include making a payment, opening and closing an account, and switching providers (see **Section 2.3.1**).

The CDR Rules place strict obligations on businesses collecting and handling data, including data standards that must be complied with when information is transferred, and legally binding privacy safeguards. The CCA sets out 13 legally binding privacy safeguards for CDR participants. The privacy safeguards provide for notification, consent, anonymity, data transfers, correction of incorrect information, destruction of data no longer needed, data quality, and that all businesses have a clearly expressed and up-to-date CDR policy detailing how they manage data. Other requirements under the CDR Rules include dispute resolution requirements, record keeping and mandatory reporting requirements.

Treasury conducted a consultation (including with draft rules) on proposed amendments to the CDR Rules for consent and operational enhancement. The consent enhancements include proposals for elements of consent to be pre-selected or bundled, and notifications relating to active but idle consents being consolidated, all with the intention to simplify the consumer consent process. The operational enhancements include proposals for requiring business consumers to provide a process for consumers to appoint a nominated representative and expand the circumstances in which accredited ADIs can hold CDR data as a data holder. The consultation closed on 9 September 2024. Treasury will provide advice to the responsible Minister on the outcomes of this consultation process.

2.4.1.5.3 National Anti-Scam Centre

In July 2023, the National Anti-Scam Centre (**NASC**) was established. Incorporated within the ACCC with funding from the Australian Government, the NASC is designed to coordinate government, law enforcement and the private sector to combat scams. The NASC has taken over from the ACCC the publishing of the Targeting Scams report and has commenced quarterly reporting on scam losses. The NASC has also taken over ScamWatch, which collects reports about scams and engages in consumer awareness campaigns including scam awareness week. The NASC also coordinates 'fusion cells' being time-limited public-private taskforces that focus on identifying actions to target specific scam problems. The first fusion cell targeting investment scams published its findings in May 2024. Positive outcomes of this fusion cell include the takedown of scam advertisements, takedown of 220 investment scam websites and the diversion of 113 attempted calls to confirmed scam phone numbers to an automated warning. The NASC's next fusion cell will focus on disrupting jobs employment scams.

2.4.1.6 RBA

The RBA is Australia's central bank and is also Australia's primary payments system regulator. The RBA's roles and functions are established by various legislation. First, the RBA is established as a statutory authority by the *Reserve Bank Act 1959* (Cth) (**RBA Act**), which gives it specific functions and powers. In particular, the RBA's obligations with respect to monetary policy are set out in s 10(2) of the RBA Act, namely, to contribute to the stability of currency, maintenance of full employment, and economic prosperity and welfare of all Australians. The RBA also manages Australia's gold and foreign exchange reserves and is responsible for setting the target cash rate within Australia. The target cash rate influences a range of other market and institutional interest rates under which the Australian banks operate. The RBA also provides a number of standing facilities that provide ADIs, subject to certain terms and conditions, with access to liquidity through the form of repo arrangements that may help ADIs meet their prudential liquidity coverage requirements.

The RBA's other functions are also set out in the *Payment Systems (Regulation) Act 1998* (**PSRA**), the *Payment Systems and Netting Act 1998* and Part 7.3 of the Corporations Act. Relevantly, under Part 3 of the PSRA the RBA may designate a payment system if it considers that designating the system is in the public interest. The RBA may then impose an access regime or establish standards to be complied with by participants in the system. The RBA publishes designations, standards, access regimes, undertakings and exceptions on its website, which affect the operation of payment systems.

The RBA's regulatory remit will soon be expanded as part of the Australian Government's payments reforms to capture BNPL, payment gateways, payment facilitators and mobile wallet providers

The RBA regularly reviews its regulation of the payment system under the PSRA. The most recent review commenced in October 2024, and is explained in further detail in **Section 2.4.2.9**.

2.4.1.7 Financial Sector (Shareholdings) Act (FSSA)

As an ADI, Cuscal is subject to ownership restrictions under the *Financial Sector (Shareholdings) Act 1998* (Cth) (**FSSA**). The FSSA prohibits a person (which includes a company) from acquiring a stake of greater than 20% in a financial sector company (which is defined to include an ADI) without first obtaining approval from the Treasurer (or APRA as the delegate). Failure to obtain such an approval may result in a breach of the FSSA giving rise to criminal fines or remedial orders for the offending shareholder.

2.4.1.8 Industry bodies

2.4.1.8.1 AusPayNet

Australian Payments Network Limited (**AusPayNet**) is a body established by participants in Australia's payments industry that facilitates self-regulation of the payments industry, coordinates system-wide standards and is involved in the development of policy. AusPayNet is a limited liability company with a board of directors drawn from its shareholders – including banks, building societies and credit unions.

AusPayNet coordinates arrangements for clearing most payment instruments in Australia and established the Issuers and Acquirers Community (**IAC**) on 1 July 2015 to promote industry cooperation and coordination on non-commercial aspects of all card payments in Australia. The IAC provides a forum for discussions, establishes rules, standards and guidelines, and provides a range of specialty services to the card industry. Its rules cover cards, cheques, Batch payments and high value payments.

AusPayNet prescribes IAC Regulations and an IAC Code Set for participants in relation to the conduct and settlement procedures for transactions between banks on ATM and card payment networks. The IAC Regulations constitute a contract between all companies and framework participants in the IAC, and the IAC Code Set constitutes a contract between all companies and issuers and acquirers in the IAC. Together, the Regulations and the Code Set set minimum requirements for participants on aspects such as security and interoperability, and establish consequences for a participant that is non-compliant, including the imposition of fines, and suspension or termination from the framework.

2.4.1.8.2 Other payment schemes and rules

There are a range of industry bodies operating in the payments space, including

- **Australian Payments Plus (AP+):** AP+ owns and operates the BPAY, eftpos and NPP Australia payment schemes (as discussed further above in **Section 2.2.5.1**). In doing so, it oversees the respective scheme rules for each payment network. These rules govern access and participation in each of BPAY, eftpos and NPP Australia, including the operational and technical practices, procedures, standards and specifications.
- **Reserve Bank Information and Transfer System (RITS):** The RITS is owned and operated by the RBA. RITS is Australia's high-value settlement system, which is used by banks and other approved institutions to settle their payment obligations on a RTGS basis. The RITS also includes the Fast Settlement Service, which settles transactions submitted via the NPP feeder system on an RTGS basis. The legal framework of RITS is contractual, based on the RITS Regulations and associated RITS Membership Agreements.
- **International card scheme rules (Mastercard and Visa):** International card schemes are networks linked to the payment cards of which the relevant FIs (i.e. issuers and acquirers) are members. Scheme members can issue cards and acquire transactions through the scheme network. Schemes manage branding and have rules covering membership, technical specifications and procedures for interchange of payment instructions between FIs. Each scheme has its own set of rules that members/participants must comply with to do business with the relevant corporation.[5]

---

5. See https://www.mastercard.us/en-us/business/overview/support/rules.html and https://www.mastercard.us/content/dam/public/mastercardcom/na/global-site/documents/mastercard-rules.pdf. See also https://www.visa.com.au/support/consumer/visa-rules.html and https://www.visa.com.au/content/dam/VCOM/download/about-visa/visa-rules-public.pdf.

2.4 Regulatory Environment continued

2.4.1.8.3 Payment Card Industry Data Security Standard (PCI DSS)

The Payment Card Industry Data Security Standard (**PCI DSS**) is a set of industry-wide requirements for the protection of cardholder data. The PCI DSS, administered by the PCI Security Standards Council, applies to all entities that store, process or transmit cardholder data. It imposes 12 requirements including to build and maintain a secure network through firewalls and changing default passwords, encrypt transmission of cardholder data across public networks, and to regularly monitor and test networks, amongst other things.

2.4.1.8.4 Australian Financial Complaints Authority (AFCA)

The Australian Financial Complaints Authority scheme commenced on 1 November 2018. As a customer complaint body, AFCA offers an independent dispute resolution service for financial services complaints from small businesses and consumers. AFCA replaces the Financial Ombudsman Service and the Credit and Investments Ombudsman, as well as the Superannuation Complaints Tribunal. Cuscal is a member of AFCA.

2.4.1.8.5 Scam Safe Accord

In November 2023, the ABA and COBA announced a comprehensive set of anti-scam measures to be implemented across the banking industry known as the Scam Safe Accord. Cuscal, as a member of the ABA, is committed to meeting the requirements of the Scam Safe Accord. Under the Scam Safe Accord, the industry committed to developing a $100m new payment process that requires payment details to be matched prior to the initiation of a payment. This process, sometimes referred to as a confirmation of payee process, has also been implemented in other jurisdictions, notably the UK, where in the first year of its implementation it is believed to have reduced erroneous payments by 35%.

A separate confirmation of payee service for payments made using BSB and Account Numbers is to be delivered through the NPP Infrastructure, sponsored by AP+. This process will help reduce certain types of scams and avoid mistaken payments by displaying the details of the account owner of the intended recipient to the payer.

In addition to a confirmation of payee process, the Scam Safe Accord involves banks committing to introduce warnings, safeguards and payment delays to protect customers. Additionally, all ABA and COBA banks will invest in a major expansion of intelligence sharing across the sector by joining the AFCX by mid-2024. Cuscal became a member of AFCX in October 2023, well before the time required for all ABA members to join AFCX under the Scam Safe Accord.

2.4.1.8.6 AFCX

The AFCX is a not-for-profit entity formed by the Major Banks designed to help prevent the transfer of proceeds of scams, fraud, financial and cyber-crime. Its members use AFCX's fraud reporting exchange as a collaboration platform where they can share and access secure information and intelligence on financial and cybercrime as well as report fraudulent activities to each other and law enforcement. This helps industry participants identify potential trends and not only block transactions but also help law enforcement capture and prosecute criminal actors. This collaboration has already resulted in successful prosecutions and prevention of crime. Members include Major Banks and telecommunication companies such as Optus. Cuscal became a member of AFCX in October 2023.

2.4.2 Recent regulatory developments

2.4.2.1 Treasury's Strategic Review of Payments

On 7 June 2023, the Australian Government released its Strategic Plan for Australia's Payments System (**Strategic Plan**), outlining the Government's policy objectives and priorities for reform and a further consultation paper was released in December 2023. The Strategic Plan follows Treasury's consultation on proposed priorities and reform objectives, with an agenda focused on:

- promoting a safe and resilient system;
- updating the payments regulatory framework;
- organising payments infrastructure;
- uplifting competition, productivity and innovation across the economy; and
- keeping Australia as the leader in the global payments landscape.

The Strategic Plan forms part of a package of proposed reforms for the Australian payments sector, together with proposals to reform licensing for Payment Service Providers and reforms to the PSRA. The Government expects to introduce legislation for a new licensing regime in 2024 subject to consultation outcomes.

2.4.2.2 Proposed changes to the Privacy Act

In February 2023, the Attorney-General released the Privacy Act Review Report (the Privacy Act Review Report), which contains 116 proposals for reforming the Privacy Act. The proposals are aimed at strengthening the protection of personal information and the control that individuals have over their information and include, amongst other things, seeking to expand the types of personal information protected under the Privacy Act, introducing a direct right of action for the enforcement of privacy rights, explicitly requiring entities to handle personal information fairly and reasonably, expanding the enforcement powers of the OAIC, and increasing the penalties that may be levied under the Privacy Act. On 12 September 2024, the Federal Government introduced an amendment bill to Parliament with the first tranche of reforms to the Privacy Act. The proposed reforms will strengthen the OAIC's enforcement toolkit with new mid-tier civil penalty for interference with privacy and introduce a statutory tort for serious invasions of privacy. The Government will consult in the future on a second tranche of reforms. As at the Prospectus Date, it is unclear how long it will take for Parliament to pass the first tranche of amending legislation.

2.4.2.3 CDR Recommendations Review

In 2022, the Australian Government conducted a statutory review into the operation of the CDR, to explore the extent to which implementation of the CDR framework supported the core policy objectives of driving value for consumers, increasing competition within designated sectors, and driving innovation across the regulated data services sector. The report was released in September 2022 and outlined 15 findings and 16 recommendations, which suggest developments that could improve CDR into the future, and prompt future discussion.

On 7 June 2023 in response to the Statutory Review of the CDR, the Commonwealth Government agreed to undertake a whole ecosystem cyber security assessment in lieu of recent major private sector data breaches, and also noted the recommendation that it should consider a statutory review of the CDR and other digital economy initiatives within the next five years from the date of the statement.[6]

On 9 August 2024, the Assistant Treasurer announced a 'reset' of the Consumer Data Right to improve the cost-effectiveness and uptake of the CDR. The Government has conducted its consultation on proposed consent and operational enhancement amendments to the CDR framework (see **Section 2.4.1.5.2**). In relation to data standards, the Government expects a focus on information security, technical issues behind consent drop-offs and standards to manage costs in the system. The Assistant Treasurer also announced that Treasury is examining the current scope of data included in the CDR.

---

[6] See https://treasury.gov.au/publication/p2023-404730.

2.4 Regulatory Environment continued

2.4.2.4 Proposed reforms to the AML/CTF Act

On 11 September 2024, the Attorney-General introduced the Anti-money Laundering and Counter-terrorism Financing Amendment Bill 2024 into Parliament. The Bill follows two rounds of consultation over 2023 and 2024. The Bill has three key objectives:

- extend the regime to additional ('tranche two') service providers including lawyers, accountants, trust and company service providers, real estate professionals and dealers in precious metals and stones;
- modernise the regulation of virtual assets and payments technology; and
- simplify and clarify the regime, to increase flexibility, reduce regulatory impacts and support businesses to prevent and detect financial crime.

These reforms will have various implications across Cuscal's business including requiring change to Cuscal's business model to ensure compliance and consequential impacts on Cuscal's clients' businesses. See **Section 5** for further details.

2.4.2.5 CPS 230

As noted above, CPS 230, is a new prudential standard on Operational Risk Management which is to take effect from 1 July 2025 and for Cuscal will replace CPS 231 Outsourcing and CPS 232 Business Continuity. CPS 230 aims to address operational risk control failures, low tolerances for disruptions and increasing reliance on (and concentration of) service providers by regulated institutions which APRA has observed as part of its prudential supervision of those institutions. CPS 230 sets minimum standards for managing operational risk, including updated requirements for business continuity and service provider management.

In particular, CPS 230 requires APRA regulated institutions, to, among other things:

- identify, assess and manage operational risks that may result from inadequate or failed processes, people and systems or from external events; design, implement and embed effective internal controls to mitigate such risks; monitor and test these operational risk controls; and have remediation processes to identify and uplift material weaknesses in their operational risk management;
- identify and maintain a register of critical operations and implement processes to be able to continue to deliver such operations within tolerance levels through severe disruptions, with a credible Board approved business continuity plan; and
- effectively manage the risks associated with service providers, with a comprehensive Board approved service provider management policy, formal agreements with material service providers and robust monitoring and supervision of material service provider arrangements.

2.4.2.6 Regulation of DCEs

In recent years the prevalence of digital currencies and associated investments (**Digital Assets**) has increased leading to numerous DCEs. There have been a number of DCE failures such as the FTX Exchange collapse, which in part has led to increasing regulatory scrutiny and proposals for intervention to improve outcomes for investors when dealing with Digital Assets. This trend has been seen in numerous markets including Australia.

The Australian Government has released for consultation a proposal paper on Regulating Digital Asset Platforms (**Proposal Paper**) which proposes the regulation of digital asset platforms, including DCEs as financial products and the requirement for service providers to hold an Australian financial services licence. Issuers of digital asset facilities (platform providers) and other entities providing services in relation to digital asset facilities will accordingly be required to hold an AFSL if they deal (e.g. issue, arrange or apply on behalf of others) in, or provide financial product advice in relation to, a digital asset facility. Platform providers and intermediaries will be subject to the general AFSL obligations and financial requirements, including the obligations to take all necessary steps to provide financial services efficiently, honestly and fairly, to manage conflicts of interest appropriately and to comply with advice-related obligations including the ban on conflicted remuneration. Additional obligations will also apply, including: platform providers will need to issue a ‘facility guide’ similar to an IDPS guide (this would replace the PDS and FSG for the platform provider); the facility contract will be subject to a range of minimum requirements; and platform providers performing transactional functions in relation to digital assets held through the platform will need to meet certain minimum standards. DCEs will continue to be required to register with AUSTRAC and comply with AML/CTF obligations. In September 2024, the Attorney-General introduced the Anti-money Laundering and Counter-terrorism Financing Amendment Bill 2024 into Parliament (see **Section 2.4.2.4**). The Bill proposes reforms that include expanding the obligations applicable to digital asset service providers in line with global Financial Action Task Force standards.

2.4.2.7 Updates to APRA Liquidity Rules

In November 2023, APRA announced a consultation on the liquidity and capital requirements aimed at strengthening the banking sector’s resilience to future stress. APRA proposed a series of changes to the prudential frameworks primarily targeting how banks manage their liquidity and specifically for smaller, less complex banks that manage liquidity through APRA’s Minimum Liquidity Holdings (MLH) regime rather than the Liquidity Coverage Ratio (LCR) regime that is mainly used by larger banks. The MLH regime requires banks to hold certain amounts of liquid assets, typically cash or highly rated bonds, rather than banks being forced to assess liquidity needs in reference to the potential cash outflows a bank may face, using behavioural models that are typically complex.

In the updates to the requirements, which were finalised in July 2024 and will come into effect from 1 July 2025, APRA will implement a number of changes for banks using the MLH approach, including:

- the banks to value liquid assets at their market value, whereby any highly rated bonds held for liquidity and potentially held to maturity (and therefore not marked to market value at each balance date) would now be valued at market value. This is in response to a number of bank failures in the United States in 2023, which was, in part, a result of liquid assets not being appropriately valued; and
- an update to the process by which ADIs are able to access exceptional liquidity assistance from bodies such as the RBA, and specifically the information that APRA would request from an ADI in such an instance.

The updates were also originally going to impact the treatment of liquid assets. In the original proposal, bank bills, certificates of deposits and debt securities issued by other ADIs would no longer be counted as eligible liquid assets for ADIs on the MLH regime. This was to reduce the potential for contagion with ADIs drawing down on liquidity that is held by other ADIs, given that holdings of other bank securities represent a large share of MLH ADIs’ existing liquid assets, at around 60% on average. These changes have been deferred however, to allow for a more holistic review of the regime, however APRA will undertake supervisory actions with ADIs that have material concentrations of bank debt securities as liquid assets.

Under the current announced changes, Cuscal does not anticipate material impacts to its business as the majority of client deposits held with Cuscal are custody and security deposits.

2.4 Regulatory Environment continued

2.4.2.8 Retirement of the BECS framework

On 12 December 2023, the RBA announced that the industry, through AusPayNet, had decided to retire the BECS framework that supports bulk direct entry payments such as the processing of salary, welfare payments, recurring payments to merchants and other account-to-account transfers with a target end date of 2030. As a consequence, financial institutions relying on BECS will need to connect all relevant accounts that currently send and receive payments via BECS to alternative payment rails (e.g. the NPP) and ensure that their NPP services can reliably handle the full range of payments currently processed by BECS.

2.4.2.9 Review of Merchant Card Payment Costs and Surcharging

The RBA is conducting a Review of Retail Payments Regulation (Review) with the first phase of the Review focusing on merchant card payment costs and surcharging. On 15 October 2024, the RBA released an issues paper for consultation to assess whether further regulatory actions could lower merchant card payment costs and if the surcharging framework remains appropriate. Any detailed assessments of reform proposals would form the next stage of the review. This will take the form of a further round of consultation, with a paper containing more detailed analysis of potential regulatory options, planned for release in 2025.

The RBA's issues paper seeks feedback on a range of issues, including:

- possible changes to RBA's surcharging framework, including potentially banning merchants from surcharging customers for debit transactions, banning merchants from surcharging customers for all transactions, capping surcharges, amending the definition of 'cost of acceptance', mandating differential pricing for different networks and/or monitoring surcharging by networks and acquirers;
- whether there is a policy case for lowering the interchange benchmarks or imposing a floor or maximum range on interchange rates to narrow the gap between strategic merchants and small businesses;
- additional regulation of scheme fees including transparency requirements, implementing caps, limiting fee increases, and/or standardising fees;
- whether formal regulatory requirement is warranted for Least Cost Routing (mechanisms for the routing of debit card transactions via the card scheme that costs the merchant the least to accept) for in-person transactions; and
- whether greater transparency in fees should be required from payment service providers and card schemes to promote competition and efficiency and put downward pressure on merchant card payment costs.

On 15 October 2024, the Federal Government indicated support for a ban on debit card surcharging from 1 January 2026 subject to the consultation undertaken by the RBA.

While the issues under consultation do not directly impact Cuscal's revenue from its core payments capabilities, theoretically some options under consultation could indirectly impact Cuscal by impacting Cuscal's merchant acquirer clients (for example, a ban on merchants surcharging could theoretically impact Cuscal's clients' revenue, and therefore indirectly impact Cuscal) or the card schemes (see **Section 5.2.6**). Alternatively, a ban on merchant surcharging could also theoretically positively impact Cuscal if it results in increased issuing debit card volumes, which may offset any indirect impact to Cuscal from its merchant acquirer clients. However, these impacts (to the extent there are any such impacts) are highly uncertain as the specific reforms are not known at this time, the reforms remain subject to extensive consultation, any impacts must be assessed against the reforms as a whole, and the impacts on Cuscal are dependent on how other participants in the payment system respond to the reforms (for example, by making adjustments to their pricing structures or business models).

Company Overview

3

3. Company Overview

3.1 Overview

3.1.1 Introduction to Cuscal

Cuscal is an ADI that provides payment and regulated data services in Australia and on a limited basis through a non-ADI subsidiary, in New Zealand. As at 30 June 2024, Cuscal provided payment services to 92 clients, including banks, Fintechs and corporates, enabling its clients to provide payment services to their end customers. As a B2B provider, Cuscal facilitates its clients' connections to the infrastructure layer of the Australian payments market (see **Figure 2.4**, **Figure 2.5** and **Figure 2.7**) allowing its clients to focus on the user experience or application layer, for their customers. Cuscal does not deliver user experience services (such as banking apps that allow end customers to access financial products, deposit accounts or home loans) and does not compete with its clients for these services.

Unlike a typical ADI (such as the Major Banks), Cuscal does not hold retail deposits or engage in retail lending. Further, Cuscal designs its payments and regulated data services for its clients to use for their end customers, whereas a typical ADI designs products (such as a retail customer bank account) which it offers directly to its end customers.

Cuscal is differentiated from its competitors by the capabilities and breadth of services it offers as a connector to the Australian payments landscape, providing its clients with connectivity to all major payment types and a range of associated services. Cuscal's end to end capabilities and access to core payment rails, as well as all of its regulatory approvals and licences, would require considerable time and expense for potential competitors to replicate.

3.1.2 Company History

Throughout its history, Cuscal has used its scale, banking and technical knowledge and positions on regulatory boards and other associations to drive competition within the payments industry in Australia. Cuscal has been operating since the 1960s[1] (through its earliest predecessor). Cuscal has evolved from its origins as an aggregator of services for mutual ADIs to a trusted payments solution provider across a diverse client base of banks, Fintechs and corporates.

Following the acquisition of SPS in 2014, Cuscal evolved and diversified its payment capability and client base and by 2020, Cuscal had become a leading provider of payment infrastructure services and solutions outside of the Major Banks in Australia (see **Section 2.2.6.2.1**).

A summary of Cuscal's key events and achievements is set out in **Table 3.1**.

---

[1] AFCUL (Australian Federation of Credit Union Leagues), a precursor to Cuscal, was formed in 1966.

Table 3.1 Overview of Cuscal's history and key achievements

Key event	
1977	Cuscal's predecessor body (State-based credit union bodies) launched Australia's first ATM.
1983	Early adopter of Visa scheme in Australia becoming a principal member of the Visa International Card system.
2009	Launched the rediATM scheme to allow clients of smaller FIs access to a nationwide ATM network without fees.
2014	Launched the first mobile payments application using Host Card Emulation (HCE) in Australia to turn an NFC-enabled smartphone into a 'tap and go' payments device.
2014	The acquisition of SPS expanded payments capabilities and diversified the client base. This transaction also diversified Cuscal's shareholder base, with the addition of Bendigo and Adelaide Bank and Mastercard as shareholders.
2016–2017	First Australian company to launch connectivity solutions for all of the 'Pays' – Apple Pay, Google Pay and Samsung Pay – enabling its clients to be some of the first Australian FIs to offer their customers all three 'Pays'.
2018	Enabled more than 60% of the FIs that launched on day one of the NPP. 60+ finance brands were involved in the launch including CBA and NAB. Cuscal enabled 40 of those brands including Credit Union Australia (Great Southern Bank), Community First Credit Union, ING, Bendigo Bank and Bank Australia.
2019	Launched 86 400, a mobile-led digital bank with an ADI licence. NAB subsequently acquired 86 400 via a scheme of arrangement in 2021.
2022	Developed NPP PayTo services for Payer banks and third-party initiators. First certified NPP PayTo Payer and Initiator.
2023–2024	Acquired a material controlling interest in Basiq, a data and open banking API platform business, supporting Cuscal's expansion into regulated data services. Cuscal has subsequently purchased the remaining interest in Basiq, completing the acquisition on 1 July 2024.

3.2 Business Model

Cuscal's business model involves the provision of three core payments infrastructure capabilities. These are:

Table 3.2 Cuscal Core Payments Infrastructure Capabilities

Capabilities	Overview
Issuing (card payments) *Section 3.2.1.1*	Cuscal's issuing capability makes up the largest component of its revenue, accounting for approximately 65% of gross fee and commission revenue in FY24. Cuscal's issuing capability provides infrastructure to enable card payments. Issuing services include issuer switching, clearing, settlement, reporting of card payments and digital APIs.
Acquiring (card payments and ATM processing) *Section 3.2.1.2*	Cuscal's acquiring capability accounted for approximately 11% of gross fee and commission revenue in FY24. Cuscal's acquiring infrastructure enables its acquiring clients to accept payments. This includes card acquiring and processing services and ATM processing services, which require acquirer switching, clearing, settlement and reporting capabilities.
Payments (non-card payments) *Section 3.2.1.3*	Cuscal's payments capability accounted for approximately 17% of gross fee and commission revenue in FY24. Payments capabilities include Batch payments such as BECS and BPAY (see **Section 3.2.1.3.1**) and the NPP (see **Section 3.2.1.3.2**).

Cuscal primarily earns gross fee and commission revenue per transaction for services provided in its three core capabilities outlined in **Table 3.2**. These fees will usually include a fixed per transaction fee and for Cuscal's Issuing capability, may also include a variable fee linked to the value of the transaction (see **Section 3.2.1.1**). The total fees charged for a payment transaction will vary by card scheme, issuer, merchant acquirer and merchant (refer to paragraph directly below). Cuscal's fees in relation to these services are described below in **Section 3.2.1**.

Interchange fees are costs of facilitating a card payment transaction. Typically borne by either the payee or payer, interchange fees are comprised of fees charged by providers (such as the card payment schemes, card issuers and merchant acquirers) for each of the component parts of the payment process. All interchange and transaction related scheme fees are passed on to or directly paid by Cuscal's clients and Cuscal ultimately retains no net operating income from these interchange or scheme fees. These fees are referred to by Cuscal as passthrough revenue, which refers to revenue recovered from its clients, typically at nil margin, which generally relates to expenses typically charged by the underlying payment scheme or network (see **Section 4.9.1.1**). Transaction-related scheme fees that are largely passed on to clients as a cost are referred to as passthrough expenses. There are a few exceptions where Cuscal absorbs some scheme connectivity costs that are not passed on to clients. Passthrough expenses refer to costs charged to Cuscal by a third party (predominantly a payment scheme or network), which Cuscal directly recovers from clients. Passthrough expense is recorded on a gross basis in Cuscal's direct fee and commission expense with a corresponding amount (passthrough revenue) recognised in gross fee and commission revenue for cost recovery from clients.

Alongside these core capabilities, Cuscal offers additional enabling corporate services to its clients which generate revenue and increase Cuscal's relevance as a partner, for example monitoring for financial crime which accounted for approximately 5% of gross fee and commission revenue in FY24 (see **Section 3.2.2.2.1**) as well as other back-office support.

In addition to payment services, Cuscal offers regulated data services as a 'reinforcing adjacency' as it is a potential source of revenue that is separate from Cuscal's core payments capabilities – and it reinforces Cuscal's ability to win and retain clients. Cuscal first began investing in its regulated data services capabilities in FY20, which it recently expanded through its acquisition of Basiq, a data and Open Banking API platform business (see **Section 3.2.2.1**).

3.2.1 Core Payments Infrastructure

As referenced in **Section 2.2.3**, there are unique payment processes for the various payment types. Cuscal performs specific roles in each payments process as described in more detail below.

3.2.1.1 Issuing

Cuscal provides payment processing services for debit, credit and prepaid cards across multiple schemes including Visa, Mastercard and eftpos (see **Section 2.2.4**). These cards are used by Cuscal's clients' end customers to make payments through a variety of methods including POS terminals and web-based payment gateways. Cuscal's issuing clients include ADIs, Fintechs and other payment processing acquirers.

For example, when a client's end customer uses their debit card to purchase a coffee at a café, Cuscal can facilitate the transaction processing for both the FI that issued the card and, in some instances, the merchant acquirer that provides card acceptance services to the café (see **Section 3.2.1.2**). Cuscal processes the payment through its infrastructure (the issuing switch), which authenticates the payment by checking the validity of the Card Validation Code (**CVC**) and PIN and manages the transaction response code that is sent by the end customer's issuing FI (Cuscal's client in this instance) to confirm if there are available funds in the end customer's account. Responses received from the issuing FI are sent back to the café's POS terminal via Cuscal's issuing switch, as well as to the card scheme network (such as Visa) and merchant acquirer to complete the transaction. Cuscal conducts this process almost instantaneously, with each of the different stages of payment details being checked, validated, authenticated and approved between different infrastructure and participants, typically within seconds.

Cuscal earns a significant portion of revenue for issuing services through a fee per transaction which is driven by the volume of card transactions that Cuscal processes. These are typically fees with a fixed price per each transaction but may be subject to volume tiering, whereby as the number of transactions increases beyond pre-determined levels, the fixed pricing per transaction is reduced. These volume tiering arrangements still result in Cuscal's revenue increasing with the additional transactions and are designed to help incentivise clients to increase transaction numbers with Cuscal. Cuscal also earns revenue from the card schemes via incentive arrangements, and whilst revenue is also based on transactions occurring (i.e. the card being used by an end customer), the key driver of this revenue is transaction value.

Cuscal also provides other card issuing services that include card scheme sponsorship (providing Cuscal's clients access to the schemes so their end customers can make payments where those schemes are accepted), card production (the delivery of both physical and digital cards described below) and card management services. Cuscal typically holds minimum required security deposits and payment flow pre-funding deposits from its issuing clients for the purpose of facilitating settlement services (see **Section 3.2.1.4** for a description of Cuscal's Treasury Services function which administers these deposits as well as the revenue associated with these services).

In addition to providing payment processing services as an issuer, Cuscal delivers other card-related services including the facilitation and design and production (by a third party) of the physical card if required by the client. For digital cards, Cuscal is able to enable the functionality to hold the card on an appropriate digital wallet and Cuscal charges a one-off fee for each new card that is issued. Another related issuing service is card controls such as suspending and cancelling cards, updating PIN numbers, and blocking certain transaction types. Cuscal is also able to support the required reporting and back-office administration that results from processing transactions and servicing of card payments including dispute management.

Cuscal is currently replacing its Card Management System (**CMS**) with a new system that will better support the management of all payment cards including debit, credit and prepaid cards (see **Section 3.8.1.1** for more information). This new CMS will not change the way in which payment processing is currently undertaken by Cuscal as both an issuer and acquirer switch for all card types.

3.2 Business Model continued

3.2.1.2 Acquiring

Cuscal's payment processing acquiring capability enables the acceptance of payments when cardholders wish to purchase goods or services from a retailer or merchant. As described in more detail in **Section 2.2.4**, merchants rely on merchant acquirers to accept payments and Cuscal's acquiring clients are those merchant acquirers. Cuscal provides merchant acquirers with the capabilities needed for them to successfully accept payments on behalf of the merchants through a variety of payment methods.

A merchant acquirer connects their own acquiring hardware, such as a payments terminal, ATM or online gateway, to Cuscal's infrastructure (the acquiring switch) to enable payment processing on behalf of their merchant customers. The merchant acquirer sends a request for payment on behalf of the merchant to Cuscal's acquiring switch and effectively hands responsibility of the payment request to Cuscal. Cuscal's acquiring switch will accept the request, verify the specific transaction data is valid and Cuscal will then receive confirmation from the issuing side of the card payments infrastructure of the transaction's success or failure, which is communicated through the relevant card scheme (for example, confirmation that the merchant's customer has sufficient funds in their account). Cuscal will send the request through the relevant card scheme (i.e. payment rail such as Visa, Mastercard or eftpos) for processing by the issuer (for example an end customer's bank).

As an acquirer payment processor, Cuscal earns fee and commission revenue predominantly by charging its clients a fee for each transaction that passes through its acquiring switch. Similar to fees described for issuing in **Sec**tion 3.**2.1.1**, these fees are typically fixed per transaction, but subject to similar volume tiering arrangements. In addition, it also can earn revenue by charging fees for enabling its merchant acquiring clients to access card scheme connectivity services (for example, allowing the POS terminal or gateway to accept payments from Visa, Mastercard or eftpos) as well as 'device driving' whereby Cuscal utilises third-party capability to help its merchant acquiring clients provide POS terminals to their end merchant customers and connect POS terminals to Cuscal's acquiring switch to allow them to accept payments.

Cuscal can also provide clearing and settlement services for merchant acquirers, enabling the actual flow of funds to the end merchants' bank accounts, for which it will charge an additional fixed fee per transaction (again typically subject to volume tiering arrangements as described above and in **Section 3.2.1.1**), meaning that Cuscal not only enables its merchant acquiring clients but can partly act as an acquirer itself on their behalf. As part of its corporate enabling services, Cuscal is able to support the required reporting and back-office administration that results from processing transactions and servicing of card payments including dispute management and the provision of help desk services.

Cuscal's clients will charge their customers fees including a merchant service fee, which in turn may be partially passed on to the payer through a surcharge fee. Cuscal has no visibility over that fee arrangement and does not receive any revenue from surcharge fees. Any changes to regulation concerning the ability of merchants to surcharge the Payer for payments could theoretically indirectly impact Cuscal (see **Section 2.4.2.9**). For example, a ban on merchants surcharging could theoretically impact Cuscal's clients' revenue, and therefore indirectly impact Cuscal. Alternatively, a ban on merchant surcharging could also theoretically positively impact Cuscal if it results in increased issuing debit card volumes, which may offset any indirect impact to Cuscal from its merchant acquirer clients.

Cuscal typically holds security deposits and payment flow pre-funding deposits from its acquiring clients for the purpose of facilitating settlement services as set out above and in **Section 3.2.1.4** (which includes a description of the revenue associated with these services).

Cuscal also provides limited acquiring services in New Zealand through its subsidiary, Cuscal Payments NZ Limited. Currently, these services are provided to a single client.

3.2.1.3 Payments

Cuscal's payments capability enables the non-card payment methods that form a growing part of the payments landscape (see **Section 2.2.1** for further details of this landscape) with capabilities covering Batch payments (BECS and BPAY) and real-time payments (NPP and RTGS). Cuscal's payments clients include ADIs, Fintechs, payment processors and other corporates.

As discussed in **Section 2.2.5**, access to the non-card payment systems is restricted to a select number of member participants (including Cuscal) for each respective system, with substantial compliance requirements creating costs of entry for new potential participants. Cuscal provides connectivity to the full suite of non-card payment methods being BECS, BPAY, NPP and RTGS.

Cuscal's integration with the payment networks for both technical and settlement services enables its clients to receive a complete payment solution. Cuscal exchanges settlement funds with the other payment network participants via its ESA held with the RBA and provides settlement services for each client.

Cuscal charges a fee for each transaction. Alongside this transaction fee, Cuscal also charges a fee per transaction for settlement and a monthly service fee. Both these transaction and settlement fees are typically fixed fees per each transaction but subject to similar volume tiering arrangements as described in **Section 3.2.1.1**.

Cuscal typically holds security deposits and payment flow pre-funding deposits from its payments clients for the purpose of facilitating settlement services as set out above and in **Section 3.2.1.4** (which includes a description of the revenue associated with these services).

3.2.1.3.1 Batch

Cuscal is a Tier 1 participant in BECS (see **Section 2.2.5.1**) and supports more than 60 clients in Australia. Cuscal also represents 27 BECS Tier 2 participants; more than any other Tier 1 provider in the market as at August 2024. Cuscal's Batch clients are the facilitators in respect of which Cuscal provides access to BECS.

As can be seen in **Figure 2.5**, when a payer makes a payment through a facilitator, Cuscal provides a connection between the requesting facilitator and the underlying BECS system. As a member of the system, Cuscal is able to request, accept and settle payments on behalf of clients, enabling facilitators to utilise the infrastructure without direct connection to the system. Cuscal also provides support services for its clients' back-office functions as part of its Corporate Service enabling foundation.

Although Batch activity is being transitioned to the NPP (see **Section 2.2.8.6** and **Section 3.8.1.3**), Cuscal is well positioned given its Tier 1 membership of BECS to retain the payment activity of its existing clients during the transition.

Cuscal also operates as a BPAY Participant Member (see **Section 2.2.5.1**), which has allowed Cuscal to sponsor more than 60 clients into the BPAY scheme – helping to drive more than 31m BPAY transactions processed in FY24. Similar to BECS, Cuscal is able to offer its connection to BPAY for use by its clients.

3.2.1.3.2 New Payments Platform (NPP)

As one of the original shareholders of NPP Australia, Cuscal played a key role in the design and initial delivery of the NPP. Cuscal has conducted over 60 client NPP integrations since 2018, helping more organisations to access the NPP than any other participant. Cuscal currently connects more than half of the entities accessing the NPP.

Cuscal is one of a limited number of ADIs certified to directly interact and clear settlements via the NPP and provides a linking service between the core NPP infrastructure and clients looking to offer their own real-time payment solution. As the NPP is built off a decentralised network between member participants, Cuscal facilitates transactions directly with other member participants on behalf of its clients, with no need to utilise a central rail to execute the transaction itself.

Additionally, with the increasing capability of the overlay services designed for the NPP, Cuscal can enable its clients to provide their end customers with various NPP specific offerings such as Osko, PayID and PayTo. These innovations bring exciting capabilities to Australia's payment landscape (see **Section 2.2.5.2**) and are expected by Cuscal to drive uptake of the NPP at the expense of Batch and cheque payments.

Cuscal's role in NPP development capability has enabled its clients to be first to market with overlay services, providing Cuscal with a first mover advantage, with a market share of 16% of NPP payments by volume for the year ended 30 June 2024 (see **Section 2.2.6.2.1**). Cuscal has identified this infrastructure as core to future growth within the broader sector and continues to invest in this capability.

As discussed in **Section 2.2.8.5**, as digital payment methods like the NPP become more ubiquitous and adoption increases, it is likely to see further innovation and regulatory focus (see **Section 2.4.1.3.1**), including how customer outcomes are impacted by the reduced friction in the payments process, both potentially enhancing the customer experience but also considering the difficulty in reversing payments to the extent those payments were made in error or are the subject of fraud or scams.

3.2 Business Model continued

As a result, Cuscal believes there is likely to be increasingly a broader expectation on all participants in the industry, including Cuscal, to take all reasonable steps to help protect customers and minimise areas for erroneous payments including those related to scams and fraud which may become harder to reverse in a real-time environment. As such, Cuscal is actively supporting industry-wide and client responses to refining the real-time payments process to improve outcomes across the Australian community. An example of this is Cuscal's role with Australian Payments Plus (AP+) to deliver a Confirmation of Payee service for payments made using BSB and account numbers. Confirmation of Payee will help reduce certain types of scams that involve misdirection of payment to an account that does not belong to the intended payee as well as avoid mistaken payments to incorrect account numbers.

Cuscal expects that this trend will create opportunities (as well as investment needs) for Cuscal to enhance its service to its clients through surveillance tools and may accelerate the need for smaller clients to utilise Cuscal's services as the regulatory cost and scrutiny increases.

3.2.1.3.3 Real-Time Gross Settlement

Due to its status as an ESA holder with the RBA, Cuscal is able to provide its clients with RTGS facilities (see **Section 2.2.5.2.3**). By providing this access, Cuscal's clients are able to make high value, intra-day payments between FIs in Australia.

As well as a domestic payments method, RTGS facilities are also used by banks for the settlement of inward international funds transfers, meaning access to RTGS facilities provides Cuscal's clients with a gateway to both domestic and international high value payments.

3.2.1.4 Treasury Services

As Cuscal provides access for its clients to Australia's major payment rails as well as providing settlement services, clients are typically required to place security deposits and to discharge pre-funding obligations by depositing money with Cuscal to meet the access and liquidity requirements of the RBA and card payment schemes such as Visa or Mastercard.

Cuscal's clients deposit funds, by way of security deposits and pre-funding payment flows, with Cuscal, who then manages these balances through a treasury function (**Treasury Services**). The cash that is received on deposit, or by way of pre-funding, is in turn deposited with the RBA or used by acquiring short to medium term repo-eligible investments that comply with minimum liquidity holdings requirements in the prudential standards. Unlike other ADIs that lend money and derive significant profits through a net interest margin (typically the difference between the income received on interest-earning assets such as bonds or loans and the expense paid on interest-bearing liabilities such as deposits or bonds issued by the bank), Cuscal does not use this service as a key revenue driver and typically passes on the majority of the income it receives on those deposits to its clients (having accounted for the cost of the provision of the service, which includes the cost of meeting APRA capital requirements). It does this because these deposit products are related to the provision of its core payment capabilities of issuing, acquiring and payments. As Cuscal is an ADI, it also must hold regulatory capital, which is invested in cash equivalents and earns income through its Treasury Services function. Cuscal allocates the income and expense of the Treasury Services business (which is predominately interest income and interest expense) to its core payments capabilities of issuing, acquiring and payments (see **Section 4.9.1.1** for further information).

Historically, Cuscal provided services to its clients helping them raise funding for residential lending using securitisation bond issuances through a special purpose trust. It no longer provides these services and has not done so for a number of years with these bond issuances being proactively run-down in line with the residential mortgages they are secured upon. The last such issuance was in 2014 (the Integris 2014-1 Issuance (**Securitisation Trust**)) which was wound up in July 2024.

3.2.2 Reinforcing Adjacencies and Enabling Foundations

3.2.2.1 Regulated Data Services

With the introduction of the CDR regime in Australia (refer to **Section 2.3**), regulated data services is beginning to be integrated within the Australian payments landscape. Cuscal identified this upcoming trend and in FY20 began investing in developing its own Open Banking capability by building out the technology and the development team to support a regulated data services offering including product reference data and a data holder solution. The acquisition of Basiq in March 2023 and the acquisition of the MyCDR platform in December 2022 added complementary solutions to Cuscal's Open Banking portfolio, in line with a strategic decision to position Cuscal for potential growth in the sector. The acquisitions reduced the risks associated with the technological build of Cuscal's own regulated data services capabilities and accelerated its time to market.

Although Basiq's propositions are early in their development and adoption, the Basiq platform enables clients to access consented financial data (i.e. end customers have consented to sharing such financial information). Available data includes accounts, income, assets, identity, transactions, liabilities, mortgages and more. Through Basiq, data can be shared between a vast range of financial institutions, including banks, credit unions, card issuers and more. With consent, end customers can link their accounts, providing access to the range of benefits that the CDR regime provides (see **Section 2.3**).

Outside of the Major Banks, Cuscal is the only provider in the Australian market of Product Reference Data, DH and ADR as well as end-to-end payment services. Through this capability Cuscal's clients can obtain the benefits of the CDR without building connectivity and systems that enable CDR data exchange and consent management and may instead rely on Cuscal's connectivity and systems through a servicing agreement. Cuscal's regulated data services clients include ADIs and Fintechs.

Cuscal's revenue model for its data offerings is based on implementation fees, subscription fees and per user fees or per activity fees (i.e. where a consumer consents to a third party accessing data).

3.2.2.2 Financial Crimes Services

As the payments sector transitions away from cash, the risk of financial crime and fraud is increasingly more relevant (see **Section 2.4.1.3.1**).

Cuscal provides fraud monitoring and mule detection capabilities through its Vigil service to help mitigate fraud and scam risks faced by its card and NPP clients who subscribe for that service (see **Section 3.2.2.2.1**). Cuscal's clients who both offer their customers the ability to transact on an account held by the client through a card or the NPP (principally, ADIs) and subscribe to Cuscal's Vigil service are known as Financial Crimes Clients.

Cuscal also has core financial crime monitoring capability covering all NPP and card payments clients (see **Section 3.2.2.2.2**), irrespective of whether they subscribe to Cuscal's Vigil service. Cuscal has enhanced its core financial crime monitoring capability for NPP through its participation in reciprocal scam and fraud data sharing arrangements as part of its membership with the AFCX (see **Section 2.4.1.8.6**).

Cuscal believes that given the increasing prevalence of frauds and scams for its clients' customers, this will be an area of continued focus and investment for Cuscal. Cuscal is continuing to invest in protecting the Australian payments ecosystem by enabling safe and trusted payments for all its clients across channels and payment types to try and limit various forms of financial crimes.

3.2 Business Model continued

3.2.2.2.1 Vigil service

In addition to its core payments infrastructure capability, Cuscal provides enabling foundation fraud and scams monitoring capabilities through its Vigil service to its Financial Crimes Clients. Cuscal earns revenue on an event basis (each event of fraud or scam) plus a monthly fee for its Vigil service.

Vigil uses licensed machine learning artificial intelligence (**AI**) technology to monitor for potential fraud and scams for card and NPP payments for Cuscal's Financial Crimes Clients. Cuscal's Vigil service is also capable of triggering alerts for suspected mule activity, where a person transfers or moves illegally-acquired money on behalf of someone else. Cuscal's Financial Crimes Clients are predominantly mutuals and tier 2 banks that did not have the capacity to efficiently and effectively develop in-house fraud monitoring solutions. By comparison, Cuscal had access to more data as well as greater scale and an ability to monitor 24/7. Cuscal provides the necessary infrastructure to Financial Crimes Clients, some of whom would not otherwise be able to compete in the provision of transaction banking.

As part of the Vigil service, Cuscal offers the following monitoring services to Financial Crimes Clients:

- **Managed Service (Cards and NPP)**: This service provides Financial Crimes Clients with access to Cuscal's fraud platform. Cuscal sets rules and manages machine learning models, along with a dedicated fraud operations contact centre specifically designed to support Financial Crimes Clients' Customers which is available 24/7, 365 days a year;
- **Self-Managed Service (Cards and NPP)**: This service provides Financial Crimes Clients with access to Cuscal's fraud platform and allows a Financial Crimes Client to set its own rules and monitor its own alerts on its Customers' card and NPP payments on a 24/7 basis; and
- **3D Secure Service (Cards only)**: This service authenticates a cardholder's identity at the time of purchase through Visa Secure, Mastercard Identity Check and eftpos Secure. It is designed to make online shopping transactions safer.

Cuscal will be developing the Vigil service to tailor for the needs and use of its Fintech clients such as PSPs, however, the timeline for development is not yet fixed.

3.2.2.2.2 Core financial crime monitoring capability

In addition to Cuscal's Vigil service, Cuscal monitors for frauds and scams across its client base and across multiple payment types (including NPP and Batch) by using disputes and/or fraud and scam data it receives from its clients, initiating banks, through the NPP and from its membership with the AFCX. In the event there are unusual patterns in that data, Cuscal investigates to understand if there is any fraud or scam activity arising.

For Fintech clients (including PSPs), Cuscal monitors when a client's customer's proportion of disputed NPP transactions exceeds dispute to sales ratios set by Cuscal. Cuscal will engage directly with Fintech clients to investigate any unusual patterns. Cuscal's Fintech clients are required by Cuscal to also undertake ongoing monitoring of their customers to detect unusual patterns and in some instances Cuscal's clients have suspended customers or suspended the release of funds to the payees pending investigation. Where anomalies cannot be explained or are outside pre-determined tolerances, Cuscal will instruct the Fintech client to offboard, or increase oversight over the customer.

As part of this ongoing monitoring of Fintech clients, Cuscal is continuing to invest in additional reporting tools and analytics as well as conducting reviews of Fintech clients' customers. As a result of these reviews, Cuscal and its clients have terminated, suspended or closed accounts for over 55 customers between May 2023 and September 2024.

While Cuscal does not currently charge its clients for these capabilities, these initiatives enhance Cuscal's financial crimes services as well as support Cuscal's own business. As a B2B provider of payment services to clients that provide payment services to their own customers (see **Section 3.4**), Cuscal may be exposed to incidents of fraud and scams indirectly through those client relationships. Cuscal is exposed to risks by sponsoring its clients to various schemes and payment networks (see **Sections 5.2.5** and **5.2.6**). While Cuscal has contractual rights to indemnification from its clients and passes that risk back onto the client, the expansion of Cuscal's core financial crimes monitoring capabilities will further assist to reduce this risk.

3.3 Strategy

3.3.1 Strategic priorities

Cuscal powers seamless and secure connections for its clients and their customers, always.

Cuscal's strategic investments in innovation are prioritised by:

- increasing the relevance of its payment solutions – to evolve offerings and capabilities across card services, payment process switching as an issuer and acquirer, settlement and payment acceptance;
- optimising time and cost to market for its clients – to progressively modernise Cuscal's platforms and processes; and
- expanding client reach.

Cuscal's focus in executing its strategy is multi-dimensional:

- **Client** – focus on traditional clients while diversifying client segments and consistently putting clients first;
- **Business** – retain its B2B approach while supporting its clients who are B2C and delivering commercially viable and value-additive payment solutions;
- **Geography –** continue Australian focus and opportunistically expand in comparable markets such as New Zealand; and
- **Financial** – balancing client value, shareholder returns and investment in innovation.

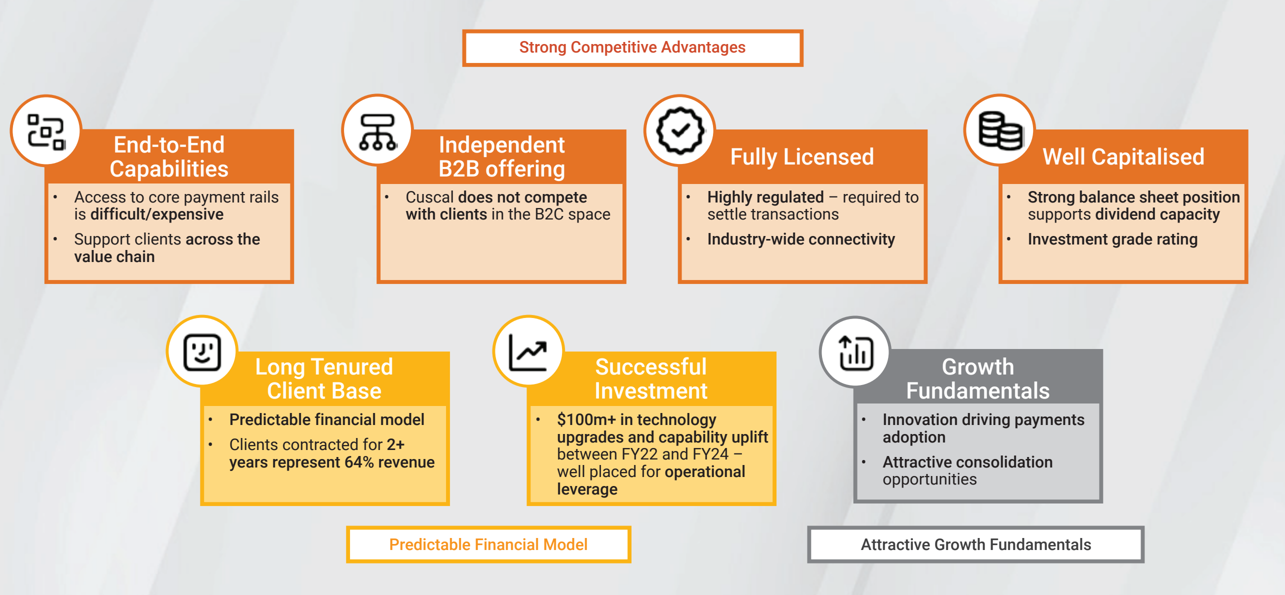
Cuscal sees its future in the Australian payments industry as anchored in its ability to maintain relevance in a sector that is undergoing accelerated transformational change. Being a first mover and early adopter of technology solutions and providing its clients with the ability in turn to offer market leading products to their customers is a key focus of Cuscal's strategy.

Cuscal has a demonstrated track record of evolving and adapting to new market conditions as well as anticipating changing client priorities and expectations through innovation and building a financially sustainable business. It does this through supporting its people and seeks to build a dynamic and forward-looking culture along with new capabilities to effectively respond to the increasingly rapid pace of innovation in the Australian payments industry.

3.3.2 Key Strengths

Cuscal's competitive strengths and differentiation include the following:

Figure 3.1 Key Competitive Strengths



Strong Competitive Advantages

End-to-End Capabilities
- Access to core payment rails is **difficult/expensive**
- Support clients **across the value chain**

Independent B2B offering
- Cuscal **does not compete with clients** in the B2C space

Fully Licensed
- **Highly regulated** – required to settle transactions
- **Industry-wide connectivity**

Well Capitalised
- **Strong balance sheet position** supports **dividend capacity**
- **Investment grade rating**

Long Tenured Client Base
- **Predictable financial model**
- Clients contracted for **2+ years represent 64% revenue**

Successful Investment
- **$100m+ in technology upgrades and capability uplift** between FY22 and FY24 – well placed for **operational leverage**

Growth Fundamentals
- **Innovation driving payments adoption**
- **Attractive consolidation** opportunities

Predictable Financial Model

Attractive Growth Fundamentals

3.3 Strategy continued

3.3.2.1 End-to-End Capabilities

Most payments infrastructure service providers specialise in providing specific capabilities to their clients. Cuscal offers connectivity across the full range of payment types and regulated data services in Australia. Other payments infrastructure service providers that compete with Cuscal include Indue and ASL, as well as Fiserv.

Outside of the Major Banks, Cuscal is the only payments infrastructure service provider, with a focus on B2B channels, to possess capabilities across all major payment types, from card and digital payments, to Batch and real-time payments, as well as regulated data services.

Cuscal's end-to-end payment services are delivered through infrastructure, licensing and other capabilities that have been developed over many years. For a new entrant competitor to replicate Cuscal's capability, it would require extensive development of connectivity, compliance, licensing and technology infrastructure as well as the internal capability and resourcing to operate.

In particular, to perform the full spectrum of services that Cuscal offers, it is necessary to hold an ADI. Given the significant regulatory, compliance and capital restraints associated with holding an ADI, this presents a significant cost to new entrants looking to offer capabilities such as settlement and full NPP connectivity.

3.3.2.2 Agnostic, Independent B2B Offering

Cuscal provides core payments infrastructure connectivity services to B2B channels, allowing Cuscal to remain agnostic and independent of its clients and their customers and sit alongside offerings from other large competitors (i.e. the Major Banks).

Cuscal has independently developed the technology infrastructure through a combination of internally developed and externally licensed software and other technology products to enable it to deliver services to its clients.

Cuscal's independent offering allows it to:

- manage approximately 10.6m cards (credit, debit and prepaid) on behalf of over 54 clients with the provision of end-to-end services (as at 30 June 2024);
- sponsor clients into the Australian payments network and international card schemes;
- provide clients access to mobile banking features and other digital solutions via APIs;
- allow clients' customers to add a card to Apple Pay, Android Pay and Samsung Pay through a mobile banking app;
- allow 24 clients to acquire card transactions for in-store, online or ATMs (as at 30 June 2024);
- enable Batch and real-time payments (inward and outward) on behalf of over 88 clients (as at 30 June 2024); and
- enable the smooth flow of regulated payments data, processing 16% of all transactions on the NPP for the year ended 30 June 2024.

3.3.2.3 Fully Licensed

Cuscal holds the licences, authorisation and accreditations required to provide its current services, which are often difficult to obtain. This is essential in giving its clients access to payments capabilities.

Cuscal is also an ADI and is therefore subject to regulation by APRA. In order to provide settlement services, as well as directly connect to the NPP, a provider needs to be an ADI, requiring it to hold regulatory capital and be subject to APRA's regulatory standards. For a number of businesses, it may not be practicable to become an ADI and meet these regulatory requirements.

Cuscal is also PCI Data Security Standard compliant, ensuring safe data handling, security and privacy protection for customers' card data.

Cuscal also has extensive experience working with industry boards and committees. It has a long history of working with both domestic and international bodies which has entrenched Cuscal's unique position within the sector. This industry engagement includes aligning on the roll-out of new payment capability and decommissioning old payment types (for example cheques) as well as providing perspectives on behalf of its diverse client base.

Cuscal is a member of a number of industry bodies and representatives from Cuscal sit on some of these boards and committees, including:

- Australian Payments Network Limited;
- Australian Payments Plus;
- PCI Security Standards Council;
- Australian Banking Association;
- AFCX; and
- CUFSS (Mutual Banking Industry Liquidity Fund).

3.3.2.4 Well Capitalised Balance Sheet

Cuscal's well capitalised balance sheet, regulatory capital requirements and investment grade credit rating are key competitive differentiators versus potential new entrants.

Cuscal has historically maintained a strong capital position and its capital adequacy ratio has always been in excess of regulatory and internal capital requirements.

3.3.2.5 Long Tenured Client Base

Cuscal maintains long-term relationships with its clients and has a history of low client churn, particularly those clients with revenue contributions of greater than $250,000 per annum. Revenue of churned clients represents only approximately 1% of total revenue generated over the last three years ended 30 June 2024. In addition to low client churn, Cuscal generates the majority of its revenue through long-term contracts. Approximately 64% of Cuscal's revenue for the 12 months ended 30 June 2024 was attributable to contracts with two or more years remaining in the initial service period. Approximately 7% of Cuscal's revenue for the past 12 months ended 30 June 2024 was attributable to evergreen contracts (being contracts which have run beyond their initial service period and have no end date provided that they are not terminated by the customer with six months' notice) (**Evergreen**). This long-contracted customer base demonstrates Cuscal's valuable relationships with its clients and the stability of its revenue streams. During the initial service period, clients may terminate by giving 90 days' notice but must pay certain termination fees. Where possible, Cuscal actively renews contracts within the initial service period.

3.3 Strategy continued

3.3.2.6 Track Record of Successful Investment

Cuscal has a demonstrated track record of investment in new technology and products highlighting its constant focus on innovation and emerging technologies and optimising customer experiences. These investments include:

- **NPP and PayTo:** The public launch of the NPP occurred on 13 February 2018 and was immediately available to 40 of Cuscal's FIs, comprising more than 60% of the total entities enabled on day one. In comparison, ANZ did not go live on the NPP until August 2018, and national access for Westpac customers was delayed until 2019. Cuscal has built a strong position as an access gateway and currently provides services to over half of all the entities accessing the NPP. Separately, the PayTo service commenced roll-out in mid-2022, and many of Cuscal's clients were enabled in October 2022, with CBA the only one of the Major Banks to match Cuscal's delivery time.
- **86 400:** In 2019, Cuscal launched and provided the initial investment for the neo-bank (i.e. a bank that operates solely online) named 86 400. To enhance its digital credentials, Cuscal seeded and developed a complete banking technology set from scratch and then capitalised, licensed and brought this technology into operation as one of the few neo-banks in Australia. Cuscal's stake in 86 400 was sold to NAB in 2021 at an enterprise value of $261m, generating a return on invested capital in excess of 120%. The development and successful sale of 86 400 demonstrates Cuscal's success in technological innovation and its capability to be a leader in innovation. Following the sale, Cuscal continues to provide services to 86 400, now part of Ubank, providing exposure for Cuscal to one of the Major Banks.
- **Basiq:** In 2023, Cuscal acquired a material controlling position in Basiq, a data and Open Banking API platform, strengthening Cuscal's existing Open Banking infrastructure. Cuscal subsequently increased its investment, acquiring full ownership of Basiq in July 2024. The acquisition means that Cuscal is now able to offer a broader range of services, and removes the need, cost and time for Cuscal to build its own solution. This means that Cuscal is already able to offer customers a combination of end-to-end payments and CDR solutions which it believes is currently unique in the Australian market. The acquisition demonstrates Cuscal's continued focus on investing in future payments and Open Banking industry opportunities. Cuscal is disciplined in its approach to inorganic growth, whereby Cuscal executes on investments that have clear identifiable benefits for accelerating the delivery of its product offering to its customers.

3.3.2.7 Growth Fundamentals

Cuscal is well positioned to grow with its clients, with the volume of non-cash payments by number (being a key driver in Cuscal's revenue model) in the Australian market increasing by 8.8% on a CAGR basis from 2020 to 2024 (see **Section 2** for further information). Cuscal has strategically positioned itself to ensure it has capabilities in key areas of the industry that are projected to see heightened growth, namely debit card payments and the NPP. More broadly, Cuscal has invested, and continues to invest, in increasing the relevance, capacity, resilience and efficiency of its technology platforms which are anticipated to help deliver growth, positive operational leverage and margin expansion in future periods.

Furthermore, beyond its core capabilities, Cuscal continues to monitor for inorganic growth opportunities, and continues to invest in its regulated data services offering, providing further potential pathways to continued growth. For more information on Cuscal's growth opportunities see **Section 3.8**.

3.4 Clients

Cuscal has focused on building an extensive, loyal and diversified client base for many years. Some of Cuscal's clients have been with Cuscal and its predecessors for over 40 years, highlighting Cuscal's ability to build trusted, long-standing client relationships. Cuscal prides itself on its ability to deliver relevant solutions and adapt product offerings to suit specific target markets. **Figure 3.2** demonstrates Cuscal's diversified client base.

Figure 3.2 Cuscal's Diversified Client Base

While Cuscal's top 10 clients accounted for approximately 57% of gross fee and commission revenue in FY24 (excluding scheme incentive and passthrough revenue), the make-up of this client base has evolved in recent years as Cuscal has expanded its product offering and capabilities. While historically Cuscal focused predominately on servicing the mutual ADIs that were originally responsible for Cuscal's inception, the acquisition of SPS in 2014 expanded Cuscal's payments capabilities and in doing so facilitated the evolution of its client and shareholding bases. Prior to the acquisition of SPS, Cuscal's clients predominantly consisted of mutual ADIs. Mutual ADIs accounted for 44.6% of the client base by number as at 30 June 2024. The remaining 55.4% consists of ADIs outside of the mutuals, as well as non-ADIs in the form of Fintechs and corporates. This has facilitated diversification of revenue streams, de-risking client concentration and providing Cuscal with new opportunities for growth as the different segments present their own unique requirements.

3.4 Clients continued

Cuscal groups its clients to tailor relationship engagement, with primary segmentation occurring by industry classification, allowing for understanding of specific client needs within each industry vertical in greater detail. This also allows Cuscal's Client Partnership Managers (**CPMs**) to build and develop specialisations within their vertical. The rationale behind this segmentation is that generally clients within the same vertical have common product and service usage, therefore sharing similar servicing and engagement needs (see **Table 3.3**).

Table 3.3 Cuscal Client Segmentation (as at 30 June 2024)

	ADIs		Non-ADIs	
Segment	**Mutual ADIs**	**ADIs**	**Fintechs**	**Financial Services/ Corporates**
Description	Banks owned by their members	Private banks, listed banks	Fintechs that facilitate B2B or B2C payments; specialised Fintechs including PSPs	Non-FI government organisations and corporations
Key Product/Service Demands	Core capabilities		Varied	Varied
Clients (#)	41	12	22	17
% contribution to FY24 gross fee and commission revenue	53%	27%	16%	4%

While clients are segmented to help tailor solutions, all clients are serviced by a dedicated team to monitor their engagement and maintain the relationship.

This strong focus on maintaining client relationships helps protect Cuscal's revenue base and is a large contributor to the strong relationships Cuscal enjoys with its clients. Cuscal's segmentation not only ensures each client's needs are proactively met but also helps in identifying trends that can assist in developing new product offerings and cross-selling existing Cuscal products.

Beyond driving organic growth from existing clients, Cuscal's dedicated business development team is helping to build diversification through the expansion of the client base. This provides opportunities to distribute higher growth products, as newer Fintech clients look to expand their capabilities and grow. The increasing revenue from new Fintech clients demonstrates this opportunity, growing from approximately $2m in FY17 to approximately $41m in FY24.

Almost one quarter of all of Cuscal's clients have become clients of Cuscal in the last five years, several of which are new entrants to the Australian market. Key new client wins in FY23 and FY24 reflect Cuscal's strategy to diversify its client base outside of the banking sector while continuing to grow its Mutual ADI client segment. New clients feature a range of traditional payments businesses as well as Fintechs including Paypa Plane, EonX and Gocardless, and Mutual ADIs such as G&C Mutual Bank and Hume Bank. As part of Cuscal's strategy to grow its client base through the addition of new Fintech and PSP clients, Cuscal has broadened its exposure to a wider set of indirect customers that its client base interacts with. This has been a careful process, whereby Cuscal only onboards new PSP clients that are themselves licensed by ASIC through holding an AFSL or operate under an exemption and have the financial capacity to provide security deposits. These clients expose Cuscal to new growth opportunities and help Cuscal deliver better service propositions.

A limited number of Cuscal's Fintech clients operate as PSPs enabling payment capabilities for their own customers utilising Cuscal's services. As noted in **Section 2.4.1.3.3**, these customers of Cuscal's PSP clients may include DCEs. However, Cuscal does not have any direct clients that are DCEs. Furthermore, Cuscal has been proactively managing this risk. Since 2022, Cuscal's PSP clients have exited 11 DCEs following a referral or instruction by Cuscal, including Binance (exited by Cuscal's PSP clients in May 2023). Cuscal retains the ability to instruct its clients to terminate their own customer relationships as part of its contracting process (as well as the indemnification it benefits from as described in **Section 3.2.2.2.2**).

Additionally, as part of Cuscal's controlled approach to growth in the PSP sector, Cuscal has implemented broader policies that prohibit PSP clients from entering into new relationships with DCEs and has increased the scope of its monitoring and audit processes of its clients' onboarding and KYC processes. This remains an ongoing focus for Cuscal which continues to invest significant time and resources in these areas to mitigate risk, add value to its clients and reinforce its broader role in the market as a facilitator to competitive, open access to the Australian payment ecosystem. As the regulatory focus on high risk merchants (including DCEs) develops and matures (see **Section 2.4.1.3**), Cuscal will continue to enhance these areas to ensure they remain fit-for-purpose and mitigate the risks posed by the misuse of high risk merchants (with a particular focus on new merchants onboarded) while balancing the need to comply with industry guidance (such as AUSTRAC's guidance on de-banking) on the need to avoid de-banking legitimate businesses. A development to help with monitoring payments involving high risk merchants has been the use of individual BSBs allocated on a merchant or merchant segment basis, enabling Cuscal to better identify, filter and segregate payments data attributable to specific merchants or merchant segments to assist with monitoring activity involving downstream merchants.

A further area where Cuscal is increasingly focused on supporting its clients is through encouraging its clients to employ 'best practices' around regulatory responses in areas such as CPS 230 (see **Section 2.4.6.4**) and scams and fraud, given Cuscal operates as a common provider of payment and regulated data services to many industry participants, and gains visibility into a range of potential response strategies.

This engagement includes Cuscal's membership with the ABA and the AFCX as well as regularly engaging with COBA to help share perspectives. This remains an area that will need continued investment and development given the evolving nature of risks and the regulatory responses to those risks. Cuscal continues to monitor emerging trends in the broader market and the potential impacts to its business as well as its clients and will take proactive steps where needed to either adjust broader business practices (including off-boarding of clients where required) or recommend client process changes to help better protect those clients' end customers such as suggesting introducing multi-factor authentication or confirmation of payee to help minimise erroneous or fraudulent payments.

3.5 Technology Strategy

Cuscal operates in a highly regulated and complex technological landscape. Cuscal's technology platforms must operate seamlessly to meet the needs of both Cuscal and its clients. To foster operational continuity, security, resilience and data integrity, Cuscal's technology must comply with strict standards set by APRA and other regulatory bodies, along with scheme and industry-based requirements.

3.5.1 Operationalisation of Technology Strategy

Cuscal's technology strategy is being operationalised through a flexible model that leverages a mix of in-house development, purchased solutions, and partnerships with trusted providers to deliver cost-effective services. This model is supported by three key pillars:

- **Build:** Technology developed in-house by Cuscal.
- **Buy:** Purchased solutions that Cuscal configures and uses as needed.
- **Partner:** Collaborations with Software-as-a-Service (SaaS) providers to meet specific technological requirements.

Across all pillars, Cuscal retains autonomy over its core technologies, giving it control over feature adoption, upgrades, patches and releases. This independence supports Cuscal to maintain flexibility in choosing and switching technology providers as client needs evolve and superior solutions become available.

In-house (Build) and purchased (Buy) solutions are hosted within Cuscal's hybrid cloud environment whereby some systems are deployed to two physical separate data centres located in New South Wales and across cloud providers in Australian regions. These data centres and cloud providers support a variety of applications that form Cuscal's core technology stack. Multiple databases are used to handle the large volumes of information that flow through Cuscal's systems.

Recent strategic investment projects (**SIPs**) include upgrades to the NPP PayTo system, open banking initiatives, improvements to the Issuing switch, enhanced financial crime monitoring capabilities, core banking system replacements, and the deployment of a new Card Management System (CMS). For cloud-based Partner solutions, Cuscal has partnered with Amazon Web Services (AWS) to host systems in a cloud environment. These systems are housed in AWS's environments rather than Cuscal's own environment. Cuscal also leverages multi-cloud capability via Microsoft Azure cloud services to support connectivity services to SaaS services and client cloud environments.

As part of Cuscal's ongoing operating, risk and technology uplift programs, as well as other investments in the business, the Company expects to spend $20-30m annually on SIPs in the near and medium term related to such initiatives. Further details related to historical and FY25 operating expenditure related to SIPs can be found in **Section 4.9.1.3.**

3.5.2 API Strategy and Microservices Architecture

Cuscal's API strategy is a cornerstone of its technology framework, which is a continuously evolving strategy which is designed to enable the delivery of intelligent and responsive services to clients. This strategy is implemented through a microservices architecture, a key enabler of flexibility and scalability. Microservices architecture involves breaking down a system into smaller, independently deployable services, each responsible for a specific function within the broader system. This allows Cuscal to develop, deploy and scale different components of its technology stack independently, with the goal of improving agility and responsiveness to client needs.

By using a microservices approach, Cuscal can deliver more efficient and tailored solutions to clients. APIs facilitate interaction between these microservices, with the aim of optimising transaction processing, enhancing fraud detection, and providing predictive insights that meet the unique needs of businesses. This architecture supports the delivery of high service levels and a seamless client experience, which is essential in today's fast-moving business environment.

3.5.3 Data Strategy

At the core of Cuscal's data approach is the collection, protection and analysis of payments data to drive innovation, enhance customer experiences and ensure compliance.

Cuscal's data strategy is built on three foundational principles:

- **Purpose-led data minimisation:** Only necessary and relevant data is collected to perform requested activities.
- **Client control over data sharing:** Clients can adjust the amount of data they share with Cuscal.
- **Data portability:** Clients maintain the right to transfer their data.

As Cuscal expands beyond payments to transactions that encompass both payments and data, new data sources are emerging. These developments are driven by operational changes such as the build-out of Regulated Data services and the growing need for Financial Crime services to detect scams.

3.5.4 Delivery Technologies

3.5.4.1 Core Payments Infrastructure Technology

Cuscal's core payments infrastructure is supported by technology that enables its issuing, acquiring and payments capabilities. This infrastructure, outlined in **Table 3.4**, has been built and maintained via ongoing investment.

Table 3.4 Cuscal Infrastructure Technology

Technology	Overview
Issuing Switch	The core piece of infrastructure supporting Cuscal's issuing capabilities. Utilised by Cuscal to connect to the underlying payment rail to process card transactions on behalf of its clients. The technology was upgraded in 2022 and operates out of Cuscal's data centres. It runs 24/7 to facilitate transactions at any time of the day.
Acquiring Switch	Similar to issuing, the acquiring capabilities rely on a separate acquiring switch. This switch allows Cuscal to connect to the underlying payment rails to request payments on behalf of its merchant acquirers. This capability, like the issuing switch, is operated using Cuscal's data centres.
APIs	Cuscal's APIs and card enablement technologies enable a range of functions including its ability to offer services such as Apple Pay, Google Pay and Samsung Pay. These APIs are used to enable access to the device, merchant management functions and transaction details. Additionally, client APIs are utilised to access payments while client portals allow for management of back-office administration. Non-card-based transactions are facilitated through Cuscal's payment technologies such as NPP or Batch payments.
Fraud	Cuscal partners with Feedzai to enable its fraud service to monitor card issuing and real-time payment transactions. The Feedzai technology utilises an AWS cloud located in Australia, introducing resiliency through the implementation of a cloud-based environment in 2022. As discussed in **Section 3.2.2.2**, this service offering is currently limited to predominantly ADI clients; however it is anticipated that this capability will be expanded in the future to a wider client base.

3.5 Technology Strategy continued

3.5.4.2 Regulated Data Services

Cuscal's Open Banking API platform uses technologies hosted on the AWS cloud to provide access to user consented account and transaction data in real time. Cuscal plans to continue to enhance and build new API capability leveraging the AWS cloud to increase its regulated data services capabilities to facilitate action and initiate capabilities (see **Section 2.3** for further details).

3.5.4.3 Data Analytics

Cuscal leverages third-party providers for its data lake and data security platforms, both hosted in AWS Cloud. Initially used for reporting, the data lake is now transitioning to support more sophisticated analytics, particularly in financial crime detection through machine learning models. Moving forward, Cuscal plans to expand its analytics capabilities and explore adjacent data sets to strengthen its core offerings.

3.5.5 Backup Servicing, Disaster Recovery and Resilience

Cuscal's ability to recover and restore services during a disruption is critical to mitigating client impact and ensuring business service. Cuscal is committed to maintaining continuous operations, even in the event of extreme events or disasters that could threaten its systems. With the aim of achieving this, Cuscal has developed a disaster recovery strategy that incorporates consideration of multiple scenarios, ranging from the failure of individual components or systems to full-scale outages requiring restoration from backups. These scenarios are designed to simulate real-world conditions, allowing for thorough testing of recovery procedures.

Cuscal's disaster recovery testing is conducted at least once per year for each core capability, or sooner if significant technological changes occur. Notably, each of Cuscal's two data centres is equipped to handle 100% of Cuscal's transaction capacity in the event of a localised outage. To support a high level of resilience, Cuscal performs periodic recovery tests in alignment with its business continuity plan.

Cuscal has also made significant investments to further strengthen its resilience in key areas:

- **Incident Communications:** Enhancing the client experience by improving incident communication through advancements in tools, processes and staff training.
- **Incident Resolution:** Refining the Business Services Framework to ensure disaster recovery (DR) plans and runbooks are cohesive and aligned with an updated DR testing strategy, ensuring the continuity of critical services.
- **Incident Prevention:** Expanding preventative measures to enhance system resilience, improving the client experience even during data centre or system failures.

These efforts enable Cuscal to be well prepared to maintain service continuity, safeguarding its operations for clients.

See **Section 5** for further information.

3.6 Operations

3.6.1 Transformation of Cuscal's Operating Model

Cuscal has undertaken a significant investment program to realign its operating model and improve its operational capability and technology. In doing so, Cuscal is now better positioned to support clients and help achieve economies of scale as it grows with its existing clients or wins new clients. This improvement process was commenced in the first quarter of FY22 and required investment in a number of areas including Cuscal's operational capability and how it provides services to clients as well as upgrades to its technology and development capability described in **Section 3.5**.

The transformation program is aligned to Cuscal's strategic priorities by investing in innovation, reducing time and cost to market, increasing the relevance of Cuscal's payment solutions and growing Cuscal's client base. This program is focused on Cuscal's ways of working and specifically how its people and teams are organised, so that clients could benefit from both consistent service delivery of existing products and services as well as continued focus on innovation and offering of new products at the same time. The transformation has removed the need for Cuscal to rely on separate teams to deliver current and new products which may not have previously been delivered concurrently. While this did increase operating costs in FY24, it has helped to better balance Cuscal's ability to deliver services and products as well as innovate. It has also helped to make Cuscal's operating model more agile as staff are able to more easily pivot between roles to meet client needs as well as supporting operational resilience by reducing key person risk and standardising processes for clients (such as the process for clients to be onboarded and commence using Cuscal's services across various capabilities). Standardising processes in Cuscal's operating model has helped Cuscal minimise complexity by limiting the need for bespoke processes or implementations when providing payment processing for each of its clients.

As part of the implementation of the new operational model, Cuscal has also instituted a test and learn culture into the way it delivers new processes. This means that as it implements a new process, such as how a type of payment is made or reported, Cuscal has created review procedures that assess how the process has worked, what it could improve and how those improvements could be implemented as well as scaled to work on larger volumes and be easily repeated for other clients that require a similar service. This should allow Cuscal over the longer term to continue to deliver the efficiency benefits of scale and reduce marginal cost through better repeatability of delivery of its products and services, with lower outages, more automation and better customer satisfaction.

In response to the increased regulatory focus on scams and fraudulent activity discussed in **Section 2.4.1.3.1**, Cuscal has established a dedicated Financial Crimes Domain to lead Cuscal's fraud and scam strategy and the implementation of new systems and policies to respond to these emerging industry dynamics across all payment types and channels. The Financial Crimes Domain has 30.5 FTE as at 30 June 2024. For further detail on the various initiatives Cuscal has embarked on to combat fraud and scams, please refer to **Section 3.7.7**.

The design and implementation of these systems and policies are in the process of being completed and the full functionality from these organisational and policy changes is yet to be fully realised. Cuscal continues to invest significant time and resources in these areas to help minimise risk, add value to its clients and reinforce its broader role in the market.

3.6 Operations continued

3.6.2 People

3.6.2.1 Employees

As at 30 June 2024, Cuscal had 693.6 FTE across its consolidated group (including Basiq).

Cuscal's employee base is diverse. Cuscal benefits from this diversity which brings broader perspectives and helps support creative thinking within Cuscal's workforce. As at 30 June 2024, Cuscal's consolidated gender composition by Headcount was as follows:

- 50% females on the Board.
- 37.5% of females in senior leadership roles*.
- 34.3% of females in people leadership roles.
- 41.3% of females across all employees.

*Defined as those employees who are members of the Senior Leadership Team and the Executive Leadership Team.

Cuscal is also a 'relevant employer' under the *Workplace Gender Equality Act 2012* (Cth) and has submitted reports on the standardised gender equality indicators to the Workplace Gender Equality Agency.

Cuscal's people are central to the business and are essential to upholding culture. Under this philosophy, Cuscal's team is continually working to embody Cuscal's values as outlined in **Figure 3.3**.

Figure 3.3 Cuscal's Values

We earn Trust

We are One Team

We Think Customer

We Adapt and Adopt

3.7 Risk Management

3.7.1 Overview

Risk management is critical for any ADI, and particularly one operating in a dynamic environment with increasing regulatory requirements. Cuscal seeks to manage the risks inherent in its business activities and operations by maintaining an effective risk management framework and strategy that enables it to identify, analyse and manage current and emerging risks to its business.

Cuscal is committed to managing risks in a manner that has due regard to the interests of relevant stakeholders, including shareholders, clients and their customers as well as regulators. Cuscal's risk management framework and strategy outlines Cuscal's approach to managing its material risks and includes a risk appetite statement that sets the degree of risk that Cuscal is prepared to accept in pursuit of its strategic objectives. The objectives of Cuscal's risk management framework and strategy include to enable Cuscal to:

- identify, analyse and manage material risks at Cuscal;
- ensure that appropriate strategies and policies, and effective operating controls and other risk mitigants, are in place and operating effectively;
- provide reliable and meaningful risk information (reporting) to decision makers;
- ensure there is adequate governance and oversight of Cuscal's risk profile; and
- facilitate a sound risk culture.

Further details regarding Cuscal's approach to risk management are set out in Section 3.7.5.

Cuscal is in the process of implementing a risk management enhancement program as part of its commitment to continuous improvement and maturity in its governance, accountability, risk culture and risk management practices in line with prudential regulatory requirements. Cuscal has developed a consolidated program to strengthen its risk management foundations and to support progressive change and improvements to align to regulatory expectations and continue to build a resilient business which is positioned to achieve sound and prudent growth in pursuit of its strategic objectives and business plan. The program has commenced and will continue for a two-year period from the date of this Prospectus. The program comprises a comprehensive response to upcoming regulatory changes, Cuscal's interactions with regulators and the outcomes of internal and external reviews of its approach to risk management, as well as management self-assessments, including against common control weaknesses notified to the industry by APRA. The improvements being implemented as part of the program include activities to strengthen and mature Cuscal's operational risk management and compliance framework, which is currently being improved to comply with APRA's new Prudential Standard CPS 230 Operational Risk effective 1 July 2025. Cuscal's program of work also encompasses improvements in its management of technology, data and information security, scams and fraud management, as well as Cuscal's business continuity arrangements and service provider management which are key areas of focus under CPS 230.

This work is designed to strengthen Cuscal's operational resilience and builds on a technology resilience program undertaken in 2023-2024 to enhance processes and practices in relation to incident prevention, incident communications and incident resolution and add value to its technology practices, its clients and their customers.

3.7 Risk Management continued

3.7.2 Risk Governance

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

The Board is ultimately responsible for Cuscal's Risk Management Framework and Strategy (**RMFS**) and is responsible for the oversight of its operation by management.

In discharging its responsibilities, the Board is supported by a number of Board sub-committees dedicated to specific risk areas, including the Board Risk Committee, Board Audit Committee, and Board Governance and Remuneration Committee (which, from Listing, will become the Board Remuneration and Nominations Committee).

The Board delegates responsibility for the day-to-day management of risk to the Managing Director, who sub-delegates to the Executive Leadership Team via the Enterprise Risk Committee (**ERCo**). The ERCo is comprised of senior leaders including Cuscal's Chief Risk Officer (**CRO**) and assesses a range of risks identified in the key risk categories within Cuscal's Risk Management Framework (see **Section 3.7.3**) and by the Asset and Liability Committee (**ALCo**). The ALCo primarily assesses balance sheet, capital and treasury risks for Cuscal and its management of liquidity and interest rate risk, to ensure it has appropriate cash and cash equivalents to meet its liabilities as they become due (see **Section 4.12** for further information). Each committee has specific responsibilities to support the Managing Director and Board of Directors in managing risk.

With the objective of achieving effective risk management and risk governance, Cuscal employs a three lines of defence risk management and assurance model. The three lines of defence model provides defined risk ownership responsibilities with functionally independent oversight and assurance. Cuscal's risk governance model is built around the following three elements:

- **First line of defence is the business**. The business 'owns' the risk and is responsible for ensuring that there is an effective control environment in place to appropriately manage the risk within Cuscal's risk appetite.
- **Second line of defence** is the independent risk management and compliance function. The function develops risk management policies, systems and processes to promote a consistent approach to risk management, and provides independent review and challenge to ensure first line controls are appropriate.
- **Third line of defence** is the independent audit function (both internal and external). The function provides independent assurance that the risk management framework is adequate and is operating effectively.

Cuscal's Board has delegated to the Managing Director and senior management primary ownership and responsibility for implementing sound risk management practices and controls in line with the Board approved risk appetite. Cuscal's CRO plays a central role in the governance of Cuscal's risk, sitting in Line 2 of Cuscal's risk governance, and has a direct reporting line to the Managing Director and regular and unfettered access to the Board and Board Risk Committee.

3.7.3 Risk Management Framework and Strategy (RMFS)

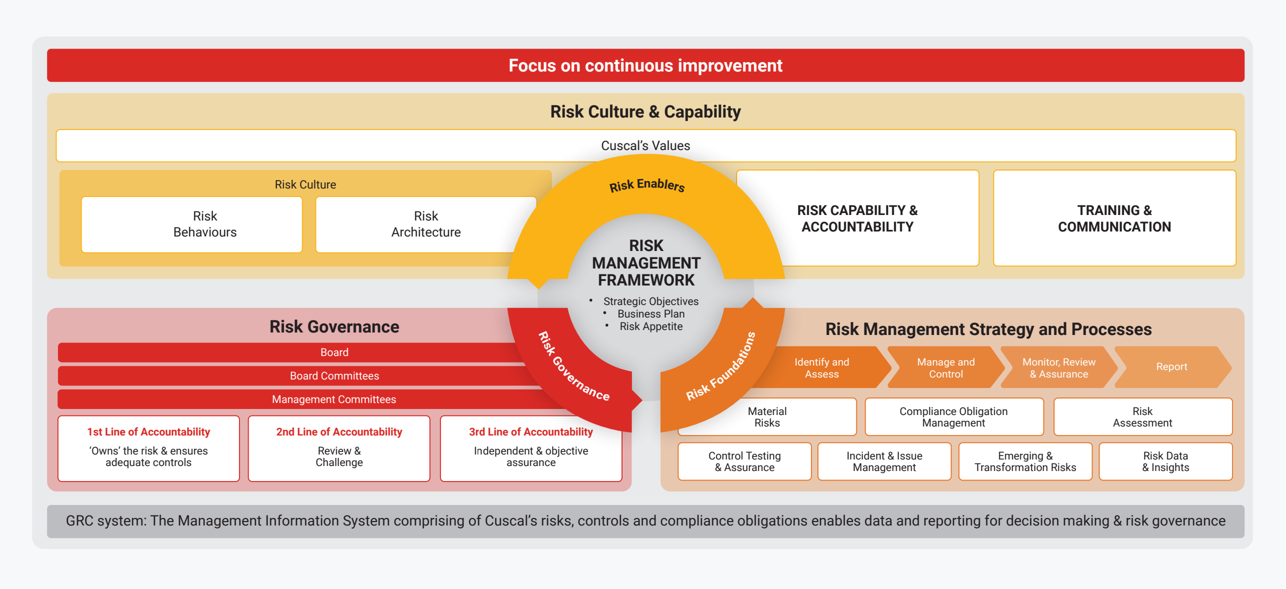
The RMFS enables the appropriate development and implementation of strategies, policies, procedures and controls to manage different types of material risks and provides the Board with a comprehensive institution-wide view of material risks.

The RMFS is the totality of systems, structures, policies, processes and people within Cuscal that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk. It provides the structure for identifying and managing Cuscal's material risks to ensure that Cuscal is being prudently and soundly managed, having regard to its size, business mix and complexity of its operations.

Cuscal manages risk within the parameters of its RMFS, with the aim of ensuring there is clear accountability and responsibility for risk management across Cuscal, including robust review and challenge.

The following diagram outlines Cuscal's RMFS:

Figure 3.4 Cuscal's RMFS



3.7.4 Risk Appetite Statement (RAS)

The Board sets the risk appetite within which it expects management to operate and approves Cuscal's RAS. The RAS is used to communicate the expectations of Cuscal's Board in relation to how much risk Cuscal is willing to accept in the pursuit of its strategic objectives and business plan.

Cuscal reviews its RAS on a regular basis in conjunction with the development and review of its strategic plans and business experience.

3.7.5 Key Risk Categories

Cuscal's material risks fall into two broad categories: financial risks and non-financial risks. Cuscal recently amended its key risk categories as part of its risk review and enhancement program referred to in **Section 3.7.7** below.

3.7.5.1 Financial Risk

Cuscal actively manages a range of financial risks, including the following:

- **Capital Adequacy and Liquidity Risk:** The Board has delegated responsibility for monitoring capital adequacy and liquidity risks to the ALCo, with regular reporting also provided to the ERCo through the CRO report and to the Board Audit Committee and Board Risk Committee.

  Capital risk is the risk of an inadequate level or composition of capital to support normal business activities and to meet regulatory capital requirements under normal operating environments or stressed conditions. Cuscal is required to maintain an appropriate level and quality of capital commensurate with the type, amount and concentration of risks to which Cuscal is exposed. This is achieved by complying with policies and restrictions imposed by APRA, and providing ongoing reporting to APRA in respect of the risks associated with client deposits.

  Cuscal maintains an Internal Capital Adequacy Assessment Process (**ICAAP**) which is approved by the Board. Cuscal's ICAAP includes, among other things, policies, procedures, systems, controls and personnel to identify, measure, monitor and manage the risks arising from Cuscal's activities on a continuous basis, and the capital held against such risks, and a strategy for ensuring that adequate capital is maintained over time.

3.7 Risk Management continued

Cuscal manages liquidity risk by continuously monitoring the time and cost to liquidate its financial assets to meet any unexpected calls on liquidity and APRA prudential standards. The cost of immediate liquidity also includes analysis of the amount of funds immediately available from entering repurchase agreements with the Reserve Bank of Australia for eligible securities.

To manage Cuscal's liabilities and assets (which is in the form of client deposits of cash which are typically held at call and short term), Cuscal's Treasury function has the ability to invest in financial instruments, in accordance with detailed policies set by the Board. The investments held are high rated securities with Australian banks, as well as Government or Semi-Government Bonds, generally in the form of fixed interest securities, discounted instruments and floating rate instruments, purchased with the intention to hold for the long term, including to maturity. These assets are carried at fair value with changes recorded in other comprehensive income, and Cuscal earns interest income as a result of its investment in these securities.

- **Market Risk:** Market risk is the risk of change in the value of Cuscal's banking book positions as a result of a change in financial market risk factors. It arises from positions in the interest rate, direct equities, foreign exchange and credit spread markets. Cuscal's market risk includes the following:
  - **Interest rate risk**, the risk of loss due to changes, including volatility 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 three months;
  - **Direct equity risk**, arises from exposure to equity investments in assets or counterparties. In each case, the total investment is approved directly by the Board;
  - **Foreign exchange risk**, is the risk of loss due to changes in exchange rates and/or the volatility of exchange rates;
  - **Credit spread risk**, is the risk of loss due to changes in credit spreads.

  Inadequate market risk management can lead to losses arising from changes in the general level of market prices. Cuscal is exposed to interest rate risk through the potential mismatch between the interest rate sensitivity of deposits placed by clients and assets held in its liquidity book. Cuscal market risk exposure is managed under the Treasury Risk Management Policy. The Policy requires that risks are managed and monitored using a range of techniques such as sensitivity analysis, concentration analysis and stress testing. The policy also restricts the potential losses from changes in economic value and net interest income. Additionally, the policy contains stop loss limits requiring action to be taken promptly in the event of losses.
- **Credit Risk:** Credit risk is defined as the potential for loss arising from the failure of a counterparty to meet its contractual obligations to the business in accordance with agreed terms.

  To manage credit risk, the Board Risk Committee, in accordance with the relevant policies, reviews, endorses and/or approves credit proposals falling outside of management's delegated lending authority, including large exposures.

  Each counterparty has an assigned total settlement 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 as well as contractual rights to indemnification from its clients and passes that risk back onto the client to mitigate exposure as a sponsor to the payment rails.

  Among the factors that mitigate against impairment of Cuscal's credit exposure are:
  - the strong and on-going monitoring of clients;
  - the relatively strong security position of Cuscal, with clients secured by cash deposits with rights of offset;
  - the majority of Cuscal's largest clients are themselves ADIs, subject to regulation by APRA.

3.7.5.2 Non-Financial Risk

Cuscal's non-financial risks include and are not limited to:

- **Strategic risk**: which is defined as the current or prospective risk of loss (including loss of earnings or excess operating costs) resulting from Cuscal's inability to pursue, execute and deliver its strategic and business objectives. This includes the risks of strategy formulation by ineffective strategic planning as well as those impacting the execution of the strategy and unexpected business impacts (including emerging risk).

  Cuscal's business planning process is integrated with the RMFS and RAS. The annual review is currently underway to ensure alignment and that the business plan considers the refreshed RAS and the impact of the strategy on Cuscal's updated enterprise risk profile. The strategic planning process governs the development and management of Cuscal's strategy along with identifying any concerns such as areas of increased risk, changes in the environment or prioritisation and allocation of resources. The RMFS assists in providing relevant information to senior management and the Board to facilitate their respective roles in the strategy and business planning process.

- **Compliance and conduct risk**: which is defined as the risk of legal or regulatory sanction, financial or reputational loss, arising from Cuscal's non-compliance with conduct, laws, regulatory requirements and industry standards.

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

  Cuscal has no appetite for deliberate or negligent breaches of legislation or compliance obligations. Cuscal acknowledges that while some minor operational non-compliance with legislative and compliance obligations will occur, these should be infrequent in nature and require immediate remediation plans.

  Cuscal must not deal with parties where the country, person or entity is subject to Australian autonomous sanctions or UN Security Sanctions.

  Cuscal has a compliance policy that sets out the approach to managing compliance obligations and mitigating compliance risk. It is supported by compliance arrangements and practices. Cuscal ensures ongoing compliance through a periodic review of its obligations register or as part of a review in response to changes in laws, regulations, codes and other Compliance Obligations. Cuscal also commissions independent reviews by specialist third parties and its Internal Auditor (which is undertaken by an external professional services firm retained by Cuscal for that purpose). Cuscal's system aims to ensure that Regulators/Industry bodies are appropriately notified when necessary, in line with Cuscal's reporting obligations.

  Board approved policies are established and implemented for key compliance obligations including Privacy, Financial Crime and Conflicts of Interest. Regular training is rolled out to staff to promote awareness and understanding of compliance obligations.

- **Operational risk**: is the risk of errors, losses or disruptions due to inadequate or failed internal and external processes or external drivers/events. Cuscal defines operational risk to include technology, cyber and data, fraud and scams, compliance, people and conduct, service provider, business continuity, and processing and execution risk.

  Operational risk is ultimately the 'risk of running the business' and is present in all of Cuscal's activities (including those that give rise to other types of risk such as credit and market risk), the systems that support business activities and the way these activities are performed.

  Cuscal seeks to manage its operational risks through:

  - embedding the management of operational risks as the foremost responsibility of Cuscal's business lines;
  - making senior managers within the business responsible, and accountable to the Board, for the ownership and management of operational risks across Cuscal's end-to-end processes; and
  - ensuring ultimate accountability for the oversight of operational risk management sits with the Board.

  Cuscal has an Operational Risk Management Framework which establishes the risk governance, risk management, measurement and analytics, and risk review and reporting, to assist Cuscal with managing its operational risk on a consistent and reliable basis.

3.7 Risk Management continued

- **Business continuity risk**: is the risk of business disruption, including those risks which are caused by technology outages or cyber events.

  Cuscal conducts an annual review of its approach to business continuity management and, concurrently, has commenced a number of initiatives to achieve compliance with APRA's incoming CPS 230 which imposes new requirements on Cuscal in relation to its management of business continuity risks. Cuscal is strengthening its resilience to business disruption that may arise from internal and external events in order to safeguard Cuscal from adverse potential impacts on its operations, reputation, profitability, clients and other stakeholders.

  Cuscal's approach to strengthening its resilience to business disruption includes updating its business continuity management policy, plans, monitoring and testing to a critical operations focus. Critical operations are processes undertaken by an APRA-regulated entity or its service provider which, if disrupted beyond tolerance levels, would have a material adverse impact on its depositors, policyholders, beneficiaries or other customers, or its role in the financial system.

  Technology, cyber and data risk: is defined as the risk of errors, losses or disruptions due to inadequate or failed systems or data, including cyber events.

  Cuscal leverages technology and data to drive business decision making. The success of this strategy depends on the management of technology and information security risk as Cuscal evolves and develops scale. As Cuscal's business processes expand its use of technology, and business decision making becomes more data led, Cuscal recognises the importance of managing technology, information and data and cybersecurity risks with appropriate oversight and controls.

  Cuscal's technology risk management framework is shaped by its obligations under regulatory requirements and industry guidance including:

  - APRA Prudential Standard CPS 234 Information Security and the associated prudential practice guide and Prudential Practice Guide CPG 235 Managing Data Risk, which are designed to ensure that APRA regulated entities take measures to be resilient against information security incidents (including cyber-attacks) by maintaining an information security capability commensurate with information security vulnerabilities and threats. APRA currently has a heightened supervisory focus on cyber security and has outlined its baseline requirements for IT security in CPS 234. In 2023 and 2024 APRA's mandatory independent assessments identified common findings across the industry, and it is working with industry to lift the industry's cyber resilience benchmark.
  - Payment Card Industry Data Security Standard (**PCI DSS**): a set of security standards designed to ensure that businesses maintain a secure environment which applies to all entities involved in payment card processing (including merchants);
  - SWIFT Customer Security Controls Framework: which describes a set of mandatory and advisory security controls for SWIFT users. Mandatory security controls establish a security baseline for the entire community and must be implemented by all users on their local SWIFT infrastructure;
  - NPP Annual Attestation; and
  - Consumer Data Right – Minimum information Security Controls: the requirements for accredited data recipients to meet IT requirements under the CDR including security controls, consent guidelines and associated API standards.

Cuscal adopts a multi-layered, risk-based approach to managing cybersecurity risk, to achieve the objective of meeting regulatory requirements and safeguarding against potential vulnerabilities. The internal cybersecurity team is structured into four key capability areas: Enterprise Security Strategy & Architecture; Cyber Governance, Risk & Assurance; Cyber Operations Team, and Cyber Engineering. This structure enables Cuscal to focus on both proactive and reactive cybersecurity measures.

Cuscal's information security plan is aligned to the National Institute of Standards and Technologies (**NIST**) Cybersecurity Maturity Model to provide the framework for measuring the capability of its ongoing four-year security plan. The NIST framework is a series of documented processes that define policies and procedures around the implementation and ongoing management of information security controls. The NIST framework is also used for managing risk and reducing vulnerabilities. Cuscal is continuing to progress the maturity of its information security policies and processes against the NIST framework and Cuscal's cybersecurity framework undergoes independent maturity assessments annually.

Layers of defence include:

- Governance: Monitoring overall risk exposure, prioritising activities based on evidence, and reviewing the effectiveness of these activities. It includes maintaining and reviewing strategies, consulting with stakeholders, overseeing major initiatives, and monitoring key risks and metrics to ensure alignment with Cuscal's risk tolerance;
- Protection: Prevention of known threats and building resilience in both staff and systems, securing the network perimeter, hardening endpoints, mitigating phishing attacks, and implementing effective identity and access control measures. Capabilities include centralised privilege access management, threat-led vulnerability management, and a centralized identity and access management lifecycle;
- Detection: Identification of threats that may evade initial protective measures, monitoring for anomalies, systems, endpoints, and access, as well as data loss prevention. It involves leveraging external threat intelligence, continuously monitoring for anomalies, and facilitating comprehensive coverage of threat-led detection capabilities. Significant initiatives include achieving 360-degree coverage in threat detection and enhancing data protection mechanisms; and
- Response and Recovery: This strategy is designed to enable effective responses to cybersecurity incidents and a rapid return to a known good state. It emphasises continuous improvement based on incident analysis, automating response and recovery processes, and conducting regular cybersecurity exercises.

Cuscal conducts independent audit assurance against industry standards which is guided by APRA's CPS 234, which mandates controls over Cuscal's own cyber security controls as well as those of third-party suppliers.

This process includes third-party evaluations and selection criteria, to assess whether vendors meet standards for security and compliance. Periodic third-party risk and security assessments are conducted, to check on alignment with Cuscal's security expectations. This governance process includes regular performance reviews, compliance audits, and security assessments.

Cuscal's incident response plan also includes predefined protocols to contain and mitigate supply chain threats using real-time threat intelligence leveraging third party security service providers. This is reinforced by Cuscal's internal team capability delivering continuous improvement practices derived from root-cause analysis.

- **People and physical security risk**: is defined as the risk of loss or harm due to failure in employment practices or work environment, unethical or improper behaviour, including internal fraud. Cuscal's approach to managing these risks includes Cuscal's Work Health and Safety policy which focuses on creating a safe and healthy workplace environment, identifying hazards and continuous monitoring to improve work health and safety.
- **Fraud and scams risk**: is the risk of loss from intentional fraudulent transactions and scams across both internal and external parties, excluding cyber-related events.

  The digitisation of the Australian economy, including the vulnerability of data and Australia's interconnectedness to global commerce, has resulted in fertile ground for scammers targeting vulnerable Australians. Fraud and scams is an emerging risk area receiving sharp focus from Australian regulators such as the ACCC and ASIC. Like other organisations in the financial services and telecommunications sectors, Cuscal has been reviewing its arrangements related to minimising risks associated with fraud and scam activity (refer to **Section 3.7.7** below).

3.7 Risk Management continued

- **Environmental, social and governance risk**: the risk of environmental, social or governance factors that could cause reputation or financial harm.

  Cuscal is subject to ESG risks (including climate-related risks such as flood and heat wave events, increased rainfall and reduced water accessibility) which may have an impact on Cuscal, its clients, suppliers or the broader economy. For example, flooding could directly impact Cuscal's data centres which, may in-turn, impact Cuscal's ongoing operations and financial performance.

  These ESG risks also include the risk of failing to meet community or regulatory expectations in relation to environmental and social issues, such as operating more sustainably. Cuscal's approach to managing these risks includes Cuscal's inclusion, employment and supply chain policies.

3.7.7 Risk review and enhancement program

Cuscal's risk review and enhancement program (referred to in **Section 1.1** (How does Cuscal manage risks?) and **Section 3.7.1**) is focused on improving Cuscal's governance, accountability and risk culture, as well as strengthening Cuscal's capability and resources to identify and manage risk. Cuscal has developed a consolidated program to strengthen its risk management foundations and to support progressive change and improvements to align to regulatory expectations and continue to build a resilient business which is positioned to achieve sound and prudent growth in pursuit of its strategic objectives and business plan. The program has commenced and will continue for a two-year period from the date of this Prospectus. The program comprises a comprehensive response to upcoming regulatory changes, Cuscal's interactions with regulators and the outcomes of internal and external reviews of its arrangements as well as management self-assessments, including against common weaknesses notified to the industry by APRA.

A significant investment is being made in these enhancements, which are designed to ensure that Cuscal's risk management effectiveness is commensurate with the nature, scale and complexity of Cuscal's operations both now and into the future as a listed entity.

Further detail on the improvements that Cuscal is making as part of its risk review and enhancement program is provided below:

- **Risk management and governance**: Cuscal reviews and updates its RMFS annually and in response to changes in the internal and external environment, including the commencement of the FAR for Cuscal on 15 March 2024 and incoming APRA Prudential Standard CPS 230 Operational Risk.

  Cuscal also enhances its RMFS in response to findings of internal and external reviews of its arrangements. These include the outcome of an external review that Cuscal previously committed to undertake to APRA, following APRA's engagements with Cuscal in relation to Cuscal's governance, risk and compliance arrangements. The review found that further embedment of Cuscal's risk management framework was required. This was particularly around Board governance and oversight of Cuscal's compliance with specific prudential requirements and risk culture, embedment of the three lines of defence model, capacity and capability across Line 1 business divisions and the Line 2 risk function, frameworks and embedment of obligations, risks and controls management practices and regulatory communications.

  Cuscal is responding to the recommendations of this review as part of its broader review and enhancement program to improve and mature Cuscal's approach to risk management and strengthen its risk management foundations to support progressive change and improvements to align with regulatory expectations and continue to build a resilient business which is positioned to achieve sound and prudent growth in pursuit of its strategic objectives and business plan.. Cuscal is updating its RMFS and RAS, including risk tolerances and measures for its material risk types, to ensure they are appropriate and enhanced in the context of the business plan and forward-looking strategy (see **Section 3.7.4** above). A number of changes have been made to Cuscal's three lines of defence operating model to strengthen Line 1 and Line 2 capability and accountability, including restructuring Cuscal's risk and compliance team (i.e. Line 2). Board and risk management reporting is being uplifted on an ongoing basis to improve transparency and decision making.

  Risk culture: Cuscal's risk review and enhancement program has been designed to clarify Cuscal's risk culture target state and approach to assessing against it, further enhance Cuscal's risk policies, procedures and training materials, uplift executive governance structures to further strengthen visibility and facilitate constructive challenge and uplift Cuscal's performance scorecards and Objectives and Key Results (**OKRs**) measures to better drive individual and collective accountability. Certain aspects of Cuscal's enhancements to its risk management framework are also targeted at improving Cuscal's risk culture as outlined above.

Cuscal's uplifts are responsive to the outcomes of an independent review of Cuscal's risk culture in the first half of 2024, which was undertaken as part of a previous commitment by Cuscal to APRA to review its risk culture. Actions are already underway to make enhancements to risk culture as part of Cuscal's broader risk and review program. For example:

  - significant investment has been made into Cuscal's CPS 230 implementation as a key vehicle to drive risk uplift and change, building on Cuscal's prior focus on technology resilience;
  - Cuscal has leveraged the FAR implementation to clarify accountabilities and uplift risk policies and training materials; and
  - ELT scorecards and the structure of OKRs have been re-designed to drive risk ownership and accountability across Cuscal and to help incentivise positive risk behaviours.

- **Technology resilience**: Alongside Cuscal's broader review and enhancement program, in 2023 and 2024 Cuscal undertook a technology resilience program focused on enhancing its processes and practices in relation to incident prevention, incident communications and incident resolution. As an outcome from this program, Cuscal has embedded a continuing focus on technology resilience as part of its ongoing operations. Through this focus, Cuscal aims to add value to its technology practices, its clients and their customers.
- **Operational risk**: Cuscal's focus on resilience extends to the ongoing strengthening and maturing of Cuscal's operational risk management framework, which is currently being improved to meet new requirements in APRA's incoming Prudential Standard CPS 230 Operational Risk. The program is intended to ensure Cuscal is compliant with the requirements in CPS 230 by 1 July 2025 and is a key vehicle to drive uplift and change as part of Cuscal's broader program of work to enhance and mature its governance, accountability, risk culture and risk management practices.

  Cuscal is well progressed in the implementation of the requirements in the standard. Cuscal is adapting its documented operational risk framework and associated governance, risk and compliance arrangements, including enhanced service provider management and business continuity management policies to meet the new requirements. Cuscal's program of work includes review and enhancement of Cuscal's processes for business continuity planning, testing, impact assessment and training, as well as Cuscal's resourcing model for business continuity management. Processes are being established by which Cuscal's Board will oversee operational risk management and the effectiveness of key internal controls in maintaining Cuscal's operational risk profile within appetite.

- **Information security and data**: Cuscal conducts regular, proactive reviews of its information security arrangements and self-assesses itself against common weaknesses notified to the industry by APRA.

  In response to the outcome of these reviews, Cuscal is making a number of improvements, including to Cuscal's security configuration of IT assets, privileged access management, identity lifecycle management, security testing and data backups. Cuscal has committed significant resources and investment to ensure that Cuscal's operations, controls, compliance and audit processes are robust against existing and emerging vulnerabilities in the evolving landscape of these risks.

  The management of data and associated risks is important for a broad range of Cuscal's business objectives including meeting its financial and other obligations to clients, effective management and proper governance. Cuscal proactively reviews and enhances its data risk management framework to ensure it remains appropriate for the size, nature and complexity of Cuscal's operations both now and in the future. This includes ongoing development of Cuscal's procedures, processes, systems and controls for implementing its data risk management framework. Cuscal's scheduled review of the design and operating effectiveness of the framework will take place in 2025. The implementation and embedment of the framework will be tested at this time to ensure that it continues to support Cuscal's overall business objectives.

- **Fraud and scams**: Cuscal has undertaken a number of initiatives to enhance and strengthen its approach to minimising fraud and scam risk. Those initiatives include the establishment of a dedicated Financial Crimes Domain to lead Cuscal's fraud and scam strategy and the implementation of new systems and policies to respond to the emerging industry dynamics across all payment types and channels, continued development and implementation of a 24/7 fraud monitoring service known as Vigil which utilises licensed machine learning AI technology to monitor for potential fraud and scams for card and NPP payments for Cuscal's Financial Crimes Clients (see **Section 3.2.2.2.1**), and the implementation of various friction and control measures including payment holds, digital wallet capabilities, one-way SMS and two-way SMS authentication and the implementation of unique BSBs for high risk merchants.

3.7 Risk Management continued

In addition to these initiatives, Cuscal recognises that attending to the emerging risk of fraud and scam activity requires a whole of ecosystem response. It is therefore working closely with industry bodies to address the emerging risk of fraud and scam activity. Cuscal is a member of or has relationships with a number of industry bodies and forums which enables ready access to fraud intelligence such as AusPayNet Economic Crime Forum, AP+, Australian Cards Risk Council (ACRC), ACRC Risk Tools User Group, NPPA Fraud Advisory Committee and Interbank Forum (an independent industry forum run by ADIs). Cuscal is a member of AFCX and the ABA and is a member of the ABA's working groups including the fraud and scams working group.

As scams become increasingly sophisticated and the threat landscape evolves, Cuscal remains committed to responding to those risks through continual enhancement and improvement of its systems, processes and controls relating to fraud and scam risk management.

Cuscal has applied a risk-based prioritisation of work to its sequencing of activities forming part of its two-year program of improvements in governance, accountability, risk culture and risk management practices. Cuscal's consolidated program of work considers Cuscal's capacity for change to achieve outcomes which support sound and prudent management of Cuscal over the time of the program and is aligned with Cuscal's CPS 230 implementation initiatives and operational risk uplift activities.

The program is designed to ensure that Cuscal is well positioned to achieve sound and prudent growth in pursuit of its strategic objectives and business plan.

3.8 Growth Opportunities

3.8.1 Existing Core Payments Infrastructure Capabilities

The Industry Report projected that growth in card and NPP transaction volume is likely to provide opportunities for Cuscal to organically increase revenue from its core payments infrastructure capabilities. As an example, the Initiatives Group's forecast growth in debit card transactions from 57% of non-cash payment transactions in 2024, to 62% of a larger market in 2028, supports debit card volumes growing at an estimated 12.9% per year from 12.9bn in 2025 to 18.5bn in 2028. This estimated growth forecast supports increased volume of transactions processed through Cuscal's issuing and acquiring payment core capabilities. Similarly, according to The Initiatives Group, the NPP market is anticipated to see growth of 30.1% per year from 2025 to 2028, which will likely support increased volume through Cuscal's core payments capabilities (although growth in NPP will likely be partially offset by the transition of payments out of Batch). While The Initiatives Group has projected the non-cash payments market to grow at a CAGR of 10.7% in transaction volume from FY25 to FY28, Cuscal's potential growth will be less due to limited or no exposure for Cuscal to certain types of clients, such as government payments and certain corporate clients (that are expected to move to more frequent payment cycles and subscription models). As such, Cuscal anticipates it will see transaction volume growth in non-cash payments of closer to mid-to-high single digits in the near to medium term for its core payments capabilities.

In addition to structural market growth, Cuscal has targeted strategies across its core capabilities that are designed to capitalise on further identified growth opportunities. Over recent years, Cuscal has invested in increasing the relevance, capacity, resilience and efficiency of its technology platforms and operating model (see **Section 3.5** and **Section 3.6**). While this required Cuscal to incur incremental ongoing operational costs in historical periods (however noting that the growth of that investment will abate), it has positioned Cuscal to deliver growth, positive operational leverage and margin expansion in future periods.

3.8.1.1 Growth Strategy: Issuing

Cuscal is currently piloting a new CMS, which will manage the accounts for multiple types of cards that sit within Cuscal's issuing capabilities including credit, debit, prepaid, and other card types. Cuscal's pre-existing CMS does not host debit cards, with Cuscal's clients instead having to use their own CMS. The new CMS enables the functionality to manage debit cards on Cuscal's own infrastructure and provide a new avenue for growth from around the end of calendar year 2025. This capability will open the possibility of new client segments including non-bank lenders who want to provide their customers with debit card access to loan accounts to increase both their level of lending and their interaction with their end customers. Smaller ADIs may also be interested in moving their card management to a new platform with extended functionality rather than having to invest further in existing in-house platforms. There is also a growing market for financial institutions (both bank and non-bank) to outsource their card management services with new demand coming from Fintechs, neobanks, merchant acquirers, non-bank lenders and corporates, who require a fully managed service.

3.8.1.2 Growth Strategy: Acquiring

Cuscal's acquiring capabilities are unique amongst the merchant acquiring market, in that it does not facilitate the deployment of physical POS terminals or merchant-facing activities as certain clients (such as Square) provide similar functions through their own proposition. Other competitors may offer acquiring services to other merchant acquirers to enable their payment processing solutions but will also compete for merchants and deploy their own terminals. It is a competitive advantage for Cuscal that it does not directly compete with its acquiring clients for merchant customers.

With the potential for continued technology advancements like 'Tap 'n' Go' on mobile phones for merchant card acceptance, there is also an opportunity for Cuscal to develop synergies between card acceptance and real-time payments, allowing Cuscal to deliver NPP capability at the point of sale and removing the need for dedicated payment terminals. This is suited to potential clients that may want to offer a differentiated payment acceptance experience at the POS while lowering the cost of acceptance via traditional card acquiring payment processes, including removing the requirement to own or manage a terminal fleet. The retirement of Batch payments further provides the opportunity for Cuscal to grow acquiring capabilities, as industries retire legacy batch systems and transition to real-time solutions. This will be most evident in industries that rely on large volumes of payment acceptances, such as corporates relying on direct debits or payroll providers.

3.8.1.3 Growth Strategy: Payments

A key area of focus within the payments capability is the ongoing transition of Batch payments to the NPP. Cuscal is focused on continuing to transition existing clients who are looking to replace their Batch payments infrastructure with the NPP while also driving new business wins by attracting new clients (such as the Fintech segment). This trend further supports growth, with the potential to bring new clients not currently serviced by Cuscal onto Cuscal's NPP platform as they transition from their existing Batch solutions. The roll-out of PayTo and the increased use of PayID along with an increased awareness of the risks of frauds and scams among Australians are expected by Cuscal to generate further opportunities, as Fintechs, corporates and other client groups look at ways to build these new real-time payment functions and to enhance their resilience to fraud. As Batch activity is transitioned to the NPP, Cuscal will also be well positioned as a Tier 1 member of BECS to retain the payment activity of its existing clients during the transition, and to assist a wider range of clients that will, over time, require an alternate payments processing capability.

3.8.2 Expansion of Cuscal's Total Market Share

In addition to opportunities for its core payments infrastructure offering and adjacent sectors, Cuscal believes there is potential upside from possible expansion of Cuscal's market share. There is also opportunity for Cuscal to capture more of the total market to expand via any potential erosion of the market share of the Major Banks, who service their own banking clients through their in-house payments capabilities.

For example, if the Major Banks were to pursue outsourcing of their payment needs to an independent third party, this could open a considerable portion of the total payment transactions market to payment providers such as Cuscal. Given Cuscal's scale, capabilities and product offering, it could be a logical partner for a Major Bank, positioning it well for future opportunities. Cuscal's sale of 86 400 and ongoing relationship through the provision of payment services to Ubank is an example of how Cuscal has successfully partnered with a Major Bank.

3.8 Growth Opportunities continued

There may also be future attrition of the market share of the Major Banks from existing and new competitors such as new Fintech or corporate entrants and PSPs making new services available and creating opportunities for Cuscal to partner with such new competitors for their payments processing as it has done for existing Fintech clients.

3.8.3 Inorganic Growth

While Cuscal sees considerable opportunity for organic growth, it also continues to monitor the market for opportunities through mergers and acquisitions (**M&A**) and partnerships as they arise. Cuscal has a demonstrated track record of identifying, acquiring and integrating strategic inorganic growth opportunities, including the SPS acquisition which built out Cuscal's payments capabilities, and the acquisition of Basiq which further developed Cuscal's regulated data services offering. These opportunities have provided access to new capabilities and position Cuscal well.

Cuscal continually assesses potential acquisition opportunities and applies a disciplined framework focused on creating shareholder value. Cuscal's near-term focus will be on opportunities in the Australian market that are accretive to its core payments infrastructure capabilities or that deliver complementary products which may expand its business or build its existing scale and efficiencies.

As a listed entity, Cuscal expects to have further flexibility in executing potential M&A strategies because it will be able to use its Shares or cash as a form of consideration for M&A transactions as well as having better access to capital markets. Cuscal is focused on maintaining a disciplined approach to inorganic growth and pursuing opportunities that are assessed to create shareholder value and enhance its ability to protect and grow its market position.

3.8.4 Regulated Data Services

As identified in **Section 2.3**, the CDR has created the potential for a new regulated data services industry in Australia. Similar to the NPP, Cuscal has identified the CDR as a future driver of change within the Australian payments industry due to the synergistic overlap with data generated by the various payment systems and the anticipated convergence of data and payments (see **Section 2.3.3**). Cuscal is well positioned to build out capabilities in regulated data services following its acquisition of Basiq in March 2023 (and subsequent acquisition of the remaining stake in July 2024), along with its existing capabilities from its own investment prior to the acquisition.

Cuscal's early investments position it well to capitalise on an 'early-mover' advantage in a nascent industry and leverage potential cross-selling opportunities from its core payments infrastructure. While not expected to be a driver of growth in the short to medium term, over a longer-term horizon regulated data services is anticipated to become an important pillar of Cuscal's offering as the sector transitions to a mature, sustainable growth profile, as discussed in **Section 2.3.2**. The anticipated sector agnostic and regulatory nature of the CDR once extended beyond financial services also presents the opportunity for Cuscal to capture clients outside of financial services, driving potential future revenue opportunities beyond its current core client base.

Within regulated data services, Action Initiation presents a significant opportunity for B2B infrastructure providers such as Cuscal. Action Initiation is expected to create a new channel for consumers to instruct a business to initiate payment actions on their behalf and with their consent, expanding the CDR from a data-sharing scheme to one that allows consumers to act upon the insights they receive. These actions could include opening and closing an account, switching providers, updating personal details (such as address) across multiple providers and making a payment (see **Section 2.3** for further details). The Action Initiation legislation was assented to on 26 August 2024, which was designed to enable consumers that have opted-in for CDR to have an action initiated and performed on their behalf using the CDR framework. While the performance of the tasks will be governed by existing laws, the Action Initiation legislation enabled consumers using the CDR to initiate those actions.

Financial Information

4

4. Financial Information

4.1 Introduction

The financial information of Cuscal and its subsidiaries, prepared on a consolidated basis, contained in this **Section 4** includes the:

- **Historical Financial Information** comprising:
  - The Statutory Historical Financial Information, being the:
    - Statutory historical consolidated income statements for the financial years ended 30 June 2022, 30 June 2023 and 30 June 2024 (FY22, FY23 and FY24 respectively) (**Statutory Historical Income Statements**);
    - Statutory historical consolidated cash flows for FY22, FY23 and FY24 (**Statutory Historical Cash Flows);** and
    - Statutory historical consolidated statement of financial position as at 30 June 2024 (**Statutory Historical Statement of Financial Position**); and
  - The Pro Forma Historical Financial Information, being the:
    - Pro forma historical consolidated income statements for FY22, FY23 and FY24 **(Pro Forma Historical Income Statements)**;
    - Pro forma historical consolidated cash flows for FY22, FY23 and FY24 (**Pro Forma Historical Cash Flows**); and
    - Pro forma historical consolidated statement of financial position as at 30 June 2024 **(Pro Forma Historical Statement of Financial Position);** and
- **Forecast Financial Information** comprising:
  - The Statutory Forecast Financial Information, being the:
    - Statutory forecast consolidated income statement for the financial year ending 30 June 2025 **(FY25) (Statutory Forecast Income Statement)**; and
    - Statutory forecast consolidated cash flows for FY25 (**Statutory Forecast Cash Flows**); and
  - The Pro Forma Forecast Financial Information, being the:
    - Pro forma forecast consolidated income statement for FY25 **(Pro Forma Forecast Income Statement)**; and
    - Pro forma forecast consolidated cash flows for FY25 **(Pro Forma Forecast Cash Flows)**.

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information are together referred to as the Historical Financial Information and the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information are together referred to as the Forecast Financial Information. The Historical Financial Information and the Forecast Financial Information together form the Financial Information.

The Financial Information (as defined above) has been reviewed by Ernst & Young Strategy and Transactions Limited, in accordance with the Australian Standard on Assurance Engagements (**ASAE**) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information, as stated in its Independent Limited Assurance Report. Investors should note the scope and limitations of the Independent Limited Assurance Report (contained in **Section 8**).

Also summarised in this **Section 4** is:

- The basis of preparation and presentation of the financial information, with **Appendix A** outlining the material accounting policies applied and the areas of critical accounting judgements and estimates;
- An explanation of certain non-International Financial Reporting Standards (**non-IFRS**) financial and other measures in the context in which they are presented in this Prospectus (refer to **Section 4.3**);
- The Pro Forma adjustments to the Statutory Historical Financial Information and the Statutory Forecast Financial Information, and a reconciliation of the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information to the Statutory Historical Financial Information and the Statutory Forecast Financial Information, respectively (refer to **Section 4.4**);
- A presentation of key operating metrics (refer to **Section 4.5**);

- Details of Cuscal's financial position including liquidity and capital adequacy, contractual obligations, commitments and contingent liabilities, deferred tax assets (**DTAs**) and unrecognised tax losses and off-balance sheet arrangements (refer to **Section 4.6**);
- The Directors' best estimate general and specific assumptions underlying the Forecast Financial Information (refer to **Section 4.8**);
- Management's discussion and analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information including an analysis of Cuscal's core payments capabilities, *reinforcing adjacency* and *enabling foundation* (refer to **Section 4.9**);
- An analysis of the sensitivity of the Pro Forma Forecast Financial Information to changes in certain key assumptions (refer to **Section 4.10**);
- Cuscal's proposed dividend policy (refer to **Section 4.11**); and
- Cuscal's approach to financial risk management (refer to **Section 4.12**).

The financial information presented in this **Section 4** should be read in conjunction with the 'Company overview' set out in **Section 1.1**, the 'Risk factors' set out in **Section 5**, the material accounting policies and critical areas of accounting judgements and estimates set out in **Appendix A** and other information contained in this Prospectus.

All amounts disclosed in this **Section 4** are presented in Australian dollars, in millions (**$m**), and unless otherwise noted are rounded to the nearest hundred thousand dollars. Any discrepancies between totals and the sum of components in tables, figures and diagrams contained in this Prospectus are due to rounding.

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Overview

The Directors of Cuscal are responsible for the preparation and presentation of the financial information. The Financial Information in this **Section 4** is intended to present investors with information to assist them in understanding the historical financial performance, financial position and cash flows of Cuscal together with its forecast financial performance and cash flows for FY25.

The Financial Information has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Statutory Historical Financial Information and Statutory Forecast Financial Information have been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**), issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

The Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information have been prepared in accordance with the recognition and measurement principles of AAS, other than they include certain adjustments that have been prepared in a manner consistent with AAS, which reflect (a) the recognition of certain items in periods different from the applicable period under AAS; (b) the exclusion of certain transactions that occurred or are forecast to occur in the relevant periods; and (c) the impact of certain transactions as if they had occurred on or before 30 June 2024 in the Pro Forma Historical Financial Information or on or after 1 July 2024 in the Pro Forma Forecast Financial Information.

The Forecast Financial Information is based on the general and specific assumptions set out in **Section 4.8**.

The Financial Information is presented in an abbreviated form and does not include all the disclosures, statements or comparative information as required by AAS and other mandatory professional reporting requirements applicable to annual financial reports prepared in accordance with the Corporations Act.

In addition to the Financial Information, **Section 4.3** describes certain non-IFRS financial and other measures that are used to manage and report on business performance that are not defined under or recognised by AAS or IFRS.

4.2 Basis of preparation and presentation of the Financial Information continued

4.2.2 Segment Information

Cuscal has one operating segment which delivers core payments infrastructure and regulated data services offerings in Australia.

Cuscal's operating model (see **Section 3.2**) has been organised by core payments capabilities. These core payments capabilities include issuing, acquiring (both related to types of card payments) and payments (related to types of non-card payment types) (see **Sections 3.2.1.1, 3.2.1.2** and **3.2.1.3**), as well as the *enabling foundation* related to services monitoring potential financial crimes (see **Section 3.3.2.2**). Cuscal also has a *reinforcing adjacency* in Regulated Data Services (see **Section 3.2.2.1**) which relates to the provision of regulated data services and incorporates the acquisition of Basiq.

The structure of the core payments capabilities, *enabling function* and *reinforcing adjacency* currently do not qualify for classification as independent operating segments under AASB 8 *Operating Segments*.

4.2.3 Preparation of the Historical Financial Information

The Statutory Historical Financial Information for FY22 has been derived from Cuscal's general purpose consolidated financial statements for FY22. The Statutory Historical Financial Information for FY23 and FY24 has been derived from Cuscal's general purpose consolidated financial statements for FY24 (which includes comparative financial information for FY23). These consolidated financial statements have been audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions in respect of these consolidated financial statements.

The general purpose consolidated financial statements of Cuscal for FY22, FY23 and FY24 have been lodged with ASIC and are available at https://www.cuscal.com.

The Pro Forma Historical Financial Information has been prepared solely for the purpose of inclusion in this Prospectus and has been derived from the Statutory Historical Financial Information and adjusted for the effects of certain pro forma adjustments described below.

On 28 March 2023, Cuscal acquired a material controlling interest in Basiq, a data and open banking API platform, strengthening Cuscal's existing regulated data services (see **Section 3.2.2.1** for further details). Basiq has been consolidated into the statutory financial statements of Cuscal for FY23 from the date of its acquisition. The legal entities which formed part of the Basiq acquisition at the time were Braavos Corporation Pty Ltd and its controlled entity, Basiq Pty Ltd (together 'Braavos'), and Basiq.io D.O.O BEOGRAD NOVI BEOGRAD.

For the purposes of the Pro Forma Historical Financial Information for FY22 and FY23, Basiq has been consolidated into Cuscal's results as if it had been acquired from 1 July 2021.

Pre acquisition, Braavos financial year was 31 December. Post the acquisition date, Braavos' financial year end aligns with Cuscal's financial year end of 30 June. Historically, as Braavos' financial year was not consistent with Cuscal's financial year end of 30 June, the pro forma adjustments in respect of Basiq's historical financial results and cash flows are based on the following:

- For FY22, the unaudited consolidated management accounts of Braavos for the year ended 30 June 2022;
- For FY23, the unaudited consolidated management accounts of Braavos for the period from 1 July 2022 to 27 March 2023; and
- The results of Basiq.io D.O.O BEOGRAD NOVI BEOGRAD are considered immaterial to the consolidated results of the Group.

The interim consolidated financial statements of Braavos for the six months ended 31 December 2021 and the consolidated financial statements of Braavos for the year ended 31 December 2022 were audited by Braavos' auditor, BDO Audit Pty Ltd, in accordance with Australian Auditing Standards. BDO Audit Pty Ltd issued an unqualified audit opinion in respect of the consolidated financial statements of Braavos for the year ended 31 December 2022 and issued an unqualified audit opinion, with an emphasis of matter regarding the basis of accounting, in respect of the interim consolidated financial statements of Braavos for the half-year ended 31 December 2021.

On 1 July 2024, Cuscal Payments Holdings Pty Limited (**Cuscal Payments**) executed a Deed of Sale and Release with the remaining shareholder of Basiq. The agreement specified a cash payment of $4.8 million to acquire the remaining 'non-controlled' interest of 18.44% in Basiq not previously acquired by Cuscal. As a result, from this date onwards, Basiq is ultimately 100% owned by Cuscal. The effect of the Deed of Sale and Release is that the Put and Call Option liability as at 30 June 2024 relating to the acquisition of the remaining interest in Basiq, has been subsequently settled. At 30 June 2024, the Put and Call Option liability was revalued from $18.0 million to $5.5 million. The difference of $12.5 million is treated as a gain on remeasurement, with the impact being recognised in the statutory historical income statement for FY24 in accordance with AASB 9 Financial Instruments. No pro forma adjustments have made in relation to the acquisition of the remaining non-controlling interest in Basiq.

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

The Pro Forma Historical Income Statements and Pro Forma Historical Cash Flows have been derived from the Statutory Historical Income Statements and the Statutory Historical Cash Flows to illustrate the net profit after tax and cash flows of the Company adjusted for the following pro forma adjustments:

- Certain incremental costs to be incurred upon Cuscal becoming a publicly listed company (for example ASX listing fees and additional compliance, regulatory and insurance costs, incremental Non-Executive Director fees and investor relations costs), as though it had been a publicly listed company from 1 July 2021;
- Removal of certain non-recurring Offer costs incurred as a direct result of activities associated with listing Cuscal on the ASX (for example external legal, tax, accounting, IPO management fees and offer management fees combined with initial ASX listing fees, insurance, incremental shareholder engagement and communication, Prospectus preparation and publication and other incidental costs);
- The impact on the historical financial performance and cash flows of the original acquisition of a controlling interest in Basiq as if it has been acquired from 1 July 2021; and
- The tax impact of the above pro forma adjustments where applicable.

Section 4.4.4 sets out the pro forma adjustments made to the Statutory Historical Income Statements and a reconciliation of the Pro Forma Historical Income Statements to the Statutory Historical Income Statements.

Section 4.7.3 sets out the pro forma adjustments made to the Statutory Historical Cash Flows and a reconciliation of the Statutory Historical Cash Flows to the Pro Forma Historical Cash Flows. Pro forma adjustments were made to the Statutory Historical Cash Flows to reflect the cash impact of the pro forma adjustments to the Statutory Historical Income Statements.

The Pro Forma Historical Statement of Financial Position is derived from the Statutory Historical Statement of Financial Position and is adjusted to reflect the following pro forma adjustments:

- Receipt of the Offer proceeds;
- The impact of the costs of the Offer with an appropriate portion of directly attributable Offer costs being recognised against issued capital and the remainder expensed in retained earnings, inclusive of non-recoverable GST costs;
- The impact of the granting of shares pursuant to an Employee Share Ownership Plan (**ESOP**) and certain one-off retention grants (in the form of Share Rights and Retention Grants (collectively, **Retention Grants**)) (see **Sections 6.3.5.4** and **6.3.5.5**); and
- The tax impact of the above pro forma adjustments where applicable.

Section 4.6.1 sets out the pro forma adjustments made to the Statutory Historical Statement of Financial Position, and a reconciliation of the Statutory Historical Statement of Financial Position to the Pro Forma Historical Statement of Financial Position. Pro forma adjustments were made to the Statutory Historical Statement of Financial Position to reflect the impact of the Offer as if it had occurred as at 30 June 2024.

Due to its nature, the Pro Forma Historical Financial Information does not purport to represent Cuscal's actual or prospective financial performance, financial position or cash flows.

Investors should note that past results are not a guarantee of future performance.

4.2 Basis of preparation and presentation of the Financial Information continued

4.2.4 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus and is presented on both a statutory and pro forma basis.

The Forecast Financial Information has been prepared based on an assessment of current economic and operating conditions and on the Directors' best estimates of general and specific assumptions regarding future events and actions set out in **Section 4.8**. It represents the Directors' best estimates of the financial performance and cash flows that they expect to report in Cuscal's consolidated financial statements for FY25.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, with pro forma adjustments to reflect the:

- Incremental costs of Cuscal becoming a publicly listed company as though it had been a publicly listed company from 1 July 2024;
- Removal of certain non-recurring Offer costs recognised in the Statutory Forecast Financial Information for FY25 and incurred as a direct result of activities associated with listing Cuscal on the ASX, inclusive of non-recoverable GST costs;
- Removal of non-recurring expenditure relating to the exercise and vesting of the Retention Grants and granting of shares pursuant to the ESOP (noting that the share-based expense for Share Rights and ESOP shares does not affect cash flows) in FY25; and
- The tax effect of the above pro forma adjustments where applicable.

Reconciliations of the Pro Forma Forecast Income Statement and Pro Forma Forecast Cash Flows to the Statutory Forecast Income Statement and Statutory Forecast Cash Flows are set out in **Section 4.4.4** and **Section 4.7.3**, respectively.

The Directors believe the general and specific assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. The disclosure of these assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur. However, this information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on Cuscal's actual financial performance, cash flows or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of Cuscal, the Directors and management, and are not reliably predictable. In particular, the Forecast Financial Information is subject to the risk factors as set out in **Section 5.** Accordingly, none of Cuscal, its Directors and management or any other person can give investors any assurance that the outcomes indicated by the Forecast Financial Information will occur. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Forecast Financial Information should be read in conjunction with the general and specific assumptions set out in **Section 4.8**, the sensitivity analysis described in **Section 4.10**, the risk factors described in **Section 5**, the material accounting policies and the critical accounting judgements and estimates set out in **Appendix A**, and other information in this Prospectus. Cuscal does not intend to update or revise the Forecast Financial Information or other forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law or regulation.

Due to its nature, the Pro Forma Forecast Financial Information does not purport to represent Cuscal's actual or prospective financial performance or cash flows for FY25.

4.3 Explanation of certain non-IFRS financial and other measures

Cuscal uses certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are collectively referred to in this Prospectus and under ASIC's Regulatory Guide 230 *Disclosing non-IFRS financial information* as 'non-IFRS financial measures'.

Cuscal believes that these non-IFRS measures provide useful information about its financial and operating performance because they provide management with an ability to analyse and understand key drivers of financial performance and trends therein relative to budgets and Cuscal's strategic objectives. However, they should be considered as supplements to the income statements, statement of financial position and cash flows that have been prepared in accordance with AAS and not as a replacement for them. Investors should note that these non-IFRS measures are not defined by AAS or IFRS, and the way that Cuscal calculates them may differ from the same or similarly titled measures used by other companies. Accordingly, investors should not place undue reliance on these non-IFRS measures.

The principal non-IFRS measures referred to in this Prospectus include the following:

- **Adjusted Total Net Operating Income (NOI)** is net operating income after adjusting for the net impact of a remeasurement adjustment to the option liability (see **Appendix A, Section 2.7.9.1.5**), including an adjustment to Other operating income / (loss) and adjustment to the charge to net interest income;
- **Adjusted EBITDA** is net profit before non-controlling interests, income tax expense, depreciation expense (other than depreciation expense on 'right-of-use' assets under AASB 16 *Leases* (**AASB 16**) which is included in 'occupancy expenses'), amortisation expense and, in FY24, a remeasurement adjustment to the option liability (see **Appendix A, Section 2.7.9.1.5**). Cuscal generates net interest income from its operating activities and accordingly Adjusted EBITDA includes net interest income which is comprised of interest income from investment of client deposits, and interest earned on corporate cash reserves, less interest expense on client deposits and lease interest expense under AASB 16;
- **Adjusted EBITDA margin** is Adjusted EBITDA divided by Adjusted Total Net Operating Income;
- **NPATO margin** is net profit after tax attributable to the owners of Cuscal divided by Adjusted Total Net Operating Income;
- **FTE** is full-time equivalent of employees;
- **Average FTE** is the average of FTE position at each month end for the period;
- **Transaction volume** is the number of transactions that occur within Cuscal's business; and
- **Transaction value** is the monetary dollar value of transactions that occur within Cuscal's business.

4.4 Historical and Forecast Income Statements

4.4.1 Pro Forma Historical and Pro Forma Forecast Income Statements

Table 4.1 sets out the Pro Forma Historical Income Statements for FY22, FY23 and FY24 and the Pro Forma Forecast Income Statement for FY25.

Table 4.1 Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement

		Pro Forma Historical			Pro Forma Forecast
$m	Notes	FY22	FY23	FY24	FY25
Gross fee and commission revenue	1	235.2	300.0	325.9	347.4
Direct fee and commission expense	2	(57.1)	(76.4)	(81.0)	(88.0)
Net fee and commission revenue		**178.1**	**223.6**	**244.9**	**259.4**
Interest income	3	15.1	89.7	138.1	143.1
Interest expense	4	(7.8)	(67.7)	(110.5)	(113.1)
Net interest income		**7.3**	**22.0**	**27.6**	**30.0**
Other operating income / (loss)	5	0.1	(2.0)	12.0	0.3
Total net operating income		**185.5**	**243.6**	**284.5**	**289.7**
Employee benefits expense	6	(92.9)	(112.3)	(127.1)	(127.6)
Occupancy expenses	7	(4.9)	(4.8)	(5.8)	(4.6)
Depreciation and amortisation	8	(4.4)	(9.8)	(24.8)	(10.1)
Non-salary technology expenses	9	(35.6)	(58.0)	(53.2)	(65.3)
Other expenses	10	(21.7)	(27.6)	(29.2)	(29.7)
Total operating expenses		**(159.5)**	**(212.5)**	**(240.1)**	**(237.3)**
Net Profit before Tax		**26.0**	**31.1**	**44.4**	**52.4**
Income tax expense	11	(9.1)	(11.4)	(13.0)	(15.8)
Net Profit after Tax (NPAT)		**16.9**	**19.7**	**31.4**	**36.6**
Add: loss attributable to non-controlling interests	12	1.0	1.4	1.5	–
NPAT attributable to the owners of Cuscal		**17.9**	**21.1**	**32.9**	**36.6**

Notes:

1. Gross fee and commission revenue: includes transactional product related revenue comprising general transactional processing revenue (inclusive of international transaction fees, card management fees, card production fees, disputes and compliance, monthly service and access fees, digital enablement fees, passthrough, financial crime and regulated data services revenue), scheme growth incentive revenue and project revenue (refer to **Section 4.9.1.1** for further details).
2. Direct fee and commission expense: includes processing and financial transactions for clients (inclusive of passthrough expenses) (refer to **Section 4.9.1.1** for further details).
3. Interest income: is comprised of interest income from investment of client deposits and interest earned on corporate cash reserves (including statutory and pro forma forecast interest income on primary proceeds raised in the Offer from 1 December 2024 and interest income and expenses related to Securitisation Trust).
4. Interest expense: is comprised of interest expense on client deposits and lease interest expense under AASB 16. For FY24, interest expense includes a $1.3m unwinding of the present value of the initial financial liability throughout the period to June 2024.
5. Other operating income / (loss): includes gain / (loss) on revaluation of investments in other entities. For FY24, Other income includes a favourable $12.5m remeasurement related to the Braavos option liability.
6. Employee benefits expense: is comprised of salaries and wages, bonuses and on-costs and share-based payments expense relating to shares issued under certain employee share rights plans (refer to **Section 6** for further details).

7. Occupancy expenses: is comprised of depreciation on Cuscal's right-of-use assets arising under AASB 16 and other occupancy expenses including rates, taxes, electricity, parking, and repairs and maintenance.
8. Depreciation and amortisation: includes depreciation of plant and equipment and amortisation of intangible assets (primarily payments infrastructure and software), but excludes depreciation on right-of-use assets arising under AASB 16 (which is included in Occupancy expenses). For FY24, amortisation expense includes a $14.3m charge due to a reassessment of the useful life of a Regulated Data Services intangible asset.
9. Non-salary technology expenses: is comprised of outsourced services relating to strategic investment projects and technology support, repairs and maintenance for Cuscal owned IT and software, license fees for software owned by third parties, telecommunications costs, data centre costs and other technology costs.
10. Other expenses: is comprised of other operational expenses such as non-technology related consulting costs, insurance and legal costs, audit fees, fringe benefits tax and non-employee related finance and human resources costs (after adding public company costs and removing Offer costs on a pro forma basis).
11. Income tax expense: is based on the Australian corporate tax rate of 30%. No tax-related benefits have been recognised in respect of operating losses incurred by Basiq for FY22, FY23 and FY24. Tax-related benefits have been recognised in respect of operating losses incurred by Basiq for FY25.
12. Loss attributable to non-controlling interests: represents approximately 18% interest in Basiq held by Basiq's Founder and its original management via an option plan (see **Section 9.4.1** for further details). See **Section 4.2.3** for further details around the execution of a Deed of Sale and Release with the remaining shareholder of Braavos Corporation Pty Limited on 1 July 2024.

4.4.2 Reconciliation of pro forma historical and forecast NPAT attributable to the owners of Cuscal to Adjusted EBITDA

Adjusted EBITDA is a key non-IFRS measure used by Cuscal's management to monitor and assess the financial and operational performance of Cuscal. **Table 4.2** sets out a reconciliation of pro forma historical and forecast NPAT attributable to the owners of Cuscal to Adjusted EBITDA.

Table 4.2 Reconciliation of pro forma historical and forecast NPAT attributable to the owners of Cuscal to Adjusted EBITDA

		Pro Forma Historical			Pro Forma Forecast
$m	Note	FY22	FY23	FY24	FY25
NPAT attributable to the owners of Cuscal		**17.9**	**21.1**	**32.9**	**36.6**
Less: Net (gain) / loss associated with a remeasurement adjustment to the option liability		–	0.3	(11.2)	–
Add back: Depreciation and amortisation expense (excluding depreciation of right-of-use assets)		4.4	9.8	24.8	10.1
Add back: Income tax expense		9.1	11.4	13.0	15.8
Less: Non-controlling interests		(1.0)	(1.4)	(1.5)	–
Adjusted EBITDA	**1**	**30.4**	**41.2**	**58.0**	**62.5**
YoY growth (%)		*n.a.*	*36%*	*41%*	*8%*
3-year CAGR %		*n.a.*	*n.a.*	*n.a.*	*27.2%*

Notes:
1. Adjusted EBITDA is a non-IFRS measure. See **Section 4.3** for a definition of Adjusted EBITDA.

4. Financial Information continued

4.4 Historical and Forecast Income Statements continued

4.4.3 Statutory Historical and Statutory Forecast Income Statements

Table 4.3 sets out the Statutory Historical Income Statements for FY22, FY23 and FY24 and Statutory Forecast Income Statement for FY25.

Table 4.3 Statutory Historical Income Statements and Statutory Forecast Income Statement

		Statutory Historical			Statutory Forecast
$m	**Notes**	**FY22**	**FY23**	**FY24**	**FY25**
Gross fee and commission revenue	1	232.1	297.2	325.9	347.4
Direct fee and commission expense	2	(57.1)	(76.4)	(81.0)	(88.0)
Net fee and commission revenue		**175.0**	**220.8**	**244.9**	**259.4**
Interest income	3	15.1	89.7	138.1	143.1
Interest expense	4	(7.8)	(67.2)	(110.5)	(113.1)
Net interest income		**7.3**	**22.5**	**27.6**	**30.0**
Other operating income / (loss)	5	0.1	(2.5)	12.0	0.3
Net operating income		**182.4**	**240.8**	**284.5**	**289.7**
Employee benefits expense	6	(88.1)	(107.8)	(126.9)	(128.4)
Occupancy expenses	7	(4.5)	(4.4)	(5.8)	(4.6)
Depreciation and amortisation	8	(3.0)	(8.2)	(24.8)	(10.1)
Non-salary technology expenses	9	(34.5)	(57.3)	(53.2)	(65.3)
Other expenses	10	(19.3)	(25.7)	(31.2)	(42.6)
Total operating expenses		**(149.4)**	**(203.4)**	**(241.9)**	**(251.0)**
Net Profit before Tax		**33.0**	**37.4**	**42.6**	**38.7**
Income tax expense	11	(9.6)	(11.6)	(12.5)	(11.6)
NPAT		**23.4**	**25.8**	**30.1**	**27.1**
Add: loss attributable to non-controlling interests	12	–	0.3	1.5	–
NPAT attributable to the owners of Cuscal		**23.4**	**26.1**	**31.6**	**27.1**

Notes: Refer to notes in **Table 4.1** for further detail.

4.4.4 Pro forma adjustments to the Statutory Historical Income Statements and the Statutory Forecast Income Statement

Table 4.4 sets out the pro forma adjustments that have been made to the Statutory Historical NPAT attributable to the owners of Cuscal for FY22, FY23 and FY24, and the pro forma adjustments to Statutory Forecast NPAT attributable to the owners of Cuscal for FY25.

Table 4.4 Reconciliation of pro forma adjustments to the Statutory Historical and Forecast NPAT attributable to the owners of Cuscal

		Historical			Forecast
$m	Notes	FY22	FY23	FY24	FY25
Statutory NPAT attributable to the owners of Cuscal		**23.4**	**26.1**	**31.6**	**27.1**
Basiq acquisitions	1	(4.3)	(4.7)	–	–
Offer costs	2	–	1.4	3.6	13.4
Incremental listed public company costs	3	(1.8)	(1.8)	(1.8)	(0.7)
Share-based payments	4	–	–	–	1.0
Tax impact of the adjustments	5	0.6	0.1	(0.5)	(4.2)
Pro forma NPAT attributable to the owners of Cuscal		**17.9**	**21.1**	**32.9**	**36.6**

Notes:

1. Basiq acquisition: this represents the combined impact of the historical financial performance of Basiq (81.4% acquired by Cuscal on 28 March 2023) as if it had been acquired from 1 July 2021.
2. Offer costs: impact to the Statutory Historical Income Statements for FY23 and FY24 and Statutory Forecast Income Statement for FY25 by $1.4m, $3.6m and $13.4m respectively relating to a portion of the costs of the Offer that have or will be expensed. In accordance with AASB 132 *Financial Instruments: Presentation* (AASB 132), the remaining portion ($1.6m) of the estimated Offer costs of $15.0m to be incurred in FY25 (including non-recoverable GST) have been deducted directly from issued capital. Offer costs relate to legal, tax, accounting, IPO management fees, offer management fees, initial ASX listing fees, insurance, incremental shareholder engagement and communication, Prospectus preparation and publication and other incidental costs. This pro forma adjustment excludes these Offer costs as they are considered non-recurring items.
3. Incremental listed public company costs: relate to costs which will occur upon Cuscal becoming a listed public company. Cuscal expects to incur additional operating expenses of $1.8m per annum. Major items include ASX listing fees and additional compliance, regulatory and insurance costs, and other finance and investor relations costs.
4. Share-based payments: represents the removal of non-recurring expenditure from the exercise and vesting of the Retention Grants and granting of shares issued pursuant to the ESOP (see **Section 6.3.5.4** and **Section 6.3.5.5**).
5. Tax impact of the adjustments: represents the income tax impact associated with the pro forma adjustments outlined above.

4.5 Key Operating Metrics

Table 4.5 sets out the key operating metrics of Cuscal derived from the Pro Forma Historical Income Statements, the Pro Forma Forecast Income Statement and other relevant unaudited accounting records of Cuscal, as applicable. These metrics are the key operational information used by management to monitor and assess the financial and operational performance of Cuscal.

Table 4.5 Pro forma historical and forecast key operating metrics

	Pro Forma Historical			Pro Forma Forecast	Growth on prior year %		
	FY22	FY23	FY24	FY25	FY23	FY24	FY25
Adjusted EBITDA ($m)	30.4	41.2	58.0	62.5	36%	41%	8%
Adjusted EBITDA margin %[1]	16.4%	16.9%	21.2%	21.6%	3%	25%	2%
NPAT attributable to the owners of Cuscal ($m)	17.9	21.1	32.9	36.6	18%	56%	11%
NPATO margin %	9.6%	8.7%	12.0%	12.6%	(10%)	38%	5%
Average FTE	686	694	701	674	1%	1%	(4%)
Transaction Volume (m)[2]	3,202	3,728	3,952	4,304	16%	6%	9%

Notes:

1. Adjusted EBITDA margin in FY24 excludes the impact of a net $11.2 favourable remeasurement relating to option liabilities (see Note (1) of **Table 4.14** below.
2. Transaction volumes represent the aggregation of the specific volumes for each core capability (i.e. Issuing, Acquiring and Payments) that Cuscal considers a reasonable proxy for the drivers of revenue.

4.6 Statement of Financial Position

4.6.1 Statutory Historical and Pro Forma Historical Statements of Financial Position

Table 4.6 sets out the Statutory Historical Statement of Financial Position and the pro forma adjustments that have been made to present the Pro Forma Historical Statement of Financial Position of Cuscal as at 30 June 2024.

These adjustments take into account the impact of the Offer (i.e. the Offer proceeds and the Offer costs) as if they had occurred as at 30 June 2024. The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of Cuscal's view of its financial position upon Completion of the Offer or at a future date.

Table 4.6 Statutory Historical and Pro Forma Historical Statement of Financial Position as at 30 June 2024

$m	Notes	Statutory Historical	Impact of the Offer	Pro Forma Historical
Cash and cash equivalents	6	2,069.1	25.0	2,094.1
Receivables due from financial institutions		106.3	–	106.3
Investment securities		1,096.4	–	1,096.4
Loans		–	–	–
Loans made by the Securitisation Trust		–	–	–
Other assets		75.9	–	75.9
Equity investments		4.0	–	4.0
Current tax assets		–	–	–
Derivative financial assets		–	–	–
Deferred tax assets	5	5.4	4.4	9.8
Property, plant and equipment and right-of-use assets		14.2	–	14.2
Intangible assets		105.8	–	105.8
Total assets		**3,477.1**	**29.4**	**3,506.5**
Payables due to financial institutions		32.5	–	32.5
Client deposits		2,701.6	–	2,701.6
Securities sold under agreement to repurchase		302.1	–	302.1
Discounted securities issued		1.0	–	1.0
Current tax liabilities	4	10.0	(1.0)	9.0
Derivative financial liabilities		0.2	–	0.2
Other liabilities		68.7	–	68.7
Provisions		36.8	–	36.8
Total liabilities		**3,152.9**	**(1.0)**	**3,151.9**
Net assets		**324.2**	**30.4**	**354.6**
Issued capital	1	119.3	38.8	158.1
Reserves	2	(9.4)	3.2	(6.2)
Retained earnings	3	212.3	(11.6)	200.7
Equity attributable to owners of Cuscal		**322.2**	**30.4**	**352.6**
Non-controlling interest		2.0	–	2.0
Total equity		**324.2**	**30.4**	**354.6**

4. Financial Information continued

4.6 Statement of Financial Position continued

Notes:

The pro forma adjustments reflect the impact of the Offer to recognise:

1. An increase in issued capital of $38.8m being proceeds from the issue of Shares of $40.0m, less costs of the Offer of $1.2m (net of tax) recognised against issued capital;
2. An increase in reserves of $3.2m being the granting of shares issued pursuant to the ESOP and the exercise and vesting of Share Rights (given as part of the Retention Grants) which have been determined on a full fair value basis;
3. A decrease in retained earnings of $11.6m being costs of the Offer (net of tax) to be expensed of $9.4m, the (non-cash) expense from the granting of shares issued pursuant to the ESOP and Retention Grants, both determined on a full fair value basis (net of tax) of $2.2m;
4. A decrease in current tax liabilities of $1.0m (being the income tax benefit of Offer costs and issue of shares under the ESOP deductible in FY25);
5. An increase in deferred tax assets of $4.4m (being the income tax benefit of the future deductibility of Offer Costs not deductible within the next 12 months and deductibility of the issue of shares under the ESOP and the Retention Grants not deductible within the next 12 months); and
6. An increase in cash of $25.0m, being proceeds from the issue of Shares of $40.0m, less the costs of the Offer of $15.0m before any tax deductions and GST input tax credits.

Note: Cuscal's liquid assets include cash and cash equivalents and liquid financial investments (comprising fixed rate notes) and other liquid receivables. As an APRA regulated ADI, Cuscal is also subject to capital adequacy requirements. Information on Cuscal's liquidity and capital adequacy is set out in **Section 4.6.2**.

4.6.2 Liquidity and capital adequacy

As an APRA regulated ADI, Cuscal is required to comply with its Prudential Capital Standards. As determined by APRA Prudential Capital Standards, regulatory capital can be held in the form of Common Equity Tier 1 (CET1) capital, Additional Tier 1 capital or Tier 2 capital.

APRA requires that each reporting entity maintain a minimum ratio of capital to risk-weighted assets determined based on an assessment of whether a licensee has enough regulatory capital relative to the risks in its business activities. In addition to the changes outlined under these new standards, APRA designated Cuscal as a 'non-significant financial institution'. This designation provided Cuscal with a simplified bespoke methodology to calculating operational risk under APS 115 *Capital Adequacy*. Refer to **Section 5.2.4.** for more information on capital requirements.

Following Completion of the Offer, Cuscal's principal sources of funds are expected to be cash and cash equivalents and liquid financial investments. Its main use of cash is to fund operations, working capital, investment focus on enhancing capabilities around maintenance and further enhancements of Cuscal's core technology stack, as well as investment in a risk uplift investment program, executing Cuscal's growth strategy and to further strengthen regulatory capital.

Table 4.7 sets out a summary of capital adequacy and liquidity as at 30 June 2024. The statutory historical values have been derived from the consolidated financial statements of Cuscal for FY24 and adjusted to reflect the impact of the Offer as if Completion of the Offer occurred on 30 June 2024.

Table 4.7 Capital adequacy and liquidity as at 30 June 2024

$m	Notes	Historical	Impact of the Offer	Pro Forma Historical
Capital adequacy				
Common Equity Tier 1 capital		204.5	26.1	230.6
Total Tier 2 capital		2.5	–	2.5
Total capital		207.0	26.1	233.1
Total risk weighted assets	1	927.1	7.5	934.6
Risk weighted capital ratios:				
Common equity Tier 1		22.1%	2.6%	24.7%
Tier 1 capital		22.1%	2.6%	24.7%
Total capital ratio		22.3%	2.6%	24.9%
Liquidity:				
Total specified liquid assets		3,271.8	25.0	3,296.8
Total liabilities		3,152.9	(1.0)	3,151.9

Notes:

1. Risk weighted assets have been calculated assuming net proceeds from the Offer are invested in financial instruments.

Cuscal expects to have sufficient cash and cash equivalents and liquid financial investments to meet its operational requirements and business needs during the FY25 forecast period while maintaining its minimum capital adequacy obligations.

4.6.3 Commitments

4.6.3.1 Settlement commitments

Cuscal provides settlement services to its clients and its commitment to settle to and from payment schemes and networks on behalf of clients is funded from individual client deposits with Cuscal or pre-arranged overdrafts which are secured against cash deposits (see **Section 3.2.1.4**).

4.6 Statement of Financial Position continued

4.6.3.2 Lease commitments

Cuscal's corporate office in Sydney is leased under a non-cancellable lease ending on 30 June 2025, with an option to extend for another five years. Lease payments are subject to an annual increase of 4.0%.

Basiq's offices in Manly and Serbia are leased under non-cancellable leases ending on 30 November 2027 and 30 April 2027, respectively, with an option to extend the Manly lease for another five years. Lease payments are subject to an annual increase of 2.75% for Manly and a CPI measure for Serbia.

The future minimum rentals payable under these leases as at 30 June 2024 are set out in **Table 4.8** below:

Table 4.8 Lease rentals as at 30 June 2024

$m	Due within 1 year	Due 1-5 years
Total minimum future lease rentals	5.3	0.9

On 10 September 2024 Cuscal executed a new 5-year lease for new premises relating to its corporate office in Sydney which commences on 1 May 2025. Lease payments on the lease of the new premises are subject to an annual increase of 3.50%. The estimated future minimum rental payments under the existing and new leases is $6.0m due within 1 year and $21.2m due within 1-5 years.

Bank guarantees of approximately $5.8m and $0.1m as at 30 June 2024 have been provided to the lessor of Cuscal's corporate offices in Sydney and Basiq's Manly respectively. The guarantees are refundable upon expiry of the lease agreement, subject to satisfactory vacation of the leased premises.

4.6.4 Deferred tax assets and unrecognised tax losses

At 30 June 2024, the deferred tax assets (DTAs) of $9.8m recorded in the Pro Forma Historical Statement of Financial Position includes deductible temporary timing differences but does not include benefits from any carry forward tax losses attributable to Basiq.

Cuscal recognises an income tax benefit in accordance with its accounting policies set out in **Appendix A**. DTAs are recognised for deductible temporary differences when Cuscal considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Similarly, an assessment is made by Cuscal to support the recognition of any carry forward tax losses and research and development credits. Cuscal does not recognise deferred tax assets where utilisation is not considered probable. Recognition of any carried forward tax losses referable to Basiq will be assessed in the future on achievement of certain financial performance milestones that give greater probability for the benefit arising for Cuscal in accordance with the principles AASB 112 *Income Taxes* (**AASB 112**).

Cuscal has approximately $17.6m of gross unused accumulated tax losses from Basiq as at 30 June 2024. Given Basiq was not 100% owned by Cuscal Group as at 30 June 2024, and accordingly, not part of its consolidated tax group, Cuscal was not entitled to utilise Basiq's accumulated tax losses at 30 June 2024. Accordingly, no deferred tax asset has been recognised in the financial statements of Cuscal for FY24 related to tax losses acquired on acquisition of Basiq.

Basiq became a wholly owned subsidiary of Cuscal and joined the Cuscal tax consolidated group on 1 July 2024. No pro forma adjustments for the tax effect of Basiq tax losses have been made to the Pro Forma Historical Statement of Financial Position as at 30 June 2024 notwithstanding Cuscal may be entitled to utilise accumulated tax losses of Basiq in future years, subject to work being performed to determine whether the historical tax losses meet recoupment conditions and can be utilised (and within what timeframe) in accordance with AASB 112.

4.6.5 Off-balance sheet arrangements

Contingent liability – Option Guarantee:

Cuscal Payments has entered into an option arrangement with Basiq. In the instance that the option liability falls due and Cuscal Payments does not have the funds to cover the liability, Cuscal has a legal guarantee to cover this payment on behalf of Cuscal Payments. The value of the option liability as at 30 June 2024 is $5.5m. Cuscal considers the likelihood of Cuscal Payments not being able to pay the liability as it falls due to be highly remote, given the surplus of funds across the Cuscal Group, and Cuscal has therefore not recognised any liability in relation to the guarantee as at 30 June 2024. On 1 July 2024, Cuscal Payments acquired the remaining interest in Basiq which extinguished the option liability. Subsequently, a separate deferred consideration for $0.7m arising from the purchase of the outstanding stake in Basiq has been recognised and with a determination date of 28 February 2025.

IT capital expenditure:

As at 30 June 2024, IT expenditure commitment that is no longer than 1 year was $6.0m and has not been recognised in the Pro Forma Historical Statement of Financial Position as at 30 June 2024

Credit facilities:

As at 30 June 2024, Cuscal Limited had the following credit facilities:

Table 4.9 Credit facilities as at 30 June 2024

$m	
Committed financing activities available to the Group are as follows:	
Bank overdraft	7.0
Within the day accommodation	100.0
Encashment negotiation advice, payroll delivery services, and corporate purchasing card	193.0
Bank guarantee	4.5
Purchasing card facility	1.0
Committed financing facility available to the Securitisation Trust is as follows:	
Asset Liquidity	–

As at 30 June 2024, $4.4m of the bank guarantee facility was utilised. The remaining credit facilities were unused as at 30 June 2024. The committed financing facilities available to Cuscal all have a renewal date in April of each year.

As at 30 June 2024, there was no asset liquidity facility, which expired on the sale of the Securitisation Trust loans. Under the contractual arrangements, the asset liquidity facility matures in line with the run off of the underlying assets in the Securitisation Trust. As at 30 June 2024, neither Cuscal Limited nor any of its subsidiaries provided any financing facilities to the Securitisation Trust.

4.7 Historical and Forecast Cash Flows

4.7.1 Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows

Table 4.10 sets out the Pro Forma Historical Cash Flows for FY22, FY23 and FY24 and the Pro Forma Forecast Cash Flows for FY25.

Table 4.10 Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows

		Pro Forma Historical			Pro Forma Forecast
$m	Notes	FY22	FY23	FY24	FY25
NPAT attributable to the owners of Cuscal		**17.9**	**21.1**	**32.9**	**36.6**
Depreciation expense		1.1	1.3	1.1	2.3
Amortisation of intangible assets		3.3	8.5	23.7	7.8
Amortisation of right-of-use assets		4.4	4.2	5.6	3.4
Share-based payment expense		0.2	0.1	0.3	–
Impairment on investments held at fair value through other comprehensive income (**FVOCI**)		–	–	0.2	–
Interest expense on put option liability		–	0.3	1.3	–
Loss/(gain) on revaluation on investments in other entities		(0.1)	2.4	0.4	–
Remeasurement adjustment to an option liability		–	–	(12.5)	–
Foreign exchange (gain) / loss		–	0.1	0.1	–
Increase/(decrease) in income tax provision		(41.8)	0.8	10.2	(10.6)
Decrease/(increase) in deferred tax items		(3.1)	4.9	(2.1)	(1.6)
Net decrease/(increase) in other assets and liabilities		(72.5)	21.2	0.6	0.8
(Increase)/decrease in loans and advances		0.5	(2.2)	2.4	–
(Increase)/decrease in receivables from financial institutions		13.3	(46.2)	(36.0)	(9.0)
Increase/(decrease) in payables due to financial institutions		0.4	86.1	(154.6)	2.7
(Increase)/decrease in investment securities		256.2	248.4	84.6	(25.6)
(Decrease)/increase in repurchase agreements		256.7	(400.4)	302.1	(2.1)
Increase/(decrease) in discount securities issued		(5.4)	0.5	(3.5)	1.1
Increase in client deposits		359.6	102.5	232.9	73.1
Operating cash flow		**790.7**	**53.6**	**489.7**	**78.9**
Repayment or sale of loans by the Securitisation Trust	1	18.8	61.7	0.7	–
Investments in other entities		–	(4.0)	–	–
Payment for intangible assets		(25.5)	(11.3)	(10.7)	(10.8)
Proceeds on sale of ATMs		1.5	–	–	–
Payment for property, plant and equipment		(3.0)	(0.3)	(7.3)	(6.5)
Investing cash flows		**(8.2)**	**46.1**	**(17.3)**	**(17.3)**
Net cash flow before financing	2	**782.5**	**99.7**	**472.4**	**61.6**

Notes

1. Repayment or sale of loans by the Securitisation Trust: represents cash inflow from the run-off and sale of loans held by the Securitisation Trust.
2. Cash flows have been presented for operating and investing activities only as this is considered to be relevant information for Cuscal Shareholders.

4.7.2 Statutory Historical Cash Flows and Statutory Forecast Cash Flows

Table 4.11 sets out the Statutory Historical Cash Flows for FY22, FY23 and FY24 and the Statutory Forecast Cash Flows for FY25.

Table 4.11 Statutory Historical Cash Flows and Statutory Forecast Cash Flows

		Statutory Historical			Statutory Forecast
$m	Notes	FY22	FY23	FY24	FY25
NPAT attributable to the owners of Cuscal		**23.4**	**26.1**	**31.6**	**27.1**
Depreciation expense		1.1	1.1	1.1	2.3
Amortisation of intangible assets		1.9	7.1	23.7	7.8
Amortisation of right-of-use asset		4.4	4.2	5.6	3.4
Interest expense on put option liability		–	0.3	1.3	–
Impairment on investments held at FVOCI		–	–	0.2	–
Loss / (gain) on revaluation on investments in other entities		(0.1)	2.4	0.4	–
Fair value movement in option liability		–	–	(12.5)	–
Share-based payment expense		–	0.1	0.3	1.0
Foreign exchange loss		–	0.1	0.1	–
Increase/(decrease) in income tax provision	7	(41.2)	1.3	10.5	(11.0)
Decrease/(increase) in deferred tax items	7	(3.1)	4.5	(3.0)	(5.4)
Net decrease/(increase) in other assets and liabilities	7	(71.8)	21.8	0.6	0.8
(Increase)/decrease in loans and advances		0.5	(2.2)	2.4	–
(Increase)/decrease in receivables from financial institutions		13.3	(46.2)	(36.0)	(9.0)
Increase/(decrease) in payables due to financial institutions		0.4	86.1	(154.6)	2.7
(Increase)/decrease in investment securities		256.2	248.4	84.6	(25.6)
(Decrease)/increase in repurchase agreements		256.7	(400.4)	302.1	(2.1)
Increase/(decrease) in discount securities issued		(5.4)	0.5	(3.5)	1.1
Increase in client deposits		359.6	102.5	232.9	73.1
Operating cash flow		**795.9**	**57.7**	**487.8**	**66.2**
Repayment or sale of loans by the Securitisation Trust	1	18.8	61.7	0.7	–
Payment for acquisition of subsidiary, net of cash acquired	2	–	(53.3)	–	–
Investments in other entities		–	(4.0)	–	–
Payment for intangible assets		(23.5)	(9.4)	(10.7)	(10.8)
Proceeds on sale of ATMs		1.5	–	–	–
Payment for property, plant and equipment		(2.6)	(0.3)	(7.3)	(6.5)
Investing cash flows		**(5.8)**	**(5.3)**	**(17.3)**	**(17.3)**
Net cash flow before financing		**790.1**	**52.4**	**470.5**	**48.9**

4. Financial Information continued

4.7 Historical and Forecast Cash Flows continued

		Statutory Historical			Statutory Forecast
$m	Notes	FY22	FY23	FY24	FY25
Repayments of borrowings by the Securitisation Trust	1	(19.0)	(64.2)	–	–
Dividends paid (including dividend component of share buy-back activities)	3	(48.8)	(11.4)	(13.1)	(16.7)
Shares bought back (excluding dividend component)		(7.8)	–	–	–
Proceeds from the issue of Shares	4	–	–	–	40.0
Offer costs (capitalised)	5	–	–	–	(1.6)
Cash payments for funding principal portion of lease liability		(4.6)	(4.7)	(5.2)	(6.0)
Acquisition of non-controlling interests	6	–	–	–	(6.1)
Financing cash flows		**(80.2)**	**(80.3)**	**(18.3)**	**9.6**
Net cash flows		**709.9**	**(27.9)**	**452.2**	**58.5**

Notes:

1. Securitisation Trust: Refer to note 1 in **Table 4.10** for details.
2. Payment for acquisition of subsidiary, net of cash acquired: relates to the cash consideration for the acquisition of Basiq.
3. Dividends paid (including dividend component of share buy-back activities): comprises the final dividend of $0.05 per Share for FY24 (paid in October 2024), and a pre-IPO dividend of $0.045 per Share to be paid to existing shareholders on Cuscal's register as at the record date of 31 October 2024 in lieu of an interim dividend for the six months ending 31 December 2024, to be declared on 8 November 2024 and paid to existing shareholders on Completion of the Offer.
4. Proceeds from the issue of Shares: represents the cash inflow from process of the Offer of New Shares under the Offer of $40.0m.
5. Offer costs (capitalised): represents the payment of Offer costs that have been capitalised to equity. All other Offer costs expensed are already reflected in NPAT.
6. Payment for acquisition of non-controlling interests in Basiq comprising $5.4m of consideration paid in July 2024 (including $0.6m to acquire shares issued to Basiq employees under its ESOP), and an additional $0.7m of conditional consideration forecast to be paid in February 2025.
7. The amounts disclosed for the increase/(decrease) in Income Tax provision, decrease/(increase) in deferred tax items and net decrease/(increase) in Other Assets and Liabilities for FY23 and FY24 have been derived from Cuscal's consolidated financial statements for FY24, and further adjusted for re-classifications by $21.0 million (FY23: $3.3 million), nil (FY23: $0.7 million) and $21.0 million (FY23: $4.0 million), respectively, to correctly present these line items in the above table in deriving the statutory historical operating cash flow for FY23 and FY24. These adjustments were identified subsequent to the issuance of Cuscal's consolidated financial statements for FY24 and do not impact the Net cash provided by operating activities as reported therein.

4.7.3 Reconciliation of the pro forma adjustments to the Statutory Historical and the Statutory Forecast Net Cash Flows before Financing

Table 4.12 sets out the pro forma adjustments that have been made to the Statutory Historical Net Cash Flows before financing for FY22, FY23 and FY24 and Statutory Forecast Net Cash Flows before financing for FY25.

Table 4.12 Pro forma adjustments to the Statutory Historical Net Cash Flows before financing and Statutory Forecast Net Cash Flows before financing

		Historical			Forecast
$m	Notes	FY22	FY23	FY24	FY25
Statutory net cash flow before financing		**790.1**	**52.4**	**470.5**	**48.9**
Remove payment for acquisition of subsidiary, net of cash acquired	1	–	53.3	–	–
Basiq acquisition	2	(5.8)	(5.7)	–	–
Offer costs	3	–	1.5	3.7	13.4
Incremental listed public company costs	4	(1.8)	(1.8)	(1.8)	(0.7)
Pro forma net cash flow before financing		**782.5**	**99.7**	**472.4**	**61.6**

Notes:

1. Remove payment for acquisition of subsidiary, net of cash acquired: represents an adjustment to exclude the cash flow impact of the acquisition cost paid in FY23 for a controlling interest in Basiq on 28 March 2023.
2. Basiq acquisition: this represents the combined impact of the historical financial cash flows of Basiq (81.4% acquired by Cuscal on 28 March 2023) as if it has been acquired from 1 July 2021.
3. Offer costs: represents an adjustment to exclude the cash flow impact of non-recurring Offer costs (see **Table 4.4** for further details).
4. Incremental listed public company costs: represents an adjustment to include the cash flow impact of incremental listed public company costs Cuscal will incur upon becoming a public listed company (see **Table 4.4** for further details).

4.8 Assumptions underlying the Forecast Financial Information

4.8.1 General assumptions

The key general assumptions adopted in preparing the Forecast Financial Information are set out below:

- No material changes in the competitive and operating environments in which Cuscal operates;
- No material changes in current market expectations of economic and trading conditions relevant to the industry in which Cuscal operates including economic growth, employment levels, consumer spending and inflation;
- No significant deviation from current market expectations of global or Australian economic or geopolitical conditions (including financial market stability or trade) relevant to Cuscal;
- No material changes to Cuscal's operations or business;
- No significant disruptions are expected in relation to Cuscal's technology, platform and software used by Cuscal to deliver its services;
- No material changes in Commonwealth, State or Territory, local or foreign government legislation (including tax legislation), regulatory requirements or government policy (including taxation and monetary policies providing support to consumer and business confidence) that will have a material impact on Cuscal's financial performance, cash flows, financial position, accounting policies, financial reporting or disclosure;
- No material changes in AAS, other mandatory professional reporting requirements or the Corporations Act that have a material effect on Cuscal's financial performance, financial position, accounting policies, financial reporting or disclosure;
- No business acquisitions or strategic partnerships undertaken which have a material impact on Cuscal's financial performance, cash flows or financial position;
- No material industrial or employee relations disputes, strikes, acts of terrorism or other disturbances, environmental costs or legal claims which have a material impact on Cuscal;
- Key personnel are retained and Cuscal maintains its ability to recruit and retain required personnel;
- No material changes to the markets or industry sectors other than any known as at the Prospectus Date that would have a material impact on the demand for or prices of Cuscal's services;
- No change in Cuscal's debt or capital structure other than as set out in, or contemplated by, this Prospectus;
- No material amendments to any material agreement or arrangement relating to Cuscal other than as set out in, or contemplated by, this Prospectus;
- No material impact on Cuscal's cash flows, financial performance or financial position in relation to litigation (existing or otherwise);
- No material contingent liabilities arise or are realised to Cuscal's detriment;
- None of the risks listed in **Section 5** has a material adverse impact on Cuscal's operations; and
- The Offer completes in accordance with the timetable set out in the Key Offer dates table in the Important Information section of this Prospectus.

4.8.2 Specific assumptions

The Forecast Financial Information for the financial year ending 30 June 2025 is based on the following key specific assumptions:

4.8.2.1 Gross fee and commission revenue assumptions

- Total transaction volumes (by number of transactions) increase by 9% in FY25 from FY24 levels driven by:
  - 6% increase in Issuing transaction volumes by number as transaction volumes moderate and normalise from historical growth rates;
  - 17% increase in Acquiring transaction volumes by number, as transaction volumes from prior year client specific impacts were non-recurring, and this growth broadly reflects underlying prior year growth rates; and
  - 10% increase in Payments transaction volumes (a blended volume growth rate for both NPP and Batch processing) due to the increased use of NPP (a higher growth rate expected), as a substitute for Batch payments (a lower growth rate expected), and end customer activity for payments such as recurring billing;
- Total transaction volumes reflect the full year impact from clients onboarded in FY24 with no material client attrition;
- No material change in the average value of individual transactions in FY25 from FY24. As a result, Scheme growth incentive fees (determined by total transaction value) are largely driven by forecast growth in the number of total transactions. Total transaction value is forecast to increase by 5% in FY25 from FY24 (including a 10% increase in international transaction value; this is forecast to slow down from the FY24 increase of 25%);
- Passthrough revenue increases by 24% in FY25 from FY24, primarily attributable to Payments passthrough revenue movements. Payments passthrough revenue is forecast to increase 230% due to a change in the method of calculation of NPP related passthrough expense. Movements in Issuing and Acquiring passthrough revenue is expected to be consistent with the movements in the underlying Scheme related passthrough expenses (both of which are highly correlated);
- Client contractual inflation-linked price adjustments applied to all eligible client fees effective from 1 July 2024;
- Pricing on assumed client renewals in FY25 based on pricing for existing clients' contracts and reflects expected outcomes from current commercial negotiations with ongoing renewals;
- Financial Crimes revenue reflects the prior year change in the revenue model for card monitoring services based on the number of transactions (fees under the previous revenue model were largely based on the number of cards held by clients' end customers); and
- Regulated Data Services revenue assumes growth from existing customers, pipeline conversion and customer attrition in line with historical levels.

4.8.2.2 Direct fee and commission expenses assumptions

- Passthrough expenses are forecast to increase broadly in line with the increase in passthrough revenues noted above;
- Direct fee and commission expenses (excluding passthrough expenses) are forecast to decrease by $5.3m (14%) to $32.1m for FY25. As a percentage of gross fee and commission revenue (excluding passthrough revenue) this forecasts a decline from 13% in FY24 to 11% in FY25 due to:
  - a 10% decrease in card production, card embossing and manufacturing related expenses as higher client card production levels from FY24 moderate and cost efficiencies from supplier changes are realised,
  - This is forecast to be partly offset by a 75% decrease in client renewal expenses as a significant number of client contracts were renewed for periods between 5-7 years in FY24.
- Rebates to clients of scheme incentives are forecast in line with transaction volume growth; and
- Other scheme related-fees, card management fees, support and other fees based on current contracted rates.

4.8 Assumptions underlying the Forecast Financial Information continued

4.8.2.3 Net interest income assumptions

- Australian bank bill swap rate to average 4.29% for FY25 based on forecasts from the major domestic banks;
- Consistent and proportionate difference between interest income and interest expense (i.e. the implied net interest margin) on client deposits (no assumed timing differences between repricing of client balances and associated investment securities);
- Interest income earned on primary proceeds (net of Offer costs) raised in the Offer from 1 December 2024 to 30 June 2025 at an average interest rate of 4.68%; and
- An increase in client deposits commensurate with forecast increases in total transaction volumes.

4.8.2.4 Employee benefits expense assumptions

- Employee benefits expenses in FY25 are forecast to be broadly equivalent to FY24 levels with an overall decrease in Average FTE from approximately 701 as at 30 June 2024 to approximately 674 as at 30 June 2025; offset by;
- Forecast increase in average costs per FTE by $6,500 (3%) in FY25 on FY24 levels; primarily attributable to:
    - Expected remuneration terms for new employees hired during FY25 (including new senior management roles and risk FTEs to support general business growth and risk, technology and operating model uplift programs); and
    - Employee remuneration based on current employee agreements with a 3.5% CPI salary increase effective from 1 July 2024.
- Certain employee expenses have been capitalised in line with Cuscal's accounting policies and based on detailed project by project estimates of employee time and cost for those projects, including relevant Cuscal SIPs and costs related to the Basiq platform.

4.8.2.5 Occupancy expense assumptions

- Excluding the accelerated amortisation charge in FY24 on the right-of-use asset on Cuscal's principal office in Sydney, occupancy expenses for FY25 are forecast to remain broadly consistent with FY24.

4.8.2.6 Non-salary technology expenses assumptions

- Notwithstanding the completion of the implementation of the new operating model and associated infrastructure and resiliency upgrades through FY24, these costs are expected to increase in FY25 due to a specific investment focus on technology risk, controls, resilience and capability uplift across the business in FY25; and
- In addition, these costs are forecast in FY25 above FY24 levels due to higher transaction volume related license fees and higher software related repairs and maintenance expenses.

4.8.2.7 Other expenses assumptions

- Increase in investment costs / fees in FY25 on FY24 levels related to increased specific investment focus on operational risk, controls and capability uplift across the business in FY25, including the implementation of CPS 230.

4.8.2.8 Depreciation and amortisation assumptions

- Depreciation and amortisation expense is lower compared to FY24 reflecting the impact of the reassessment of the useful life of the Data Holder intangible asset where an additional $14.3m charge was taken in FY24;
- No significant operationalisation of new capital expenditure relating to new SIPs (i.e. no significant new in-use assets);
- No change in depreciation and amortisation rates, apart from the impact of the reassessment of the useful life of the Data Holder intangible asset in FY24 noted above; and
- No impairments or write-downs of non-current assets in FY25.

4.8.2.9 Income tax expense assumptions

- Income tax expense is based on a corporate tax rate of 30% in Australia; and
- Tax benefits are assumed for Basiq in FY25 as it became part of the Cuscal tax consolidated group on 1 July 2024. No tax assets have been recognised for FY22, FY23 and FY24 in respect of unutilised tax losses up to 1 July 2024, as analysis is currently in progress to determine whether the historical tax losses meet recoupment conditions and can be utilised (and within what timeframe) in accordance with AASB 112.

4.8.2.10 Operating cash flow assumptions

- Based on the expected cash impact of revenue and expenses identified above;
- Primary proceeds (net of Offer costs) raised in the Offer invested in investment securities;
- Cash flows from changes in receivables from financial institutions and payables due to financial institutions is based on the expected forecast growth in these receivables and payables, driven by an increase in settlement volumes of 8%; and
- Cash inflows of $73.1m from a forecast increase in client deposits at 30 June 2025 compared to 30 June 2024 of approximately 2.7%, directionally in line with the expected growth in payments value.

4.8.2.11 Investing cash flow assumptions

- Investment in intangible assets of $10.8m relating to SIPs such as the Core Banking System replacement and CMS upgrade and further enhancements to regulatory data platforms; and
- Expenditure on property, plant and equipment of $6.5m including replacement and upgrade of data centre equipment and technology hardware.

4.8.2.12 Financing cash flow assumptions

- Dividends to be paid of $16.7m, comprising the final dividend of $0.05 per Share for FY24 (paid in October 2024), and a pre-IPO dividend of $0.045 per Share to be paid to existing shareholders on Cuscal's register as at the record date of 31 October 2024 in lieu of an interim dividend for the six months ending 31 December 2024, to be declared on 8 November 2024 and paid to existing shareholders on Completion of the Offer;
- Proceeds from the issue of Shares of $40.0m representing the forecast cash inflow from gross process of the Offer of New Shares under the Offer;
- Offer costs (capitalised) of $1.6m representing the pre-tax forecast payment of Offer costs that will be capitalised to equity;
- Cash payments for funding the principal portion of lease liability of $6.0m in FY25 reflects the impact of transitioning Cuscal's Sydney Office and Basiq's Manly and Serbian offices; and
- Cash payments for the acquisition of non-controlling interests in Basiq comprising $5.4m of consideration paid in July 2024 (including $0.6m to acquire shares issued to Basiq employees under its ESOP), and an additional $0.7m of conditional consideration forecast to be paid in February 2025.

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information

4.9.1 General factors affecting the operating and financial performance, including key measures and their drivers

This **Section 4.9** sets out a discussion of the significant factors that have driven operating and financial performance during the periods covered by the Historical Financial Information, and a discussion of the key factors that are expected to drive forecast operating and financial performance in FY25.

The discussion of these general factors is intended to provide a brief summary to assist investors in understanding the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information and does not detail all the factors that affected Cuscal's financial performance and cash flows, nor everything that may affect its financial performance and cash flows in the future.

The discussion in this **Section 4.9** should be read in conjunction with the key operating metrics set out in **Section 4.5**, the key assumptions underlying the Forecast Financial Information set out in **Section 4.8** and the sensitivity analysis at **Section 4.10**.

4.9.1.1 Net Operating Income (NOI)

Net operating income represents net fee and commission revenue plus net interest income and other operating income / (loss). Net fee and commission revenue represents gross fee and commission revenue less direct fee and commission expenses.

Table 4.13 presents a summary of gross fee and commission revenue components by core payments capability, *enabling foundation and reinforcing adjacency*. Gross fee and commission revenue also includes passthrough revenue that Cuscal recovers from its clients, typically at nil margin, which generally relates to expenses typically charged by the underlying payment scheme or network (see **Section 2.2.1**). In the process of determining the fees it charges its clients for particular services, Cuscal typically will assess the client relationship holistically, taking into consideration factors such as the transaction volume and transaction value that a client is expected to deliver, the range of services the client consumes and the growth prospects of that client.

Table 4.13 Components of gross fee and commission revenue

		Key revenue driver							
Revenue component	Notes	Transaction volume	Transaction value	Other	Issuing	Acquiring	Payments	Financial Crimes	Regulated Data Services
Core transaction-based revenue									
Transaction processing and settlement fees	1	✓			✓	✓	✓		
International transaction fees	2	✓	✓		✓				
Scheme growth incentive fees	3	✓	✓		✓				
Other transaction processing revenue									
Other key fees	4			Various	✓	✓	✓		
Passthrough fees	5		✓		✓	✓	✓		
Financial Crimes fees	6			# of clients/ # of cards/ # of transactions				✓	
Regulated Data Services fees	7			# of clients onboarded / # of clients					✓
Project revenue									
Implementation and project fees	8		✓	# of clients onboarded / # of client projects	✓	✓	✓	✓	✓

Notes: Gross fee and commission revenue includes transactional product related revenue comprising general transactional processing revenue (inclusive of Scheme growth incentives fees, international transaction fees, card management fees, card production fees, disputes and compliance, monthly service and access fees, digital enablement fees, passthrough, financial crime and regulated data services revenue), other scheme-related revenue and project revenue.

1. Transaction processing and settlement fees: per transaction fees based on the number of transactions processed by Cuscal and charged by each of Cuscal's core payments capabilities, Issuing and Acquiring (for example, for switch processing) and Payments (for example, for Batch, NPP and BPAY transactions). This also includes settlement service fees that are charged per settlement (for example a purchase of goods or services, cash withdrawals, funds transfer, successful NPP payments). As transaction volumes increase, processing and settlement fees consequently increase.
2. International transaction fees: fees charged for transactions that occur overseas or with non-Australian domiciled merchants. As cards are used more overseas, international transaction fees increase.

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information continued

3. Scheme growth incentive fees: revenue incentives from the schemes based on transaction value processed by Cuscal. As higher transaction values (for example, foreign currency transactions where end customers use their cards overseas for larger ticket purchases such as a hotel bill) increase, scheme growth incentive income increases.
4. Other key fees: for Issuing: includes card production fees (i.e. fees for services in producing a card), card management fees (monthly fees for each card stored on the Cuscal switch), digital enablement fees (both access and event driven fees charged to clients to enable digital products such as provisioning a card to a digital wallet e.g. the 'Pays'; for Issuing and Payments: monthly services and access fees (enabling clients to access core services such as Osko, PayID, sponsorship to provide access to scheme branded payment cards, and provision of on-going support with schemes); for each core capability: disputes and compliance fees (charge back or dispute and fees for compliance with the card and payment schemes).
5. Passthrough fees: cost recovery of passthrough expenses from clients.
6. Financial Crimes fees: fees related to authentication and monitoring services related to fraudulent activity impacting cards used by clients' end customers.
7. Regulated Data Services fees: fees related to client onboarding implementations and monthly fees attributable to Data Holder services.
8. Implementation and project fees: ad hoc fees driven by client projects (for example client onboarding, sponsorship to provide access to scheme branded payment cards, issuer setup, account setup, project management support). As the number of clients onboarded and/or number of client projects change, implementation and project fees change.

Direct fee and commission expense includes passthrough expenses that are costs charged to Cuscal by a third party (predominantly a payment scheme or network), which Cuscal directly recovers from clients. Passthrough expense is recorded on a gross basis in Cuscal's direct fee and commission expense with a corresponding amount (passthrough revenue) recognised in gross fee and commission revenue for cost recovery from clients.

Direct fee and commission expense also includes the cost for Cuscal of providing certain services to its clients that rely on third parties (including some other scheme charges). These costs are not contractually passed through to clients directly but are considered when Cuscal determines pricing of those services.

Net interest income is allocated to the core payments capabilities, based on the volume of transactions of the relevant core payments capabilities for each client.

In addition to deposit values, net interest income is driven by the differential between interest rates at which Cuscal invests client deposits and the interest paid by Cuscal to clients on these same deposits. Net interest income also includes interest earned on corporate cash reserves offset by lease liability interest expense under AASB 16.

Table 4.14 presents the Adjusted Pro Forma NOI components and key operating metrics for Cuscal on a consolidated basis.

Table 4.14 Pro Forma NOI components and key operating metrics

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Gross fee and commission revenue	235.2	300.0	325.9	347.4
Direct fee and commission expense	(57.1)	(76.4)	(81.0)	(88.0)
Net fee and commission revenue	**178.1**	**223.6**	**244.9**	**259.4**
Interest income	15.1	89.7	138.1	143.1
Interest expense	(7.8)	(67.7)	(110.5)	(113.1)
Net interest income	**7.3**	**22.0**	**27.6**	**30.0**
Other operating income / (loss)	0.1	(2.0)	12.0	0.3
Net operating income	**185.5**	**243.6**	**284.5**	**289.7**
Remeasurement adjustment to option liability[1]	–	–	(11.2)	–
Adjusted Total Net Operating Income	**185.5**	**243.6**	**273.3**	**289.7**
NOI – YoY growth %	*n.a.*	*31%*	*17%*	*2%*
NOI – 3-year CAGR %	*n.a.*	*n.a.*	*n.a.*	*16.0%*
Adjusted Total NOI – YoY growth %	*n.a.*	*31%*	*12%*	*6%*
Adjusted Total NOI – 3-year CAGR %	n.a.	n.a.	n.a.	16.0%
Key operating metrics				
Transaction volume (m)[2]	3,202	3,728	3,952	4,304
Transaction volume – YoY growth %	*n.a.*	*16%*	*6%*	*9%*
Transaction volume – 3-year CAGR %	*n.a.*	*n.a.*	*n.a.*	*10.4%*
Transaction value ($bn)	23.5	27.5	29.2	30.7
Transaction value – YoY growth %	*n.a.*	*17%*	*6%*	*5%*

Notes:

1. Statutory Net Operating income for FY24 includes a net remeasurement adjustment relating to an option liability ($12.5m in Other income and a charge of $1.3m in Interest Expense). These are excluded by definition in the non-IFRS measure of Adjusted EBITDA and Adjusted Total Net Operating Income.
2. Transaction volumes represent the aggregation of the specific volumes for each core capability (i.e. Issuing, Acquiring and Payments) that Cuscal considers a reasonable proxy for the drivers of revenue.

Under Cuscal's operating model, the business has been organised by core payments capabilities (including Issuing, Acquiring and Payments), an *enabling foundation* providing services monitoring potential Financial Crimes, and a *reinforcing adjacency* related to the provision of Regulated Data Services (see **Section 3.2**).

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information continued

Table 4.15 shows the composition of the NOI contribution by capability.

Table 4.15 Total NOI by capability

	Pro Forma Historical			Pro Forma Forecast
$m	**FY22**	**FY23**	**FY24**	**FY25**
Issuing	108.4	147.3	159.6	164.4
Acquiring	23.8	27.9	27.1	31.1
Payments	40.3	55.0	67.0	71.0
Financial Crimes	9.4	10.3	15.0	15.8
Regulated Data Services	3.6	5.9	5.0	6.8
Corporate[1]	–	(2.8)	10.8	0.6
Total Net Operating Income[1]	**185.5**	**243.6**	**284.5**	**289.7**

1. FY24 Corporate includes the impact of a net $11.2m favourable adjustment relating to the remeasurement of option liabilities (see Note (1) of **Table 4.14** above). FY24 total pro forma NOI after excluding this adjustment was $273.3m.

Cuscal's growth profile was achieved despite COVID lockdowns in the first quarter of FY22 (July 2022 to September 2022) where volumes were initially impacted but recovered relatively quickly resulting in minimal impacts on transaction volumes over the year. Cuscal was not eligible to apply for any of the Federal or State Government's monetary subsidies (such as JobKeeper) that were introduced to help mitigate the impact of the COVID-19 pandemic.

Net fee and commission revenue increased by $45.5m (26%) to $223.6m for FY23. The key drivers of the incremental increase in revenue were increases in total transaction volume (16%), the impact of new client wins in FY22, increased processing of international transactions and changes in contractual arrangements with a major payment scheme. Net fee and commission revenue increased by $21.3m (10%) to $244.9m for FY24 and is forecast to increase by $14.5m (6%) to $259.4m for FY25, driven by continued increase in total transaction volumes (6% and forecast 9% respectively), new business initiatives and net price adjustments.

Interest income was $15.1m for FY22 and increased by $74.6m (494%) and by $48.4m (54%) in FY23 and FY24 respectively; due to significantly higher average interest rates and an increase in average client deposits. Interest income is forecast to increase by $5.0m (4%) in FY25 reflecting higher deposit volumes and interest on the proceeds of the Offer but coupled with lower average cash rates assumed for FY25.

Interest expense followed a similar trend to interest income increasing by $59.9m (768%) and $42.8m (63%) in FY23 and FY24 respectively; due to the same factors impacting interest income (i.e. significantly higher interest rates and higher average client deposits). Interest expense is forecast to increase $2.6m (2%) and is consistent with the factors driving interest income (see **Section 4.8.2.3**).

As a proportion of total NOI, net interest income related to each core capability for FY22 averaged 2% for Issuing, <1% for Acquiring and 2% for Payments. These proportions increased in FY23 (averaging 4% for Issuing, <1% for Acquiring, and 4% for Payments); reflecting both higher interest income and expense from higher average client deposits and higher interest rates during FY23 as well as timing differences between repricing of client balances and associated investment securities. The proportions for FY24 and forecast for FY25 to be broadly similar to those in FY23. Refer to the following discussion by core payments capabilities, *enabling foundation* and *reinforcing adjacency* for further details.

4.9.1.1.1 Issuing core capability ('Issuing')

The main factors driving Cuscal's Issuing NOI are:

- The number of client transactions (i.e. transaction volume);
- Transaction value under scheme contracts, including international transactions;
- The number of clients and pricing at the time of contract renewals;
- Price increases embedded in existing client contracts;
- The number of cards produced and on issue;
- Digital enablement and provisioning (i.e. related to enabling the 'Pays') related to the number of clients and volumes;
- Demand from clients for specific project activities and implementation fees;
- Price fluctuations in third party costs incurred and new fees charged by schemes;
- Cuscal's ability to contractually passthrough scheme charges;
- Meeting client service level agreement (**SLA**) commitments for processing services and fraud monitoring; and
- Level of client deposits supporting Issuing processing and settlement as well as changes in interest rates.

Issuing is forecast to contribute 57% of total NOI for FY25. A summary of Issuing pro forma NOI components is provided in **Table 4.16**.

Table 4.16 Issuing pro forma NOI components

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Gross fee and commission revenue	143.2	192.1	210.9	213.4
Direct fee and commission expense	(38.2)	(55.1)	(64.3)	(61.8)
Issuing net fee and commission revenue	**105.0**	**137.0**	**146.6**	**151.6**
Net interest income	3.4	10.3	13.0	12.8
Net operating income	**108.4**	**147.3**	**159.6**	**164.4**
YoY growth – %	*n.a.*	*36%*	*8%*	*3%*
3-year CAGR %	*n.a.*	*n.a.*	*n.a.*	*14.9%*

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information continued

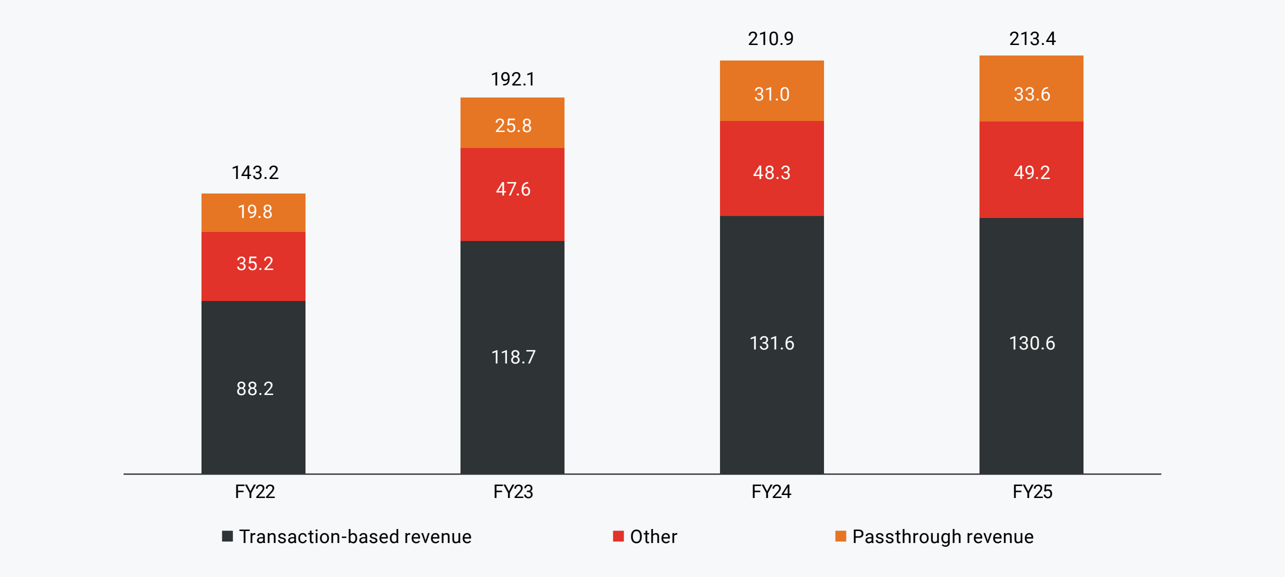
Gross fee and commission revenue

Issuing gross fee and commission revenue is derived from:

- Issuing transaction-based processing and settlement fees (based on transaction volume) as well as Scheme growth incentive fees and international transaction fees (based on transaction value);
- Passthrough revenues; and
- Other gross fee and commission revenue which includes revenue derived from services such as card production, card management services, digital card and wallet enablement, provisioning connection services (for example the 'Pays') and other ancillary services including client implementations, other scheme-related incentives, compliance, dispute resolution and connectivity services.

Figure 4.1 shows the composition of pro forma historical and forecast Issuing gross fee and commission revenue.

Figure 4.1 Composition of pro forma historical and forecast Issuing gross fee and commission revenue ($m)



Issuing total gross fee and commission revenue (including passthrough revenue) was $143.2m for FY22, increased by $48.9m (34%) and $18.8m (10%) to $192.1m and $210.9m for FY23 and FY24, respectively. This revenue is forecast to increase by $2.5m (1%) to $213.4m for FY25. Issuing gross fee and commission revenue (excluding passthrough revenue) was $123.4m for FY22 and increased by $42.9m (35%) and $13.6m (8%) to $166.3m and to $179.9m for FY23 and FY24 respectively. This revenue is forecast to be largely flat to FY24 at $179.8m for FY25.

Issuing transaction-based revenue was $88.2m for FY22 and increased by $30.5m (35%) and by $12.9m (11%) to $118.7m and $131.6m for FY23 and FY24 respectively. This revenue is forecast to slightly decline by $1.0m (1%) to $130.6m for FY25. The movement in this revenue across the period covering the Historical Financial Information largely reflects:

- Existing clients expanding the services they receive from Cuscal and/or adding significantly more transaction volume;
- Change in Issuing client numbers, with both certain clients exited and new clients added;
- In FY24, costs associated with a significant client contract renewal;
- Changes in contractual arrangements with a major payment scheme; and
- Transaction volume and transaction value growth.

The movement in this revenue across the period covering the Forecast Financial Information largely reflects:

- The impact of changes in contractual arrangements with a major payment scheme, the revenue growth benefit of which, was seen in the FY24 revenue result and stabilises into FY25;
- Evolving mix in transaction-based revenue as transaction numbers continue to increase but the average transaction value reduces and stabilises which means growth in scheme-related revenue, particularly related to foreign currency transactions (which is in part driven by transaction value), has slowed on prior years;
- In the longer term for both domestic and foreign currency transactions, Cuscal's management expects that growth trends will normalise to longer term pre-COVID averages; and
- This trend in scheme-related revenue in foreign currency transactions is expected to be offset by increased transaction volumes as Cuscal's clients' end customers increase frequency of transactions but at lower average transaction value.

The proportion of Issuing total gross fee and commission revenue (excluding passthrough revenue) driven by Issuing transaction volumes and transaction value was 71% for both FY22 and FY23, and increased to 73% for FY24. This proportion is forecast to remain at 73% in FY25. Of the 73% of Issuing gross fee and commission revenue (excluding passthrough revenue) in FY24 and forecast for FY25, the proportion driven by transaction volume (i.e. number of transactions processed) increased from around 61% in FY24 to around 65% and the proportion driven by transaction value decreased from around 39% in FY24 to around 35% in FY25. The remaining 27% for FY24 and forecast FY25, Issuing total gross fee and commission revenue (excluding passthrough revenue) is driven by fees for other services, including card production, card management, digital enablement, disputes and compliance fees and other scheme-related revenues across both periods.

The movement in Issuing transaction-based revenue from FY22 to FY23 largely reflects transaction volume and value growth from client contracted inflation-linked price adjustments and the impact of net client additions described above, as well as recovery in international transactions as end customers used their cards overseas following international borders reopening (international transaction volumes increased) and changes in contractual arrangements with a major payment scheme.

The movement in Issuing transaction-based revenue from FY23 to FY24 largely reflects forecast transaction volume growth and benefits from client contractual inflation-linked price adjustments. This is partially offset by repricing following certain major client renewals in FY22 and FY24 and the impact of tiered pricing structures, the benefits of which are expected to emerge as transaction volume increases over time.

Issuing transaction volumes increased 16% and 9% for FY23 and FY24, respectively and are forecast to increase by 6% in FY25. Issuing transaction value increased 17% and 6% for FY23 and FY24, respectively. Issuing transaction value is forecast to increase by 5% in FY25 (see **Section 4.8.2.1**).

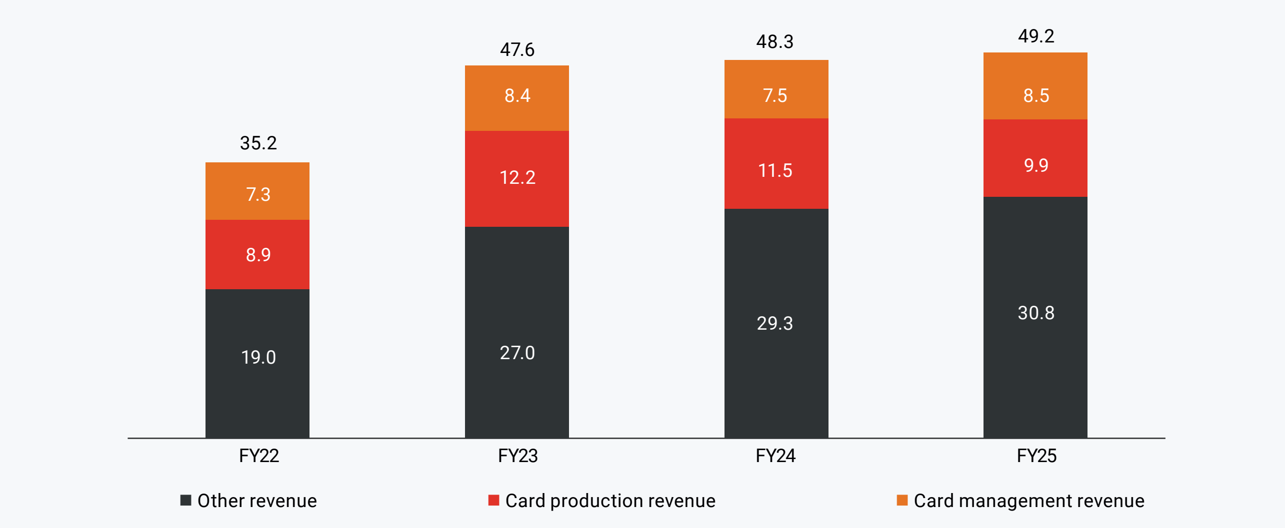
Issuing transaction-based revenue driven by transaction volume, as a proportion of gross fee and commission revenue (excluding passthrough revenue), declined from 54% for FY22 to around 45% for both FY23 and FY24. This decline is due to scheme growth incentive fees as a proportion of gross fee and commission revenue (excluding passthrough revenue) increasing from around 18% for FY22 to around 25% for FY23 and to 28% for FY24; largely reflecting the impact of transaction volume growth; in particular increased processing of international transactions, the impact of new clients in FY22 and changes in contractual arrangements with a major payment scheme. Issuing transaction-based revenue driven by transaction volume as a proportion of gross fee and commission revenue (excluding passthrough revenue) is expected to increase to 45% in FY25.

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information continued

Passthrough revenue was $19.8m in FY22 and increased by $6.0m (30%) and $5.2m (20%) to $25.8m and $31.0m for FY23 and FY24 respectively. This revenue is forecast to increase by $2.6m (8%) to $33.6m for FY25. These increases in passthrough revenue reflect increased scheme fees charged to Cuscal (and contractually recovered directly from clients) with the underlying driver being higher scheme-related transaction processing volumes. The proportion of total gross fee and commission revenue represented by passthrough revenue averaged around 14% over the period from FY22 to FY24 and is forecast to be 16% for FY25. Cuscal does not focus on passthrough revenue given that it is largely offset by passthrough expenses.

Figure 4.2 shows the composition of pro forma historical and forecast other gross fee and commission revenue.

Figure 4.2 Composition of pro forma historical and forecast Other gross fee and commission revenue ($m)



Key movements in other gross fee and commission revenue include:

- Card production revenue was $8.9m for FY22 and increased by $3.3m (37%) to $12.2m in FY23 but declined by $0.7m (6%) to $11.5m for FY24, respectively. The FY23 increase in this revenue primarily reflects an uplift in card production following the acquisition of an existing client by a Major Bank (with an expanded client base requiring card replacement). Whilst card production revenue is broadly correlated to card production volume; which was down 21% for FY24; it was supported by contractual inflation linked price increases which limited the revenue downside. Card production revenue is forecast to decrease by $1.6m (14%) to $9.9m for FY25 due to lower expected card production volumes.
- Card management services revenue was $7.3m for FY22 and increased $1.1m (15%) to $8.4m for FY23 but declined by $0.9m (11%) to $7.5m for FY24, respectively. The FY23 increase primarily reflects a 13% increase in cards on issue for FY23 following the existing client acquisition by a Major Bank noted above. Whilst card management services revenue is broadly correlated to cards on issue; which increased 8% for FY24; revenue for the year was adversely affected by an adjustment for prior year contractual fees billed. Card management revenue is forecast to increase by $1.0m (13%) to $8.5m for FY25 due to higher expected cards on issue and the adjustment in FY24 not repeating into FY25.
- Other revenue includes digital enablement fees (for example, enabling the 'Pays'), other scheme-related revenue and other ancillary services (i.e. disputes, connectivity, compliance, monthly access and project implementation fees). Other revenue was $19.0m for FY22 and increased by $8.0m (42%) and $2.3m (9%) to $27.0m and $29.3 for FY23 and FY24 respectively. This revenue is forecast to increase by $1.5m (5%) to $30.8m for FY25. The increase in other revenue in FY23 was largely related to higher digital enablement revenue on increased volumes, disputes services (primarily driven by increased cards on issue) and projects for clients related to implementation of new services and changes in contractual arrangements with a major payment scheme.

Direct fee and commission expense

Issuing direct fee and commission expense (which includes both passthrough expenses correlated with passthrough revenue and other direct fee and commission expenses incurred from third parties) was $38.2m for FY22 and increased by $16.9m (44%) and by $9.2m (17%) to $55.1m and $64.3m for FY23 and FY24 respectively. These costs are forecast to decrease by $2.5m (4%) to $61.8m for FY25. As a proportion of total direct fee and commission expense, passthrough expenses averaged around 49% for the period covering the Historical Financial Information FY22-FY24 and is forecast to increase to 54% for FY25.

In addition to passthrough expenses, Issuing direct fee and commission expenses also includes other third-party costs associated with Issuing activities such as charges for international transactions (international transaction fees), card production services costs, costs associated with card management services, rebates on scheme growth incentive revenue, connectivity, disputes, settlements, scheme infrastructure access, and SLA remediation costs. These costs were $18.1m for FY22 and increased by $11.0m (61%) and by $4.1m (14%) to $29.1m and $33.2m for FY23 and FY24 respectively. These costs are forecast to decrease by $5.0m (15%) to $28.2m for FY25; largely due to lower client renewal expenses as a significant number of client contracts were renewed onto long-term contracts (5-7 year terms) in FY24.

Cuscal incurs costs from schemes for international transaction fees and over the period covering the Historical Financial Information, international transaction fees were $7.6m in FY22 and increased by $4.6m (61%) and by $2.9m (24%) to $12.2m and $15.1m for FY23 and FY24 respectively. As a proportion of other direct fees and commission expenses, international transaction fees were approximately 42% for both FY22 and FY23 and increased to 45% for FY24 and to 52% for forecast FY25. The charging for international transactions is not directly recovered through passthrough expenses and forms part of other direct fee and commission expense, contributing to the increase in fees for FY23 and the trends in FY24 and forecast for FY25.

Cuscal also incurs the direct cost associated with card production, embossing and manufacturing. These costs were $4.8m for FY22 and increased by $1.1m (23%) to $5.9m for FY23. These costs declined $0.9m (15%) and by $0.5m (10%) to $5.0m and $4.5m for FY24 and forecast FY25. These fees are largely based on the number of cards produced with significant client production activities occurring in FY22 and FY23. Lower card production and the benefits of supplier changes primarily driving the trends in costs for FY24 and forecast for FY25. These costs, as a proportion of other direct fee and commission expenses, given the aforementioned benefits of supplier changes, have been steadily declining across the periods. These costs were approximately 27% for FY22, decreasing to around 20% for FY23 and to 15% for FY24. This proportion is forecast to increase to 16% in FY25.

Other direct fee and commission expenses, not associated with international transaction fees and card production and as outlined above, were $5.7m for FY22 and increased by $5.3m (93%) to $11.0m for FY23; largely reflecting changes in contractual arrangements with a major payment scheme and client contract renewal costs. These costs increased by $2.1m (19%) to $13.1m for FY24 and are forecast to decline $4.0m (31%) to $9.1m for FY25 due to a reduction in large client renewal expenses not repeatable in FY25. As a proportion of other direct fee and commission expense, these costs were approximately 31% for FY22, increasing to around 39% for FY24 and forecast to decline to 32% for FY25.

4.9.1.1.2 Acquiring core capability ('Acquiring')

The main factors driving Cuscal's Acquiring NOI are:

- The number of client transactions (i.e. transaction volume);
- The decline in cash usage and industry consolidation in the ATM channel impacting processing volumes;
- The number of clients and pricing at the time of contract renewals;
- Price increases embedded in existing client contracts;
- Demand from clients for specific project activities and implementation fees;
- Price fluctuations in third party costs incurred and new fees charged by schemes;
- Cuscal's ability to contractually passthrough scheme charges;
- Meeting client SLAs for processing services; and
- Level of client deposits supporting Acquiring processing and settlement as well as changes in interest rates.

Acquiring NOI is forecast to contribute 11% of total NOI for FY25. A summary of Acquiring pro forma NOI components is provided in **Table 4.17.**

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information continued

Table 4.17 Acquiring pro forma NOI components

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Gross fee and commission revenue	35.0	40.5	37.0	40.9
Direct fee and commission expense	(11.8)	(14.7)	(12.3)	(12.3)
Acquiring net fee and commission revenue	**23.2**	**25.8**	**24.7**	**28.6**
Net interest income	0.6	2.1	2.4	2.5
Net operating income	**23.8**	**27.9**	**27.1**	**31.1**
YoY growth – %	*n.a.*	*17%*	*(3%)*	*15%*
3-year CAGR %	*n.a.*	*n.a.*	*n.a.*	*9.3%*

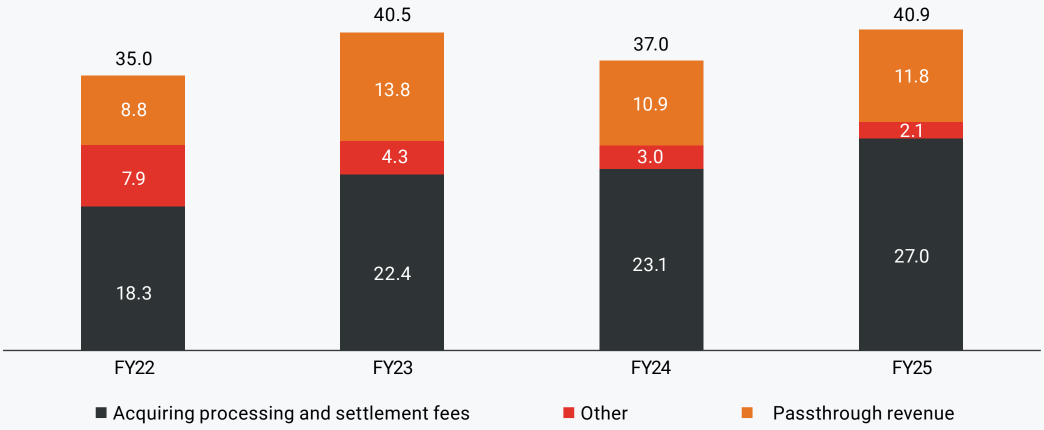
Gross fee and commission revenue

Acquiring gross fee and commission revenue is derived from:

- Acquiring processing and settlement fees based on transaction volume;
- Passthrough revenue; and
- Other gross fee and commission revenue which includes client implementations and other ancillary services (for example, compliance, help desk and connectivity services).

Figure 4.3 shows the composition of pro forma historical and forecast Acquiring gross fee and commission revenue.

Figure 4.3 Composition of pro forma historical and forecast Acquiring gross fee and commission revenue ($m)



Acquiring gross fee and commission revenue (including passthrough revenue) was $35.0m for FY22 and increased by $5.5m (16%) to $40.5m for FY23 and decreased by $3.5m (9%) to $37.0m for FY24. This revenue is forecast to increase by $3.9m (11%) to $40.9m for FY25.

Acquiring gross fee and commission revenue (excluding passthrough revenue (see below)) was $26.2m for FY22 and increased $0.5m (2%) and declined $0.6m (2%) to $26.7m and $26.1m for FY23 and FY24 respectively. This revenue is forecast to increase by $3.0m (11%) to $29.1m for FY25.

Acquiring processing and settlement fees were $18.3m for FY22 and increased $4.2m (23%) and $0.6m (3%) to $22.4m and $23.1m for FY23 and FY24, respectively. Acquiring processing and settlement fees is forecast to increase $3.9m (17%) to $27.0m for FY25. The movement in this revenue across the period covering the Historical Financial Information largely reflects:

- Transaction volume growth;
- The outperformance of specific existing clients in FY23 and FY24; and
- The benefit of client contractual inflation-linked price adjustments in FY23, FY24 and FY25.

The movement in Acquiring processing and settlement fees from FY23 to FY24 was supported by client contractual inflation-linked price adjustments, increased volume growth and three new client acquisitions in FY23. This movement was partially offset by reduced forecast volumes associated with a former Acquiring client transitioning their relationship to a third party that was announced in October 2020, as well as another client insourcing transaction processing related to international card payment schemes (both of which are regarded as client-specific events).

On a like for like basis, and excluding the aforementioned client specific events, acquiring processing and settlement fees increased by $2.9m (15%) from FY23 to FY24 and is forecast to increase by $3.9m (17%) from FY24 to FY25.

Acquiring transaction volumes increased by 16% for FY23 but declined 11% in FY24; the decline largely reflects the previously mentioned client-specific events in FY23. Excluding the total volume impact of the two clients noted above, Acquiring transaction volumes in FY24 would otherwise have increased by 12%. Acquiring transaction volumes are forecast to increase by 17%, driven by the above factors.

Passthrough revenue was $8.8m for FY22 and increased $5.0m (57%) to $13.8m for FY23; largely reflecting increases in Acquiring volume and the introduction of a new scheme access fee. This revenue declined $2.9m (21%) to $10.9m for FY24; reflecting lower Acquiring volumes attributable to the client specific events noted above. This revenue is forecast to increase $0.9m (8%) to $11.8m for FY25 in line with Acquiring transaction volumes. The proportion of gross fee and commission revenue represented by passthrough revenue averaged 30% over the period from FY22 to FY24 and is forecast to remain relatively flat at the historical average, decreasing by 1% to 29% for FY25.

The proportion of gross fee and commission revenue (excluding passthrough revenue), driven by transaction volumes increased from 70% to 84% to 89% in FY22 to FY23 to FY24 respectively; the movement largely reflects the impact of the aforementioned previous client-specific event resulting in lost ancillary revenues (from the provision of services such as help desk). This proportion is forecast to increase to 93% for FY25 for similar reasons.

Direct fee and commission expense

Acquiring direct fee and commission expense was $11.8m for FY22 and increased by $2.9m (25%) to $14.7m for FY23. These costs decreased $2.4m (16%) to $12.3m for FY24 and are forecast to be flat at $12.3m for FY25. The increased costs in FY23 reflect increases in scheme related costs recoverable via passthrough revenue and higher client remediation costs. The movements in these costs for FY24 and forecast for FY25 largely reflect lower client remediation costs in FY24 and increases in scheme related costs similarly recoverable via passthrough revenue for FY25.

Almost all Acquiring passthrough revenue is initially incurred as an expense by Cuscal; as such, passthrough expenses averages 88% of total direct fee and commission expense for the period from FY22 to forecast FY25. Excluding passthrough expenses, Acquiring direct fee and commission expense also includes certain connectivity fees and SLA financial remediation costs.

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information continued

4.9.1.1.3 Payments core capability ('Payments')

The main factors driving Cuscal's Payments NOI are:

- The number of client transactions (i.e. transaction volume);
- The pace of industry adoption and transaction volume ramp-up for payments platforms supported by Cuscal's NPP overlay services (for example, PayTo) and the pace of substitution of Batch transaction volumes;
- The number of clients and pricing at the time of contract renewals;
- Price increases embedded in existing client contracts;
- Demand from clients for specific project activities and implementation fees;
- Price fluctuations in third party costs incurred and new fees charged by payment networks;
- Cuscal's ability to contractually passthrough payment network charges;
- Meeting client SLAs for processing services; and
- Level of client deposits supporting payments processing and settlement as well as changes in interest rates.

Payments NOI is forecast to contribute 25% of total NOI for FY25. A summary of Payments pro forma NOI components is provided in **Table 4.18**.

Table 4.18 Payments pro forma NOI components

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Gross fee and commission revenue	41.5	49.1	55.5	68.0
Direct fee and commission expense	(4.2)	(4.6)	(2.3)	(11.4)
Payments net fee and commission revenue	**37.3**	**44.5**	**53.2**	**56.6**
Net interest income	3.0	10.5	13.8	14.4
Net operating income	**40.3**	**55.0**	**67.0**	**71.0**
YoY growth – %	*n.a.*	*36%*	*22%*	*6%*
3-year CAGR %	*n.a.*	*n.a.*	*n.a.*	*20.8%*

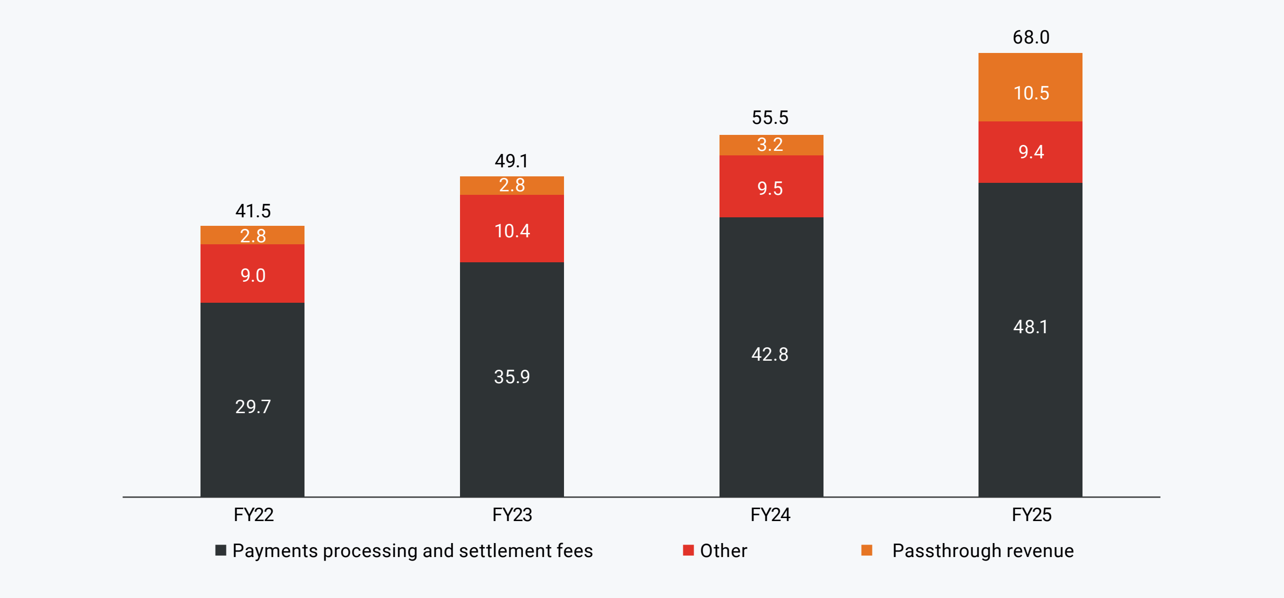
Gross fee and commission revenue

Payments gross fee and commission revenue is derived from:

- Payments processing and settlement fees related to Batch payments and NPP, both of which are based on transaction volume (see **Sections 2.2.8.5** and **3.8.1.3** for further detail on the trends associated with these payment types);
- Monthly access fees;
- Passthrough revenue; and
- Other gross fee and commission revenue which includes revenue derived from services such as client implementations and other ancillary services (for example, compliance reporting).

Figure 4.4 shows the composition of pro forma historical and forecast Payments gross fee and commission revenue.

Figure 4.4 Composition of pro forma historical and forecast Payments gross fee and commission revenue ($m)



Payments gross fee and commission revenue (including passthrough revenue) was $41.5m for FY22 and increased by $7.6m (18%) and by $6.4m (13%) to $49.1m and $55.5m for FY23 and FY24 respectively. This revenue is forecast to increase by $12.5m (23%) to $68.0m for FY25.

Payments gross fee and commission revenue (excluding passthrough revenue (see below)), was $38.7m for FY22 and increased by $7.6m (20%) and by $6.0 (13%) to $46.3m and $52.3m for FY23 and FY24 respectively. This revenue is to increase by $5.2m (10%) to $57.5m for FY25.

Payments processing and settlement fees were $29.7m for FY22 and increased by $6.2m (21%) and by $6.9m (19%) to $35.9m and $42.8m for FY23 and FY24 respectively. This revenue is forecast to increase by $5.3m (12%) to $48.1m for FY25.

The movement in Payments processing and settlement fees largely reflects:

- Transaction volume growth;
- The success of Cuscal's clients in increasing their market share of end customer transactions;
- The impact of onboarding eight new NPP clients;
- The benefit of three existing clients expanding into NPP services in FY23 and/or significantly adding more transaction volume;
- The impact of onboarding new Batch clients in FY23;
- The benefits from client contractual inflation-linked price adjustments in FY23, FY24 and FY25; and
- Other repricing initiatives as clients continue to move from Batch payments to the NPP.

Other Payments gross fee and commission revenue includes revenue derived from monthly access fees. Revenue derived from monthly access fees was $5.0m for FY22 and increased by $0.2m (4%) and by $1.7m (33%) to $5.2m and $6.9m for FY23 and FY24 respectively. The more significant increase in FY24 reflects the full year impact of incremental PayTo specific access fees introduced upon launch in FY23, benefits from client contractual inflation-linked price adjustments and fees relating to new onboarded NPP clients (ahead of moving from a fixed minimum access fee model to a tiered transaction volume-based model). This revenue is forecast to increase by $0.1m (1%) to $7.0m for FY25.

Other Payments gross fee and commission revenue also includes revenue derived from client implementation and ancillary services. This revenue was $4.0m for FY22 and increased by $1.2m (29%) to $5.2m for FY23, reflecting the launch of PayTo to existing clients and the new client acquisition implementations referred to above. This revenue decreased by $2.6m (49%) to $2.6m for FY24 and is forecast to decrease by $0.2m (7%) to $2.4m for FY25, driven by fewer new clients (therefore lower non-recurring onboarding and implementation fees) following Cuscal's initial launch and connection to PayTo.

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information continued

The proportion of Payments gross fee and commission revenue (excluding passthrough revenue) driven by Payments transaction volumes is forecast to increase from around 77% in FY22 to around 84% for FY25. The forecast growth is attributable to expected growth in client activity that supports a stable revenue mix between client implementation fees, monthly access fees (i.e. fees not driven by transaction volume) and fees related to Payments processing and settlement fees.

Total Payments transaction volumes (NPP and Batch) increased 17% and 15% for FY23 and FY24 respectively. This transaction volume is forecast to increase by 10% in FY25.

Payments processing and settlement fees related to Batch payments and NPP are both based on transaction volume. NPP and Batch fees comprise transaction-based gross fee and commission revenue. NPP fee revenue as a proportion of total transaction-based Payments gross fee and commission revenue has steadily increased from 35% in FY22 to 44% in FY24 and is forecast to contribute 51% in FY25. Batch fee revenue as proportion of total transaction-based Payments gross fee and commission revenue has declined from 65% in FY22 to 56% in FY24 and is forecast to contribute 49% in FY25. These trends reflect the ongoing substitution of Batch payments with NPP payments described further in **Sections 2.2.8.5 and 3.8.1.3**.

Based on the key drivers of Payments processing and settlement fees outlined above, NPP transaction-based revenue increased 37% in FY23, 31% in FY24 and is forecast to increase 33% in FY25. NPP payments volume increased 32% and 23% for FY23 and FY24 respectively and is forecast to increase 17% for FY25. Batch transaction-based revenue increased 12% and 12% in FY23 and FY24, respectively, and is forecast to be largely flat in FY25. Batch payments volume increased by 6% and 7% in FY23 and FY24 respectively and is forecast to increase by 3% in FY25. The decline in forecast growth in Batch volume reflects the increasing adoption of NPP as a substitute for Batch.

Passthrough revenue was flat at an average of $2.8m for FY22 and FY23. This revenue increased $0.4m (14%) to $3.2m in FY24. In line with the increase in direct fee and commission expenses noted below, passthrough revenue is forecast to increase $7.3m (230%) to $10.5m for FY25 largely due to changes in method of charging NPP access fees.

Direct fee and commission expense

Payments direct fee and commission expense was $4.2m, $4.6m and $2.3m in FY22, FY23 and FY24 respectively. These costs are forecast to substantially increase by $9.1m (396%) to $11.4m for FY25; reflecting the changes in the method of charging NPP access fees (transitioning to transaction volume based).

Payments direct fee and commission expense represents the on-charging of a range of passthrough payment network related fees and other third-party costs incurred as well as costs associated with meeting client SLAs and other third-party costs (such as BPAY transaction fees and the cost of chequing services). A significant proportion of Payments passthrough revenue is incurred as an expense by Cuscal. Passthrough expenses averages 64% of total direct fee and commission expense for the period from FY22 to FY24 and is forecast to increase to 92% for FY25 given the aforementioned changes in NPP charging methodology.

The increase in direct fee and commission expense expected for FY25 largely reflects changes to the costs of accessing the NPP's payment rails. Previously, the NPP charged a flat fee for every transaction, whereas from 1 July 2024, participants are charged depending on transactional volumes with greater volumes rewarded with lower access fees. However, this has no direct financial impact to Cuscal as these costs are recovered at nil margin via passthrough revenue, although Cuscal is able to access the NPP at sufficient scale so that its clients benefit from the lowest rate of access fees.

4.9.1.1.4 Financial Crimes enabling foundation ('Financial Crimes')

Cuscal has made significant investment in its fraud monitoring capabilities over the past few years in response to client needs as they experience higher levels of fraud and scam activities. This is in support of its Issuing and Payments core capabilities. The main factors driving Cuscal's Financial Crimes NOI are:

- Increased demand for fraud monitoring services as clients combat the increasing incidence of frauds and scams across the economy as a whole;
- Migration of the revenue model from card number volume-based monitoring to transaction volume-based monitoring;
- The introduction of additional fees to recognise costs associated with the significant increase in monitoring and dealing with scam activities;
- Price fluctuations in scheme and third party costs incurred as well as new fees charged by schemes and cloud technology providers; and
- Meeting client service level agreements for fraud monitoring services.

Financial Crimes NOI is forecast to contribute 5% of total NOI for FY25. A summary of Financial Crimes pro forma NOI components is provided in **Table 4.19**.

Table 4.19 Financial Crimes pro forma NOI components

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Gross fee and commission revenue	10.9	12.2	17.2	18.3
Direct fee and commission expense	(1.7)	(1.9)	(2.2)	(2.5)
Financial Crimes net fee and commission revenue	**9.2**	**10.3**	**15.0**	**15.8**
Other income	0.2	–	–	–
Net interest income	–	–	–	–
Net operating income	**9.4**	**10.3**	**15.0**	**15.8**
YoY growth – %	*n.a.*	*10%*	*46%*	*5%*
3-year CAGR %	*n.a.*	*n.a.*	*n.a.*	*18.9%*

Gross fee and commission revenue

Financial Crimes gross fee and commission revenue is derived from authentication and monitoring services related to fraud for both cards and NPP. Gross fee and commission revenue was $10.9m for FY22 and increased by $1.3m (12%) and $5.0m (41%) to $12.2m and $17.2m for FY23 and FY24 respectively. The growth in FY24 was primarily due to the change in fee structure and the transition from card based to transaction based. In addition, the uplift was driven by the introduction of fraud / scam fee designed to recover costs. Financial Crimes gross fee and commission revenue is forecast to increase $1.1m (6%) to $18.3m for FY25. The historical and expected forecast increase in revenue is driven by higher levels of fraud activity experienced across financial services and the greater expenditure being made by Cuscal's clients in mitigating the risks of this fraud activity.

For FY22 to FY23, revenue for card monitoring and authentication was based predominantly on the number of cards accessing the service. For FY24, monitoring and authentication fees for cards is predominantly based on the number of transactions. Historically, card monitoring fees have been the most significant contributor to Financial Crimes gross fee and commission revenue. The contribution of fees driven by card numbers has declined from 79% and 76% in FY22 and FY23 respectively, to 33% in FY24 and is forecast to remain broadly steady at 35% for FY25. This decline reflects the change in the revenue model, previously based on card numbers, to a driver based on the number of transactions and contractual repricing of services in response to higher levels of fraud activity being experienced by Cuscal's clients.

Transaction volume-based fees for authentication and monitoring services contributed 21% of total Financial Crimes gross fee and commission revenue in FY22 and 24% in FY23, and grew to 65% in FY24 for the same reasons outlined above for the decline in fees driven by card numbers. It is forecast to remain steady at 65% in FY25.

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information continued

Direct fee and commission expenses

Direct fee and commission expenses increased by 12% and 16% for FY23 and FY24 respectively. These costs are forecast to increase by 14% for FY25. The growth in Financial Crimes direct fee and commission expenses is predominantly driven by scheme and connectivity fees, reflective of growing fraud volumes as noted above. Scheme and connectivity fees average 93% of total direct fee and commission expenses for FY22 to FY24 and 96% for FY25.

4.9.1.1.5 Regulated Data Services reinforcing adjacency ('Regulated Data Services')

The Regulated Data Services industry is emerging and as such, Cuscal's strategic investments in this market are intended to generate growth over the medium to longer term. Accordingly, Cuscal is not expecting material NOI contribution from Regulated Data Services in the short term. The main factors driving Cuscal's Regulated Data Services pro forma NOI are:

- The level of regulatory drive to reinforce the legislated regulatory data regime;
- The pace of investment in and promotion by the Major Banks to the regulated data services market;
- The pace of adoption by consumers and businesses of regulated data services in Australia; and
- The number of Data Holder and Data Recipient customers onboarded.

Regulated Data Services NOI is forecast to contribute 2% of total NOI for FY25. A summary of Regulated Data Services pro forma NOI components is provided in **Table 4.20**.

Table 4.20 Regulated Data Services pro forma NOI components

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Gross fee and commission revenue	4.4	5.9	5.0	6.8
Direct fee and commission expense	(0.8)	–	–	–
Regulated Data Services net fee and commission revenue	**3.6**	**5.9**	**5.0**	**6.8**
Net interest income	–	(0.5)	–	–
Other income	–	0.5	–	–
Net operating income	**3.6**	**5.9**	**5.0**	**6.8**
YoY growth – %	*n.a.*	*64%*	*(15%)*	*36%*
3-year CAGR %	*n.a.*	*n.a.*	*n.a.*	*23.6%*

Gross fee and commission revenue

Regulated Data Services gross fee and commission revenue was $4.4m for FY22 and increased by $1.5m (34%) to $5.9m for FY23 and declined $0.9m (15%) to $5.0m for FY24. This revenue is forecast to increase $1.8m (36%) to $6.8m for FY25.

Gross fee and commission revenue for the period covering the Historical Financial Information was derived from Cuscal's client onboarding implementations and monthly fees attributable to Data Holder services. The increase in FY23 and decrease in FY24 is associated with one-off production implementation revenue. FY23 includes $1.3m of product implementation revenue while in FY24, equivalent implementation revenue was only $0.5m.

Gross fee and commission revenue for FY25 primarily relates to monthly subscription style fees for connection to the Basiq platform and regulated data services of $4.2m, Cuscal's monthly fees attributable to Data Holder and Data Recipient services of $1.3m and client onboarding implementations of $1.3m.

4.9.1.1.6 Corporate

Corporate reflects fair value adjustments to the carrying value of equity investments (with equity investments forecast to remain the same for FY25), net interest income (including net interest income related to Securitisation Trust services that effectively wound down in FY23), lease liability interest under AASB 16, estimated interest earned on the net proceeds of the capital raise and other immaterial adjustments (including rounding) to NOI and in FY24, a favourable net benefit of a remeasurement adjustment of an option liability.

A summary of Corporate pro forma NOI components is provided in **Table 4.21**.

Table 4.21 Corporate pro forma NOI components

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Gross fee and commission revenue	0.2	0.2	0.3	–
Direct fee and commission expense	(0.4)	(0.1)	0.1	–
Corporate net fee and commission revenue	**(0.2)**	**0.1**	**0.4**	**–**
Adjustments to carrying value of equity investments	0.1	(2.4)	(0.4)	–
Net interest income[1]	0.3	(0.4)	(1.6)	0.3
Net other adjustments[1]	(0.2)	(0.1)	12.4	0.3
Net operating income[1]	**–**	**(2.8)**	**10.8**	**0.6**

1. FY24 includes the impact of a net $11.2m favourable remeasurement adjustment relating to option liabilities ($12.5m in Other income and a charge of $1.3m in Interest Expense). Corporate pro forma NOI for FY24 excluding this adjustment was a ($0.4)m loss.

4.9.1.2 Operating Expenses

Cuscal's pro forma operating expenses comprised five key categories. **Table 4.22** provides a breakdown of operating expenses from FY22 to FY25.

Table 4.22 Operating expenses breakdown

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Employee benefits expense	(92.9)	(112.3)	(127.1)	(127.6)
Occupancy expenses	(4.9)	(4.8)	(5.8)	(4.6)
Depreciation and amortisation[1]	(4.4)	(9.8)	(24.8)	(10.1)
Non-salary technology expenses	(35.6)	(58.0)	(53.2)	(65.3)
Other expenses	(21.7)	(27.6)	(29.2)	(29.7)
Total Operating expenses[1]	**(159.5)**	**(212.5)**	**(240.1)**	**(237.3)**
OE - YoY growth %	*n.a.*	*33%*	*13%*	*(1)%*
3-year CAGR	*n.a.*	*n.a.*	*n.a.*	*14.2%*

1. Depreciation and amortisation for FY24 includes a $14.3m charge due to a reassessment of the useful life of a Regulated Data Services intangible asset. See **Section 4.9.1.2.3**. Total pro forma historical operating expenses for FY24 after excluding this charge was $225.8m.

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information continued

4.9.1.2.1 Employee benefits expenses

Cuscal has invested significantly over the period covering the Historical Financial Information in its team, consistent with its commitment to building a dynamic and forward-looking culture, along with new capabilities to effectively respond to the increasingly rapid pace of innovation in the payments industry. As outlined in **Section 4.2.2**, Cuscal's operating model has been organised by core payments capabilities where teams with cross-functional capabilities work together to build, deliver and manage specific payment infrastructure and regulated data services offerings for Cuscal's clients as needed (see **Sections 3.5** and **3.6**).

Cuscal's FTEs include permanent full-time and part-time staff and Non-Executive Directors (together, permanent staff) and contractors (non-permanent staff who are paid based on hours worked) and excludes those FTEs on extended leave without pay. Cuscal had increased FTEs by 0.2 from FY22 to FY24 with Average FTEs increasing by 2% over the same period. The number of FTEs is forecast to increase by 17.8 to 711.4 (3%) for FY25 with Average FTEs expected to decrease by 4% for FY25 given incremental permanent FTEs are expected to be on-boarded largely in the second half of the financial year while non-permanent staff are expected to exit in the first half as the projects they are employed on complete.

Table 4.23 Full-time equivalent employee (FTE) breakdown

	Historical			Forecast
FTE Breakdown (end of period)	FY22	FY23	FY24	FY25
Permanent	500.4	585.5	603.6	695.8
Non-permanent	193.0	158.0	90.0	15.6
Total FTE	**693.4**	**743.5**	**693.6**	**711.4**
Average FTE	**685.8**	**694.3**	**701.1**	**674.0**

Cuscal's FTEs are typically engaged in either existing business operations or the building and subsequent operation of SIPs to develop new innovative capabilities. Examples of SIP-related projects in the period covering the Historical Financial Information include PayTo, the creation of open banking capabilities and risk, technology and operating model uplift (including CPS 230). The level of employee benefits expenses recorded in income statements is also impacted by the extent to which employee costs related to SIPs are capitalised and included in intangible assets on the statement of financial position (see **Section 4.9.1.3**). Refer to Table 4.24 below for details of total employee benefits cost and the relative proportions that were expensed and capitalised.

Table 4.24 Total employee benefits cost breakdown

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Employee benefits expenses	(92.9)	(112.3)	(127.1)	(127.6)
Employee benefits capitalised	(26.5)	(5.8)	(8.1)	(6.7)
Total employee benefits costs	**(119.4)**	**(118.1)**	**(135.2)**	**(134.3)**
Total employee benefits cost per average FTE ($'000)	**(174.1)**	**(170.1)**	**(192.8)**	**(199.3)**

Employee benefits expenses were $92.9m for FY22, increasing by $19.4m (21%) and $14.8m (13%) to $112.3m and $127.1m for FY23 and FY24 respectively. These costs are forecast to remain relatively flat, increasing by $0.5m to $127.6m for FY25; primarily driven by the completion of the Switch Upgrade program in FY24 and decreasing average FTE numbers in FY25, partially offset by inflation-linked, average base salary increases, higher costs related to Cuscal's risk, technology and operating model uplift program in FY25 and the inclusion in FY24 of a redundancy provision. As a proportion of Adjusted Total NOI, Employee benefits expense has trended downwards from 50% in FY22 to an expected 44% for FY25.

Total employee benefits costs were $119.4m for FY22, declined by $1.3m (1%) and increased $17.1m (14%) to $118.1m and $135.2m for FY23 and FY24, respectively. The net increase is largely due to additional permanent FTEs (and overall average FTEs) required to support greater scale and a maturing operating model, partially offset by a reduction in SIP-related FTEs. Additionally, this increase in costs was impacted by inflation-linked average salary uplifts, with average cost per FTE increasing by $22,700 (13%) in FY24 on FY23 levels, and also driven further by increased investment in management and risk FTEs. See **Section 4.9.1.3** for detail on capitalised spend related to SIPs and the transition of Cuscal's operating model.

Many factors have contributed to the increased investment in FTEs and associated increases in employee benefits expenses and total employee benefits costs over the period of the Historical Financial Information, including:

- Progressively reducing FTEs associated with one-time build investment in Cuscal's SIPs to build new capabilities in FY22, FY23 and FY24;
- Increased FTEs associated with implementing design and capability uplifts through Cuscal's new operating model (see **Sections 3.5** and **3.6**);
- Increased FTEs associated with increased fraud and scam activity to support the Financial Crimes *enabling foundation*;
- Increased FTEs to support additional scale due to growth over the period covering the Historical Financial Information;
- Increased remuneration and retention costs associated with labour market conditions over the COVID impacted periods of FY22 and into FY23, specifically related to FTEs in technology functions;
- In the periods FY22 into FY23, net changes in FTEs associated with the substitution of FTE away from SIPs, as they complete build activities, and operationalise into the Core Capabilities (e.g. NPP PayTo and Open Banking specifically);
- Increased FTEs in non-permanent or contracted roles with typically higher average salaries; and
- Increased FTEs in corporate service functions (such as risk, compliance, legal and human resources) to support increased scale.

Regarding Forecast Financial Information, Total employee benefits costs are expected to decrease by $0.9m (1%) to $134.3m for FY25 representing 46% of Adjusted Total NOI in FY25. The main assumptions underlying this forecast include:

- Expected decrease in Average FTE by 27.1 (4%), driven in part by a reduction in non-permanent roles by 74.4 (83%) as build phase of SIPs complete, expected in the first half of FY25;
- Expected timing of permanent roles commencing largely in the second half of FY25, partially offset by;
  - Increase in total FTEs by 17.8 (3%) comprised of continued growth in FTEs for the completion of SIPs and transition into Cuscal's operating model (see **Sections 3.5** and **3.6**) and ongoing technology platform and additional FTEs to support increased scale and the maturing of Cuscal's operating model;
  - Increased FTE specifically related to Cuscal's Risk Uplift program, in particular additional first and second line risk FTE with increased capability; and
  - Average cost per FTE increasing by $6,500 (3%) in FY25 reflecting a 3.5% CPI salary increase effective 1 July 2024 (inclusive of increases in Superannuation Guarantee) and an increase in senior management roles to support increased scale and maturing of Cuscal's operating model.

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information continued

4.9.1.2.2 Occupancy expenses

Occupancy expenses consist of the depreciation of Cuscal's right-of-use premises assets and other occupancy expenses including rates, taxes, electricity, parking, and repairs and maintenance. Occupancy expenses have remained steady for FY22 and FY23 but increased $1.0m to $5.8m (21%) for FY24, driven by accelerated right-in-use asset deprecation related to Cuscal's principal Sydney office. Occupancy expenses are forecast to return to FY22 and FY23 levels in FY25.

4.9.1.2.3 Depreciation and amortisation

Table 4.25 Depreciation and amortisation

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Depreciation of plant and equipment	(1.1)	(1.1)	(1.1)	(2.3)
Amortisation of intangible assets[1]	(3.3)	(8.7)	(23.7)	(7.8)
Depreciation and amortisation	**(4.4)**	**(9.8)**	**(24.8)**	**(10.1)**

1. Depreciation and amortisation in FY24 includes a $14.3m charge due to a reassessment of the useful life of a Regulated Data Services intangible asset.

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

As discussed in **Section 4.9.1.2.1**, certain employee benefits expenses associated with Cuscal's SIPs in the period covering the Historical Financial Information met requirements of AASB 138 *Intangible Assets* to be capitalised as internally generated software in intangible assets. These assets are amortised to the income statement in accordance with Cuscal's accounting policies.

Depreciation and amortisation was $4.4m for FY22 and increased by $5.4m (123%) and $15.0m (153%) to $9.8m and $24.8m for FY23 and FY24, respectively. This trend has been largely driven by the operationalisation of PayTo, Open Banking infrastructure and the upgrade to Cuscal's core switch infrastructure. Additionally, there has been a $14.3m increase to the fair value of software intangibles following the acquisition of Basiq which is included in the Depreciation and amortisation expense of $24.8m in FY24. Excluding this one-off impact of a reassessment of the useful life of a Regulated Data Services intangible asset, Depreciation and amortisation increased $0.7m (7%) to $10.5m in FY24 on FY23 levels.

4.9.1.2.4 Non-salary technology expenses

Table 4.26 Non-salary technology expenses

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Non-salary technology expenses	(35.6)	(58.0)	(53.2)	(65.3)

Non-salary technology expenses include:

- Outsourced services relating directly to SIPs and technology support services;
- Repairs and maintenance for Cuscal-owned IT equipment and software;
- Licence fees for corporate, security and product support;
- Telecommunications costs; and
- Data centre costs and other technology costs.

Non-salary technology expenses were $35.6m for FY22 and increased by $22.4m (63%) to $58.0m for FY23. The increase in FY23 reflects a $10.3m one-off investment in a cloud payments infrastructure resilience program, higher repairs and maintenance costs associated with SIPs, increased licencing costs to support a growing merchant base and additional licences required in conjunction with investment spend in technology platforms such as PayTo and upgraded switch capabilities.

Non-salary technology expenses declined by $4.8m (8%) on FY23 levels to $53.2m for FY24 due to reduced program expenses in relation to PayTo, open banking and fraud programs as those programs near completion, as well as reflecting the majority of the one-off costs related to the infrastructure resiliency upgrade program incurred in FY23 which was substantially complete in February 2024. These decreases are partially offset by increases in volume-driven licence fee expenses, mainly due to increased transactions across the cloud platform underpinning Cuscal's fraud services, an RBA processing fee increase from NPP transaction growth and incremental software-related repairs and maintenance costs.

Non-salary technology expenses are forecast to increase by $12.1m (23%) on FY24 levels to $65.3m for FY25 due to increases in technology specific investment planned for FY25 in relation to Cuscal's broader risk, technology and operating model uplift program; further addressing technology reliance, cyber and technology control environments, as well as frauds and scam detection or monitoring capability. The increase also reflects increases in the volume-driven technology requirements and license fee expenses, partially offset by a reduction in investment spend due to the completion of the Switch Upgrade program in FY24.

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information continued

4.9.1.2.5 Other expenses

Table 4.27 Other expenses

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Other expenses	(21.7)	(27.6)	(29.2)	(29.7)

Other expenses include:

- General consulting fees for non-technology related initiatives, including in particular regulatory and compliance review costs;
- Insurance, legal and regulatory expenses;
- Non-income tax related expenses such as fringe benefits tax;
- External and internal audit expenses;
- Branding and marketing expenses;
- Non-employee related human resources expenses;
- Non-employee related finance, treasury and billing system expenses;
- Corporate related expenses including, for example, corporate structure, M&A activity and Cuscal operating model transition costs; and
- Other general administrative expenses.

Other expenses were $21.7m in FY22 and increased by $5.9m (27%) to $27.6m in FY23 primarily due to a $4.9m increase in one-off consulting fees related to Cuscal's operating model and other corporate related costs, and a $1.9m increase in non-employee related human resources, audit and finance related expenses.

Other expenses increased by $1.6m (6%) to $29.2m for FY24, primarily due to compliance costs associated with designing, developing and implementing the new CPS 230 standard ($7.0m), regulatory compliance mainly relating to fraud and scams and other costs associated with Financial Accountability Regime, BFI awards, reward strategy and finance systems enhancements ($7.0m). This was partially offset by a decline in consulting fees relating to the prior year optimisation of Cuscal's operating model and other corporate-related costs ($6.9m) as well as reduced M&A / corporate structure expenses ($5.6m).

Other expenses are forecast to increase by $0.5m (2%) to $29.7m for FY25; reflecting the recent investment in the design and commencement of implementation of new APRA standard CPS 230 in FY24, offset by other targeted investment in Cuscal's broader risk, technology and operating model uplift program. This includes continued investment in enhanced governance, frameworks and controls as well as broader risk-capability uplifts such as investment in risk capability, cyber resilience and the technology control environment (see **Section 3.7**).

4.9.1.3 Investment spend and capital expenditure

From FY22 to FY24 Cuscal invested approximately $135m into a range of Strategic Investment Priorities (SIPs) including NPP PayTo (12%), Open Banking (22%), upgrade to the Issuing Switch (16%), replacement of core banking systems (10%), improved Financial Crimes monitoring capabilities (3%), a new CMS, addressing technology risk and enhancing resilience, operating risk and capability uplift (particularly in relation to designing, developing and commencing implementation of CPS 230) and an operating model transformation program (collectively 33%) (see **Section 3.5** and **3.6**).

The Investment profile for the forecast in FY25, primarily relates to continued enhancement of the Open Banking platform through Basiq, further progression of Core Banking Systems and Card Management System activities, and specific focus on Cuscal's operating and technology risk programs (including in particular CPS 230 and further capability uplift) and other general technology, product and business growth initiatives.

Table 4.28 sets out a breakdown of expenditure for these key SIPs.

Table 4.28. Capitalisation of Key Initiatives

Table 4.28 presents a breakdown of expenditure for key investment programs and does not include certain expenditure relating to Property, Plant and Equipment ($3.0m in FY22, $0.3m in FY23, $7.3m for FY24 and a forecast expenditure of $6.5m in FY25).

	Pro Forma Historical									Pro Forma Forecast		
	FY22			FY23			FY24			FY25		
	Expense	Capex	Total Spend	Expense	Capex	Total Spend	Expense	Capex	Total Spend	Expense	Capex	Total Spend
NPP PayTo	(3.1)	(9.1)	(12.2)	(3.4)	–	(3.4)	–	–	–	–	–	–
Open Banking / Basiq	(5.4)	(14.6)	(20.0)	(4.5)	(2.5)	(7.0)	0.2	(2.7)	(2.5)	–	(2.7)	(2.7)
Switch Upgrade	–	(5.8)	(5.8)	(6.5)	(1.4)	(7.9)	(7.5)	–	(7.5)	–	–	–
Financial Crimes	(4.3)	–	(4.3)	(0.2)	–	(0.2)	–	–	–	(2.3)	–	(2.3)
Core Banking System / Enable Bank	(1.9)	–	(1.9)	(1.2)	(3.3)	(4.5)	(1.2)	(5.5)	(6.7)	(2.0)	(6.4)	(8.4)
Card Management System	–	–	–	(0.6)	–	(0.6)	(1.0)	(2.5)	(3.5)	(1.0)	(1.7)	(2.7)
Risk, Technology and operating model uplift (inc. CPS 230)	(10.5)	–	(10.5)	(21.5)	–	(21.5)	(12.4)	–	(12.4)	(16.0)	–	(16.0)
Other business and technology activities	(0.4)	–	(0.4)	(1.2)	–	(1.2)	–	–	–	(1.2)	–	(1.2)
Total investment	**(25.6)**	**(29.5)**	**(55.1)**	**(39.1)**	**(7.2)**	**(46.3)**	**(21.9)**	**(10.7)**	**(32.6)**	**(22.5)**	**(10.8)**	**(33.3)**

Notes: Expense represents investment spend that has been expensed. Capex represents investment spend that has been capitalised.

Investment expense was $25.6m in FY22 and increased $13.5m (53%) to $39.1m in FY23 but decreased $17.2m (44%) to $21.9m in FY24. Over the same period, Investment related capital expenditure decreased $22.3m (76%) to $7.2m in FY23 and increased $3.5m (49%) to $10.7m in FY24.

Total investment spend has continued to trend downwards, primarily attributable to reduced levels of one-off Investment-related capital expenditure in relation to significant programs for NPP PayTo, Open Banking and the Switch Upgrade in FY22 and FY23. This capital expenditure has transitioned into ongoing operating expenses primarily related to employee benefits expenses. This trend is also consistent with the change to Cuscal's FTE composition (see **Section 4.9.1.2.1**) as Cuscal's FTEs have substituted away from core product investments (often in non-Permanent roles), as they complete build activities, and operationalise into the Core Capabilities (e.g. NPP PayTo and Open Banking specifically) as full-time employees.

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information continued

Total Investment spend is expected to increase to $33.3m for FY25, which includes Investment expense and Investment-related capex. For FY25, Investment expense is forecast to increase $0.6m (3%) to $22.5m and Investment-related capex is forecast to increase $0.1m (1%) to $10.8m.

This trend is consistent with a change in the nature of investments through FY24 and into FY25; away from major product related program builds (notably in FY22); where accounting standards generally required more of these investments to be capitalised; and towards programs directed at operating and technology risk, capability uplift and addressing an industry-wide focus on reducing frauds and scams; where more of the total spend is expensed as incurred.

Capitalisation of expense is determined by the maturity of the investment program. In line with AASB 138 *Intangible Assets*, when Programs are in the discovery phase and realisable future benefits are yet to be fully identified, the costs incurred are expensed. Once programs are in the development phase and future benefits are identified, the costs incurred are capitalised. Once the asset is ready for use, it is amortised over its useful life. program-related expenditure relating to NPP PayTo were all expensed in FY23; Open Banking (including Basiq) Switch costs were largely expensed in FY23 and all costs related to Switch Upgrade and risk, technology and operating model uplift (including CPS 230) were expensed in FY24 due to being either migration, compliance or maintenance related costs and as a result did not meet requirements for capitalisation under AAS.

4.9.1.4 Adjusted EBITDA

Adjusted EBITDA is a key non-IFRS metric used by Cuscal to assess operating and financial performance.

Adjusted EBITDA was $30.4m for FY22 and increased by $10.8m (36%) and $16.8m (41%) to $41.2m and $58.0m for FY23 and FY24 respectively. Adjusted EBITDA is forecast to increase $4.5m (8%) to $62.5m for FY25 as a result of the movements in net fee and commission revenue, net interest income and operating expenses as described above.

Adjusted EBITDA margin was 16.4% in FY22. In FY23, Adjusted EBITDA margin was 16.9%, slightly higher than FY22 with operating expenses (excluding depreciation and amortisation) as a percentage of Adjusted Total NOI at approximately 84% for FY22 but declining to 83% for FY23. In FY24, Adjusted EBITDA margin increased to 21.2% as operating expenses (excluding depreciation and amortisation) as a percentage of Adjusted Total NOI declined to 79%. In FY25, Adjusted EBITDA margin is forecast to increase to 21.6% as forecast operating expenses (excluding depreciation and amortisation) as a percentage of Adjusted Total NOI decline to 78%.

Table 4.29 Adjusted EBITDA and Adjusted EBITDA margin

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Adjusted EBITDA[1]	30.4	41.2	58.0	62.5
Adjusted EBITDA margin	16.4%	16.9%	21.2%	21.6%

1. FY24 excludes a favourable net benefit of $11.2m arising from a remeasurement on an option liability.

4.9.1.5 Income tax expense

Income tax expense is based on an effective Australian corporate tax rate of 30%. Cuscal's effective tax rates for FY22 and FY23 are higher than the corporate tax rate of 30% due to the pro forma impact of Basiq which incurred a net loss before tax without any corresponding income tax benefit recognised as a DTA (see **Section 4.6.4**). The effective tax rate was 35% in FY22 and 37% in FY23. In FY24, the effective tax rate was 29% as the net remeasurement adjustment for an option liability is treated as a non-taxable permanent difference. The effective tax rate is forecast to be 30% in FY25.

4.9.1.6 Pro forma NPAT attributable to the owners of Cuscal

Pro forma historical NPAT attributable to the owners of Cuscal was $17.9m for FY22 and increased by $3.2m (18%) and $11.8m (56%) to $21.1m and $32.9m in FY23 and FY24, reflecting movements in components of the Pro Forma Historical Income Statements described above. Pro Forma forecast NPAT attributable to the owners of Cuscal is forecast to increase by $3.7m (11%) to $36.6m for FY25.

Cuscal has made the strategic decision to make investments in Regulated Data Services given its view on the longer-term opportunity (see **Section 3.2.2.1**). This included the acquisition of Basiq as well as other Regulated Data Services investments including additional operating expenses through increased headcount and technology-related expenditure. In addition, during FY24, the Company recorded a ($11.2m) post-tax net impact of a positive remeasurement adjustment related to the option liability in relation to the acquisition of Basiq and a $10.0m post-tax charge due to reassessment of the useful life of a Regulated Data Services intangible asset.

As presented in **Table 4.30**, Pro Forma NPAT attributable to the owners of Cuscal (excluding Regulated Data Services) would have been $25.8m in FY22, $33.0m in FY23 and $40.4m in FY24. This implies an NPAT margin of 13.9%, 13.5% and 14.8% for FY22, FY23 and FY24 respectively. On this basis, NPAT attributable to the owners of Cuscal excluding Regulated Data Services is expected to increase $3.9m (10%) to $44.3m in FY25, implying a forecast margin of 15.3% excluding investments related to Regulated Data Services.

Table 4.30 demonstrates that the margins generated by the core payments capabilities help provide for investment in future opportunities, such as regulated data services, which over time Cuscal expects will become increasingly relevant to Cuscal's clients and is anticipated to contribute to the longer-term profitability of Cuscal. Cuscal has previously invested in adjacencies that are relevant to its clients as for example with its investment in 86 400 (see **Section 3.8.3**).

Table 4.30 Pro Forma NPAT attributable to the owners of Cuscal

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
Pro forma NPAT attributable to the owners of Cuscal	**17.9**	**21.1**	**32.9**	**36.6**
Annual growth (%)	*n.a.*	*18%*	*56%*	*11%*
Pro forma NPAT attributable to the owners of Cuscal (excluding Regulated Data Services)[1]	**25.8**	**33.0**	**40.4**	**44.3**
Annual growth (%)	*n.a.*	*28%*	*22%*	*10%*
NPATO margin (%)	**9.6%**	**8.7%**	**12.0%**	**12.6%**
NPATO margin (excluding Regulated Data Services) (%)	**13.9%**	**13.5%**	**14.8%**	**15.3%**

1. Pro Forma NPAT attributable to the owners of Cuscal (excluding Regulated Data Services) excludes net losses from Regulated Data Services, an after-tax effect of a net remeasurement positive adjustment relating to an option liability for Basiq ($11.2m in FY24) and a $10.0m negative after-tax impact in FY24 of an acceleration in amortisation expense as a result of a reassessment in the useful life of a Regulated Data Services intangible asset.

4.9.1.7 Foreign exchange

Cuscal is not exposed to material foreign currency risk in the settlement of payment transactions as all monies received and paid are in Australian dollars. Cuscal will have minor exposure to the NZ dollar through Cuscal Payments NZ Limited. However, settlement of fees with schemes and the purchase of technology equipment from foreign suppliers are transacted in foreign currencies at the exchange rate prevailing at the transaction date. Cuscal has some exposure to the United States dollar but hedges are in place with forward foreign exchange contracts for a substantial proportion of those exposures. Following the acquisition of Basiq in FY23, Cuscal has minor exposures to the Euro and the Serbian Dinar. Cuscal did not incur any material net foreign exchange gains or losses in the period covering the Historical Financial Information. The forecast assumes an effective hedge on foreign exchange exposures for FY25.

4.9 Management Discussion and Analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information continued

4.9.2 Comparison of Pro Forma Historical Cash flows and Pro Forma Forecast Cash Flows

Table 4.31 Comparison of the Pro Forma Historical Cash Flows for FY22, FY23 and FY24 and the Pro Forma Forecast Cash Flows for FY25

	Pro Forma Historical			Pro Forma Forecast
$m	FY22	FY23	FY24	FY25
NPAT attributable to the owners of Cuscal	**17.9**	**21.1**	**32.9**	**36.6**
Depreciation expense	1.1	1.3	1.1	2.3
Amortisation of intangible assets	3.3	8.5	23.7	7.8
Amortisation of right-of-use assets	4.4	4.2	5.6	3.4
Share-based payment expense	0.2	0.1	0.3	–
Impairment on investment held at FVOCI	–	–	0.2	–
Interest expense on put option liability	–	0.3	1.3	–
Loss/(gain) on revaluation on investments in other entities	(0.1)	2.4	0.4	–
Remeasurement movement in option liability	–	–	(12.5)	–
Foreign exchange (gain) / loss	–	0.1	0.1	–
Increase/(decrease) in income tax provision	(41.8)	0.8	10.2	(10.6)
Decrease/(increase) in deferred tax items	(3.1)	4.9	(2.1)	(1.6)
Net decrease/(increase) in other assets and liabilities	(72.5)	21.2	0.6	0.8
(Increase)/decrease in loans and advances	0.5	(2.2)	2.4	–
(Increase)/decrease in receivables from financial institutions	13.3	(46.2)	(36.0)	(9.0)
Increase/(decrease) in payables due to financial institutions	0.4	86.1	(154.6)	2.7
(Increase)/decrease in investment securities	256.2	248.4	84.6	(25.6)
(Decrease)/increase in repurchase agreements	256.7	(400.4)	302.1	(2.1)
Increase/(decrease) in discount securities issued	(5.4)	0.5	(3.5)	1.1
Increase in client deposits	359.6	102.5	232.9	73.1
Operating cash flow	**790.7**	**53.6**	**489.7**	**78.9**
Repayment or sale of loans by the Securitisation Trust	18.8	61.7	0.7	–
Investments in other entities	–	(4.0)	–	–
Payment for intangible assets	(25.5)	(11.3)	(10.7)	(10.8)
Proceeds on sale of ATMs	1.5	–	–	–
Payment for property, plant and equipment	(3.0)	(0.3)	(7.3)	(6.5)
Investing cash flow	**(8.2)**	**46.1**	**(17.3)**	**(17.3)**
Net cash flow before financing	**782.5**	**99.7**	**472.4**	**61.6**

4.9.2.1.1 Operating cash flows

Forecast operating cash inflows of $78.9m for FY25, below FY24 levels of $489.7m inflows. This decrease is driven by the following key factors:

- The net change in statement of financial position items impacting cash flow, largely:
  - The net movement in investment securities, which are forecast to increase in FY25 and result in a cash outflow of $25.6m (being proceeds from the issue of Shares less Offer costs, which are assumed to be invested in investment securities), compared to a decrease in investment securities which caused a cash inflow of $84.6m in FY24.
  - The net movement in securities sold under agreement to repurchase (repurchase agreements with the Reserve Bank of Australia which are liabilities on Cuscal's statement of financial position) increased by $302.1m in FY24. Cuscal is forecast to sell eligible repo securities in FY25 of $2.1m which results in a forecast net cash outflow of $2.1m in that year (significantly below FY24 levels); and
  - The net movement in client deposits, which are forecast to increase (directionally in line with the growth in payments value from FY24 to FY25) and result in a cash inflow of $73.1m in FY25, compared to a much larger increase in client deposits of $232.9m in FY24; partly offset by
  - A forecast increase in payables due to financial institutions in FY25 causing a cash inflow of $2.7m, compared to a decrease in FY24 which caused a cash outflow of $154.6m.
- The day of the week upon which 30 June in each year falls can significantly affect operating cash flows. The settlement of receivables and payables with financial institutions for amounts processed on a Friday, Saturday, Sunday is not completed until the following week. As such, actual receivables and payables with financial institutions at 30 June 2025 and its impact to cash flows for FY25 may be materially different from that forecast.
- The cash impact from an increase in net profit after tax of $3.7m from FY24 to FY25 (see **Section 4.7**).

4.9.2.1.2 Investing cash outflows

Forecast investing cash outflows of $17.3m for FY25, consistent with FY24 levels driven by the following key factors:

- Payments for property, plant and equipment is forecast to be $6.5m in FY25 including the cost of replacing and upgrading data centre equipment and technology hardware. In comparison, there was spending of $7.3m on property, plant and equipment in FY24;
- Payments for intangible assets of $10.8m, similar to FY24 levels, reflecting ongoing spending on key SIPs (refer to **Section 4.9.1.3** for further details); and
- Repayment or sale of loans by the Securitisation Trust of $0.7m in FY24 when the majority of remaining loans in the Securitisation Trust were sold.

4.10 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions described in **Section 4.8**. These estimates and assumptions are subject to business, economic and competitive uncertainties, many of which are beyond the control of Cuscal, the Directors and management, and are also based on assumptions in relation to future business developments that are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the Pro Forma Forecast Financial Information, set out below is a summary of the sensitivity of certain pro forma forecast values to changes in key variables. The changes in key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. Care should be taken in interpreting these sensitivities. The sensitivity analysis is intended as a guide only and variations in actual performance could exceed the ranges shown.

Table 4.32 Sensitivity analysis

Sensitivity	FY25 Assumption	Sensitivity range	FY25 Pro Forma Forecast Gross fee and commission revenue impact +/- $'000	FY25 Pro Forma Forecast NPAT attributable to the owners of Cuscal impact +/- $'000
Transaction volumes (m)	4,304	+/- 1.0%	+/- 2,739	+/- 1,364
Adjusted EBITDA margin (%)	21.6%	+/- 100bps	–	+/- 2,028
Interest rates (bps)	BBSW of 4.29%	+/- 100bps	–	+/- 1,764

The key sensitivities comprise:

- Transaction volumes: effect of a positive or negative 1.0% change in transaction volumes;
- Adjusted EBITDA margin: effect of a positive or negative 100 bps change in Adjusted EBITDA margin; and
- Interest rates: effect of a positive or negative 100 bps change in interest rates.

The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables to illustrate the likely impact on the pro forma forecast. In practice, changes in variables may offset each other or may be additive and a change in one variable is likely to have a flow-on effect to other variables and may also affect the way in which Cuscal responds to one or more of these variables. In addition, the sensitivities set out in **Table 4.32** do not reflect any action that Cuscal's management might take to manage the impact of the change.

4.11 Dividend policy

Cuscal seeks to balance returns to shareholders against regulatory capital requirements and the need to retain sufficient capital to continuously reinvest in its core business and innovation.

As disclosed in **Section 4.8.2.12**, the final dividend for FY24 is $0.05 per Share ($8.8m) and was paid in October 2024. The dividend was fully franked at the 30% corporate income tax rate. This has the impact of reducing Cuscal's $70.2m franking account balance at 30 June 2024 by a further $3.8m.

A pre-IPO dividend of $0.045 per Share to be paid to existing shareholders (in lieu of an interim dividend for the six months ending 31 December 2024) to be declared on 8 November 2024 and paid on Completion of the Offer to existing shareholders on Cuscal's register as at the record date of 31 October 2024. The final dividend is forecast to be $0.055 per Share and will be declared after confirmation of the FY25 results.

The total forecast dividend for FY25 of $0.10 per Share or $18.4m represents a payout ratio of 51% of pro forma forecast NPAT attributable to the owners of Cuscal for FY25 and 68% of Statutory forecast NPAT attributable to the owners of Cuscal for FY25.

Beyond FY25, Cuscal's targeted dividend policy is a dividend payout ratio of 40% to 60% of statutory NPAT attributable to the owners of Cuscal at the discretion of the Board of Directors.

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

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

4.12 Financial risk management

Cuscal is exposed to a variety of financial risks including credit risk (refer to **Section 5.2.12**), liquidity risk (refer to **Section 5.3.3**), market and investment risk (including interest rate risk, foreign currency risk and other price risk) (refer to **Section 5.3.1**) and operational risk (refer to **Section 5.2.14**). A discussion of Cuscal's risk management policies and processes, including how it manages these financial risks, is set out in **Section 3.7.**

Risk Factors

5

5. Risk Factors

5.1 Introduction

This **Section 5** sets out the matters that Cuscal reasonably believes, as at the Prospectus Date, to be the significant risk factors of which potential Shareholders should be aware when considering whether to invest in Shares. Certain risk factors specific to an investment in Cuscal are set out in **Section 5.2**, and certain general investment risk factors are set out in **Section 5.3**. This **Section 5** should be read in conjunction with all other information disclosed in this Prospectus.

An investment in Cuscal is subject to a number of risk factors. These risk factors could, alone or in combination, materially adversely affect Cuscal, its reputation, business, prospects, financial performance, financial condition, growth or the value of its Shares. The occurrence or consequences of some of these risk factors are partially or completely outside of Cuscal's control.

Cuscal does not purport to list every risk that may be associated with Cuscal or the industry in which it operates, or with an investment in Cuscal Shares, now or in the future. The selection of risk factors set out in this **Section 5** is based on Cuscal's assessment of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. This assessment is based on Cuscal's knowledge as at the date of this Prospectus. There is no guarantee or assurance that the risk factors will not change or that other risks will not emerge.

There can be no guarantee that Cuscal will deliver on its business strategy, or that the Forecast Financial Information or any forward-looking statements contained in this Prospectus will be achieved or realised. Similarly, there can be no guarantee or assurance that any mitigation measures that Cuscal may take will succeed. Past performance may not be a reliable indicator of future performance.

Before applying for Shares, potential investors should be satisfied that they have a sufficient understanding of the risks involved in making an investment in Cuscal and whether it is a suitable investment for them, having regard to their investment objectives, financial circumstances and taxation position. Potential investors should seek advice from their accountant, financial adviser, stockbroker, lawyer or other independent professional adviser before investing in Cuscal Shares.

5.2 Risk Factors Specific to an Investment in Cuscal

5.2.1 Operating in a highly regulated environment

Cuscal operates in a highly regulated environment. As set out in **Section 2** and **Section 3** of this Prospectus, Cuscal holds a number of licences and accreditations (including being an Accredited Data Recipient, an ADI and holding an AFSL) and is subject to:

- laws, regulations and prudential standards covering, among other things, governance, disclosure, registration, capital and liquidity, risk and compliance management, licensing, anti-money laundering and counter-terrorism financing, privacy, information security, sales practices, unfair contract terms, consumer data rights, conduct, exposure to related parties and third-party service providers and business continuity;
- oversight by various regulators, including APRA, ASIC, the ACCC, AUSTRAC, the OAIC and the RBA; and
- various industry standards/codes/rules (including ABA, AP+ and PCI DSS).

Despite having an internal compliance management system with frameworks, policies, procedures and controls in place to manage compliance risk, this system may not always have been, or continue to be, effective at all times. Breakdowns may occur in this compliance management system due, for example, to flaws in the design of controls or poor execution of underlying processes. This could result in potential breaches of Cuscal's compliance and regulatory obligations.

As an AFSL holder, Cuscal is subject to certain specific obligations and responsibilities which are monitored and regulated by ASIC. A failure by Cuscal to comply with those obligations and responsibilities may expose Cuscal to regulatory risk. ASIC has a range of options available to it in relation to enforcement action it may take as a result of any non-compliance.

Like all other ADIs, Cuscal is subject to ongoing assessment by APRA in relation to a range of risk factors as discussed in **Section 2.4.1.2**, including in response to a failure to comply with applicable prudential standards and/or deficiencies in its processes and controls to ensure compliance with those standards, which may result in:

- an increase in the level of APRA's supervisory intensity on Cuscal; and/or
- Cuscal being required to undertake remedial action, which may include holding more regulatory capital and/or reviewing and improving its practices, processes, controls and/or risk culture, and holding relevant person(s) accountable.

5.2 Risk Factors Specific to an Investment in Cuscal continued

APRA has engaged with Cuscal in relation to its governance, risk and compliance practices and Cuscal has previously committed to the regulator to engage external experts to conduct a review of its arrangements as well as a review of Cuscal's risk culture. As disclosed in **Section 3.7.7**, Cuscal is in the process of implementing the recommendations from these reviews as part of its broader program of work to improve its governance, accountability, risk culture and risk management. This is a significant program which commenced in 2023 and will likely continue for a further two years from the Prospectus Date. There is a risk that if the program is not delivered consistently with APRA's expectations either by failure to implement, embed and sustain enhanced practices, or failure to demonstrate improved risk management effectiveness, or the results of the reviews committed to APRA point to actual or potential deficiencies in Cuscal's governance, risk and compliance arrangements in breach of relevant laws and regulations APRA may conduct heightened supervision or targeted reviews of Cuscal. APRA may also impose licence conditions or additional capital requirements on Cuscal, or require Cuscal to give an enforceable undertaking to take corrective action with independent external oversight and assurance.

Cuscal also carries regulatory and reputational risk as a consequence of relying on its clients to perform certain compliance obligations. For example, for a small number of clients, Cuscal acts as the issuer of prepaid card products distributed by those clients and provides to the clients' cardholding customers a 'designated service' as defined in the AML/CTF Act. As is typical for distribution arrangements, Cuscal relies on the client for the purposes of:

- carrying out obligations under the AML/CTF Act that relate to the identification and verification of those clients' own customers;
- ensuring all marketing, communications and distribution of required product disclosure documentation for the prepaid cards is in line with AFSL requirements; and
- managing customer complaints (including complaints made to the AFCA).

The consequences of Cuscal not observing its compliance and regulatory obligations include the risk that conditions may be imposed on its authorisations or licences, or that Cuscal may be subject to penalties or other enforcement, subject to higher operational and compliance costs, subject to additional regulatory capital obligations, unable to recover fees, charges or interest or required to undertake remediation activities. Financial penalties imposed on Cuscal may be material to Cuscal's continued ability to generate a profit and a materially adverse impact on Cuscal's financial position and cash flows. Further, regulatory action may result in Cuscal being exposed to the risk of litigation brought by third parties (including through class action proceedings). At the most extreme, consequences could include that Cuscal may cease to be authorised or licensed to carry on its (or parts of its) business. If Cuscal does not deliver its risk review and enhancement program referred to in **Section 3.7.7** consistently with APRA's expectations, either by failure to implement, embed and sustain enhanced practices or failure to demonstrate improved risk management effectiveness or the results of the reviews committed to APRA point to actual or potential deficiencies in Cuscal's governance, risk and compliance arrangements in breach of relevant laws and regulations, there is a risk that APRA may conduct heightened supervision or targeted reviews of Cuscal, may impose licence conditions or additional capital requirements on Cuscal, or require Cuscal to give an enforceable undertaking to take corrective action with independent external oversight and assurance.

Regulatory investigations, inquiries, litigation, fines, sanctions, penalties, revocations, suspensions or variations of conditions of relevant authorisations or licences or other enforcement or administrative actions or agreements (such as enforceable undertakings) could, either individually or in aggregate with other regulatory action, adversely affect Cuscal's business, prospects, reputation, financial performance or financial condition.

Compliance and regulatory risk may also arise were Cuscal to interpret its regulatory obligations, compliance requirements or rights differently to the interpretation taken by regulators or a court. The potential for this to occur may be heightened in the period that follows the introduction of changes to regulation, particularly where such changes are untested and/or not subject to extensive regulatory guidance.

This regulatory risk is dynamic and subject to change, particularly given ASIC and the ACCC focus on fraud and scams (see **Section 2.4.1.3.1**), and any regulatory reform or actions in this space may impact Cuscal's business model or create exposure to a liability that doesn't currently exist.

5.2.2 Risk Governance Framework

Cuscal is responsible for developing and maintaining a comprehensive and effective Risk Management Framework and Strategy and Risk Appetite Statement. **Section 3.7.3** describes the RMFS applicable to Cuscal including the RAS adopted by the Cuscal Board.

There is a risk that the RMFS is not properly implemented or not properly supervised and adhered to, exposing Cuscal to levels of risk that are not within its RAS and which it is not able to mitigate.

There is also a risk that breaches of Cuscal's policies may result in increased costs and regulatory scrutiny, as well as materially adversely affect Cuscal's business, financial performance, financial condition, reputation or growth.

An inadequate RMFS and supporting core policies, and weak risk culture, are leading contributors to ineffective risk management and sustained breaches. There is a risk that Cuscal may not be able to identify and manage material risks appropriately, including if components of the RMFS are not enhanced as part of Cuscal's risk review and enhancement program referred to in **Section 3.7.7**. There is a risk that the program is insufficient in its coverage, and that the enhancements to be delivered under the program are not designed, implemented and embedded appropriately leading to potential risk and compliance issues and incidents occurring (or being identified) in the future due to historic deficiencies in Cuscal's risk management framework (including, but not limited to, where such deficiencies were not addressed as part of the program). There is a risk that costs to implement the program are higher than expected, including as a result of the identification of further deficiencies in risk management during the delivery of the program. Refer to **Section 5.2.1** for a list of the potential actions that APRA may take should Cuscal fail to deliver its risk and review program consistently with APRA's expectations.

As Cuscal continues to grow it will need to undertake ongoing development of the RMFS and the compliance processes required to monitor the framework so that Cuscal's systems and processes remain appropriate for any increase in the scale of its activities. There is a risk that the governance framework will not keep pace with Cuscal's growth or remain appropriate to manage the risks associated with the size of Cuscal's business activities, resulting in Cuscal assuming risk that is not contemplated by the RAS and also attracting adverse regulatory scrutiny and action.

5.2.3 New Regulations or Changes to Regulations

As a financial institution that provides payment and regulated data services in Australia, Cuscal holds a number of regulatory licences and accreditations and is subject to specific regulations, including payments, banking, financial services and other industry-specific regulations. Regulatory agencies and governments frequently review and revise banking and financial services laws, national security and competition laws, fiscal laws and other laws, regulations and policies that may impact the financial services and payments sectors in which Cuscal operates.

Recent reforms have led to increased supervision and regulatory oversight over the payments, banking and financial services sectors, including by APRA, AUSTRAC and ASIC, and more serious repercussions for contraventions of legal and regulatory obligations, including larger financial penalties. This trend towards increased regulation, and increasingly severe penalties for failing to meet compliance obligations, could continue in the future and be expanded into other areas of regulation to which Cuscal is subject.

Changes to laws, regulations or policies (including changes in judicial or regulatory interpretation of those), and the introduction of new laws, regulations or policies, could significantly affect Cuscal, the products and services it offers and the value of its assets, or have unintended consequences (including imposing conflicting requirements) or impacts across its business.

It is not possible to predict future regulatory changes, nor the impact of those changes on Cuscal's business; however, examples of potential changes may include increasing required levels of liquidity and capital adequacy, restricting exposure limits, imposing additional licence requirements, increasing tax burdens generally or on financial institutions or transactions, and/or limiting the types of services and products that can be offered by Cuscal – thus enhancing the competitive position of Cuscal's competitors.

5.2 Risk Factors Specific to an Investment in Cuscal continued

As set out in **Section 2.4**, examples of currently contemplated changes to laws and regulations which may have a material impact on Cuscal's business, or increase its costs, include:

- Treasury's Strategic Review of Payments (as well as Treasury's proposed reforms to the regulation of DCEs);
- Proposed changes to the Privacy Act;
- Proposed reforms to the AML/CTF Act;
- Changes implemented as part of the Government response to the 2022 CDR Statutory Review;
- Proposed changes to the Competition and Consumer Act 2010, including implementation of the Scams Prevention Framework;
- Proposed introduction of mandatory scams industry codes;
- CPS 230;
- The retirement of the BECS framework by 2030; ; and
- The RBA's Review of Retail Payments Regulation

The pace of regulatory change means that the regulatory context in which Cuscal operates is often uncertain. The nature and impact of future changes is unpredictable and beyond Cuscal's control and may result in additional legal and compliance expenses and changes to business practices that could materially adversely affect Cuscal's business, financial performance, financial condition or growth. Cuscal may also be adversely affected if the pace or extent of regulatory change exceeds Cuscal's ability to adapt to such changes and adequately embed appropriate compliance processes.

5.2.4 Regulatory Capital Requirements

As set out in **Section 2.4**, Cuscal (as an ADI) is required to comply with strict regulatory capital requirements prescribed by APRA. Although Cuscal operates an Internal Capital Adequacy Assessment Process, as required under APRA's prudential standards (including forecasting and stress testing its capital levels) and continuously monitors the time and cost involved in liquidating its financial assets (if required to meet APRA's prudential standards and any unexpected calls on its obligations to clients), there is a risk that Cuscal is unable to adequately manage its regulatory capital and liquidity position. This could result in Cuscal breaching its regulatory capital requirements and/or associated prudential standards and becoming subject to regulatory action or increased oversight.

Factors such as failure by Cuscal to adequately manage its regulatory capital and liquidity position, macroeconomic conditions, future increases in capital and/or liquidity requirements and changes in the methodology for calculating risk exposure could result in Cuscal having to raise additional capital to manage balance sheet growth and/or stress, APRA imposing higher regulatory capital requirements on Cuscal or requiring Cuscal to hold more liquid assets in proportion to its liabilities and/or more stable funding requirements, or Cuscal not being able to satisfy its short-term financial obligations.

Cuscal is also required to maintain a minimum Exchange Settlement (**ES**) balance with the RBA to facilitate the ongoing settlement of market payments initiated through the Batch payment (i.e. BECS and BPAY) system or the NPP. The RBA reviews these minimum balance arrangements annually and sets out the ES balances required for Cuscal to meet the immediate payment volumes forecasted by the RBA. If payment volumes rise in any given year, the ES balances that Cuscal is required by the RBA to maintain are likely to increase following the RBA's subsequent annual review. There is therefore a risk that Cuscal will need to maintain ever-increasing ES balances.

Any of these matters could materially adversely affect Cuscal's business, financial performance, financial condition or growth and may restrict Cuscal's ability to pay dividends, undertake share buy-backs and/or pursue attractive strategic investments or acquisitions.

5.2.5 Increasing Prevalence and Sophistication of Fraud and Scams

There has been an increase in the prevalence and sophistication of fraud and scams activity in Australia which has significant implications for payments infrastructure providers like Cuscal. Cuscal has obligations under the rules of various payment schemes (such as the NPP Regulations) to ensure that its clients appropriately verify that instructions for payments are authentic.

As the developments in **Section 2.4** demonstrate, there is increasing industry and regulatory focus on scam detection and prevention. For example, Cuscal expects the introduction of the Scams Prevention Framework (as outlined in **Section 2.4.1.3.2**) will be a significant change to the legislative landscape in Australia. Cuscal anticipates that responding to and complying with the Scams Prevention Framework and the foreshadowed underlying banking scams code will require initial and ongoing dedication of resources and investment from Cuscal. As at the Prospectus Date, the longer-term investment required cannot be quantified with certainty because the detail of the final requirements to be imposed on ADIs under the Scams Prevention Framework and underlying codes is not yet known.

Cuscal welcomes a common approach to fraud and scam prevention across the identified sectors that will provide greater certainty and clarity via sector-agnostic rules, and the creation of a baseline of standards and principles to support the security and resilience of Australia's economy and which will allow Cuscal to appropriately set and assess its ongoing risk appetite and controls.

As a member of the AFCX and the ABA, Cuscal is already taking steps to respond to industry initiatives to combat frauds and scams, including by committing resources and investment to meet the standards set out in the Scam Safe Accord. Cuscal will continue to respond to the changes that emerge in this dynamic area and has allocated an appropriate component of its annual strategic investment funding to ongoing work in this area.

The expectations on industry participants (including Cuscal) to take reasonable steps to ensure they have appropriate systems, processes and controls with respect to fraud and scam risk management are currently heightened. There is a risk that new statutory regimes and/or regulatory intervention could prohibit or limit Cuscal's clients' ability to provide services to specific clients or client segments which could result in a reduction in transaction volumes (which would reduce Cuscal's revenues). There are limits to the extent this risk may be mitigated by Cuscal other than by continuing to seek to diversify its client base. In this environment, other specific risks to Cuscal arising from the increasing prevalence of fraud and scam activity include:

- exposure to claims for compensation or fines under the rules of relevant schemes (for example, where any client that Cuscal sponsors to access those schemes fails to meet an obligation, and the contractual arrangements between Cuscal and the client do not allow Cuscal to pass on that liability to its client under the Cuscal-client contract);
- exposure to monetary (or other) penalties for non-compliance with obligations imposed pursuant to legislative reform, including to support the proposed Scams Prevention Framework addressed in **Section 2.4.1.3.2**;
- negative media and reputational damage to Cuscal and its clients;
- increased regulatory focus on the payments ecosystem generally; and
- increased compliance and monitoring costs and diversion of resources from other priorities within Cuscal's business to meet increasing requirements or expectations with respect to fraud and scam risk management.

As scams become increasingly sophisticated, the use by scammers of technologies such as advanced phishing, social engineering and AI-generated content will become increasingly prevalent. Cuscal will need to invest and allocate resources towards the enhancement of robust security measures and advanced fraud detection systems in order to protect itself and its clients from these risks. It is expected that Cuscal will need to invest in continuing to improve client onboarding practices, scam monitoring capabilities and fraud detection services. This includes expanding Cuscal's fraud monitoring capabilities to help support non-Financial Crime Clients (see **Section 3.2.2.2**). Cuscal has allocated an appropriate component of its annual strategic investment funding to ongoing work in this area.

While ASIC continues to consult with industry, Cuscal considers expectations on industry participants (including Cuscal) to take reasonable steps to help protect customers and to increase measures designed to detect and prevent fraud and scam activity will continue to increase. Cuscal otherwise continues to invest in its capabilities and improve its processes across its entire business operations, including instructing clients to offboard their customers where Cuscal believes appropriate to do so (in accordance with Cuscal's own internal policies) or, if required, to offboard clients.

ASIC has been engaging with Cuscal to better understand Cuscal's fraud and scam risk management systems in light of:

- scam payments addressed to accounts held by customers of clients for whom Cuscal provides payment processing services; and
- Cuscal's awareness of the increasing prevalence and sophistication of scam and fraud activity.

As part of that engagement, ASIC issued notices to Cuscal that required the compulsory production of documents and the provision of information. Cuscal has responded to the document and information requests and ASIC has advised Cuscal that its specific engagement with Cuscal in this context has concluded.

5.2 Risk Factors Specific to an Investment in Cuscal continued

Cuscal will continue to engage with industry and regulators (including ASIC) in this dynamic space. Cuscal will also continue to invest in improving, updating and enhancing its fraud and scam monitoring and prevention capabilities to ensure that its systems, processes and controls are commensurate with and responsive to the evolving fraud and scam risk landscape. Cuscal is focused on meeting regulatory, industry and market expectations in this evolving area.

Having regard to the increasing prevalence and sophistication of fraud and scam activity and following implementation of the Scams Prevention Framework or any other legislative reforms, Cuscal expects there will be a high degree of regulatory oversight and supervision which may result in additional legal and compliance expenses and changes to business practices that may adversely affect Cuscal's business, financial performance, reputation, financial condition or growth.

5.2.6 Card Schemes and Payment System Participation Risk

As set out in **Section 3.2.1** of the Prospectus, Cuscal relies on strategic memberships with card schemes (for example Visa, Mastercard and eftpos) and payment systems (for example BECS, BPAY, NPP and RBA's RITS) to enable its clients to process payment transactions in Australia.

Cuscal is required to comply with each card scheme and payment system's own set of operating rules. In addition to managing its own compliance, Cuscal also acts as sponsor for many of its clients and carries the responsibility of ensuring the compliance by those clients with these card schemes and payment systems. This can leave Cuscal liable for payments of fines and compensation should it or its clients fail to comply with the applicable rules. Although Cuscal seeks to manage this risk through its contracts with its clients as well as through other mitigants such as insurance cover, there is a risk that such rights may not respond or be sufficient to reimburse Cuscal for its loss. Cuscal also relies on its internal compliance management system with frameworks, policies, procedures and controls to manage its exposure to this risk. These systems may not always have been, or continue to be, effective at all times. Breakdowns may occur in this compliance management system due, for example, to flaws in the design of controls or poor execution of underlying processes which could heighten Cuscal's exposure to liability through breaches by its clients of scheme and payment system operating rules.

Each card scheme and payment system has its own rules, with the discretion to interpret and change the rules as they see fit. Where the card scheme or payment system operator changes those rules or interprets them in a way that is inconsistent with the way Cuscal operates, this could increase compliance complexity for Cuscal and its clients, and may require Cuscal to make changes to its business that could be costly or difficult to implement. Furthermore, each card scheme and payment system may be subject to changes in regulation which may in turn indirectly impact Cuscal and its operations. For example, as disclosed in **Section 2.4.2.9**, the RBA has released an issues paper outlining potential regulatory changes for consultation, which include:

- the potential for a cap on card scheme fees which could impact card schemes' revenue and indirectly impact Cuscal's revenue. However, it is highly uncertain this would arise as it would depend on the level of the caps (if any), and how the schemes respond to such caps; and
- measures to improve Least Cost Routing, which could indirectly impact Cuscal if it results in merchants processing fewer payments through certain card schemes. However, it remains uncertain whether this would negatively impact Cuscal as Least Cost Routing is an existing initiative and Cuscal's diversified business (i.e., processing payments across multiple card schemes and payment systems) means it may pick up additional revenue elsewhere.

If Cuscal's compliance management system is ineffective or suffers a breakdown then Cuscal may process fraudulent or scam payments on behalf of its clients (see **Section 3.2.2.2**). This would then pose a risk to Cuscal's relationships and agreements with the various card schemes and payment systems.

If Cuscal fails to make such changes or otherwise fails to resolve an issue with a card scheme or payment system, Cuscal could be subject to fines or suspended and even terminated from the card scheme or payment system. In addition, non-compliance with any card scheme or payment system rules or any failure to maintain good relationships with the card scheme or payment system operators could impact Cuscal's ability to receive incentives from them in the future, increase Cuscal's costs or otherwise harm Cuscal's business.

If Cuscal is unable to process payments via the card schemes and payment systems of which it is a member, or is limited in its ability to do so, this would materially adversely affect Cuscal's business, financial performance, financial condition or growth.

5.2.7 Impact of Competitors and new Technologies

As set out in **Section 2**, the payments industry in Australia is highly competitive and subject to significant change driven by factors including advancements in technology, changing consumer behaviours, new products and services, evolving industry standards, regulatory oversight and changes, and the changing needs of clients.

The Australian payments market is dominated by the Major Banks and there is a risk that the Major Banks could increase their competitive position (including through increased marketing activity, product innovation or price discounting) or move into new areas of business which compete with Cuscal. There is also a risk that large international competitors and/or global technology leaders (for example, a SaaS banking service provider) could enter the Australian payments industry or expand their existing presence.

These competitors may have greater financial resources to allocate to R&D, sales and marketing, or may have access to a large existing Australian consumer or client base, which may enable them to enter or expand into the payments industry. In addition, new or existing competitors that are not subject to Australian regulations may be able to develop and operate business models with lower compliance costs. Coupled with their scale and ability to secure more favourable terms from third parties like card schemes, large competitors may be able to offer a more attractive value proposition to clients.

Increased competition in the financial services sector could also lead to reduced market share of Cuscal's clients which in turn could lead to reduced transaction volumes on Cuscal's networks. Furthermore, if new entrants into the Australian market obtain the requisite licences and invest the capital to start providing payment infrastructure services then Cuscal's market share or representation on industry boards could also decrease. Each of these factors could materially adversely affect Cuscal's business, financial performance, financial condition, reputation or growth.

Cuscal's clients expect it to keep up with the latest technologies and continue to develop new products and services that meet the changing needs and requirements of their businesses. New or established competitors could develop alternative payment methods, technologies or system integrations, creating their own closed loop system, circumventing the banks and the card schemes; and if Cuscal fails to anticipate and respond to market, technological or product changes, Cuscal's products and services may become less relevant or obsolete and its business, financial performance, financial condition, reputation or growth could be materially adversely affected. New payments products, services and technologies may continue to emerge and such changes may limit the competitiveness of, and demand for, Cuscal's products and services.

Technological advances may also increase the risk that Cuscal's competitors will be able to provide similar services to those provided by Cuscal more cheaply, causing payments services to become homogenous and putting pressure on Cuscal's pricing. This could result in reduced revenue, reduced operating margins or loss of market share, which could materially adversely affect Cuscal's business, financial performance, financial condition, reputation or growth.

5.2.8 Failure to retain Existing Clients and attract New Clients

Cuscal's performance is dependent on its ability to attract new clients, to retain existing clients and to assist with the growth in the number and value of products sold to its existing clients.

Cuscal maintains long-term relationships with its clients and generates the majority of its revenue through long-term contracts – with approximately 64% of Cuscal's revenue for FY24 being attributable to contracts with two or more years remaining in the initial service period (see **Section 3.3.2.5**). Despite these long-term relationships, there is a risk that one or more of these clients could terminate their service contracts with Cuscal (which as described in **Section 3.3.2.5**, may generally be terminated for convenience upon payment of an early termination fee), reduce the number of services that they engage Cuscal to provide or successfully negotiate commercial terms that are less favourable to Cuscal when their initial service periods are coming to an end. In addition, given Cuscal's top 10 clients accounted for approximately 57% of gross fee and commission revenue in FY24 (excluding scheme incentive and passthrough revenue) (see **Section 3.4**) Cuscal has a degree of client concentration, which may mean that the loss of one or more of these top clients may also have an adverse impact on Cuscal's business, financial performance or operations. Further, there is a risk that Cuscal may not be able to attract new clients in line with its forecasts and growth objectives.

5.2 Risk Factors Specific to an Investment in Cuscal continued

There are a number of factors which could lead to these risks materialising, including that:

- Cuscal could fail to adapt and respond to client needs or to deliver the functionality, reliability, pricing, client support and value that Cuscal's clients expect;
- Cuscal's competitors (including large international competitors and/or global technology companies which may enter the Australian market) may offer more attractive prices, features or other services;
- prospective clients of Cuscal may be reluctant to switch to a new payment provider, for example due to switching costs imposed by their existing provider, the time and resources required to set up the new system, or the work required to integrate new systems;
- Cuscal's larger clients may use their leverage to negotiate better terms or lower prices when renewing their contracts with Cuscal;
- Cuscal's mutual ADI clients could merge with or be acquired by other entities that are not Cuscal's clients, or that use fewer of Cuscal's services (for example, due to insourcing those services); or
- Cuscal's reputation could be negatively impacted due to any one or more of the other risks set out in this **Section 5** occurring, which could result in the loss of existing clients or make it more difficult for Cuscal to obtain new clients.

If Cuscal is unable to retain existing clients and attract new clients, at the pricing, size, frequency, and at the cost it has forecasted, this could materially adversely affect Cuscal's business, financial performance, financial condition or growth.

5.2.9 Reliance on Information Technology

Cuscal's ability to service its clients relies on the efficient and highly available operation of its technology platforms and networks. Cuscal's technology platforms may, in whole or part, at any time, be subject to system failures, interoperability or compatibility issues, service outages, programming or human errors, natural disasters, fire, power outages or other events outside Cuscal's control. Measures implemented by Cuscal to protect against such occurrences may also be ineffective, and Cuscal may not be able to recover its critical business functions, assets and data in a timely manner or at all.

Implementation delays, interruptions of service or hardware device defects could damage Cuscal's relationship with its clients and could cause Cuscal to incur substantial expenses, including having to pay service credits to clients and other liabilities. A prolonged interruption to Cuscal's platforms or networks could cause Cuscal to experience data loss or a reduction in revenue, and significantly impact Cuscal's clients' businesses and the customers they serve. A significant interruption of service could also have a negative impact on Cuscal's reputation and could cause Cuscal's current and potential clients to choose an alternative service provider.

Cuscal is evolving its technology platforms as it grows to scale. This involves upgrading, changing and replacing certain systems and service providers. Any failure or delay by Cuscal to appropriately design, develop, scale, implement, maintain or upgrade its technology platforms or any investment in new technology that does not meet Cuscal's expectations or keep pace with rapid technological change, consumer expectations or the regulatory environment, could materially adversely affect Cuscal's business, financial performance, financial condition, reputation or growth and expose Cuscal to regulatory fines or penalties. Any such failure may also contribute to an increase in manual processes and interventions, which may carry additional operational costs and risks.

As a specific example of this particular risk, Cuscal is currently piloting a new CMS that will support the management of all payment cards including debit, credit and prepaid cards. Any failure to adequately roll out the new system could materially adversely affect Cuscal's performance as referred to above. Another specific example includes Cuscal's Vigil service, which uses licensed machine learning AI technology to monitor for potential fraud and scams for card and NPP payments for Cuscal's Financial Crimes Clients. Technical or design faults in machine learning models could produce false positive or false negative fraud monitoring results for Cuscal's Financial Crimes Clients.

In addition, Cuscal may experience difficulties in installing or integrating its technology on systems or with other programs used by its clients. Defects in Cuscal's software, errors or delays in the processing of electronic transactions or other difficulties could result in interruption of business operations, delay in market acceptance, additional development and remediation costs, diversion of technical and other resources, loss of clients or exposure to liability claims. Any of these could materially adversely affect Cuscal's business, financial performance, financial condition, reputation or growth and expose Cuscal to regulatory fines or penalties.

5.2.10 Cybersecurity and Data

There is a risk that Cuscal may be exposed to a security breach or service interruptions where all or part of its technology platform or applications may experience downtime, delays, system failure, interruption or corruption as a result of cyber-attacks including from computer viruses, bugs, worms, ransomware, data theft, technical failures, natural disasters, fraud or other events outside Cuscal's influence or control. An overview of how Cuscal manages cybersecurity risks is contained in **Section 3.7.5**.

There is a risk that security measures taken by Cuscal may not be sufficient to detect or prevent unauthorised access to, or disclosure of, personal or confidential information, whether malicious or inadvertent. Cuscal collects, processes, handles and retains personal and confidential information regarding its clients and their customers, service providers, business partners and investors. Cyber risks may also result directly or indirectly from a security breach of one of Cuscal's third party service providers. Cuscal relies on its third party service providers' cyber resilience capabilities. However, third party service provider counter measures may not be sufficient to detect or prevent unauthorised malicious acts.

As set out in **Section 2.4**, Cuscal is subject to a number of prudential standards that apply to the security of its technology platforms. CPS 234 requires Cuscal to have measures in place so it is resilient against information security incidents (including cyber-attacks) by maintaining an information security capability commensurate with information security vulnerabilities and threats. Cuscal's mutual ADI clients are subject to the same prudential standards, and Cuscal is consequently subject to contractual liability to its clients in relation to information security breaches consistent with those standards. In 2023 and 2024, APRA's mandatory independent assessments and reviews of information security frameworks identified common findings across the industry and APRA is working with the industry to lift the industry's cyber resilience benchmark. Cuscal undertakes independent and self-assessments of its information security arrangements and consistent with many other FIs, Cuscal has a program of work to ensure compliance with this prudential standard. Cuscal's program remains ongoing as it continues to work on enhancing its risk framework to appropriately manage information security and cyber threats as discussed in **Section 3.5**. There is a risk that if Cuscal is unable to deliver this program of work appropriately (including to address the findings of Cuscal's reviews of its information security arrangements) to ensure compliance with applicable legal and regulatory requirements, APRA or ASIC may take enforcement action against Cuscal or impose other consequences, such as those referred to in **Section 5.2.1** above.

While Cuscal has policies and processes in place relating to information security, upgrades its technology platform and reviews its arrangements against any relevant common industry findings by APRA or findings from commissioned or periodic independent reviews, there can be no guarantee that this will be sufficient to prevent or detect future cyber-attacks or otherwise prevent information security breaches.

In some instances, Cuscal may not be aware of, or is able to identify the cause of, an information security breach or, where the information security breach resulted from an information security breach of one of its third-party service providers, which third-party service provider is responsible for the information security breach. Further, if one of Cuscal's third-party service providers is responsible for the information security breach, Cuscal may be unable to seek recovery or reimbursement for any loss caused due to limitations on liability imposed under its contract with that third-party service provider.

Any cyber-attack or information security breach or breach of prudential standards regarding information security may cause significant damage to Cuscal's reputation, its ability to provide its products and services, its ability to service clients in a timely manner and its ability to retain existing clients and attract new clients, any of which could materially adversely affect Cuscal's business, financial performance, financial condition or growth, and may expose Cuscal to third party litigation or to regulatory action, including being subject to higher operational and compliance costs, penalties or enforcement actions, having conditions imposed on one or more of Cuscal's licences or authorisations including its ADI licence or ceasing to be authorised as an ADI.

In addition, there are potential indirect risks for Cuscal and Cuscal's clients, as following a number of high-profile cyber security breaches, there has been substantial leakage of personal identification documents. Access to these documents can make it easier for scammers to establish bank accounts and gain access to the payments financial ecosystem. This creates capacity for increased fraud and costs to consumers as well as increased regulatory costs which may have a detrimental impact directly to Cuscal; or indirectly, to Cuscal's clients.

5.2 Risk Factors Specific to an Investment in Cuscal continued

5.2.11 Relationship with Third-Party Service Providers

Cuscal's business is dependent on arrangements with key outsourced providers, including operational and business process support services, card schemes and payment systems, communications and technology suppliers, and other software and infrastructure providers. Cuscal could face significant additional costs or business disruption if, among other matters:

- third-party service providers fail to provide Cuscal with the agreed services in a timely, secure, professional, effective or reliable manner, or as otherwise contracted;
- there is a misalignment on technology direction between Cuscal and the third-party service provider due to changes in the provider's prioritisation of its relationship with Cuscal, the acquisition of the third-party service provider by another party, or a change to the objectives or strategies of the third-party service provider, any of which could negatively impact Cuscal through delays in features, resources and slowed pace of business outcomes;
- third-party service provider relationships are terminated, altered or affected by circumstances outside Cuscal's influence or control, including any change, default, interruption, or reduced availability, or due to a third-party service provider becoming insolvent (or becoming subject to other analogous circumstances) or using any unilateral right it may have to change its standard terms and conditions, or due to the third party becoming (or operating in a jurisdiction that becomes) subject to sanctions;
- third-party service providers become subject to any information security breach or other reputational issue that makes them ineligible to be a supplier of services to an ADI;
- a third-party service provider fails to undertake response planning and testing procedures as required by Cuscal's security and data risk policies, which increases the likelihood or severity of a cyber-attack or information security breach;
- Cuscal is unable to execute or renew any required service contracts on commercially acceptable or favourable terms; or
- Cuscal is unable to comply with its contractual obligations or is unable to adequately fund or minimise its exposure to potential liability in relation to its third-party service providers.

A number of Cuscal's contracts with its third-party service providers may be terminated by either party at will or on short notice. Further, Cuscal's contracts with third-party service providers may contain change of control rights which may be triggered by the Offer or a subsequent sale of Shares. If consent to the change of control is not obtained from the relevant third-party service provider, there is a risk that the relevant third-party service provider could terminate its agreement with Cuscal, revise the terms of the contract or require Cuscal to pay increased costs.

Any change, interruption, reduced availability or reduced accuracy in relation to a key third-party service provider (including software suppliers or infrastructure providers) may disrupt Cuscal's operations, lead to delays of planned projects or render Cuscal unable to deliver certain products or services to its clients. While some of these services could be replaced quickly, other services may take a longer period of time to replace, require significant expense to replace or Cuscal may not be able to identify a suitable alternative service provider. Accordingly, any change to the services or relationships that Cuscal relies on may materially adversely affect its business, financial performance, financial condition or growth.

5.2.12 Downgrade to Credit Rating

At the date of this Prospectus, Cuscal has obtained an external credit rating, which reflects an independent opinion of Cuscal's credit worthiness. A credit rating may be important to certain clients or counterparties when evaluating Cuscal's products and services.

Future credit ratings assigned to Cuscal by rating agencies will be based on an evaluation of several factors, including Cuscal's financial strength, track record, the quality of Cuscal's governance, structural considerations regarding the Australian financial system and economy and Australia's sovereign credit rating. A future downgrade of Cuscal's credit rating could be driven by any one or more of these factors or the risks identified in this **Section 5** or other events, including changes to the methodologies that rating agencies use to determine credit ratings.

A future downgrade or withdrawal of any credit rating obtained by Cuscal could adversely affect Cuscal's ability to attract clients, collateral requirements, liquidity, competitive position, treasury investments and access to debt and capital markets. The extent and nature of these impacts would depend on various factors including the extent of any potential rating downgrade and whether Cuscal's competitors or the sectors in which Cuscal operates are also impacted.

5.2.13 Retention of Key Personnel

Cuscal's success relies on its ability to attract and retain qualified and skilled Board members, senior management team and key technical staff with significant depth and breadth of experience and specialist skills in payments, technology and financial services (among other matters). The Managing Director, Board, senior management team and key technical staff have skills that are critical to setting strategic direction and driving the growth of Cuscal, as well as setting an appropriate organisational culture. Cuscal also relies on its technology and operational staff to operate the complexities of Cuscal's payment infrastructure.

If Cuscal fails to retain these individuals, or to identify and engage suitable replacements, this may materially adversely impact Cuscal's business, its ability to drive and maintain an appropriate organisational culture, and its financial and operational performance, and may also lead to the loss of, or a change in the conditions attached to, one or more of Cuscal's licences or authorisations.

5.2.14 Operational, Conduct and Business Continuity

Cuscal is exposed to significant operational and conduct risks, including cyber risks, risks arising from process, communications or systems errors, outsourced service provider conduct, system failure, failure of security and/or physical infrastructure, human error or fraud (internal or external), and inadequate product development and review, or monitoring failures.

In addition to operational and conduct risks, there is a risk to business continuity through the failure of Cuscal's internal controls, policies and processes to combat such risks. Cuscal maintains a Business Continuity Plan and a Disaster Recovery Plan that detail how Cuscal would recover and restore its services in the event of a critical business disruption. The maintenance and periodic testing of these plans requires significant time and financial investment by Cuscal, and there can be no guarantee or assurance that the Business Continuity Plan or the Disaster Recovery Plan will be implemented correctly or effectively in the event of a critical business disruption.

There is a risk that Cuscal's internal controls, policies or processes will not reduce or prevent the incidence of operational risks, and any failure to detect, reduce or prevent such risks may materially adversely impact Cuscal's business, financial performance, financial condition, reputation or growth, and expose Cuscal to regulatory sanctions or litigation. This could, in turn, affect Cuscal's ability to provide its products and services, retain existing clients and attract new clients.

There is also a risk that Cuscal may not comply with CPS 230 by the commencement date of 1 July 2025, in the event that Cuscal's Board approved CPS 230 readiness program is not delivered successfully. Cuscal has engaged third parties with specialist risk and compliance knowledge to assist with its implementation of the new prudential standard and has various workstreams and associated deliverables in flight as part of its readiness program, with a view to ensuring that Cuscal will meet the core requirements of CPS 230 by this time. While Cuscal currently maintains policies relating to monitoring and supervising third party providers and has project management governance and cadence for its CPS 230 readiness program, there is a risk of project management and change failure which could, in turn, affect Cuscal's ability to comply with CPS 230 from 1 July 2025.

5.2.15 Macroeconomic Conditions

Cuscal's performance and the Australian payments industry in which Cuscal operates depend heavily on the state of the Australian economy, consumer and investor confidence, and prevailing market conditions, including the overall level of consumer and business spending in Australia.

A decline in general economic conditions or changes in certain macroeconomic factors (including rising unemployment, lack of income growth, reduced consumer confidence, inflation, volatility in local or global financial markets, economic tensions, a prolonged recessionary environment and government intervention, including with respect to changes in interest rates) could reduce transaction volumes and therefore the profitability of Cuscal's business (which is based predominantly on revenue generated on a fee per transaction model).

5.2 Risk Factors Specific to an Investment in Cuscal continued

5.2.16 Intellectual Property

Cuscal's intellectual property has significant commercial value, and the successful operation of Cuscal's business depends partly on its ability to protect its intellectual property. In addition to technological measures, such as data encryption and access controls, Cuscal relies on laws and regulations to protect its intellectual property from unauthorised use or copying, including registered trademarks and copyright. There is a risk that these legal and technological measures may be inadequate or ineffective in protecting Cuscal's intellectual property. There is also a risk that there is a failure in the internal processes for identifying and managing intellectual property.

Additionally, there is a risk of Cuscal inadvertently infringing the intellectual property of third parties or third parties successfully challenging the validity, ownership, registration or authorised use of Cuscal's intellectual property. Defending, prosecuting and resolving intellectual property disputes can be challenging, expensive and time-consuming, and may divert managerial attention and resources from Cuscal's principal business objectives.

A failure by Cuscal to protect its intellectual property rights could have a materially adverse effect on its business, financial performance, financial condition, reputation, growth or competitive position.

5.2.17 Failure to Identify and Realise Benefits from M&A

Cuscal considers inorganic growth opportunities from time to time. Following the acquisition of Basiq, Cuscal expects to make further strategic acquisitions in the future in circumstances where the Board believes that those acquisitions are in line with Cuscal's growth strategy or will otherwise realise benefits such as accelerated development or delivery of products and services, increased client base, or the provision of new product or service offerings.

There are a range of risks associated with strategic acquisitions, including that:

- Significant demands may be placed on Cuscal's internal resources (for example, the increased workload required of Cuscal's management and employees in order to seek to realise planned synergies);
- Cuscal may not be successful in identifying attractive acquisition opportunities at attractive valuations or obtaining financing to fund such acquisitions, and to the extent that Cuscal is able to make acquisitions, the acquisition costs could be substantial;
- acquisitions may result in Cuscal incurring significant debt and unknown or contingent liabilities, being or becoming liable for unforeseen costs or incurring damage to its reputation (for example, as a result of past transactions implemented by businesses that are acquired by Cuscal, or the commencement of litigation against businesses acquired by Cuscal). Cuscal's due diligence enquiries may not identify all issues in relation to businesses acquired by Cuscal;
- Cuscal could suffer a loss in relation to an acquisition in respect of which full or partial recovery is unavailable to it under the relevant acquisition agreement (for example, if no warranty or indemnity protection was provided in respect of that loss or if the time period for bringing a claim has expired) or if the relevant seller does not have the funds to satisfy a claim which Cuscal has made;
- legal restrictions or regulatory intervention may limit the ability of Cuscal to complete strategic acquisitions in a timely manner, or at all. Additional implementation costs could result from unexpected delays;
- Cuscal may fail to achieve expected synergies and costs savings in relation to an acquisition, or the business or assets acquired by Cuscal may not be profitable or result in the benefits Cuscal anticipates;
- customers and key employees of businesses acquired by Cuscal may not be retained after completion of the acquisition; and
- the contracts that businesses acquired by Cuscal have entered into with third parties may contain unusual or onerous terms, including termination rights.

Cuscal may also pursue joint ventures or enter into strategic partnerships which could give rise to similar risks to those identified above.

Any of the above factors, either individually or in combination, could materially adversely affect Cuscal's business, financial performance, financial condition or growth. Cuscal cannot guarantee the success of its past and potential future acquisitions, joint ventures or partnerships. For example, Cuscal's recent acquisition of Basiq may take time to generate profit or realise intended synergies. While Cuscal has identified open banking as a promising opportunity for Cuscal, the open banking segment in Australia is still immature and may not develop as much or as quickly as Cuscal anticipates, or at all.

Any failure by Cuscal to achieve any or all of its growth strategies, or the market's perception of Cuscal's ability to deliver growth to Shareholders, is likely to have an adverse impact on the business and its performance.

5.2.18 Regulated Data Services is at an early stage

As stated in **Section 2.3.3**, Cuscal has identified the emerging regulated data services industry as a reinforcing adjacency which may provide additional opportunities for growth as regulated data services becomes increasingly integrated with payments in Australia. As a result, Cuscal has undertaken significant investment to build out its capabilities in regulated data services through its acquisition of Basiq, along with its existing capabilities from its own investment prior to the acquisition.

However, the regulated data services industry in Australia is still in its infancy and it is currently unclear how significant this market may become (or the time period over which this may occur). At this stage the CDR regime has not meaningfully changed the consumer experience in Australia as the financial sector has largely focused on CDR as a compliance initiative (see **Section 2.3** for further details). The viability of Cuscal's strategy will also be dependent on further regulatory reforms to encourage the utilisation of the consumer data right (such as the introduction of a prohibition on 'screen scraping' which is used as an alternative to open banking by market participants at present, which the Australian government has announced is under consideration). Treasury conducted a consultation on screen scraping in October 2023 and on 9 August 2024, Assistant Treasurer Stephen Jones publicised that he had asked Treasury to advise him over the next 12 months on a way forward for a full and formal ban of screen scraping. Further regulatory reforms could also include amendments to the CDR Rules (such as those discussed in **Section 2.4.1.5.2**) and changes to the current scope of data included in the CDR (as discussed in **Section 2.4.2.3**) that may have implications on the Basiq platform business by limiting data recipient customer use cases.

As such, there is no guarantee that the maturity of the regime (such as through Action Initiation) will deliver new streams of revenue for Cuscal and there is a risk that Cuscal's early investment in regulated data services does not deliver the results and returns that were initially expected. This, in turn, may cause reputational damage to Cuscal, and could adversely impact its operating and financial performance (for example, through write-downs of assets), and future growth.

5.2.19 ESG

Cuscal could be exposed to the adverse impacts of ESG risks (including climate-related risks impacting Cuscal, its clients, suppliers or the broader economy), including from failing to meet community or regulatory expectations in relation to environmental and social issues, such as operating more sustainably. These risks may directly impact Cuscal and its clients through increased compliance costs, reputational damage, insurance risks and business disruption, and may have an adverse impact on financial performance.

While Cuscal's inclusion, resilience, employment and supply chain policies have a focus on diversity, inclusion and the avoidance of human rights harm, there is a risk that Cuscal may fail to keep pace with employee, customer, community or regulatory expectations. Disruption may occur to Cuscal's business or assets from any adjustment to a low-carbon economy, including through the nature and volume of regulatory policy or market, technological or community-led transition requirements. Any increased regulatory focus on Cuscal may also increase the risk of compliance breaches or litigation.

5.2 Risk Factors Specific to an Investment in Cuscal continued

Any initiatives to mitigate or respond to the adverse impacts of climate change by Cuscal or its suppliers, competitors or clients, may in turn impact market prices, economic activity and behaviours, particularly in geographic locations and industry sectors adversely affected by climate change. Failure to effectively manage these risks could adversely impact Cuscal's reputation and financial performance. Cuscal recognises that climate-related risk is just one of a range of potential environmental and social risks that could adversely impact Cuscal, and that it is systemic in nature, and should be a long-term driver of financial, non-financial and strategic risk to Cuscal.

A failure to respond adequately to the potential and expected impacts of, or opportunities presented by, ESG and climate change may adversely affect Cuscal's business, financial performance, financial condition or growth.

5.2.20 Underpayment of Wages and Failure to comply with Awards

Members of Cuscal's workforce operate under applicable modern awards which set minimum base rates of pay and other payment obligations. Compliance with these requirements is administratively complex. Cuscal is undertaking a detailed review of historic payments against these requirements (including review of the adequacy of its internal systems and processes to meet those requirements). There is a risk that an historical issue with underpayment of employees could be identified within Cuscal's business. These issues could arise where employees' wages or salaries do not historically satisfy the applicable minimum rates of pay under an applicable modern award and/or where employees' hours of work attract certain modern award entitlements that were not recorded or accounted for in their remuneration.

Underpayment of employees could have significant consequences for Cuscal, which may involve significant financial liability related to correcting accumulated past underpayments (including financial penalties for breach of the *Fair Work Act* (Cth) 2009 and the costs of any remedial work), a loss in trust in Cuscal resulting in reduced ability to attract and retain employees, reputational damage, and regulatory scrutiny, such as from the Fair Work Ombudsman or external bodies such as trade unions. Any uplift in internal systems and processes to manage these obligations may also involve further costs.

5.2.21 Potential Litigation against Cuscal

Cuscal relies on numerous contractual arrangements including with its clients and third-party service providers. A dispute may arise under those contracts, and Cuscal may commence, or be subject to, litigation, arbitration or other proceedings in relation to such dispute. Cuscal may also be subject to claims or litigation by employees, regulatory bodies or competitors.

Even in instances where Cuscal may ultimately prevail on the merits of a dispute, it may face significant costs defending itself against a claim and suffer reputational damage as a result of its involvement. There can be no assurance as to the outcome of any litigation, arbitration or other proceeding.

Any such dispute has the potential to disrupt Cuscal's operations and materially adversely affect its business, financial performance, financial condition, reputation or growth.

5.2.22 Insufficient Insurance Coverage

Cuscal seeks to maintain comprehensive insurance for building and contents, Directors' and officers' liability, public liability, professional indemnity, cyber liability and travel insurance. These policies must be renewed at regular intervals and may be subject to renewal on less favourable terms.

In addition, Cuscal's insurance policies do not cover all types of potential losses and liabilities, and are subject to certain exclusions, limits and excesses. As a result, Cuscal's insurance coverage may not be sufficient to cover the full extent of any losses or liabilities for which it is ultimately responsible, and Cuscal may be held liable for material claims beyond its insurance coverage limits that could materially and adversely impact its financial performance and reputation.

In addition, if Cuscal made any significant claims against its insurance policies, this could lead to increased premiums and/or additional exclusions to the terms of future policies on renewal, or to a lack of insurer appetite to renew policies with Cuscal at all, which could materially adversely affect Cuscal's business, financial performance, financial condition or growth.

5.3 General Risks of Investment

5.3.1 General Market Risk

Once Cuscal is a publicly listed company on the ASX, it will be subject to the general market risk inherent in all entities whose securities are listed on a securities exchange. This may result in fluctuations in Cuscal's Share price that have no correlation to the operations, financial performance and activities of Cuscal.

The price at which securities are traded on the ASX may rise or fall due to several factors including, without limitation:

- the market or appetite for equity securities quoted on the ASX at any given time;
- fluctuations in the domestic and international markets for listed securities;
- general economic conditions, including the unemployment rate, interest rate, inflation rate, exchange rate movements, the general economic outlook, and changes to government spending or policies;
- legislative or regulatory changes;
- pandemics or epidemics;
- recommendations by brokers, analysts or proxy advisers;
- inclusion in, or removal from, market indices;
- global hostilities, pandemics, tensions and acts of war or terrorism;
- the nature of the industry, markets or sectors in which Cuscal operates;
- certain investor strategies that may adversely impact Cuscal's Share price (for example, a short selling campaign by an activist or hedge fund investor); and
- general operational and business risks.

These factors may cause the Cuscal Shares to trade at prices below the price at which they are being offered under this Prospectus. There is no guarantee or assurance that the price of Cuscal Shares will increase following quotation on the ASX, and investors should be aware that Cuscal Shares may trade on the ASX at a price that is below the price they paid for the Cuscal Shares.

5.3.2 Changes in Political, Economic and Business Conditions

Cuscal's financial performance is influenced by the political and economic conditions, and level of business activity, in the regions in which Cuscal, its clients, suppliers and counterparties operate or raise funding. These political, economic and business conditions are affected by, among other matters, domestic and international economic events, developments in domestic and global financial markets, political regimes and related events, and natural disasters. Political conditions impacting the global economy have led to, and may in future result in, extended periods of increased political, economic and business uncertainty and volatility in the global financial markets, which may adversely affect Cuscal's financial position. This uncertainty has, in the past, led to declines in market liquidity and activity levels, market volatility, changes to interest rates, weaker economic growth and reduced business activity, each of which may adversely affect Cuscal's financial performance and financial position.

These conditions may also adversely affect Cuscal's ability to raise medium- or long-term funding in the capital markets. Where difficult economic conditions or a prolonged recessionary environment subsist in markets in which Cuscal or its clients, suppliers or counterparties operate develop or continue, unemployment may rise, and corporate and personal incomes could be detrimentally impacted. Deterioration in global markets, including securities, property, currency and other markets, may impact Cuscal's clients.

Cuscal's financial performance may also be adversely affected if it is unable to adapt its cost structures or pricing in response to a drop in demand for its products or services, including from the emergence of alternative payment methods or technologies or changes in consumer behaviour, or lower than expected revenues. Cuscal's financial performance may also be adversely impacted by higher than expected costs due to adverse changes in the economy, general business conditions, or the political or operating environment in the regions in respect of which Cuscal, its clients, suppliers or counterparties are exposed. Any or all of the negative political, economic or business conditions described in this section may result in reduced demand for Cuscal's products and services, which may materially adversely affect Cuscal's business, financial performance, financial condition or growth.

5.3 General Risks of Investment continued

5.3.3 Liquidity and Escrowed Shareholders

On and from Listing, there can be no guarantee or assurance that an active market will develop, or that the price of Cuscal Shares will increase. There may be relatively few potential buyers or sellers of Cuscal Shares on the ASX at any given time, which may increase the volatility of the market price of Cuscal Shares, prevent investors from acquiring or disposing of Cuscal Shares, or result in Shareholders receiving a market price for their Cuscal Shares that is less than the price they paid for them. It may be difficult to sell Shares even if there is liquidity in the market generally.

Following Completion of the Offer, it is expected that existing shareholders will hold up to 29.6% of Cuscal Shares which, as a result of the voluntary escrow arrangements as described in **Section 7.11**, will not be able to be offered for sale on ASX until expiration of those arrangements. The absence of any sale of shares by the existing shareholders during the escrow period (expected to be until the announcement of Cuscal's FY25 results) may cause, or at least contribute to, limited liquidity in the market for Cuscal Shares and may prevent investors from acquiring more Cuscal Shares or disposing of Cuscal Shares acquired under the Offer, and may result in Shareholders realising a market price for their Cuscal Shares that is less than the price they paid for them.

5.3.4 Future Issues of Shares or other Securities

Cuscal may, in future, issue shares, options (including awards under employee incentive plans) or other securities that can, in certain circumstances, convert into Cuscal Shares to new or existing shareholders, to finance its operations and growth strategy, meet its regulatory capital obligations and to incentivise staff.

While Cuscal will do so in accordance with the requirements of the ASX Listing Rules, any new issue of Cuscal Shares may result in the dilution of a Shareholder's proportional beneficial ownership in the underlying assets of Cuscal and Shareholders may experience a loss in value of their Cuscal Shares as a result.

Cuscal may also issue instruments to raise regulatory capital to satisfy APRA's regulatory capital requirements. Those hybrid instruments may rank for dividends or payments of capital (including on a winding up of Cuscal) ahead of ordinary Cuscal Shares. A holding of Cuscal Shares does not confer any right to participate in future issues of securities by Cuscal.

5.3.5 Access to favourable funding/inability to raise future capital/need for future capital

Cuscal may require additional equity or debt capital to fund its operations, regulatory requirements (or changes to those requirements) or growth strategy. As a licensed ADI, APRA requires Cuscal to hold a certain level of equity (see **Section 2.4** for more information).

There is no certainty Cuscal's organic capital generation will meet the future requirements of Cuscal's business. Cuscal may not be able raise additional capital when required or at cost-effective rates or on competitive terms. An inability to raise debt or equity in the future may impact Cuscal's ability to operate or grow its business. This may result in regulatory scrutiny from APRA or materially adverse effects on Cuscal's business, financial performance, financial condition or growth.

5.3.6 Potential Changes to Tax Laws

A change (including a change in interpretation) in tax legislation, including, but not limited to, the imposition of new taxes or increases in tax rates, availability of tax credits, or any change in the tax treatment of assets or liabilities held by Cuscal may have a materially adverse effect on Cuscal's business, financial performance, financial position and growth, and returns to shareholders (including in foreign jurisdictions in which Cuscal operates or may operate). There may also be a change in the tax treatment of a Shareholder's investment.

An investment in the Shares involves tax considerations which differ for each Shareholder. Each Shareholder is encouraged to seek professional tax advice in connection with any investment in Cuscal.

5.3.7 Risk of Dividends not Being Paid or Fully Franked

The payment of dividends by Cuscal will be determined by the Board, in its absolute discretion, and will depend on a number of factors including the profitability and cash flow of Cuscal's business, its tax and financial position, liquidity and capital requirements and general prevailing economic conditions.

Circumstances may arise in the future that result in Cuscal reducing or ceasing to pay dividends for a period of time. To the extent Cuscal may pay any dividend in the future, it may not have sufficient franking credits to frank its dividends, or the franking system may be subject to review or reform. The value and availability of franking credits to a Shareholder will differ, depending on their particular tax and financial circumstances.

See **Section 9.11** for more information on tax issues and considerations in relation to the Offer.

5.3.8 Inability to Meet Forecasts

Some statements in this Prospectus constitute forward-looking statements, opinions or estimates, including the Forecast Financial Information set out in **Section 4.4**. Such forward-looking statements are based on the assumptions set out in **Section 4.8**, and involve various risks, uncertainties and factors, known and unknown, that may impact the actual results, performance and achievements of Cuscal, and cause them to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, opinions or estimates.

There is no guarantee or assurance that Cuscal will achieve its stated objectives or that a particular outcome, future event, forward-looking statement or forecast is guaranteed or will eventuate.

5.3.9 Changes to Australian Accounting Standards

The AASB may, from time to time, introduce new, modified or replacement AAS, which may affect the future measurement and recognition of key income statement and statement of financial position items, including revenue and receivables. There is also a risk that interpretations of existing AAS, including those relating to the measurement and recognition of key income statement and statement of financial position items, including revenue and receivables, may change or differ.

Changes to the AAS, or changes to the commonly held views on the application of the AAS, could materially adversely affect Cuscal's business and consequently the financial performance and financial position reported in Cuscal's financial statements, including the financial information set out in this Prospectus.

5.3.10 Force majeure

Events known as 'force majeure' events may occur within or outside Australia that may impact upon the Australian economy, and Cuscal's operations, prospects and the price of Shares. These could include, without limitation, acts of terrorism, pandemics, an outbreak of international hostilities, bushfires, floods, earthquakes, labour strikes, civil wars and other natural or man-made events or occurrences (such as cybersecurity attacks) that may have an adverse impact on the demand for Cuscal's products or services, and its ability to conduct its business. Cuscal only has a limited ability to insure against some of these risks.

5.3.11 Epidemics and pandemics

A recurrence in the severity of the COVID-19 pandemic, or a pandemic similar in nature to the COVID-19 pandemic or other rapid spread of infectious disease to a large number of people within a short period of time, may occur within or outside Australia. Any such pandemic or epidemic may adversely affect general economic sentiment, the global economy, stock markets and other financial markets. Any measures introduced to limit transmission in an epidemic or pandemic may have a negative impact on the global economy and economic growth.

It is difficult to predict the nature and extent of the risk and the impact of any future epidemic or pandemic on Cuscal. The potential negative impact of an epidemic or pandemic on consumer sentiment and confidence generally are factors, either alone or in combination, that could materially adversely affect Cuscal and its business, financial performance, financial condition and growth.

Key Individuals, Interests and Benefits

6

6. Key Individuals, Interests and Benefits

6.1 Board of Directors

Members of Cuscal's Board of Directors have deep and relevant experience across a diverse range of industries including financial services, payments, government, global financial markets, investment advisory, Fintech, business management, technology, property services and corporate governance.

As at the Prospectus Date, Cuscal's Board comprises eight Directors, seven of whom are non-executive and four of whom are independent, including the Chairman.

A biography of each of the Directors on Listing is set out in **Table 6.1**.

The composition of the Board Committees and a summary of Cuscal's key corporate governance policies are set out in Sections 6.6.2 to 6.6.3.3 and Section 6.6.5.

Each Director below has confirmed to the Company that they anticipate being able to perform their duties as a Non-Executive Director or Executive Director, as the case may be, without constraint having regard to their other commitments.

Table 6.1 Directors on Listing

Elizabeth Proust AO
Independent Chairman

Elizabeth was appointed Chairman of Cuscal on 1 June 2020 and is also the Chairman of the Board Remuneration and Nominations Committee.

Elizabeth is one of Australia's leading business figures and has had a diverse career holding leadership roles in the public and private sectors for over 30 years. Elizabeth spent eight years at ANZ Group including four years as Managing Director of Esanda, Managing Director of Metrobanking and Group General Manager, Human Resources, Corporate Affairs and Management Services. Before joining ANZ, Elizabeth was Secretary (CEO) of the Department of Premier and Cabinet (Victoria) and Chief Executive of the City of Melbourne.

Elizabeth was made an Officer of the Order of Australia in 2010 for distinguished service to public administration and to business, through leadership roles in government and private enterprise, as a mentor to women, and to the community through contributions to arts, charitable and educational bodies.

Elizabeth holds a Bachelor of Arts (Hons) from La Trobe University and a Bachelor of Laws from the University of Melbourne. In March 2021, Elizabeth was appointed a Life Fellow of the Australian Institute of Company Directors.

Other board roles currently held by Elizabeth include:

Lendlease Group (ASX: LLC) (Director)
GQG Partners (ASX: GQG)
(Lead Independent Director)
Fujitsu Advisory Board (Member)

Craig Kennedy
Managing Director

Craig joined Cuscal as its Managing Director on 8 December 2008.

Craig is responsible for the corporate leadership, strategy and direction that has established Cuscal as a leading payments and regulated data services provider in Australia.

Craig has more than 35 years' experience in the financial services sector, with particular expertise in digital banking and payments. Over the past 25 years Craig has been a director of listed and unlisted public companies and has been a part of a team that built and operationalised two new retail banks in Australia. Prior to joining Cuscal, Craig was the Managing Director of Espreon Limited. He was also Head of Direct Banking at ING and has held a number of senior positions at Advance Bank Australia, State Bank of New South Wales and Monster Worldwide.

Craig holds an MBA and is a fellow of the Financial Services Institute of Australasia and a graduate of the Australian Institute of Company Directors.

Other board roles currently held by Craig include:

Australian Payments Plus Limited (Director)

6. Key Individuals, Interests and Benefits continued

6.1 Board of Directors continued

Belinda Cooney
Independent Non-Executive Director

Belinda was appointed to the Cuscal Board on 18 June 2021.

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

Belinda is an experienced company director and finance professional. She currently serves as the Chief Financial Officer of Interactive Pty Ltd, Australia's largest privately held IT services company.

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

Belinda holds a Bachelor of Commerce, a Masters of Finance (INSEAD) and a Chartered Financial Analyst designation. She is also a Chartered Accountant, a graduate of the Australian Institute of Company Directors and a Senior Fellow of FINSIA.

Other board roles currently held by Belinda include:

CSIRO Data61 (Advisory Group Chair)

Trudy Vonhoff
Independent Non-Executive Director

Trudy Vonhoff was appointed to the Cuscal Board on 10 April 2019.

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

She is an experienced Non-Executive Director and previously served as a director on the boards of Ruralco Holdings Ltd, AMP Bank Limited, Cabcharge Australia Limited and Tennis NSW. Trudy also held senior executive positions with Westpac Banking Corporation and AMP Bank Limited.

Trudy brings to the Board strong financial, risk management and governance skills, together with deep experience in financial services.

Trudy holds a Bachelor of Business, a Master of Business Administration and is a graduate of the Australian Institute of Company Directors and a Senior Fellow of FINSIA.

Other board roles currently held by Trudy include:

Credit Corp Group Limited (ASX: CCP) (Director and Chair of the Remuneration and HR Committee)

IRESS Limited (ASX: IRE) (Director and Chair of the Audit and Risk Committee)

Australian Cane Farms Ltd (Director)

Claudine Ogilvie
Independent Non-Executive Director

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

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

Claudine brings 20 years' experience in strategy, technology, data, risk and innovation leadership in emerging technologies like AI, quantum computing and cyber security. Claudine was awarded TOP CIO50 in Australia in 2016.

Claudine is currently the Co-founder and CEO of HivePix and the Managing Director for O&O Consulting. Previously Claudine was a Non-Executive Director with Youi Insurance; led the Asia Pacific Digital and Data businesses for Compass Group PLC and was the Chief Information Officer (CIO) for the Jetstar Group of Airlines; and Chief Information Officer for Ridley Corporation. She also held senior product management, sales operations and marketing roles for KPMG, International SOS, BP Australia and Unipath France.

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

Other board roles currently held by Claudine include:

Scyne Advisory (Non-Executive Director)

Ling Hai
Non-Executive Director

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

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

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

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

Other board roles currently held by Ling Hai include:

Wan Shi Wang Lian Network Technology (Chairman)

National Committee of US-China Relations (Director)

EDISON Alliance (Board Deputy)

Aspen Global Leadership Network (Member)

Wayne Stevenson
Non-Executive Director

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

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

He is an experienced Non-Executive Director and has served on Boards spanning a number of industries including insurance, banking, SaaS technology, outdoor media and commercial radio. Directorships have included Onepath Life Insurance Ltd; Onepath General Insurance Ltd; ANZ Lenders Mortgage Insurance Ltd; QMS Media Ltd; and MediaWorks Holdings Ltd.

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

Other board roles currently held by Wayne include:

BigTinCan Holdings Ltd (ASX: BTH) (Director and Chair of the Audit and Risk Committee)

Credit Union Australia Ltd (Great Southern Bank) (Director)

6.2 Executive Management

Profiles of the key members of the Company's Executive Management team are set out in the table below.

Table 6.2 Company's Executive Management Team

		
Craig Kennedy *Managing Director*	**Sean O'Donoghue** *Chief Financial Officer*	**Michael Blomfield** *Chief Client Officer*
Craig joined Cuscal as its Managing Director on 8 December 2008. Craig is responsible for the corporate leadership, strategy and direction that has established Cuscal as a leading payments and regulated data services provider in Australia. Craig has more than 35 years' experience in the financial services sector, with particular expertise in digital banking and payments. Over the past 25 years Craig has been a director of listed and unlisted public companies and been a part of a team that built and operationalised two new retail banks in Australia. Prior to joining Cuscal, Craig was the Managing Director of Espreon Limited. He was also Head of Direct Banking at ING and has held a number of senior positions at Advance Bank Australia, State Bank of New South Wales and Monster Worldwide. Craig holds an MBA and is a fellow of the Financial Services Institute of Australasia and a graduate of the Australian Institute of Company Directors. Craig is also a Director of Australian Payments Plus Limited.	Sean joined Cuscal as Chief Financial Officer in August 2014 and oversees Cuscal's financial, project management, business improvement and investor relations functions. Sean has over 40 years' experience in banking, wealth management and property. Sean's career spans financial services and wealth management and he spent close to three decades in the banking, property, funds management and superannuation sectors with multi-nationals Lend Lease and MLC (in Australia and the United States), Multiplex, Abacus Property Group and Westpac in various chief and senior financial roles. Sean holds a Bachelor of Commerce with Merit (majoring in Accounting, Finance and Information Systems) from the University of NSW; a Master of Business Administration from Pepperdine University, USA and is also a Chartered Accountant.	Michael joined Cuscal as Chief Client Officer in June 2024 and oversees Cuscal's client and growth functions. Michael has over 30 years' experience in banking and financial services both domestically and internationally across Australia, Asia, North America, UK, Europe and South Africa and brings expertise spanning strategy and execution, operations, growth, sales and client management. Prior to joining Cuscal, Michael was the Chief Customer Officer and Senior Program Director for Seven Consulting. While at Seven Consulting, Michael worked closely with the NGM Group (the merger of Newcastle Permanent Building Society and Greater Bank) to refine and help execute their strategic roadmap. Prior to Seven Consulting, Michael held various senior executive roles in banking and financial services including as Chief Commercial Officer of Iress Limited (ASX: IRE); CEO of Investment Trends; APAC Managing Director of MF Global; as well as a number of senior roles with the Commonwealth Bank of Australia including Head of Equities Division (which included CommSec), and Executive General Manager of Local Business Banking.

Bronwyn Yam
Chief Product Officer

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

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

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

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

Angela Powell
Chief Risk Officer

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

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

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

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

Evan Craig
Chief Information Officer

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

Evan has more than 25 years' experience in IT services delivery including multiple financial institutions and service provider organisations in mission-critical roles.

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

Freya Smith
Chief Legal and People Officer

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

She has significant experience leading legal and secretariat teams and advising on legal and governance affairs within complex and global organisations across various industries including payments, Fintech, financial services, insurtech and emerging technologies.

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

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

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

6.3 Interests and Benefits

This **Section 6.3** sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company or SaleCo;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or
- the Offer, and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of the Company or SaleCo.

6.3.1 Interests of Advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Merrill Lynch Equities (Australia) Limited has acted as Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager to the Offer and the fees payable to the Bookrunner pursuant to the Offer Management Agreement are described in **Section 9.6**;
- Bell Potter Securities Limited, Ord Minnett Limited and MST Financial Services Pty Ltd have acted as Joint Lead Managers to the Offer and the fees payable to the Joint Lead Managers are described in **Section 9.6.1**;
- Gilbert + Tobin has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $2.34m (excluding disbursements and GST) for these services in the period from commencement of work on the Offer in FY23 up until the Prospectus Date. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time-based charges;
- Ernst & Young Strategy and Transactions Limited has acted as the Investigating Accountant and has prepared the Independent Limited Assurance Report in **Section 8**. The Company has paid, or agreed to pay, approximately $212,000 (excluding disbursements and GST) for these services in the period from commencement of work on the Offer in FY23 up until the Prospectus Date. Further amounts may be paid to Ernst & Young Strategy and Transactions Limited in accordance with its normal time-based charges;
- Ernst & Young has acted as the Australian taxation adviser and provided financial and tax due diligence services in relation to the Offer and provided advice in relation to remuneration arrangements to the Company. The Company has paid, or agreed to pay, approximately $2,793,000 (excluding disbursements and GST) for these services in the period from commencement of work on the Offer in FY23 up and until the Prospectus Date. Further amounts may be paid to Ernst & Young in accordance with its normal time-based charges; and
- The Initiatives Group has acted as the market expert and has provided information on the Australian Payments market to the Company in connection with the Offer. The Company has paid, or agreed to pay, approximately $130,800 (excluding disbursements and GST) for these services in the period from commencement of work on the Offer in FY23 up and until the Prospectus Date.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in **Section 7**.

6.3.2 Directors' Interests and Remuneration

6.3.2.1 Managing Director

Craig Kennedy is employed as Managing Director. **See Section 6.3.3.1** for further details.

6.3.2.2 Directors' Appointment Letters

Prior to the Prospectus Date, each Non-Executive Director has entered into an appointment letter with the Company, confirming the terms of his or her appointment, role and responsibilities and the Company's expectations of them as a Director.

6.3.2.3 Non-Executive Directors Remuneration

Under the Constitution, the Company in general meeting may determine the maximum aggregate remuneration to be provided to or for the benefit of the Non-Executive Directors as remuneration for their services as a Director. Further, under the ASX Listing Rules, the total amount of Directors' fees paid to the Directors (subject to certain exceptions) must not exceed in aggregate in any financial year the amount fixed by the Company's members in general meeting.

Initially, and until a different amount is determined, the maximum aggregate Directors' remuneration for the purposes of the ASX Listing Rules and the Constitution is $1m per annum. This amount excludes, among other things, amounts payable to any Executive Director under any executive services agreement with the Group or any special remuneration which the Board may grant to the Directors for special exertions or additional services performed by a Director for or at the request of the Company, as well as any securities issued to Directors (or which are intended to be issued to Directors) as disclosed in this Prospectus, or which are issued to a NED under ASX Listing Rule 10.11 or 10.14 with the approval of Cuscal's shareholders.

The following annual base fees are payable to Directors (with effect from Completion).

Table 6.3 Payable to Directors

Director Fees	$ Fee
Chairman	$200,000.00
Non-Executive Director	$100,000.00

The following annual committee fees are payable (with effect from Completion).

Table 6.4 Committee Fees

Committee Fees	Chairman Fee ($)	Other Committee member Fee ($)
Audit Committee	$18,000.00	$11,000.00
Risk Committee	$18,000.00	$11,000.00
Remuneration and Nominations Committee	$18,000.00	$11,000.00

No additional membership fee will be payable where a Director is a Chairman of a Committee.

6.3 Interests and Benefits continued

Any Non-Executive Director who performs extra services, makes any special exertions for the benefit of the Company or otherwise performs services, which, in the opinion of the Board, are outside the scope of ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of funds of the Company.

All Directors' fees include superannuation payments required by law to be made.

The Directors are entitled to be paid all travelling and other expenses they incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of Board Committees of the Board. Such amounts will not form part of the aggregate remuneration amount for Non-Executive Directors approved by the Shareholders.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

Craig Kennedy does not receive any fees in his capacity as a Director.

6.3.2.4 Deeds of Access, Insurance and Indemnity

The Company has entered into a deed of access, indemnity and insurance with each Director. Each deed contains the Director's right of access to certain books and records of the Company or Group Company for the period from the date of the deed until seven years after the Director ceases to hold office of the Company or Group Company. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires.

Pursuant to the Constitution, the Company must indemnify all Directors, executive officers and other officers, past and present, against all liabilities incurred as an officer of the Company or Group Company to the extent permitted by law. Under the deed of access, insurance and indemnity, the Company indemnifies each Director against any liability that may arise from their position as an officer of the Company or Group Company, to the extent permitted by law. The deed provides that the Company must meet the full amount of any such liabilities, including legal costs that are reasonably incurred, charges and expenses.

Pursuant to the Constitution, the Company may arrange and maintain Directors' and officers' insurance for its Directors to the extent permitted by law. Under the deed of access, insurance and indemnity, the Company must maintain such insurance for the period from the date of the deed until seven years after the Director ceases to hold office of the Company or Group Company. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires.

In this summary, 'Group Company' means the Company, a subsidiary of the Company, any companies which are 50% or more owned directly or indirectly by any other Group Company, or any partnership or unincorporated joint venture in which any Group Company has an interest of 50% or more.

6.3.2.5 Directors’ Interests in Shares and Other Securities

The Directors are not required by the Constitution to hold any Shares and as at the Prospectus Date and as at Completion they do not hold and will not hold any Shares (other than any they choose to acquire under the Offer).

Notwithstanding this, it is intended that a Minimum Shareholding Policy for Non-Executive Directors will be in place from Listing requiring Non-Executive Directors to hold a minimum holding of shares equivalent to each Non-Executive Director’s base fee, with a period of five years to meet the minimum holding requirement.

The Directors’ interests in Shares and other securities in the Company as at the Prospectus Date and on Completion (excluding any participation in the Employee and Director Priority Offer) are set out in the table below:

Table 6.5 Directors’ Interests in Shares and Other Securities

	Interests held at the Prospectus Date		Interests Held at Completion	
Director[1]	Shares	Performance Rights/Share Rights	Shares	Performance Rights/Share Rights
Elizabeth Proust AO	Nil	Nil	Nil	Nil
Craig Kennedy[2]	Nil	Nil	Nil	Nil
Trudy Vonhoff	Nil	Nil	Nil	Nil
Belinda Cooney	Nil	Nil	Nil	Nil
Claudine Ogilvie	Nil	Nil	Nil	Nil
Ling Hai	Nil	Nil	Nil	Nil
Wayne Stevenson	Nil	Nil	Nil	Nil

1. And/or their associated entities.
2. Craig Kennedy will participate in the incentive schemes as set out in **Section 6.3.3.1**.

The Directors (and their associated entities) are entitled to apply for Shares under the Offer and to participate in the Employee and Director Priority Offer. The above table does not take into account any Shares the Directors (and their associated entities) may acquire under the Offer.

Final shareholdings held directly or indirectly by the Directors (and their associated entities) will be notified to ASX following Listing.

6.3.3 Executive Remuneration – Key Management Personnel

The Key Management Personnel (**KMP**) of the Company are Craig Kennedy (Managing Director) and Sean O’Donoghue (Chief Financial Officer).

The employment arrangements for the KMP are set out below.

6.3 Interests and Benefits continued

6.3.3.1 Craig Kennedy, Managing Director

Table 6.6 Craig Kennedy, Managing Director

Term	Description
Employer	Cuscal Limited
Role	Managing Director
Total Fixed Remuneration (inclusive of base salary; statutory superannuation; and any benefits) (TFR)	Craig is entitled to receive TFR of $1,177,209.
Short-term incentive (STI)	From 1 July 2024, Craig will be eligible to participate in the Company's new annual STI plan (further details of which are provided in **Section 6.3.5**) (**STI Plan**) and receive an annual award under the STI Plan of up to 44% of his TFR at Target (up to a maximum of 150% of Target STI opportunity for outperformance), subject to the achievement of Company and individual performance conditions as determined by the Board. To the extent the performance conditions are met, and Craig remains employed, 100% of the STI award will be delivered in cash.
Long-term incentive (LTI)	For the performance period commencing 1 July 2024 and from Listing, Craig is eligible to participate in the Company's new LTI Plan (further details of which are provided in **Section 6.3.5.2**) (**LTI Plan**). Craig will be eligible for an annual grant under the LTI Plan. For FY25 he will be eligible for a grant equal to 44% of his TFR. Any FY25 award made under the LTI Plan will be made in Performance Rights with a three-year performance period and additional one-year vesting period (total vesting period of four years) and subject to performance and service conditions. Craig will also be eligible for a one-off retention grant under the LTI Plan. He will be eligible for a one-off retention grant equal to 50% of his TFR. This one-off retention grant will be made under the LTI Plan in Share Rights with a three-year vesting period and 40% of total grant deferred for four years.
Notice period, termination and termination payments	Craig's employment may be terminated by either party giving 12 months' notice. In either event, the Company may make payment in lieu of notice. In the event of serious misconduct or other circumstances warranting summary dismissal, the Company may terminate Craig's employment contract immediately without payment in lieu of notice. The Board has the ability to exercise the malus and clawback provisions in the STI Plan and the LTI Plan (as described in **Sections 6.3.5.1** and **6.3.5.2**) in respect of the awards granted to Craig under those plans including the lapsing or forfeiture of unvested awards.
Non-solicitation/restrictions of future activities	Following termination of Craig's employment, he will be subject to post-employment non-competition restraints for a period of up to 12 months and non-solicitation restraints for a period of 24 months. The enforceability of the restraint clause is subject to all usual legal requirements.

6.3.3.2 Sean O'Donoghue, Chief Financial Officer

Table 6.7 Sean O'Donoghue, Chief Financial Officer

Term	Description
Employer	Cuscal Limited
Role	Chief Financial Officer
Total Fixed Remuneration (inclusive of base salary; statutory superannuation; and any benefits) (TFR)	Sean is entitled to receive TFR of $550,000.
Short-term incentive (STI)	From 1 July 2024, Sean will be eligible to participate in the STI Plan and receive an annual award under the STI Plan of up to 40% of his TFR at Target (up to a maximum of 150% of Target STI opportunity for outperformance), subject to the achievement of Cuscal Group and individual performance conditions as determined by the Board. To the extent the performance conditions are met, and Sean remains employed, 100% of the STI award will be delivered in cash.
Long-term incentive (LTI)	For the performance period commencing 1 July 2024 and from Listing, Sean is eligible to participate in the LTI Plan. Sean will be eligible for an annual grant under the LTI Plan. For FY25 he will be eligible for a grant equal to 40% of his TFR. Any FY25 award made under the LTI Plan will be made in Performance Rights with a three-year performance period and additional one-year vesting period (total vesting period of four years) and subject to performance and service conditions. Sean will also be eligible for a one-off retention grant under the LTI Plan. He will be eligible for a one-off retention grant equal to 50% of his TFR. This one-off retention grant will be made under the LTI Plan in Share Rights with a three-year vesting period and 40% of total grant deferred for four years.
Notice period, termination and termination payments	Sean's employment may be terminated by either party upon giving six months' notice. In either event, the Company may make payment in lieu of notice. In the event of serious misconduct or other circumstances warranting summary dismissal, the Company may terminate Sean's employment contract immediately without payment in lieu of notice. The Board has the ability to exercise the malus and clawback provisions in the STI Plan and the LTI Plan in respect of the awards granted to Sean under those plans including the lapsing or forfeiture of unvested awards.
Non-solicitation/restrictions of future activities	Following termination of Sean's employment, he will be subject to post-employment non-competition restraints for a period of up to 12 months and non-solicitation restraints for a period of 24 months. The enforceability of the restraint clause is subject to all usual legal requirements.

6.3 Interests and Benefits continued

6.3.4 Executive Remuneration – Non-KMP

Other members of Cuscal's Executive Management team are employed by Cuscal and have entered into individual employment agreements. Excluding the KMP, details of the remuneration arrangements for the remaining members of the Executive Management team are summarised below.

Table 6.8 Executive Remuneration – Non-KMP

Term	Description
Employer	Cuscal Limited
Total Fixed Remuneration (inclusive of base salary; statutory superannuation; and any benefits) (TFR)	Competitive market-based TFR. Set for size and complexity of the role, as well as skills and experience and to attract, retain and motivate the right talent to deliver on Cuscal's strategy and contribute to Cuscal's financial and operational performance.
Short-term incentive (STI)	From 1 July 2024, all members of the Executive Management team will be eligible to participate in the STI Plan and receive an annual award under the STI Plan of up to a set % of TFR at Target (up to a maximum of 150% of Target STI opportunity for outperformance), subject to the achievement of Company and individual performance conditions as determined by the Board. To the extent the performance conditions are met, and the Executive remains employed, 100% of the STI award will be delivered in cash.
Long-term incentive (LTI)	For the performance period commencing 1 July 2024 and from Listing, members of the Executive Management team will be eligible to participate in the LTI Plan for an annual grant under the LTI Plan at a set % of TFR. Any FY25 award made under the LTI Plan will be made in Performance Rights with a three-year performance period and additional one-year vesting period (total vesting period of four years) and subject to performance and service conditions. Certain members of the Executive Management team will also be eligible for a one-off retention grant under the LTI Plan. The aggregate one-off retention grants of Share Rights to the Executive Management team excluding KMP will be equivalent to $910,390. One-off retention grants made under the LTI Plan will be made in Share Rights with a three-year vesting period and 40% of total grant deferred for four years.

6.3.5 Incentive Arrangements

6.3.5.1 Short-Term Incentive Plan

The Company has adopted a new STI Plan that will be effective from 1 July 2024. The participants in the STI Plan will include all members of the Executive Management team, including the KMP.

A summary of the key terms of the new STI Plan is set out below.

Table 6.9 Key Terms of the New STI Plan

Term	Description
Purpose	Annual 'at risk' incentive opportunity awarded on the achievement of performance conditions over a 12-month period.
Eligibility	Executive Management team and other employees as determined by the Board. Non-Executive Directors are not entitled to participate in the STI Plan.
Award vehicle	Cash (no deferral). Discretionary and determined by the Board based on Company performance and individual measures against performance conditions.
Quantum	Annual award under the STI Plan of up to a set % of TFR at Target (up to a maximum of 150% of Target STI opportunity for outperformance).
Link to performance	For Executive Management, STI outcome determined via balanced scorecard by: • Company performance conditions (weighted 60%); and • Individual performance conditions (weighted 40%), along with a conduct gateway providing for evaluation of behaviour. There will be an assessment of Threshold/Target/Stretch levels for each performance condition. Total weighting of financial performance measures is a minimum of 60% for KMP.
Performance conditions	Company performance conditions for FY25: • NPAT (30%) • Client (10%) • People (10%) • Risk (10%)
Treatment on cessation of employment	**Bad leaver**: Where employment ceases due to resignation or termination for cause (for example misconduct or fraud), all unpaid awards are forfeited. **Good leaver**: • In the event of redundancy, the payment of any award is subject to the Board's discretion. • In the event of termination due to disability, genuine retirement, incapacity or death and without cause, the Board will apply discretion as to whether any award may be paid and will have regard for, but not be limited by, pro rata performance progress against performance measures; assessment of individual contribution; and likelihood of the achievement of performance measures.

6.3 Interests and Benefits continued

Term	Description
	Participants must be employed at the time the award is delivered to them (i.e. before it is paid) and must not be serving notice. The Board will retain ultimate overriding discretion to apply treatment(s) that it deems appropriate in the circumstances.
Malus and clawback	Where, in the opinion of the Board: • a participant: – has acted fraudulently or dishonestly; – has engaged in gross misconduct; – has done an act which has brought the Company or any of its Related Bodies Corporate into disrepute; – has breached his or her duties or obligations to the Company; or – is convicted of an offence or has a judgment entered against them in connection with the affairs of the Company; or • there is a Financial Misstatement Circumstance; or • a participant received an award as a result of the fraud, dishonesty or breach of duties or obligations of any other person and, in the opinion of the Board, the award would not have otherwise have been granted; or • the Company is required by or entitled under law or Company policy to reclaim remuneration from a participant, the Board may determine that a participant must forfeit any rights to an award, or repay (as the case may be) to the Company as a debt any cash payment received under the STI Plan. **Financial Misstatement Circumstance** means a material misstatement or omission in the financial statements of the Group or any other circumstances or events which, in the opinion of the Board, may, or are likely to, affect the Group's financial soundness or require re-statement of the Group's financial accounts, including, without limitation, as a result of misrepresentations, errors, omissions or negligence. The Board may, in its absolute discretion, and subject to applicable laws, determine any treatment in relation to an award, including, without limitation, to: • reset the conditions and/or alter the period applying to the award; • deem all or any award, whether unvested or vested, to have lapsed or been forfeited (as relevant); and • where a cash payment has been made to a participant, require that the participant repay a sum equal to that cash payment.
Change of control	The Board has the discretion to determine the treatment of awards if a change of control occurs.

6.3.5.2 Long-Term Incentive Plan

The Company has adopted a new LTI Plan that will be effective from Listing.

The LTI Plan seeks to incentivise, retain and reward the Executive Management team and other employees that may be invited to participate in the LTI Plan from time to time.

The LTI Plan Rules (**LTIP Rules**) provide flexibility for the Company to grant options, performance rights, share rights or restricted shares as incentives, subject to the terms of individual offers and the satisfaction of vesting conditions determined by the Board from time to time.

The Company intends to issue:

- Performance rights to:
  - The KMP by way of FY25 LTI Grants (defined below); and
  - Certain members of the Executive Management team by way of FY25 LTI Grants; and
- Share rights by way of Retention Grants (defined below) to the KMP, Executive Management team and select employees of the Group, conditional on the IPO.

A performance right entitles the participant to acquire one Share on vesting at nil exercise price, subject to the satisfaction of vesting conditions, which include performance-based vesting conditions (**Performance Rights**). A share right entitles the participant to acquire one Share on vesting at nil exercise price, subject to the satisfaction of purely service-based vesting conditions (**Share Rights**).

The Company considers that it is necessary and appropriate to further remunerate and incentivise the KMP, Executive Management team and employees through the issue of Performance Rights under the FY25 LTI Grants and Share Rights under the Retention Grants as it enables the Company to:

- Retain and incentivise key employees who are needed to achieve the Company's business objectives;
- Align the financial interests of key employees with those of shareholders (by providing an opportunity for employees to receive an equity interest in the Company); and
- Ensure the retention of key employees over the longer term to drive sustained financial performance and strategic plans.

The number of Performance Rights and Share Rights proposed to be granted under the FY25 LTI Grants and the Retention Grants, respectively, was determined by the Company, taking into account the size of the Company, the size of the Executive Management team, the nature and stage of development of the Company's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

The Company believes that the number of Performance Rights and Share Rights to be issued to KMP, Executive Management and select employees, and the number of Shares into which they convert if the relevant performance conditions and service conditions are achieved, is appropriate and equitable based on the following reasons:

- The number of Shares into which the Performance Rights and Share Rights will convert (if the relevant vesting conditions are met) is fixed (being, the number of Shares converted will be equal to the number of Performance Rights or Share Rights issued), so that investors and analysts can readily understand, and have reasonable certainty as to, the impact on the Company's capital structure if the vesting conditions are met; and
- Is reasonably proportionate to the additional value that the Company will derive from achievement of the vesting conditions for the following reasons:
  - Under the FY25 LTI Grants, the number of Performance Rights that vest into Shares depends on the achievement of performance conditions linked to growth in shareholder returns and earnings per share;
  - Under the Retention Grants, the number of Share Rights that vest into Shares depends on the passage of time for service that the Board considers necessary to retain key employees that are needed for the Company's continued performance from Listing; and
  - The total number of Performance Rights that will be issued under the FY25 LTI Grants and the number of Share Rights that will be issued under the Retention Grants represents a small proportion (approximately 0.96%) of the Company's current issued share capital prior to Listing, and therefore is not materially dilutive to existing Shareholders.

6.3 Interests and Benefits continued

6.3.5.3 FY25 LTI Grant

The Company intends to issue Performance Rights to KMP and certain other members of the Executive Management team pursuant to the LTIP Rules (**FY25 LTI Grants**). The FY25 LTI Grants will represent a component of each participant's Total Remuneration.

The terms of the Performance Rights to be issued pursuant to the FY25 LTI Grants are set out below.

Table 6.10 Key Terms of the New LTI Plan

Term	Description
Purpose	Reward that aligns with longer-term Cuscal performance and Shareholder outcomes.
Eligibility	Executive Management team and other employees that may be invited to participate as determined by the Board. Non-Executive Directors are not entitled to participate in the FY25 LTI Grants.
Award vehicle and entitlement	Performance Rights. Each Performance Right entitles the participant to acquire one Share on vesting, subject to the satisfaction of performance conditions and vesting conditions.
Quantum of grants	The Company proposes to make FY25 LTI Grants of Performance Rights to KMP as follows: • Craig Kennedy, Managing Director – Grant of Performance Rights equivalent to $517,972, being 44% of his Total Fixed Remuneration; and • Sean O'Donoghue, Chief Financial Officer – Grant of Performance Rights equivalent to $220,000, being 40% of his Total Fixed Remuneration. In addition, the Company proposes to grant an aggregate amount of $724,289 of Performance Rights to the other members of the Executive Management team who the Board has determined are eligible to receive an FY25 LTI Grant. The number of Performance Rights to be granted to each participant will be calculated by dividing the participant's LTI award by the Offer Price.
Grant Date	Performance Rights are intended to be granted on Listing.
Issue and price	The Performance Rights will be issued to the participant at no cost as they form part of the participant's remuneration. No exercise price is payable on vesting.
Performance Period and Vesting Period	Three-year performance period commencing 1 July 2024, with one additional year vesting period where service conditions will still apply (total four-year vesting period).

<table>
<tr><th>Term</th><th>Description</th></tr>
<tr><td>Performance Conditions</td><td>
<p>FY25 LTI Grants will be subject to two equal performance measures:</p>

Relative Total Shareholder Return (50%); and
Absolute Earnings Per Share CAGR (50%).

<p>Relative TSR</p>
<p>50% of a participant’s FY25 Performance Rights will be tested against the Company’s total shareholder return (TSR) relative to a comparator group over the performance period (TSR Rights).</p>
<p>The Company’s TSR over the relevant performance period will be assessed against the performance of the S&P/ASX 201-300 Index excluding companies in the Energy and Materials GICS sectors (TSR Comparator Group) over the performance period.</p>
<p>The TSR Rights vesting percentages will be calculated by ranking the Company’s TSR performance relative to the TSR Comparator Group over the relevant performance period, as provided in the table below:</p>
<table>
<tr><th>Cuscal TSR performance relative to TSR of TSR Comparator Group over the performance period</th><th>Vesting</th></tr>
<tr><td>At or above the 75th percentile</td><td>100%</td></tr>
<tr><td>Between 50th percentile and 75th percentile</td><td>Straight-line pro rata vesting 50%-100%</td></tr>
<tr><td>At the 50th percentile</td><td>50%</td></tr>
<tr><td>Below the 50th percentile</td><td>0%</td></tr>
</table>
<p>Absolute EPS CAGR</p>
<p>50% of a participant’s FY25 Performance Rights will be tested against the Company’s EPS growth over the performance period. EPS growth will be measured by reference to the Company’s net profit for the performance period, divided by the weighted average number of shares on issue across the performance period.</p>
<p>The Board may (in its discretion) make adjustments to exclude the effects of extraordinary events, material business acquisitions or divestments and for certain one-off costs. EPS growth will be expressed as a compound annual growth rate (CAGR) percentage.</p>
<table>
<tr><th>Cuscal growth in Absolute EPS over the performance period</th><th>Vesting</th></tr>
<tr><td>At or above stretch EPS growth target (maximum performance)</td><td>100%</td></tr>
<tr><td>Between target and stretch EPS growth target</td><td>Straight-line pro rata vesting 50%-100%</td></tr>
<tr><td>At threshold EPS growth target</td><td>50%</td></tr>
<tr><td>Below threshold EPS growth target</td><td>0%</td></tr>
</table>
<p>Calculation of the performance conditions and achievement against the performance conditions will be determined by the Board in its absolute discretion, having regard to any matters that it considers relevant (including any adjustments for unusual or non-recurring items that the Board considers appropriate).</p>
</td></tr>
</table>

6.3 Interests and Benefits continued

Term	Description
Exercise and expiry of Performance Rights	On vesting, the Performance Rights will be automatically exercised and there is no exercise price payable by the participant. Performance Rights that remain unvested by the end of the Performance Period will automatically lapse
Treatment on cessation of employment	**Bad leaver:** Where employment ceases due to resignation or termination for cause (for example misconduct or fraud), all unvested Performance Rights will lapse. **Good leaver:** Where employment ceases in any other circumstance (for example retirement, total permanent disability, death or redundancy) a pro-rata number of unvested Performance Rights (based on the proportion of the performance period that has elapsed at the time of cessation, calculated based on the number of days elapsed) will remain 'on-foot' and vest on the original vesting date (and any service-related condition will be deemed to have been satisfied) to the extent that the performance conditions have been met. The Board will retain ultimate overriding discretion to apply treatment(s) that it deems appropriate in the circumstances.
Malus and Clawback	Where, in the opinion of the Board, a participant has obtained, or may obtain, an unfair benefit as a result of his or her act (whether intentional, inadvertent, direct or indirect) which: • constitutes fraud, or dishonest, gross misconduct, or gross incompetence in relation to the affairs of the Company or the Group; • brings the Company or the Group into disrepute; • is in breach of his or her obligations to the Company or the Group, including compliance with any applicable Company policy; • constitutes a failure to perform any other act reasonably and lawfully requested of the participant; or • has the effect of delivering strong Company performance in a manner which is unsustainable or involves unacceptably high risk, and results or is likely to result in a detrimental impact on Company performance following the end of the Period, the Board may, in its absolute discretion, and subject to applicable laws, determine any treatment in relation to the Performance Rights, including, without limitation, to: • reset the performance measures and/or alter the performance period applying to the Performance Rights; • deem all or any Performance Rights, whether unvested or vested, to have lapsed or been forfeited (as relevant); • where shares that have been allocated to a participant have been subsequently sold, require that the participant repay the net proceeds of such a sale; and/or • where a cash payment has been made to a participant pursuant to the terms of the LTI Plan, require that the participant repay a sum equal to that cash payment.
Transferability	Performance Rights are not transferable and will not be quoted on the ASX or any other exchange.
Dividends and voting rights	Performance Rights do not carry dividend or voting rights prior to vesting.

Term	Description
Capital returns	The Performance Rights do not confer rights to participate in a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
Winding up	The Performance Rights do not confer rights to participate in the surplus profit or assets of the Company upon a winding up of the Company.
New issues	The Performance Rights do not confer rights to participate in new issues of Shares (such as bonus issues or entitlement issues).
Change of control	Subject to the Board's discretion to determine the treatment where a change of control is likely to occur. Where an actual change of control occurs (i.e. the acquisition of 50% (or more) of the Shares), a default treatment will apply so that unvested awards will vest subject to satisfaction of the performance conditions at the time of the change of control.

6.3.5.4 Retention Grants

The Company will make one-off retention grants under the LTI Plan conditional on the Offer (**Share Rights**). The Share Rights are being made with the intention of retaining and aligning the interests of key senior staff with new Shareholders in the period before the long-term incentive may be eligible to vest.

A summary of the key terms of the Retention Grants is set out below.

Table 6.11 Key Terms of the Retention Grants

Term	Description
Purpose	Retaining and aligning the interests of key staff with new Shareholders.
Eligibility	Executive Management team and other employees that may be invited to participate as determined by the Board. Non-Executive Directors are not entitled to participate in the Retention Grants.
Award vehicle and entitlement	Share Rights. Each Share Right entitles the participant to acquire one Share on vesting, subject to the satisfaction of a service-based vesting condition.
Quantum of grants	The Company proposes to make Retention Grants of Share Rights as follows: • Managing Director – Grant of Share Rights equivalent to $588,605, being 50% of his Total Fixed Remuneration. • Chief Financial Officer – Grant of Share Rights equivalent $275,000, being 50% of his Total Fixed Remuneration. • Other members of the Executive Management team and select employees – Aggregate grant of Share Rights equivalent to $1,864,339. The number of Share Rights to be granted to each participant will be calculated by dividing each participant's Retention Grant (described above) by the Offer Price.
Grant Date	Retention Grants are intended to be granted on Listing.

6.3 Interests and Benefits continued

Term	Description
Issue and price	The Retention Grants will be issued to the participant at no cost as they form part of the participant's remuneration. No exercise price is payable on vesting.
Vesting period	Three years commencing from date of grant.
Vesting Conditions	Continued service for the vesting period.
Exercise and expiry of Share Rights	On vesting, the Share Rights will be automatically exercised and there is no exercise price payable by the participant. Share Rights that remain unvested by the end of the vesting period will automatically lapse.
Treatment on cessation of employment	**Bad leaver:** Where employment ceases due to resignation or termination for cause (for example misconduct or fraud), all unvested Share Rights will lapse. **Good leaver:** Where employment ceases in any other circumstance (for example retirement, total permanent disability, death, or redundancy) a pro-rata number of unvested Share Rights (based on the proportion of the vesting period that has elapsed at the time of cessation, calculated based on the number of days elapsed) will remain 'on-foot' and vest on the original vesting date. The Board will retain ultimate overriding discretion to apply treatment(s) that it deems appropriate in the circumstances.
Malus and Clawback	Where, in the opinion of the Board, a participant has obtained, or may obtain, an unfair benefit as a result of his or her act (whether intentional, inadvertent, direct or indirect) which: • constitutes fraud, or dishonest, gross misconduct, or gross incompetence in relation to the affairs of the Company or the Group; • brings the Company or the Group into disrepute; • is in breach of his or her obligations to the Company or the Group, including compliance with any applicable Company policy; • constitutes a failure to perform any other act reasonably and lawfully requested of the participant; or • has the effect of delivering strong Company performance in a manner which is unsustainable or involves unacceptably high risk, and results or is likely to result in a detrimental impact on Company performance following the end of the vesting period,

Term	Description
	the Board may, in its absolute discretion, and subject to applicable laws, determine any treatment in relation to the Share Rights, including, without limitation, to: • Reset the service conditions and/or alter the vesting period applying to the Share Rights; • Deem all or any Share Rights, whether unvested or vested, to have lapsed or been forfeited (as relevant); • Where shares that have been allocated to a participant have been subsequently sold, require that the participant repay the net proceeds of such a sale; and/or • Where a cash payment has been made to a participant pursuant to the terms of the LTI Plan, require that the participant repay a sum equal to that cash payment.
Transferability	Share Rights are not transferable and will not be quoted on the ASX or any other exchange.
Dividends and voting rights	Share Rights do not carry dividend or voting rights prior to vesting.
Capital returns	The Share Rights do not confer rights to participate in a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
Winding up	The Share Rights do not confer rights to participate in the surplus profit or assets of the Company upon a winding up of the Company.
New issues	The Share Rights do not confer rights to participate in new issues of Shares (such as bonus issues or entitlement issues).
Change of control	Subject to the Board's discretion to determine the treatment where a change of control is likely to occur. Where an actual change of control occurs (i.e. the acquisition of 50% (or more) of the Shares), a default treatment will apply so that unvested awards will vest subject to satisfaction of the performance conditions at the time of the change of control.

6.3 Interests and Benefits continued

6.3.5.5 Tax Exempt Employee Share Plan

The Company will establish a Tax Exempt Employee Share Plan conditional on completion of the Offer (**ESOP**). The ESOP provides for grants of shares to Eligible Employees up to $1,000. The ESOP will involve the grant of Shares that are subject to disposal restrictions specified in any Offer document (**Restricted Shares**).

Table 6.12 Tax Exempt Employee Share Plan

Term	Description
Purpose	Facilitating a tax exempt grant for employees.
Eligibility	All Australian and New Zealand permanent full-time or permanent part-time employees of the Company (provided that they remain so employed and have not given, or been given, notice to terminate employment as at the date of grant), excluding the Executive Management team and Non-Executive Directors, as selected by the Board in its sole discretion.
Restricted Shares	The number of Restricted Shares to be issued to each participant will be calculated by dividing $1,000 by the Company's share price immediately prior to the grant date and rounded down.
Grant Date	Restricted Shares are intended to be granted on Listing.
Vesting	Restricted Shares are fully vested at their grant date.
Amount payable	No amount is payable by a participant for a grant of Restricted Shares.
Disposal restriction	Subject to a specified disposal restriction for three years from grant.
Treatment on cessation of employment	If a participant ceases employment disposal restrictions cease to apply.
Reorganisations, corporate actions, bonus issues, etc	Shares acquired under the ESOP will be affected in the same way as other Shares subject to applicable tax legislation.
Dividend and voting entitlements	Restricted Shares carry full dividend and voting entitlements.
Change of control	Shares will be treated in accordance with the tax legislation.

6.4 Related Party Arrangements

Other than as disclosed in this Prospectus, Cuscal is not party to any material related party arrangements.

6.5 The Board of Directors

The names and biographical details of the current members of the Board of Directors are contained in **Section 6.1.**

Each Director has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Non-Executive Director or Executive Director without constraint having regard to his or her other commitments.

The Board considers an independent Director to be a Non-Executive Director who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally. The Board will consider the materiality of an interest, position or relationship for the purposes of determining 'independence' on a case-by-case basis, in line with the definition and considerations set out in APRA Prudential Standard CPS 510 (**CPS 510**) and the ASX Recommendations.

The Board considers that each of Elizabeth Proust AO, Belinda Cooney, Trudy Vonhoff and Claudine Ogilvie is free from any interest, position, association or relationship that might influence, or reasonably be perceived to influence, the independent exercise of the Director's judgement and that each of them is able to fulfil the role of independent Director for the purpose of CPS 510 and the ASX Recommendations.

Craig Kennedy is currently considered by the Board not to be independent as he is employed by the Company in an executive capacity.

Ling Hai and Wayne Stevenson are also currently considered by the Board not to be independent as they are shareholder Directors who were nominated by shareholders of the Company who within the past three years have been substantial shareholders of the Company.

Accordingly, as at Listing, the majority of the Board's members will be independent Directors.

The Board will regularly review the independence of each Director, and any subsequent Directors appointed, in light of interests disclosed to the Board, and will disclose any change to the ASX as required by the ASX Listing Rules.

6.6 Corporate Governance

6.6.1 Introduction

This **Section 6.6** explains how the Board oversees the management of the Company's business. The Board is responsible for the overall corporate governance of the Company, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy, including approving the strategic goals of the Company and considering and approving an annual business plan (including a budget).

The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The Company is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its fourth edition of the Corporate Governance Principles and Recommendations for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it and must also disclose what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Prior to Completion, copies of the Company's key policies and practices and the charters for the Board and each of its committees will be available on the Investors section of the Cuscal Website at https://www.cuscal.com.

6.6 Corporate Governance continued

6.6.2 Board Charter

The Board has adopted a charter to provide a strong framework for the effective operation of the Board, which sets out the responsibilities of the Board in greater detail including, among other matters:

- Approval of the business strategy and the financial objectives of Cuscal, and monitoring the implementation of those strategies and objectives;
- Approval of Cuscal's annual budgets (and any re-forecasts) and financial statements, and monitoring financial performance against forecast and prior periods;
- Approval of the capital management of Cuscal, including approval of the Internal Capital Adequacy Assessment Process;
- Overseeing the operational and financial performance of Cuscal;
- Forming a view of Cuscal's risk culture and the extent to which the risk culture supports the ability of Cuscal to operate consistently within Cuscal's RAS;
- Approving Cuscal's RMFS, and RAS and, with the guidance of the Board Risk Committee, reviewing and undertaking oversight and challenge to ensure the Executive Management teams' implementation and operation of the RMFS and Cuscal's operational structure continues to facilitate effective risk management and adequate risk management resources are available;
- Overseeing Cuscal's processes for making timely and balanced disclosure of all material information concerning Cuscal that a reasonable person would expect to have a material effect on the price or value of Cuscal's Shares;
- Reviewing and approving, with the guidance of the Board Remuneration and Nominations Committee, the appointment and replacement of the CEO, members of the Executive Management team and the Company Secretary;
- Reviewing and approving, with the guidance of the Board Remuneration and Nominations Committee, the remuneration framework including the Remuneration Policy;
- Reviewing and approving, with the guidance of the Board Remuneration and Nominations Committee, Cuscal's statement of values and code of conduct;
- Reviewing and approving, with the guidance of the Board Remuneration and Nominations Committee, Board composition, process and performance, evaluating performance of the Board and its Committees and individual Directors in accordance with Cuscal's Board skills matrix, and which are subject to APRA's requirements;
- Approving and overseeing, with the guidance of the Risk Committee, adherence to Cuscal's Sustainability and Human Rights policies and considering the social and environmental impact of Cuscal's activities;
- Reviewing, with the guidance of the Board Audit Committee, the integrity of financial, regulatory and other reporting, and reviewing and evaluating the performance and independence of the external auditor and the internal auditor;
- Ensuring that an appropriate framework exists for relevant information to be reported by management to the Board, and whenever required, challenging management and holding it to account;
- Maintaining an open, constructive, co-operative and ongoing dialogue with Cuscal's external auditors, APRA, ASIC, ASX and other regulators, to provide them with reasonable assurance of compliance with all regulatory requirements including signing the annual risk management declarations to APRA; and
- Approving policies and procedures required to be approved by the Board.

While the Board is ultimately responsible for Cuscal's overall strategy and performance, the Board has delegated authority for the day-to-day management and administration of Cuscal to the CEO and the Executive Management team within approved limits and other specified delegations of authority approved by the Board. The Board will review the Board Charter at least annually and make amendments, as necessary.

6.6.3 Board Committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit Committee, a Risk Committee and a Remuneration and Nominations Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements, and the skills and experience of individual Directors.

6.6.3.1 Board Audit Committee

In accordance with the ASX Recommendations and ASX Listing Rules, the Board Audit Committee comprises at least three Non-Executive Directors, a majority of whom are independent, and an independent Chair who is not the Chairman of the Board.

Some of the Board Audit Committee's key responsibilities and duties are to oversee Cuscal's:

- Financial and regulatory reporting processes;
- Internal audit function, including reviewing the engagement or removal of the internal auditor (including discussing with APRA as soon as practicable should the internal auditor be removed), and addressing any significant findings and recommendations;
- Relationship with the external auditor and adequacy of the external audit function generally; and
- Financial controls and systems.

The current members of the Board Audit Committee are:

- Belinda Cooney (Independent Chair)
- Trudy Vonhoff
- Claudine Ogilvie
- Wayne Stevenson

The Managing Director and Directors of the Board who are not members of the Board Audit Committee are entitled to attend Board Audit Committee meetings at any time and all Directors receive copies of the papers. The CFO (or their nominee, subject to prior clearance by the Committee Chair) must attend Board Audit Committee meetings. Additionally, the internal and external auditors are invited to attend Board Audit Committee meetings.

6.6.3.2 Board Risk Committee

In accordance with the ASX Recommendations and ASX Listing Rules, the Board Risk Committee comprises at least three Non-Executive Directors, a majority of whom are independent, and an independent Chair.

The Board Risk Committee assists the Board in discharging its risk-related responsibilities in relation to risk management, including as outlined in Cuscal's RMFS and RAS, and its risk culture.

Some of the Board Risk Committee's key responsibilities and duties are to:

- Review and advise the Board on Cuscal's RAS and RMFS;
- Review any significant breaches of the RAS and RMFS, material incidents involving fraud or a breakdown of risk controls and other significant risk matters;
- Consider, review and, if deemed satisfactory, approve credit exposures outside Cuscal's RAS;
- Provide oversight of the Executive Management team's implementation of the RMS and constructive challenge of the Executive Management team's decisions on all aspects of risk management arising from Cuscal's activities;
- Review and monitor the risks and impacts of ESG on Cuscal;
- Provide oversight that all material risks relevant to Cuscal have been appropriately identified, managed and reported to the Board in accordance with the RMFS and RAS;
- Oversee Cuscal's insurance program, having regard to Cuscal's business and the insurable risk associated with its business; and
- Review and monitor emerging risk changes and advise the Board.

6.6 Corporate Governance continued

The current members of the Board Risk Committee are:

- Trudy Vonhoff (Independent Chair)
- Belinda Cooney
- Ling Hai
- Claudine Ogilvie

The Managing Director and Directors of the Board who are not members of the Board Risk Committee are entitled to attend Board Risk Committee meetings at any time and all Directors receive copies of the papers. The CRO (or their nominee, subject to prior clearance by the Committee Chair) must attend Board Risk Committee meetings. Additionally, the internal and external auditors are invited to attend Board Risk Committee meetings.

6.6.3.3 Board Remuneration and Nominations Committee

From listing the Company will have a combined Board Remuneration and Nominations Committee, replacing the existing Board Governance and Remuneration Committee and Nominations Committee.

In accordance with the ASX Recommendations and ASX Listing Rules, the Board Remuneration and Nominations Committee will comprise at least three Non-Executive Directors, a majority of whom are independent, and an independent Chair.

The Board Remuneration and Nominations Committee assists the Board in discharging its responsibilities in relation to Cuscal's Executive Management team, people and remuneration matters, including remuneration strategies, policies and frameworks for implementation, and how these support Cuscal's strategy and culture.

Some of the Board Remuneration and Nominations Committee's key responsibilities and duties are to:

- Implement and oversee the recruitment process for the appointment and replacement of the Managing Director/CEO;
- Review Directors' fees as required and make recommendations to the Board regarding any changes;
- Review and recommend to the Board the terms of any Share or option schemes for Directors and/or employees;
- Review and make recommendations to the Board on any applicable variable remuneration of the Managing Director and, on the recommendation of the Managing Director, of staff who report directly to the Managing Director;
- Review and recommend to the Board the terms of the Managing Director's employment agreement;
- Receive reports from the Executive Management team on the remuneration framework (including whether there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees) and attend to any other issues relating to the remuneration framework;
- Review compliance with and oversee the review of the Remuneration Policy;
- Oversee diversity-related disclosures recommended or required and advice on approval of those disclosures;
- Oversee and approve the engagement of remuneration consultants;
- Develop recommendations to the Board regarding new Board appointments and nominations; and
- Recommend to the Board Cuscal's statement of values and Code of Conduct.

The current members of the Board Remuneration and Nominations Committee are:

- Elizabeth Proust AO (Independent Chairman)
- Trudy Vonhoff
- Wayne Stevenson

The Managing Director and Directors of the Board who are not members of the Board Remuneration and Nominations Committee are entitled to attend Committee meetings at any time and may request to receive copies of the papers. The Chief Legal and People Officer (or their nominee, subject to prior clearance by the Committee Chair) must attend all relevant sections of the Board Remuneration and Nominations Committee meetings. The Board Remuneration and Nominations Committee may request members of the Executive Management team to attend part, or all, of any Board Remuneration and Nominations Committee meeting.

6.6.4 ESG

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

Cuscal is continuing the development of its sustainability framework. As part of this work, Cuscal has undertaken a materiality assessment and identified five framework pillars as the initial focus areas for its approach to its **ESG** strategy comprising: environmental impact; employee engagement and wellbeing; value chain improvement and innovation; trust and transparency; and community and stakeholder impact.

During FY24, Cuscal took a number of steps to uplift its ESG impact. This included:

- Development of ESG Targets and Actions aligned to Cuscal's Sustainability Framework pillars;
- Submission of a Reflect Reconciliation Action Plan with Reconciliation Australia; and
- In partnership with our people and First Nations Artist, Jason Douglas from Dalmarri, creation of a painting called 'Wugul Mudjin' meaning One Family, One Mob, One Team. This artwork represents the Cuscal values and connections it has with its clients and communities.

6.6.5 Corporate Governance Policies

The Board has adopted the following corporate governance policies, each of which has been prepared having regard to the ASX Principles.

6.6.6 Continuous Disclosure Policy

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company will be required to immediately advise ASX of any information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company has adopted a Continuous Disclosure Policy to take effect from Listing, which reinforces the Company's commitment to its continuous disclosure obligations and describes the processes in place that enable the Company to provide Shareholders with timely disclosure in accordance with those obligations. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX, and copies of the Company's announcements to ASX will be available on the Company's website.

6.6.7 External Communications Policy

The Company aims to keep Shareholders informed of major developments affecting the Company. The Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company will communicate information regularly to Shareholders and other stakeholders through a range of forums and publications, including the Company's website, at the Company's Annual General Meeting and through the Company's Annual Report and ASX announcements. The External Communications Policy also establishes the approval processes for branded external communications and protocols to manage media enquiries and the release of information to external parties.

6.6.8 Securities Trading Policy

Cuscal has adopted a Securities Trading Policy, to take effect on and from Listing on the ASX, which describes prohibited types of conduct in relation to dealings in securities under the Corporations Act. The Securities Trading Policy establishes procedures for the buying and selling of securities by Directors and employees of Cuscal and their families and associates. The Policy also describes the restrictions applicable to those persons when dealing in securities (as defined in the Policy) other than during certain permitted periods/trading windows after the release of Cuscal's half-year and full-year financial results and annual general meeting, and any extensions of those periods.

The Securities Trading Policy also requires Directors and employees of Cuscal in possession of inside information to not at any time deal in securities of Cuscal, or advise or suggest another person do so, or communicate the inside information to a person who may deal in Cuscal's securities and, among other matters, describes the relevant laws relating to insider trading and the consequences that persons may face if they are in breach of the trading restrictions.

6.6.9 Code of Conduct

The Company is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal Code of Conduct that outlines how it expects its Directors, employees and other representatives to behave and conduct business in the workplace both on-site and off-site; and it includes legal compliance and guidelines on appropriate ethical standards.

The Code of Conduct is designed to provide a benchmark for professional behaviour throughout the Company's business, support its business reputation and corporate image within the community and make the Company's Directors, employees and other representatives aware of the consequences if they breach this policy.

6.6.10 Diversity Policy

The Board has approved a Diversity Policy, which sets out the Company's commitment to an inclusive and diverse workforce. The Company will include in its corporate governance statement each year details of the measurable objectives set under the Diversity Policy of the year to which the corporate governance statement relates, and a summary of the Company's progress towards achieving those measurable objectives.

6.6.11 Whistleblower Protection Policy

The Company is committed to the highest standards of conduct and ethical behaviour in all of its business activities and to promoting and supporting a culture of honest and ethical behaviour, corporate compliance and good corporate governance. The Whistleblower Protection Policy has been adopted to provide a safe and confidential environment where concerns can be raised by whistleblowers without fear of reprisal or detrimental treatment.

6.6.12 Anti-Bribery and Corruption Policy

The Company is committed to complying with all laws of the jurisdictions in which it operates, including those relating to bribery and corruption. The Anti-Bribery and Corruption Policy sets out the responsibilities of the Company's personnel, including in their dealings with, and through, third parties. It addresses protection of the Company's personnel in seeking to comply with this policy, dealing with false reports, investigations, consequences for breach, examples of improper conduct, contact with government officials, donations, in-kind gifts and corporate hospitality, political and charitable contributions and sponsorships, facilitation payments and secret commissions.

6.6.13 Human Rights Policy

The Board has approved a Human Rights Policy which documents the Company's commitment and approach to respecting and promoting human rights and modern slavery issues, and sets out the responsibilities and measures by which the Company seeks to prevent abuses of human rights from occurring in its business operations, including its supply chain.

In particular, the policy notes that the Company is committed to operating its business in a way that is consistent with the United Nations' Guiding Principles (**UNGPs**) on Business and Human Rights and is working towards incorporating the UNGPs as a foundation on its approach to human rights. In support of this commitment, the Company's Human Rights Policy sets out its approach to the human rights issues that are applicable to its business, being modern slavery, labour rights, Indigenous rights and reconciliation and privacy.

6.6.14 Sustainability Policy

The Company recognises its responsibility to manage environmental and social impacts in the pursuit of its strategic vision. The Board has approved a Sustainability Policy to document the Company's commitment and approach to sustainability and the specific objectives that the Company will pursue in its business operations in a manner consistent with the United Nations Sustainable Development Goals.

The Company has identified five pillars that underpin its approach to sustainability: environmental impact; employee engagement and wellbeing; value chain improvement and innovation; trust and transparency; and community and stakeholder impact. The Company's Sustainability Policy sets out the Company's objectives and actions in relation to each pillar.

Details of the Offer

7

7. Details of the Offer

7.1 The Offer

This Prospectus relates to an initial public offering of **16,000,000** New Shares at the Offer Price of $2.50 per New Share and the sale of **118,718,671** existing Shares held by SaleCo. The Offer is expected to raise $337m.

The total number of Shares expected to be on issue at Completion will be 191,585,453. All Shares will rank equally with each other. The Shares offered under this Prospectus will represent approximately 70.3% of the Shares on issue at Completion.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- the **Retail Offer**, consisting of:
  - the **Broker Firm Offer**, which is open only to Australian and New Zealand resident investors who are not Institutional Investors and who have received an invitation from their Broker to participate;
  - the **Employee and Director Priority Offer**, which is open to Eligible Employees who have received a separate invitation to participate; and
- the **Institutional Offer**, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and a number of other eligible jurisdictions.

Details of the Broker Firm Offer and the allocation policy under it are described in **Section 7.6**.

Details of the Employee and Director Priority Offer and the allocation policy under it are described in **Section 7.7**.

Details of the Institutional Offer and the allocation policy under it are described in **Section 7.8**.

No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation of Shares under the Broker Firm Offer.

The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Company, SaleCo and the Bookrunner.

The allocation of Shares among Applicants in the Institutional Offer will be determined by the Company, SaleCo and the Bookrunner.

The allocation of Shares under the Employee and Director Priority Offer will be determined by the Company.

A summary of the Offer Management Agreement, including the events which would entitle the Bookrunner to terminate the Offer Management Agreement, is set out in **Section 9.6**.

7.1.2 Purpose of the Offer

The purpose of the Offer is:

- to provide the Company with continued and easier access to equity capital;
- to provide Existing Shareholders with liquidity and the ability to partially exit their holding;
- to allow the Company to motivate its staff with an equity-based remuneration more effectively as an ASX-listed company; and
- to use proceeds of the Offer received by the Company as set out directly below.

7. Details of the Offer continued

7.1 The Offer continued

Table 7.1 Sources and uses of the Offer

Sources of funds	$ million	%	Uses of funds	$ million	%
The Company					
Cash proceeds received under the Offer from the issue of Shares by Cuscal	40	11.9%	Increase in cash to be initially invested in investment securities (see below)	25	7.4%
			Costs of the Offer	15	4.5%
SaleCo					
Cash proceeds received under the Offer from the sale of Shares by SaleCo	297	88.1%	Payments to Selling Shareholders	297	88.1%
Total sources	**337**	**100.0%**	**Total uses**	**337**	**100.0%**

The proceeds Cuscal receives from the issue of New Shares under the Offer will initially be invested in investment securities. Cuscal also expects the funds to be used to support working capital requirements; maintain a strong balance sheet and meet regulatory capital requirements; pay for the costs of the Offer; maintenance and further enhancements of Cuscal's core technology stack and its risk uplift investment program; and for general corporate purposes, including executing Cuscal's growth strategy (refer to **Section 3.8**).

Cuscal's growth strategy includes growing in its existing core payments infrastructure capabilities verticals, such as the roll-out of its new CMS in its Issuing capability, new technology advancements in its Acquiring capability and continued transition of existing clients from Batch payments to the NPP as well as driving new business wins by attracting new clients (such as the Fintech segment) that are focused on bringing new real-time payment functionality to market in its Payments capability. Cuscal continues to monitor the market for potential M&A opportunities and as a listed company expects to have further flexibility to execute potential inorganic strategies. This represents Cuscal's current intentions as at the Prospectus Date. Investors should note that this may change depending on a number of factors, including the changes in the competitive environment, business performance, strategic and operational considerations, regulatory developments, and market and general economic conditions.

The Board believes that taking into account the Company's cash reserves and its cash flow from existing operations, together with the net proceeds of the Offer, it will have sufficient working capital to carry out its stated objectives. Working capital includes cash and cash equivalents, receivables due from financial institutions, other assets, current tax assets less payables due to financial institutions, current tax liabilities and other liabilities.

7.2 Shareholding structure

The details of the ownership of Shares as at the Prospectus Date, and on Completion of the Offer, are set out in the table below.

Table 7.2 Shareholder ownership at Completion

Shareholder(s)	Shares held at the Prospectus Date		Shares held at Completion[1]	
	(%)	(million rounded)	(%)	(million)
Credit Union Australia Limited trading as Great Southern Bank	14.8%	26.0	6.8%	13.0
Other Existing Shareholders	85.2%	149.4	22.8%	43.7
New Shareholders	0.0%	0	70.4%	134.9
Total	**100.0%**	**175.4**	**100.0%**	**191.6**

1. This includes Restricted Shares to be issued under the ESOP from Listing (see Section 6.3 for further details).

At Completion, **29.6%** of the Shares on issue will be subject to voluntary escrow arrangements. In the opinion of the Company, the free float of Shares at the time of Listing on the Official List will be no less than 20% of the Shares on issue at that time. See **Section 7.11** and **Section 9.7** for more information.

7.3 Control implications of the Offer

The Directors do not expect any Shareholder to control (as defined in section 50AA of the Corporations Act) the Company on Completion.

7.4 Description of the Syndicate

Merrill Lynch Equities (Australia) Limited is the Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager to the Offer.

Bell Potter Securities Limited, Ord Minnett Limited and MST Financial Services Pty Ltd are the Joint Lead Managers to the Offer.

7.5 Terms and conditions of the Offer

Table 7.3 Offer terms and conditions

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary Shares in the Company).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in **Section 7.15** below.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being $2.50 per Share.
What is the Offer period?	The key dates, including details of the Offer period, are set out in **Important Information**. No securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.
What are the cash proceeds to be raised?	$337m will be raised under the Offer based on the Offer Price (comprising approximately $40m from the issue of New Shares by the Company and approximately $297m from the sale of Existing Shares held by SaleCo).
Who are the other Joint Lead Managers?	Ord Minnett Limited, Bell Potter Securities Limited and MST Financial Services Pty Ltd have been appointed as Joint Lead Managers. Whilst the Bookrunner will be responsible for managing the Offer, Ord Minnett Limited and Bell Potter Securties will be permitted to offer and sell shares under the Broker Firm Offer. The Joint Lead Managers will be permitted to offer and sell shares to certain investors under the Institutional Offer.
Is the Offer underwritten?	No. The Offer is not underwritten. Details of the services provided by the Bookrunner are provided in **Section 7.10** and **Section 9.6**.

7.5 Terms and conditions of the Offer continued

Topic	Summary
What is the minimum and maximum Application size under the Retail Offer?	**Broker Firm Offer** The minimum Application under the Broker Firm Offer is $2,000 worth of Shares and in multiples of $500 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. The Bookrunner, the Company and SaleCo reserve the right to treat any Applications in the Broker Firm Offer that are from persons who they believe may be Institutional Investors, as bids in the Institutional Offer or to reject or scale back the Applications. The Bookrunner, the Company and SaleCo also reserve the right to aggregate any Applications that they believe to be multiple applications from the same person. **Employee and Director Priority Offer** The minimum Application under the Employee and Director Priority Offer is $2,000 worth of Shares and in multiples of $500 thereafter with a guaranteed minimum allocation of $5,000 per Eligible Employee or Director. There is no maximum value of Shares that an individual may apply for under the Employee and Director Priority Offer, however the total size of the Employee and Director Priority Offer is capped at a maximum of $3,000,000. The Company reserves the right to reject any Applications that they believe are not from Eligible Employees. The Company also reserves the right to scale back allocations under the Employee and Director Priority Offer, subject to a guaranteed minimum allocation of the lesser of: • The number of Shares applied for; and • $5,000 worth of Shares per Eligible Employee or Director.
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Company, SaleCo and the Bookrunner. The allocation of Shares among Applicants in the Institutional Offer will be determined by the Company, SaleCo and the Bookrunner. Refer to the allocation policies outlined in **Sections 7.6**, **7.7** and **7.8**. For Broker Firm Offer participants, the relevant Broker will decide how it allocates Shares among its retail clients, and it (and not the Company, SaleCo or the Bookrunner) will be responsible for ensuring that retail clients who have received an allocation from it receive the relevant Shares. The Company will determine the allocation of Shares to participants in the Employee and Director Priority Offer. The Company reserves the right to scale back allocations in the Employee and Director Priority Offer, subject to the guaranteed minimum allocation of the lesser of: • The number of Shares applied for; and • $5,000 worth of Shares.

Topic	Summary
Will the securities be quoted on the ASX?	The Company has applied for admission to the official list of, and quotation of its Shares by, ASX under the code 'CCL'. Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. ASX takes no responsibility for the contents of this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.
When are the securities expected to commence trading?	It is expected that trading of the Shares on ASX will commence on or about 25 November 2024, initially on a conditional and deferred settlement basis. Shares are expected to commence trading on an unconditional and normal settlement basis on or about 27 November 2024. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company, SaleCo and the Bookrunner disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Cuscal Offer Information Line, by a Broker or otherwise.
When will I receive confirmation of whether my Application has been successful?	It is expected that initial holding statements will be mailed to successful Applicants on or about 28 November 2024. Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion.
Are there any escrow arrangements?	Yes. Details are provided in **Section 7.11** and **Section 9.7**.
Has any ASIC relief or ASIC waiver or modification been obtained or been relied on?	Yes. Details are provided in **Section 9.10**.
Are there any taxation considerations?	Yes. Details are provided in **Section 9.11**.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer. See **Section 6.3.1** for details of various fees payable by the Company to the Bookrunner and by the Bookrunner to certain Brokers.

7.5 Terms and conditions of the Offer continued

Topic	Summary
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Cuscal Offer Information Line on 1800 336 109 (toll free within Australia) or +61 1800 336 109 (outside Australia) between 8:30am to 5:30pm (Sydney time), Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

7.6 Broker Firm Offer

7.6.1 Who can apply?

The Broker Firm Offer is open only to Australian and New Zealand resident investors who are not Institutional Investors and who have received an invitation from their Broker to participate in the Offer under this Prospectus.

If you have received an invitation to participate from your Broker, you will be treated as eligible to become a Broker Firm Offer Applicant under the Broker Firm Offer. You should contact your Broker to determine whether you can receive an invitation from them under the Broker Firm Offer.

7.6.2 How to apply

If you have received an invitation to participate from your Broker and wish to apply for Shares under the Broker Firm Offer, you should contact your Broker for information about how to complete and lodge your Application Form and for payment instructions. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form. Applicants under the Broker Firm Offer should contact their Broker to request a Prospectus and Application Form or download a copy at https://events.miraqle.com/**cuscal-ipo**. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5:00pm (Sydney time) on the Closing Date (being 20 November 2024) or any earlier closing date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your invitation to participate. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application size under the Broker Firm Offer is $2,000 worth of Shares. Applications in excess of the minimum number of Shares must be multiples of at least $500.

There is no maximum value of Shares that may be applied for under the Broker Firm Offer.

The Company, SaleCo and the Bookrunner reserve the right to reject or scale back any Applications in the Broker Firm Offer in their absolute discretion. Any amount applied for, in excess of the amount allocated to you, will be refunded by your broker in full (without interest).

The Company, SaleCo and the Bookrunner may determine a person to be eligible to participate in the Broker Firm Offer and may amend or waive the Broker Firm Offer application procedures or requirements, in their discretion in compliance with applicable laws.

The Company, SaleCo, the Bookrunner and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9:00am (Sydney time) on the Opening Date (being 18 November 2024) and is expected to close at 5:00pm (Sydney time) on the Closing Date (being 20 November 2024).

The Company, SaleCo and the Bookrunner may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications. The Offer may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.6.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with the instructions received from their Broker.

7.6.4 What is the Broker Firm Offer allocation policy?

The basis of allocation of Shares under the Broker Firm Offer will be determined by the Company, SaleCo and the Bookrunner.

Shares which are allocated to Brokers for allocation to their retail clients will be issued to the Applicants nominated by those Brokers (subject to the right of the Company, SaleCo and the Bookrunner to reject, aggregate or scale back Applications).

It will be a matter for each Broker as to how they allocate Shares among their retail clients, and they (and not the Company, SaleCo or the Bookrunner) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

7.6.5 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by you to the Company and SaleCo to apply for the amount of Shares specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. To the extent permitted by law, an Application by an Applicant is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants.

The Bookrunner, in agreement with the Company and SaleCo, reserves the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by an Applicant in completing their Application.

7.7 Employee and Director Priority Offer

7.7.1 Who can apply?

All Eligible Employees are entitled to participate in the Employee and Director Priority Offer. Eligible Employees are all permanent full-time and part-time employees of the Company resident in Australia and New Zealand who are still employed by the Company as at the grant date (Sydney time) and who have not, at that time, given or received notice that their employment will cease. Directors of the Company are also deemed to be Eligible Employees for the purpose of the Employee and Director Priority Offer.

Casual employees, fixed term employees and employees who are residents outside of Australia and New Zealand are not eligible to participate in the Employee and Director Priority Offer.

7. Details of the Offer continued

7.7 Employee and Director Priority Offer continued

7.7.2 How to apply

Eligible Employees will receive a letter of offer detailing the terms of the Employee and Director Priority Offer, together with this Prospectus.

Eligible Employees may apply for Shares online and must comply with the instructions in the letter of offer.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application under the Employee and Director Priority Offer is $2,000 worth of Shares in aggregate (rounded down). Applications in excess of the minimum Application amount must be in multiples of $500 of Shares with a guaranteed minimum allocation of $5,000 per Eligible Employee or Director. There is no maximum value of Shares that an individual may apply for under the Employee and Director Priority Offer, however the total size of the Employee and Director Priority Offer is capped at a maximum of $3,000,000.

The Company may determine a person to be eligible to participate in the Employee and Director Priority Offer and may amend or waive the Employee and Director Priority Offer application procedures or requirements, in their discretion in compliance with applicable laws.

The Employee and Director Priority Offer opens at 9:00am (Sydney time) on the Opening Date (being 18 November 2024) and is expected to close at 5:00pm (Sydney time) on the Closing Date (being 20 November 2024).

The Company may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications. The Offer may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

If the amount of your BPAY payment for Application Monies (or the amount for which those BPAY payments clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

7.7.3 How to pay

Payment may be made via BPAY only by following the instructions on the Application Form. It is the responsibility of the Applicant to ensure Application Monies are received by the Share Registry by 5:00pm (Sydney time) on the Closing Date (being 20 November 2024). You should be aware that your financial institution may impose a limit on the amount that you can transact on BPAY and policies with respect to timing for processing BPAY transactions, which may vary between financial institutions, and you should therefore take this into consideration when making payment.

7.7.4 What is the Employee and Director Priority Offer allocation policy?

The allocation of Shares to Eligible Employees will be determined by the Company.

Each Eligible Employee will receive a guaranteed minimum allocation of $5,000 worth of Shares at the Offer Price, being **$2.50** per Share. In the event that the aggregate demand for Shares under the Employee and Director Priority Offer exceeds the amount of Shares available under the Employee and Director Priority Offer ($3,000,000), your Application may need to be scaled back, subject to the guaranteed minimum allocation of the lesser of:

- The number of Shares applied for; and
- $5,000 worth of Shares.

The Company has absolute discretion regarding the allocation of Shares to Applicants in the Employee and Director Priority Offer and may reject an Application, or allocate fewer Shares than the number, or the equivalent dollar amount, applied for.

7.7.5 Acceptance of Applications

An Application in the Employee and Director Priority Offer is an offer by an Applicant to the Company and SaleCo to apply for Shares in the amount specified the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the terms and conditions in **Section 7.5** and the acknowledgements in **Section 7.9**). To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted in respect of the full number of Shares specified in the Application Form or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants.

The Company reserves the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Employee and Director Priority Offer, or to waive or correct any errors made by an Applicant in completing their Application.

7.8 Institutional Offer

7.8.1 Invitations to bid

The Company and the Bookrunner invite certain Institutional Investors in Australia, New Zealand and other eligible foreign jurisdictions (as set out in **Section 9.12**) to bid for Shares in the Institutional Offer.

The Institutional Offer includes a cornerstone process which was commenced prior to the Prospectus Date. It is expected that certain Institutional Investors will make a commitment to acquire Shares under the Institutional Offer prior to the Institutional Offer bookbuild, however, there is no guarantee that this will be the case.

7.8.2 Institutional Offer bookbuild process

The Institutional Offer will be conducted using a bookbuild process managed by the Bookrunner. Full details of how to participate, including bidding instructions, will be provided to eligible participants by the Bookrunner. Participants can only bid into the bookbuild for Shares through the Bookrunner. Bids for Shares in the bookbuild must be made at the Offer Price. That is, it will be a bookbuild for volume only.

The Institutional Offer bookbuild process will open and close on 21 November 2024. The Bookrunner, the Company and SaleCo reserve the right to vary the times and dates of the Offer, including to close the Offer early, extend the Closing Date or accept late Applications or bids, either generally or in particular cases, without notification.

Bids in the Institutional Offer may be amended or withdrawn at any time up to the close of the Institutional Offer. Any bid not withdrawn at the close of the Institutional Offer is an irrevocable offer by the relevant bidder to apply or procure applicants for the Shares bid for (or such lesser number as may be allocated) at the Offer Price, on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and in accordance with any bidding instructions provided by the Bookrunner to participants.

Bids can be accepted or rejected in whole or in part without further notice to the bidder. Acceptance of a bid will give rise to a binding contract on allocation of Shares to successful bidders conditional on Settlement and the quotation of Shares on ASX on an unconditional basis.

Details of the arrangements for notification and settlement of allocations applying to participants in the Institutional Offer will be provided to participants in the bookbuild process.

7.8.3 Allocation policy under the Institutional Offer

The allocation of Shares among bidders in the Institutional Offer will be determined by the Bookrunner in agreement with the Company and SaleCo. The Bookrunner, the Company and SaleCo have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

7.8 Institutional Offer continued

Participants in the Institutional Offer will be advised of their allocation of Shares, if any, by the Bookrunner.

The allocation policy will be influenced by a number of factors including:

- the number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- the Company's desire for an informed and active trading market following listing on ASX;
- the Company's desire to establish a wide spread of institutional shareholders;
- the overall level of demand under the Broker Firm Offer, Employee and Director Priority Offer, and the Institutional Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long-term Shareholders; and
- any other factors that the Bookrunner, the Company and SaleCo considered appropriate.

7.9 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company, the Share Registry or a Broker receives an Application Form (including electronically), it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company and the Bookrunner and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia or New Zealand (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant under the Broker Firm Offer, Employee and Director Priority Offer, and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and other applicable State securities laws;

- it is not in the United States or acting for the account or benefit of a US Person;
- it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, the registration requirements under the Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

7.10 Offer Management Agreement

The Company, SaleCo and the Bookrunner have entered into an Offer Management Agreement under which the Bookrunner has been appointed to arrange and manage the Offer. The Bookrunner agrees, subject to certain conditions and termination events, to provide settlement support for the Institutional Offer and the Broker Firm Offer.

The Offer Management Agreement is subject to a number of conditions precedent and sets out a number of circumstances under which the Bookrunner may terminate the Offer Management Agreement and its obligations. A summary of certain terms of the agreement, including the conditions precedent and termination provisions, is provided in **Section 9.6**.

7.11 Voluntary escrow arrangements

Upon Completion of the Offer, all Existing Shareholders who retain a stake post-Completion will be subject to voluntary escrow arrangements (other than any Shares acquired by them, or entities related to them, under the Offer at the Offer Price). The Escrowed Shareholders have entered into voluntary escrow arrangements which prevent them from disposing of their Escrowed Shares during the relevant Escrow Period (subject to relevant exceptions). See **Section 9.7** for a summary of the terms of the escrow arrangements and the limited exceptions that permit dealing in the Escrowed Shares during the relevant Escrow Period.

7.12 Restrictions on distributions

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia or New Zealand.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act laws and any other applicable securities laws.

7.13 Discretion regarding Offer

The Company and SaleCo may withdraw the Offer at any time before the issue of Shares to Successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Bookrunner, the Company and SaleCo also reserve the right to, subject to the Corporations Act, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than the amount applied or bid for.

7.14 ASX listing, registers and holding statements and deferred settlement

7.14.1 Application for ASX listing and quotation of Shares

The Company has applied for admission to the Official List and quotation of the Shares on ASX under the code 'CCL'.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.

Upon Listing, the Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

7.14.2 CHESS and issuer sponsored holdings

The Company has applied to participate in ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.14.3 Conditional and deferred settlement trading and selling Shares on-market

It is expected that trading of the Shares on ASX, on a conditional and deferred basis, will commence on or about 25 November 2024.

Trades occurring on the ASX before Settlement will be conditional on settlement occurring under the Offer Management Agreement and on the issue and allotment, and transfer, of Shares offered under the Offer.

If the Offer is withdrawn before the Shares have commenced trading on an unconditional basis, all contracts for the sale of Shares on ASX will be cancelled and any Application Monies received will be refunded as soon as possible.

Conditional and deferred settlement trading will continue until the Company has advised ASX that the above conditions have been satisfied, which is expected to be on or about 27 November 2024. If the conditions have not been satisfied by the end of the conditional and deferred settlement trading period or the Offer is withdrawn, the Offer will not complete and all trades conducted during the conditional and deferred settlement trading period will be invalid and will not settle. All Application Monies received will be refunded to Applicants. No interest will be paid on any Application Monies refunded as a result of the Offer not completing.

Trading on ASX is expected to commence on an unconditional and normal settlement basis on or about 27 November 2024. Following the issue of Shares, Successful Applicants will receive a holding statement setting out the number of Shares issued to them under the Offer. It is expected that holding statements will be dispatched by standard post on or about 28 November 2024.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If Shares are sold before receiving a holding statement, Successful Applicants do so at their own risk. The Company, SaleCo, the Share Registry, the Bookrunner and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if a Shareholder sells Shares before receiving a holding statement, even if the Shareholder obtained details of their holding from the Cuscal Offer Information Line or confirmed their firm allocation through a Broker.

7.15 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

7.15.1 Introduction

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution which may be inspected during normal business hours at the registered office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and all other applicable laws and regulations.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders.

The summary assumes that the Company is admitted to the Official List of the ASX.

7.15.2 Meeting of members

Each Shareholder is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of the Company and receive all financial statements, notices and other documents required to be sent to shareholders under the Constitution, the Corporations Act and the ASX Listing Rules. At least 28 days' notice of a meeting must be given to shareholders.

The Company may hold a meeting of Shareholders at two or more venues using any technology that gives the Shareholders as a whole a reasonable opportunity to participate. The Directors may also determine to hold a general meeting of the Company using or with the assistance of any technology that gives the Shareholders as a whole a reasonable opportunity to participate, which may include, but is not limited to, electronic participation facilities.

7.15.3 Voting at a general meeting

Subject to certain exceptions, each matter submitted to a general meeting of the Company is to be decided in the first instance on a show of hands of the members present and entitled to vote.

At a general meeting of the Company, every Shareholder present in person or by proxy, attorney or representative has (a) on a show of hands, one vote and (b) on a poll, one vote for each Share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held (with adjusted voting rights for partially paid shares). The Chair does not have a casting vote.

7.15 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution continued

7.15.4 Dividends

Subject to the Corporations Act, the Constitution and any special terms and conditions of issue, the Directors may, from time to time, pay, resolve to pay, or declare any interim, special or final dividend as, in their judgement, the financial position of the Company justifies.

The Directors may fix the amount, time and method of payment of the dividends. The payment, resolution to pay, or declaration of a dividend does not require any confirmation by a general meeting.

7.15.5 Transfer of Shares

Subject to the Constitution and to the rights or restrictions attached to any shares or class of shares, a member may transfer all or any of the member's shares by:

- a Proper ASTC transfer (as that term is defined in the Corporations Regulations); or
- an instrument in writing in any usual form or in any other form that the Directors approve, as permitted by the Corporations Act and ASX Listing Rules.

The Company may, in circumstances permitted under the ASX Listing Rules or ASX Settlement Operating Rules, decline to register a transfer of Shares or apply a holding lock to prevent a transfer of Shares.

If the Directors decline to register a transfer or apply a holding lock, the Company must give the party lodging the transfer written notice of the refusal or holding lock and the reason for refusal or holding lock.

7.15.6 Issue of further Shares

Subject to the Constitution, the ASX Listing Rules, the ASX Settlement Operating Rules and the Corporations Act, the Directors may issue shares or grant options over unissued shares to any person and they may do so at such times and on the conditions they think fit. The shares may be issued with preferred, deferred or special rights, or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise as the Directors see fit.

7.15.7 Preference shares

The Company may issue preference shares including preference shares which are liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

7.15.8 Winding up

If the Company is wound up, then subject to the Constitution and to the rights or restrictions attached to a class of shares, any surplus assets must be divided among the Company's members in proportion to the shares held by them (irrespective of the amounts paid or credited as paid on the shares), less any amounts which remain unpaid on these shares at the time of distribution.

7.15.9 Sale of non-marketable parcels

Provided that the procedures set out in the Constitution are followed, the Company may sell the shares of a shareholder who holds less than a marketable parcel of those shares. A marketable parcel of shares is defined in the ASX Listing Rules and is, generally, a holding of shares with a market value of less than $500.

7.15.10 Share buy-backs

The Company may buy back shares in itself in accordance with the provisions of the Corporations Act and, where applicable, the ASX Listing Rules.

7.15.11 Variation of class rights

Subject to the Corporations Act and the terms of issue of a class of shares, wherever the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be varied with:

- the written consent of the holders of at least three-quarters of the issued shares in the particular class; or
- the sanction of a special resolution passed at a separate meeting of the holders of shares in that class.

7.15.12 Reduction of share capital

Subject to the Constitution, Corporations Act and ASX Listing Rules, the Company may reduce its share capital in any way permissible by the Corporations Act.

7.15.13 Proportional takeover provisions

The Constitution contains provisions requiring shareholder approval before any proportional takeover bid can proceed. The provision will cease to have effect three years from the date of adoption of the Constitution unless it is renewed by special resolution of shareholders in a general meeting.

7.15.14 Dividend reinvestment plan

The Constitution contains a provision allowing Directors, on the terms and conditions they think fit, to implement a dividend reinvestment plan (under which any Shareholder or any class of shareholders may elect that the dividends payable by the Company be reinvested by a subscription for Shares in the Company).

7.15.15 Directors – appointment and removal

Under the Constitution, the minimum number of Directors is five and the maximum is 12 or such lower number as the Directors determine, provided the proposed lower number has been authorised by general meeting of the Company's members if required under the Corporations Act. The Directors must take all reasonable steps to ensure that the composition of the Board complies with any relevant Standard.

Directors are elected or re-elected by resolution at a general meeting of Shareholders. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who (other than the Managing Director) will then hold office until the next annual general meeting of the Company and is then eligible for election at that meeting. Any such Director must be assessed by the Board Remuneration and Nominations Committee as fit and proper prior to their appointment, and on an ongoing basis.

No Director (other than the Managing Director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later). In addition to the circumstances prescribed by the Corporations Act or the Constitution, the office of a Director becomes vacant if the Director is assessed as not fit and proper in accordance with the criteria set out in any relevant Standard.

7.15.16 Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter.

In the case of an equality of votes on a resolution, the Chair of the meeting does not have a casting vote.

7.15 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution continued

7.15.17 Variation of the Constitution

The Constitution can only be amended by a special resolution passed by at least three-quarters of members present and voting at a general meeting of the Company. The Company must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

7.15.18 Directors' and officers' indemnity

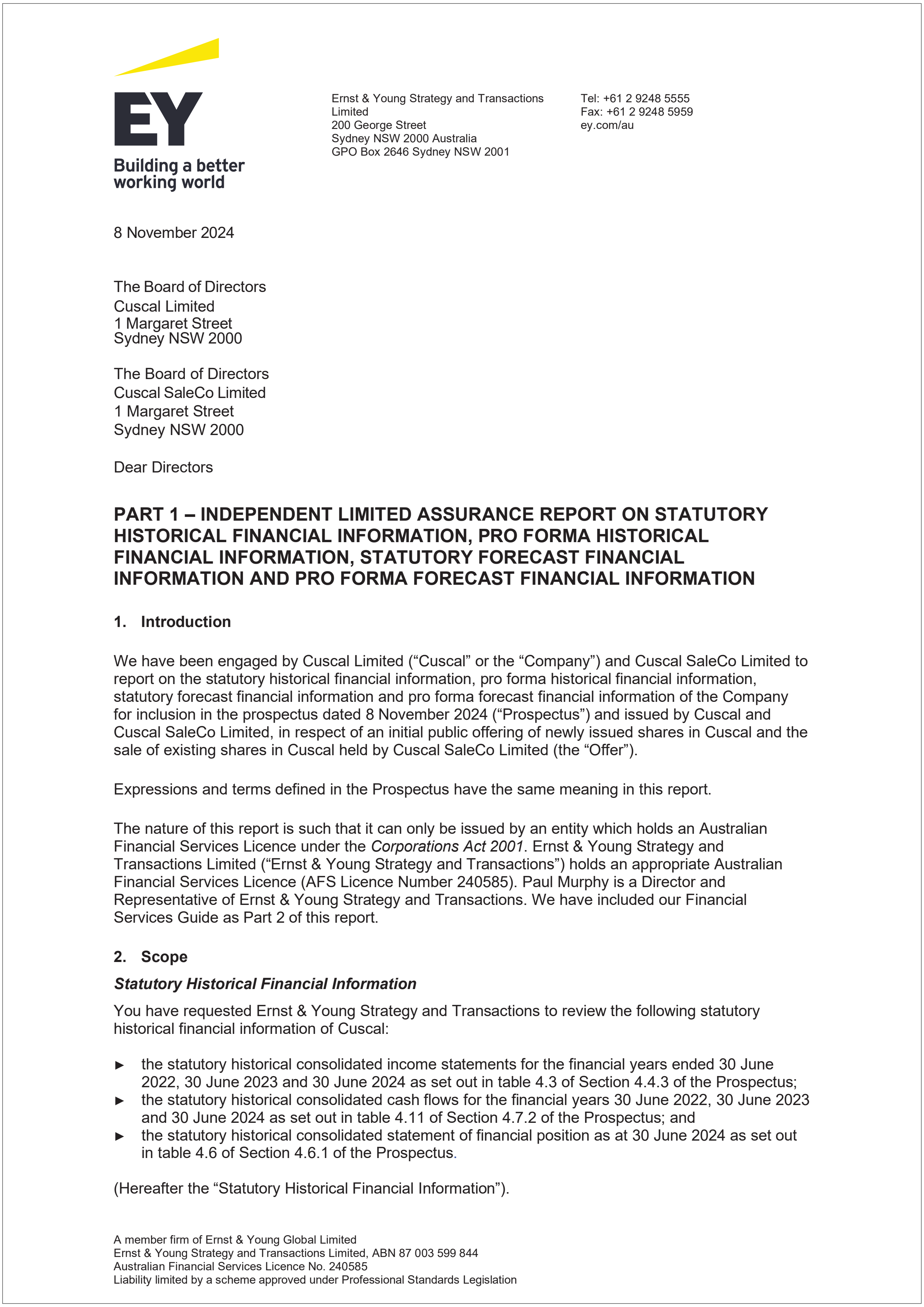
The Company, to the extent permitted by law, may indemnify each person who is a current or former Director, executive officer, officer or auditor of the Company, and such other officers or former officers of the Company or its Related Bodies Corporate as the Directors in each case determine, against any losses or liability incurred by that person as an officer or auditor of the Company or of a related body corporate of the Company including, but not limited to, a liability for negligence or for reasonable legal costs on a full indemnity basis.

The Company, to the extent permitted by law, may enter into and pay premiums on a contract insuring any person who is a current or former Director, executive officer, officer or auditor of the Company, and such other officers or former officers of the Company or its Related Bodies Corporate as the Directors in each case determine, against any liability incurred by the person as an officer or auditor of the Company or of a related body corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

Independent Limited Assurance Report

8

8. Independent Limited Assurance Report



Building a better
working world

Ernst & Young Strategy and Transactions
Limited
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

8 November 2024

The Board of Directors
Cuscal Limited
1 Margaret Street
Sydney NSW 2000

The Board of Directors
Cuscal SaleCo Limited
1 Margaret Street
Sydney NSW 2000

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON STATUTORY HISTORICAL FINANCIAL INFORMATION, PRO FORMA HISTORICAL FINANCIAL INFORMATION, STATUTORY FORECAST FINANCIAL INFORMATION AND PRO FORMA FORECAST FINANCIAL INFORMATION

1. Introduction

We have been engaged by Cuscal Limited ("Cuscal" or the "Company") and Cuscal SaleCo Limited to report on the statutory historical financial information, pro forma historical financial information, statutory forecast financial information and pro forma forecast financial information of the Company for inclusion in the prospectus dated 8 November 2024 ("Prospectus") and issued by Cuscal and Cuscal SaleCo Limited, in respect of an initial public offering of newly issued shares in Cuscal and the sale of existing shares in Cuscal held by Cuscal SaleCo Limited (the "Offer").

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Strategy and Transactions Limited ("Ernst & Young Strategy and Transactions") holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Paul Murphy is a Director and Representative of Ernst & Young Strategy and Transactions. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

Statutory Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following statutory historical financial information of Cuscal:

- the statutory historical consolidated income statements for the financial years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in table 4.3 of Section 4.4.3 of the Prospectus;
- the statutory historical consolidated cash flows for the financial years 30 June 2022, 30 June 2023 and 30 June 2024 as set out in table 4.11 of Section 4.7.2 of the Prospectus; and
- the statutory historical consolidated statement of financial position as at 30 June 2024 as set out in table 4.6 of Section 4.6.1 of the Prospectus.

(Hereafter the "Statutory Historical Financial Information").

The Statutory Historical Financial Information for the financial year ended 30 June 2022 has been derived from the general purpose consolidated financial statements of Cuscal for the financial year ended 30 June 2022. The Statutory Historical Financial Information for the financial years ended 30 June 2023 and 30 June 2024 has been derived from the general purpose consolidated financial statements of Cuscal for the financial year ended 30 June 2024 (which includes comparative financial information for the financial year ended 30 June 2023). These consolidated financial statements have been audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions in respect of these consolidated financial statements.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of Australian Accounting Standards ("AAS"), issued by the Australian Accounting Standards Board ("AASB"), which are consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Pro Forma Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following pro forma historical financial information of Cuscal:

- the pro forma historical consolidated income statements for the financial years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in table 4.1 of Section 4.4.1 of the Prospectus;
- the pro forma historical consolidated cash flows for the financial years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in table 4.10 of Section 4.7.1 of the Prospectus; and
- the pro forma historical consolidated statement of financial position as at 30 June 2024 as set out in table 4.6 of Section 4.6.1 of the Prospectus.

(Hereafter the "Pro Forma Historical Financial Information").

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Cuscal, and adjusted for the effects of pro forma adjustments described in tables 4.4, 4.6 and 4.12 of Sections 4.4.4, 4.6.1 and 4.7.3, respectively, of the Prospectus. The pro forma adjustments in respect of the historical financial results and cash flows of Braavos Corporation Pty Ltd and its controlled entity, Basiq Pty Ltd (together "Braavos") are based on the following:

- for the financial year ended 30 June 2022, the unaudited consolidated management accounts of Braavos for the respective year; and
- for the financial year ended 30 June 2023, the unaudited consolidated management accounts of Braavos for the period from 1 July 2022 to 27 March 2023.

The interim consolidated financial statements of Braavos for the six months ended 31 December 2021 and the consolidated financial statements of Braavos for the year ended 31 December 2022 were audited by Braavos's auditor, BDO Audit Pty Ltd, in accordance with Australian Auditing Standards. BDO Audit Pty Ltd issued an unqualified audit opinion in respect of the consolidated financial statements of Braavos for the year ended 31 December 2022 and issued an unqualified audit opinion, with an emphasis of matter regarding the basis of accounting, in respect of the interim consolidated financial statements of Braavos for the six months ended 31 December 2021.

The Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of AAS other than that it includes certain adjustments that have been prepared in a manner consistent with AAS, which reflect (i) the recognition of certain items in periods different from the applicable period under AAS (ii) the exclusion of certain transactions that occurred in the relevant periods, and (iii) the impact of certain transactions as if they had occurred on or before 30 June 2024.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance or cash flows.

Building a better
working world

Statutory Forecast Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following statutory forecast financial information of Cuscal:

- the statutory forecast consolidated income statement for the financial year ending 30 June 2025 as set out in table 4.3 of Section 4.4.3 of the Prospectus; and
- the statutory forecast consolidated cash flows for the financial year ending 30 June 2025 as set out in table 4.11 of Section 4.7.2 of the Prospectus.

(Hereafter the “Statutory Forecast Financial Information”).

The Company’s directors’ best-estimate assumptions underlying the Statutory Forecast Financial Information are described in Sections 4.8.1 and 4.8.2 of the Prospectus.

The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is in accordance with recognition and measurement principles of AAS issued by the AASB, which are consistent with IFRS issued by the IASB.

Pro Forma Forecast Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following pro forma forecast financial information of Cuscal:

- the pro forma forecast consolidated income statement for the financial year ending 30 June 2025 as set out in table 4.1 of Section 4.4.1 of the Prospectus; and
- the pro forma forecast consolidated cash flows for the financial year ending 30 June 2025 as set out in table 4.10 of Section 4.7.1 of the Prospectus.

(Hereafter the “Pro Forma Forecast Financial Information”).

(the Statutory Historical Financial Information, Pro Forma Historical Financial Information, Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is collectively referred to as the “Financial Information”).

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in tables 4.4 and 4.12 of Sections 4.4.4 and 4.7.3, respectively, of the Prospectus.

The Pro Forma Forecast Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of AAS, other than that it includes certain adjustments that have been prepared in a manner consistent with AAS, which reflect (i) the recognition of certain items in periods different from the applicable period under AAS (ii) the exclusion of certain transactions that are forecast to occur in the relevant periods, and (iii) the impact of certain transactions as if they had occurred on or after 1 July 2024.

Due to its nature, the Pro Forma Forecast Financial Information does not represent the Company’s actual or prospective financial performance, and/or cash flows for the financial year ending 30 June 2025.

The Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors' Responsibility

Statutory Historical Financial Information and Pro Forma Historical Financial Information

The directors of Cuscal (the "Directors") are responsible for the preparation and presentation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Statutory Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The Directors are responsible for the preparation and presentation of the Statutory Forecast Financial Information for the financial year ending 30 June 2025, including the basis of preparation and the best-estimate assumptions underlying the Statutory Forecast Financial Information. They are also responsible for the preparation and presentation of the Pro Forma Forecast Financial Information for the financial year ending 30 June 2025, including the basis of preparation, selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Statutory Forecast Financial Information and Pro Forma Forecast Financial Information that is free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Statutory Historical Financial Information and Pro Forma Historical Financial Information

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

Our responsibility is to express a limited assurance conclusion on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, and the reasonableness of the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information themselves, based on our limited assurance engagement.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

5. Conclusions

Statutory Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of Cuscal comprising:

- the statutory historical consolidated income statements for the financial years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in table 4.3 of Section 4.4.3 of the Prospectus;
- the statutory historical consolidated cash flows for the financial years 30 June 2022, 30 June 2023 and 30 June 2024 as set out in table 4.11 of Section 4.7.2 of the Prospectus; and
- the statutory historical consolidated statement of financial position as at 30 June 2024 as set out in table 4.6 of Section 4.6.1 of the Prospectus,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus.

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of Cuscal comprising:

- the pro forma historical consolidated income statements for the financial years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in table 4.1 of Section 4.4.1 of the Prospectus;
- the pro forma historical consolidated cash flows for the financial years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in table 4.10 of Section 4.7.1 of the Prospectus; and
- the pro forma historical consolidated statement of financial position as at 30 June 2024 as set out in table 4.6 of Section 4.6.1 of the Prospectus,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus.

Statutory Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the Statutory Forecast Financial Information of Cuscal for the financial year ending 30 June 2025 do not provide reasonable grounds for the Statutory Forecast Financial Information; and

- in all material respects, the Statutory Forecast Financial Information:
  - is not prepared on the basis of the Directors' best estimate assumptions as described in Sections 4.8.1 and 4.8.2 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus; and

- the Statutory Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information of Cuscal for the year ending 30 June 2025 do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and

- in all material respects, the Pro Forma Forecast Financial Information:
    - is not prepared on the basis of the Directors' best estimate assumptions as described in Sections 4.8.1 and 4.8.2 of the Prospectus; and
    - is not presented fairly in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus; and
- the Pro Forma Forecast Financial Information itself is unreasonable.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information has been prepared by management and adopted by the directors of Cuscal in order to provide prospective investors with a guide to the potential financial performance and cashflows of Cuscal for the year ending 30 June 2025. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is based relate to future events and/or transactions that Cuscal's management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Cuscal. Evidence may be available to support the Directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusions expressed in this report have been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Cuscal, which are detailed in the Prospectus and the inherent uncertainty relating to the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 5 of the Prospectus. The sensitivity analysis described in Section 4.10 of the Prospectus demonstrates the impact on the Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the statutory forecast or pro forma forecast will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Cuscal, that all material information concerning the prospects and proposed operations of Cuscal has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 4.2.1 of the Prospectus, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Strategy and Transactions has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

8. Independent Limited Assurance Report continued

Building a better
working world

8. Independence or Disclosure of Interest

Ernst & Young Strategy and Transactions does not have any interests in the outcome of the Offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully

Ernst & Young Strategy and Transactions Limited

Paul Murphy
Director and Representative

A member firm of Ernst & Young Global Limited
Ernst & Young Strategy and Transactions Limited, ABN 87 003 599 844
Australian Financial Services Licence No. 240585
Liability limited by a scheme approved under Professional Standards Legislation

Building a better
working world

Ernst & Young Strategy and Transactions
Limited
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

8 November 2024

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT LIMITED ASSURANCE REPORT

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Strategy and Transactions

Ernst & Young Strategy and Transactions Limited ("Ernst & Young Strategy and Transactions" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

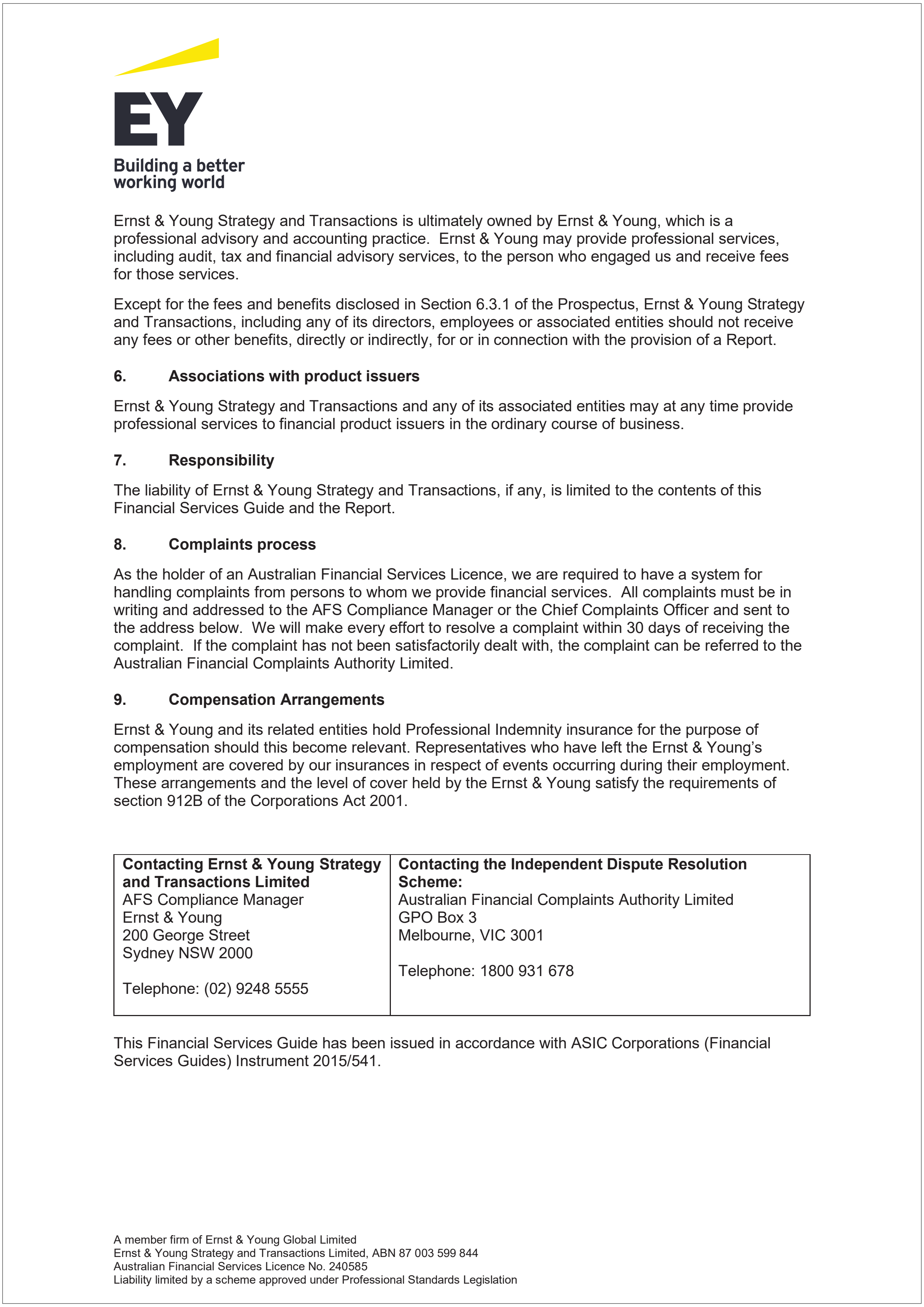
In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $233,200 (inclusive of GST).



Building a better working world

Ernst & Young Strategy and Transactions is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits disclosed in Section 6.3.1 of the Prospectus, Ernst & Young Strategy and Transactions, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Strategy and Transactions and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Strategy and Transactions, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority Limited.

9. Compensation Arrangements

Ernst & Young and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Ernst & Young's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Ernst & Young satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Strategy and Transactions Limited	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Australian Financial Complaints Authority Limited GPO Box 3 Melbourne, VIC 3001 Telephone: 1800 931 678

This Financial Services Guide has been issued in accordance with ASIC Corporations (Financial Services Guides) Instrument 2015/541.

Additional Information

9

9. Additional Information

9.1 Registration

Cuscal was registered in New South Wales on 6 June 1997.

SaleCo was registered in New South Wales on 9 August 2023.

9.2 Company tax status and financial year

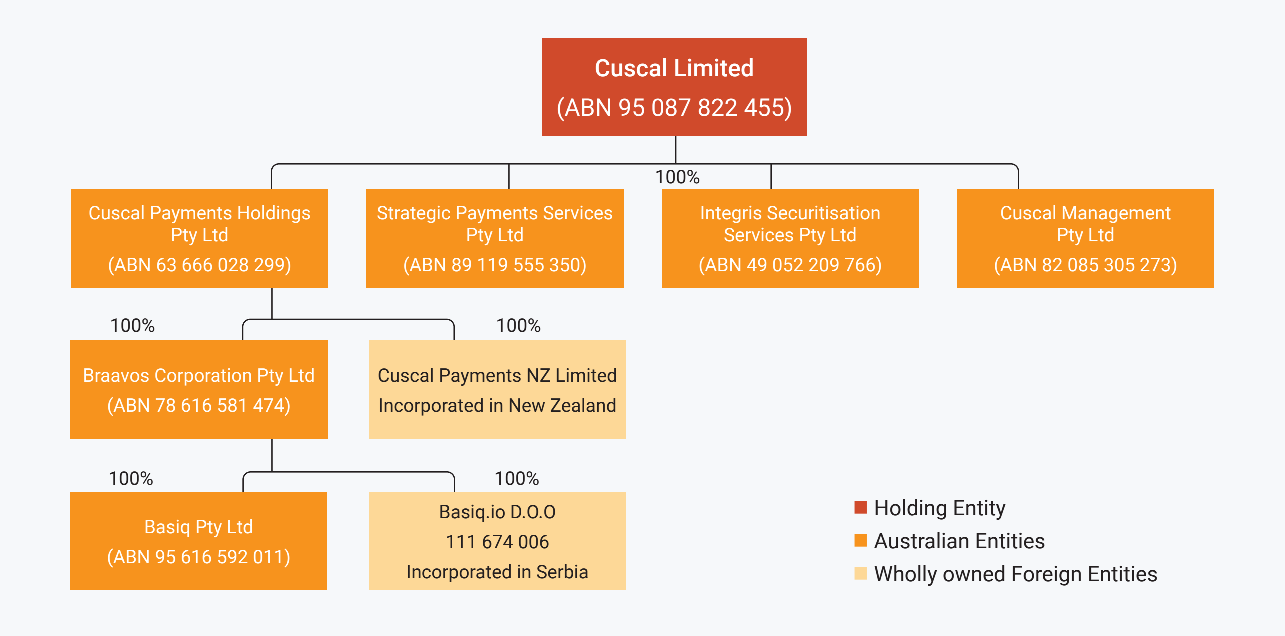
The Company will be subject to tax at the Australian corporate tax rate.

The Company's financial year ends on 30 June.

9.3 Corporate structure

The following diagram shows the entities in the corporate structure of the Group. Each of the entities listed below undertakes the business of the Company as set out in this Prospectus.

Figure 9.1 Cuscal corporate structure



9.4 Basiq

9.4.1 Acquisition of Basiq

On 28 March 2023 the Company, via its wholly-owned subsidiary, Cuscal Payments, acquired 81.56% of the shares on issue in Basiq. On 1 July 2024, Cuscal Payments acquired the remaining stake and now holds 100% of the shares on issue in Basiq.

The legal entities which formed part of the Basiq acquisition consist of:

- Braavos Corporation Pty Ltd, as parent;
- Basiq Pty Ltd, an Australian-incorporated entity and wholly-owned subsidiary of Braavos Corporation Pty Ltd; and
- Basiq.io D.O.O BEOGRAD NOVI BEOGRAD, a Serbian-incorporated entity and wholly-owned subsidiary of Braavos Corporation Pty Ltd.

9.5 Sale of Shares by SaleCo

SaleCo, a special purpose vehicle, has been established to facilitate the sale of Existing Shares by the Selling Shareholders.

The Company and the Selling Shareholders have entered into a Share Sale Agreement under which the Selling Shareholders have agreed to sell a specified number of their Existing Shares at the Offer Price to SaleCo. The sale of Existing Shares from the Selling Shareholders to SaleCo is conditional upon settlement occurring under the Offer Management Agreement.

If settlement occurs under the Offer Management Agreement, the sale of Existing Shares will be transferred from the Selling Shareholders to SaleCo, and then immediately transferred by SaleCo to Successful Applicants at the Offer Price. The Company will also issue New Shares to Successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Offer Management Agreement and the Share Sale Agreement described above. The shareholders of SaleCo are Belinda Cooney, Elizabeth Proust AO and Trudy Vonhoff, each of whom is also a Director of the Company and of SaleCo.

The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and has indemnified SaleCo in respect of costs of the Offer.

In addition, the Company has agreed to unconditionally and irrevocably:

- indemnify and hold harmless SaleCo from and against all losses and costs directly or indirectly suffered or incurred by SaleCo as a consequence of the Offer; and
- indemnify and hold harmless the shareholders and officers of SaleCo from and against all losses and costs directly or indirectly suffered or incurred by them only to the extent those losses or costs are a result of, or increased by, acting as an officer or a shareholder of SaleCo in connection with the Offer, and not in any other capacity.

9.6 Offer Management Agreement

The Company, SaleCo and the Bookrunner have entered into an offer management agreement dated on or about the date of the Prospectus (**Offer Management Agreement**). Under the Offer Management Agreement, the Bookrunner has agreed to arrange and manage the Offer and provide settlement support for the Institutional Offer and the Broker Firm Offer.

9.6.1 Fees and expenses

The Company and SaleCo have agreed to pay the Bookrunner a settlement support fee of 2.40% of the Offer Proceeds and a management fee of 0.60% of the Offer Proceeds on the date of Settlement.

In addition, the Company may, in its absolute discretion, elect to pay the Bookrunner an incentive fee of up to 0.50% of the proceeds of the Offer.

The Bookrunner is responsible for any fees, commissions or rebates due to the Joint Lead Managers and any co-managers or Brokers appointed by the Bookrunner.

Bell Potter Securities Limited and Ord Minnett Limited will each receive a base fee of $200,000, an incentive fee of up to $200,000, and an allocation fee of 1.50% of their Broker Firm Offer allocation.

MST Financial Services Pty Ltd will receive a base fee of $500,000 plus an incentive fee of up to $250,000 (at the sole discretion of the Bookrunner).

In addition to the fees described above, the Company and SaleCo have agreed to reimburse the Bookrunner for certain agreed costs and expenses incurred by the Bookrunner in relation to the Offer.

9.6 Offer Management Agreement continued

9.6.2 Termination events not subject to materiality

The Bookrunner may, at any time after the date of the Offer Management Agreement until on or before Completion, terminate the Offer Management Agreement without cost or liability by notice to the Company and SaleCo if any of the following events occur:

- **(Breach of a condition precedent)** one of the conditions precedent to the Bookrunner's obligations under the Offer Management Agreement is not satisfied. These conditions are customary in nature and include a condition that following completion of the Institutional Bookbuild, all of the Offer Shares have been allocated and binding and bona fide offers have been received under the Institutional Offer and the Broker Firm Offer for a number of Offer Shares which are capable of acceptance and will, if accepted, result in the formation of agreements for the allotment at the Offer Price to raise total Offer proceeds of approximately $336.8m;
- (**Offer documents**):
  - subject to the point below, there is an omission from the pathfinder or Prospectus of information required by the Corporations Act to be included;
  - the pathfinder or Prospectus contains a material statement which is untrue, inaccurate, misleading or deceptive or likely to mislead or deceive (whether by inclusion or omission);
- (**forecasts**) any forecast that appears in the Prospectus is, or becomes, incapable of being met within the relevant forecast period;
- (**unable to issue or transfer**) the Company is prevented from allotting or issuing Shares or SaleCo is prevented from transferring Shares within the time required by the Offer timetable, the Offer documents, the Listing Rules, the ASX Settlement Operating Rules or by any other applicable laws, under an order of a court of competent jurisdiction or a requirement of a government agency;
- (**Index fall**): the S&P/ASX 200 Index published by ASX falls to a level that is 12.5% below its level as at 5:00pm on the Institutional Offer bookbuild opening date and is at or below that level on two consecutive Business Days after that date or on the Business Day immediately prior to Settlement of the Offer;
- (**new circumstances**) there occurs a new circumstance that arises after the Prospectus is lodged, that would have been required to be included in the Prospectus if it had arisen before lodgement and that is materially adverse from the point of view of an investor;
- (**Supplementary Prospectus**):
  - the Company and SaleCo lodge a supplementary prospectus in a form that has not been approved by the Bookrunner; or
  - the Bookrunner forms the view (acting reasonably) that a supplementary prospectus must be lodged with ASIC under the Corporations Act;
- (**withdrawal of consent**)
  - any person whose consent to the issue of the Prospectus or any supplementary prospectus is required by section 720 of the Corporations Act and who has previously consented to the issue of the Prospectus or any supplementary prospectus withdraws such consent; or
  - any person gives a notice under section 733(3) of the Corporations Act;
- (**withdrawal of Prospectus**) the Company and SaleCo withdraw the Prospectus or the Offer, or any part of the Offer or indicates that it does not intend to proceed with the Offer or any part of it;
- (**ASX approval**) unconditional approval (or conditional approval subject only to customary conditions or such other conditions that are acceptable to the Bookrunner, acting reasonably) is refused or not granted for:
  - the admission of the Company to the Official List; or
  - the quotation of all of the Company's shares, including the Shares on ASX,

  on or before the last date by which approval for admission to the Official List is to be obtained, or if granted, the approval is subsequently withdrawn (without immediate replacement), qualified (other than by customary conditions or such other conditions that are acceptable to the Bookrunner, acting reasonably) or withheld, or ASX indicates to the Company and SaleCo that approval is likely to be withdrawn, qualified (other than by customary conditions or such other conditions that are acceptable to the Bookrunner, acting reasonably) or withheld;

- (**authorisations**) a government agency withdraws, revokes, amends in an adverse manner or does not reaccredit any authorisation necessary to the conduct of the Group's business as a whole;
- (**material adverse change**) there is a material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the assets and liabilities, financial position and performance, profits and losses or prospects of the Group from that described in the Prospectus;
- (**ASIC action**) any of the following notifications are made in respect of the Offer:
  - ASIC issuing an order (including an interim order) under section 739 of the Corporations Act;
  - ASIC holding a hearing under section 739(2) of the Corporations Act except where such hearing does not become publicly known and is withdrawn within two Business Days of commencing (or if it is held within three Business Days prior to the date of Settlement it has been withdrawn prior to the date of Settlement);
  - an application being made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or any Offer document except where such application does not become publicly known and is withdrawn within two Business Days of being made (or if it is made within two Business Days prior to the date of Settlement it has been withdrawn prior to the date of Settlement);
  - ASIC commencing any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or any Offer document except where such investigation or hearing does not become publicly known and is withdrawn within three Business Days of being made (or if it is made within two Business Days prior to the date of Settlement it has been withdrawn prior to the date of Settlement);
  - any person (other than the Bookrunner) who has previously consented to the inclusion of its name in the Prospectus withdrawing that consent; or
  - any person (other than the Bookrunner) giving a notice to the Company and SaleCo under section 730 of the Corporations Act in relation to the Prospectus;
- (**Constitution**) other than the Company's replacement constitution which will take effect from admission to the Official List, the Company varies any term of the Constitution without the prior written consent of the Bookrunner;
- (**change to Company**) without the prior written consent of the Bookrunner, the Company alters the issued share capital of the Company or disposes, or attempts to dispose, of a substantial part of the business or property of the Company or a member of the Group;
- (**Insolvency**) other than with respect to The Integrity Series 2014-1 Trust, which will be voluntarily wound up and deregistered, any member of the Group becomes insolvent, or an act occurs or an omission is made which may result in a member of the Group becoming insolvent;
- (**timetable**) any event specified in the Offer timetable is delayed for more than one Business Day without the prior written approval of the Bookrunner, other than any delay that is permitted due to an extension caused by ASIC extending the exposure period by up to seven days or as otherwise agreed between the Company, SaleCo and the Bookrunner;
- (**closing certificate**) the Company or SaleCo does not provide a closing certificate as and when required by the Offer Management Agreement;
- (**force majeure**) there is an event or occurrence, including any statute, order, rule, regulation, directive, request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any government agency which makes it illegal for the Bookrunner to satisfy an obligation under the Offer Management Agreement, or which makes it illegal for the Bookrunner to market, promote or settle the Offer;
- (**fraud**) any of the following occur:
  - a Director or the Managing Director, or Chief Financial Officer of the Company engages or has engaged in any fraudulent conduct or activity or is charged with an indictable offence;
  - a director of SaleCo engages or has engaged in any fraudulent conduct or activity or is charged with an indictable offence; or
  - the Company, SaleCo or any other member of the Group engages in fraudulent conduct or activity, whether or not in connection with the Offer;

9.6 Offer Management Agreement continued

- (**prosecution**) any of the following occur:
  - a Director or the Managing Director, or Chief Financial Officer, of the Company is charged with an indictable offence;
  - any government agency commences any public action against the Company, any of the Directors or the Managing Director, or Chief Financial Officer of the Company, or announces that it intends to take any such action; or
  - any Director or the Managing Director, or Chief Financial Officer, of the Company is disqualified under the Corporations Act from managing a corporation; or
- (**Directors and senior management**) except as disclosed in the Offer documents, a change in the Managing Director, or Chief Financial Officer, of the Company or the Directors occurs, or the Managing Director, or Chief Financial Officer, of the Company dies or becomes permanently incapacitated.

9.6.3 Termination events subject to materiality

The Bookrunner may, at any time after the date of the Offer Management Agreement until on or before Completion terminate the Offer Management Agreement without cost or liability by notice to the Company and SaleCo if any of the following events occur and there are reasonable grounds that the event (a) has or is likely to have a materially adverse effect on the success of the Offer, the ability of the Bookrunner to market, promote the Offer, or the willingness of investors to subscribe for Shares under the Offer; or (b) has given, or is likely to give, rise to a liability of the Bookrunner or its affiliates under, or the Bookrunner or its affiliate being involved in a contravention of, the Corporations Act or any other applicable law:

- (**Offer documents**):
  - there is an omission from any Offer document (other than the Prospectus or pathfinder) of information required by the Corporations Act to be included;
  - an Offer document (other than the Prospectus or pathfinder) contains a statement which is untrue, inaccurate, misleading or deceptive or likely to mislead or deceive (whether by inclusion or omission); or
  - an Offer document (other than the Prospectus or pathfinder) does not contain all information required to comply with all applicable laws (other than the Corporations Act);
- (**disclosures in due diligence report**) the due diligence report or verification material or any other information supplied by or on behalf of the Company or SaleCo to the Bookrunner in relation to the Group or the Offer is or becomes false or misleading or deceptive or likely to mislead or deceive, including by way of omission;
- (**ASX waivers**) any of the ASX waivers obtained in satisfaction of the condition precedent under the Offer Management Agreement are withdrawn, revoked or amended without the prior written approval of the Bookrunner;
- (**Material contracts**) any material contract or any other contract, deed or other agreement which is material to the making of an informed investment decision in relation to the Shares is:
  - terminated, rescinded, altered or amended without the prior written consent of the Bookrunner (such consent not to be unreasonably withheld); or
  - found to be void or voidable;
- (**representations and warranties**) a representation or warranty contained in the Offer Management Agreement on the part of the Company or SaleCo (whether given by itself alone, severally or jointly) is breached, becomes not true or correct or is not performed;
- (**breach**) the Company or SaleCo fails to comply with any of its obligations under the Offer Management Agreement;
- (**closing certificate**) a statement in a closing certificate furnished under the Offer Management Agreement is untrue, incorrect or misleading or deceptive (including by way of omission);
- (**Escrow Deeds**) any of the Escrow Deeds are breached, varied, terminated, rescinded, altered or amended without the prior written consent of the Bookrunner or found to be void, voidable or otherwise non-binding;

- (**Share Sale Agreement**) the Share Sale Agreement is breached, varied, terminated, rescinded, altered or amended without the prior written consent of the Bookrunner or found to be void, voidable or otherwise non-binding;
- (**hostilities**) in respect of any one or more of Australia, New Zealand, the United Kingdom, the United States of America, any member state of the European Union, Canada, Japan, the People's Republic of China, Hong Kong, North Korea or South Korea:
  - hostilities not existing at the date of the Offer Management Agreement commence (whether or not war has been declared);
  - a major escalation in existing hostilities occurs (whether or not war has been declared);
  - a declaration is made of, or an escalation of, a national emergency or war; or
  - a terrorist act is perpetrated in any of those countries or a diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;

or, in respect of the conflicts in Israel or Ukraine that are ongoing at the date of the Offer Management Agreement:

  - chemical, nuclear or biological weapons of any sort are used in connection with the conflict; or
  - the military of any member state of the North Atlantic Treaty Organization becomes directly involved in the conflict;

- (**change in law**) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a new law, or the Government of Australia, or any State or Territory of Australia, the Reserve Bank of Australia, or any Minister or other Government Agency of Australia or any State or Territory of Australia, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Offer Management Agreement); or
- (**market disruption**) any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, New Zealand, the People's Republic of China, Hong Kong, the United Kingdom or the United States of America is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
  - trading in all securities quoted or listed on ASX, the HKEX, the London Stock Exchange, NASDAQ or the New York Stock Exchange is suspended or limited in a material respect for at least one day on which that exchange is open for trading.

9.6.4 Representations, warranties, undertakings and other terms

The Offer Management Agreement contains certain standard representations, warranties and undertakings by the Company and SaleCo to the Bookrunner as well as customary conditions precedent.

The representations and warranties given by the Company and SaleCo relate to matters such as conduct of the Company and SaleCo, power and authorisations, information provided by the Company and SaleCo, financial information, information in this Prospectus, the conduct of the Offer, compliance with laws, the ASX Listing Rules and other legally binding requirements.

The Company's undertakings include, among other things, that it will not (without the prior written consent of the Bookrunner) at any time after the date of the Offer Management Agreement and before the expiration of 180 days after Completion undertake certain actions, including:

- not issuing or agreeing to issue any shares or other securities of the Company or any Group member, subject to limited exceptions including pursuant to an employee incentive scheme or dividend reinvestment plan; and
- not carrying on its business except in the ordinary course, not disposing of any part of its business or property (except in the ordinary course of business) and not varying in a material respect any term of a contract which is material to the making of an informed investment decision in relation to the Shares or enter into any agreement which is material to the making of an investment decision in relation to the Shares.

9.6.5 Indemnity

Subject to certain customary exclusions (including fraud, wilful misconduct or gross negligence of an indemnified party), the Company agrees to keep the Bookrunner and certain affiliated parties indemnified from losses suffered in connection with the Offer.

9.7 Voluntary escrow arrangements

9.7.1 Escrow arrangements

Each of the Company's Existing Shareholders are subject to voluntary escrow arrangements (**Escrowed Shareholders**).

Each Escrowed Shareholder has agreed to enter into an Escrow Deed in respect of their Shareholding on Completion of the Offer (other than Shares acquired under the Offer), which prevents them from 'dealing' in their respective Escrowed Shares for the Escrow Period.

The Escrowed Shareholders have the following Escrowed Shares:

Table 9.1 Escrowed shares

Shareholder	Number of Escrowed Shares
Credit Union Australia Limited trading as Great Southern Bank	12,982,816
Other Existing Shareholders	43,655,166

The Escrow Period is the period commencing on Completion and ending at 4:30pm (Sydney time) on the day of the release of the Company's financial results (**Results Release Date**) for the full year ending 30 June 2025 (including, without limitation, the Company's Appendix 4E) (**Full Year Results**), where the Full Year Results have been released to ASX by the Company before close of trading on the Results Release Date (or otherwise, 4:30pm on the next trading day following the Results Release Date, where the Full Year Results have been released to ASX after close of trading on the Results Release Date (in either case, unless an exception applies)).

9.7.2 Restrictions on dealing

9.7.2.1 Restrictions

The restriction on 'dealing' in the voluntary Escrow Deeds is broadly defined. It restricts the Escrowed Shareholder from, among other things, selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Escrowed Shares, encumbering or granting a security interest over the Escrowed Shares (or any legal, beneficial or economic interest in them), granting or exercising an option in respect of the Escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of, or any legal, beneficial or economic interest in, any such Escrowed Share, or agreeing to do any of those things.

9.7.2.2 Exceptions to the restriction on dealing

Notwithstanding the above, Escrowed Shareholders may still deal in any of their Escrowed Shares during Escrow Period if the dealing arises solely as a result of:

- the acceptance of a bona fide third-party offer under a Takeover Bid in relation to those Escrowed Shares, provided that the holders of at least half of the Shares that are not subject to any voluntary escrow deed, and to which the offers under the bid relate, have accepted the bid; or
- the transfer or cancellation of the Escrowed Shares in the Company as part of a scheme of arrangement under Part 5.1 of the Corporations Act, provided that the scheme of arrangement has received all necessary approvals, including all such necessary court and shareholder approvals, provided,

in each case, that if for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with such a Takeover Bid or scheme of arrangement (including because the Takeover Bid does not become unconditional), then the Escrowed Shareholder agrees that the restrictions applying to the Escrowed Shares will continue to apply and without limiting the foregoing, any holding lock will be re-applied to all Escrowed Shares not so transferred or cancelled.

In addition to the above, the Escrowed Shareholders may deal in any of their Escrowed Shares during the Escrowed Period to the extent that the dealing is required by applicable law (including a court of competent jurisdiction), provided that any recipient of the Escrowed Shares will no longer be bound by any holding lock or other restrictions on dealing.

9.8 Litigation and claims

The Company may, from time to time, be party to litigation and other claims and disputes incidental to the conduct of its business, including employment disputes, contractual disputes, indemnity claims and occupational and personal claims. Such litigation, claims and disputes, including the costs of settling claims and operational impacts, could materially adversely affect the Company's business, operating and financial performance.

As far as the Directors are aware, however, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or Governmental prosecution of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company.

9.9 Ownership restrictions

The sale and purchase of Shares in Australia are regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This **Section 9.9** contains a general description of these laws.

9.9.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company either themselves or through an associate.

9.9.2 *Foreign Acquisitions and Takeovers Act 1975* (Cth) and Federal Government Foreign Investment Policy

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) applies to acquisition of shares and voting power in a company of 20% or more by a single foreign person and its associates, or 40% or more by two or more unassociated foreign persons and their associates, where the acquisition meets a threshold value (which varies by investor type and industry). The FATA does not apply in relation to acquisitions of interests in financial sector companies (within the meaning of the FSSA) such as ADIs, except for acquisitions for foreign government investors where those acquisitions are of a 'direct interest'. A 'direct interest' is an interest of 10% in the entity but may also include an interest of less than 10% where the investor has entered into business arrangements with the entity or the investor is in a position to influence or participate in the management and control or policy of the entity. There are exemptions which can apply to certain acquisitions.

Where FATA applies to the acquisition, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either notified that there is no objection to the proposed acquisition (with or without conditions) or a statutory period has expired without the Federal Treasurer objecting.

An acquisition to which the FATA applies may be the subject of a divestment order by the Federal Treasurer unless the process of notification, and either a non-objection notification or expiry of a statutory period without objection, has occurred. Criminal offences and civil penalties can apply to failing to give notification of certain acquisitions, undertaking certain acquisitions without 'no objection' notification or contravening a condition in a 'no objection' notification.

9.9.3 Financial Sector (Shareholdings) Act FSSA

As mentioned in **Section 2.4**, Cuscal is an ADI subject to ownership restrictions under the FSSA. The FSSA prohibits a person (which includes a company) from acquiring a stake of greater than 20% in a financial sector company (which is defined to include an ADI) without first obtaining approval from the Treasurer (or APRA as the delegate).

SaleCo has obtained an approval from APRA (as the Treasurer's delegate) under the FSSA to temporarily hold greater than 20% of Shares in the Company to enable Existing Shareholders to sell part or all of their investment in the Company on Completion.

9.10 Regulatory relief

9.10.1 ASX waivers and confirmation

The ASX has provided in-principle advice that it will grant the following waivers and confirmations in respect of the following ASX Listing Rules:

- confirmation of the Company's suitability for admission to the Official List of the ASX as an ASX Listing under ASX Listing Rule 1.1 (Condition 1);
- waiver from ASX Listing Rule 1.3.2(b) for Cuscal to (i) have commitments consistent with its business objectives to spend at least half of its cash and assets in a form readily convertible to cash and (ii) include its expenditure program setting out those commitments;
- confirmation that the Company may seek admission to the Official List of the ASX under the assets test in ASX Listing Rule 1.3;
- confirmation that the mandatory escrow provisions in Chapter 9 of the ASX Listing Rules will not apply to the Company, having regard to the fact that the Company has an acceptable track record of revenue;
- waiver from the requirement under ASX Listing Rule 4.7B(a) for the Company to lodge quarterly cash flow reports in the form of an Appendix 4C;
- confirmation that the form of the Constitution of the Company is acceptable to the ASX pursuant to ASX Listing Rule 1.1 (Condition 2);
- confirmation that the Company may undertake deferred and conditional settlement trading of the Shares, subject to certain conditions to be approved by the ASX;
- confirmation that the timetable the Company has adopted in connection with the Offer is acceptable to ASX;
- waiver from ASX Listing Rule 1.1 (Condition 12) in relation to grants under the LTI Plan;
- confirmation that exception 13 of ASX Listing Rule 7.2 will apply to new equity securities when they are issued or exercised under the Retention Grants, ESOP and LTI Plan to persons who are not related parties, up to the maximum number set out in **Section 6.3.5**;
- on the basis that ASX will grant a waiver of ASX Listing Rule 10.14, confirmation that waiver from Listing Rule 10.11 is not required in relation to grants of Share Rights under the Retention Grants and FY24 LTI Grants made under the LTI Plan to Craig Kennedy (see **Section 6** for further details); and
- confirmation that the terms of the Share Rights under the Retention Grants and FY24 LTI Grants under the LTI Plan are appropriate and equitable for the purposes of ASX Listing Rule 6.1 and ASX Guidance Note 19.

Details of the grant of Share Rights under the Retention Grants and FY24 LTI Grants made under the LTI Plan to Craig Kennedy will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that a waiver from the requirement to seek shareholder approval for the issue of Share Rights under the Retention Grants and FY24 LTI Grants under ASX Listing Rule 10.14 was granted by ASX.

Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of Share Rights, Performance Rights or other securities under the LTI Plan after the ASX waiver has been granted and who were not named in this Prospectus will not participate in the LTI Plan until shareholder approval is obtained if required under ASX Listing Rule 10.14.

9.11 Australian taxation considerations

This Section does not constitute financial product advice as defined in the Corporations Act and is confined to Australian taxation issues only. Taxation is only one of the matters you need to consider when making a decision about your investments. You should consider taking advice from a licensed adviser, before making a decision about your investments.

The following comments provide a general summary of the Australian income tax, Capital Gains Tax (**CGT**), Goods and Services Tax (**GST**) and stamp duty issues for Shareholders who acquire Shares under this Prospectus. The categories of Shareholders considered in this summary are limited to Australian tax resident individuals, complying superannuation entities and certain companies (i.e. corporate Shareholders), trusts or partners, each of whom holds their Shares on capital account.

This summary does not consider the consequences for Shareholders who are non-residents of Australia for tax purposes, insurance companies, banks, Shareholders that hold their Shares on revenue account or as trading stock or Shareholders who are exempt from Australian income tax. This summary does not cover the consequences for Shareholders who are subject to Division 230 of the *Income Tax Assessment Act 1997* (Cth) (the Taxation of Financial Arrangements or 'TOFA' regime) which have made TOFA elections to apply the fair value or reliance on financial reports methodology to the Shares.

This summary is based on the tax laws in Australia in force as at the Prospectus Date (together with established interpretations of those laws), which may change. This summary does not take into account the tax laws of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law or of all potential tax implications for each investor, or relied upon as tax advice. During the period of ownership of the Shares by Shareholders, the tax laws of Australia, or their interpretation, may change.

Given that the precise implications of ownership or disposal of Shares will depend upon each Shareholder's specific circumstances, Shareholders should obtain independent professional advice on the taxation implications of holding or disposing of Shares, taking into account their specific circumstances.

9.11.1 Dividends paid on shares – Australian tax residents

9.11.1.1 Australian resident individuals and complying superannuation entities

Where dividends on a Share are distributed, those dividends should constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid or credited. If the Shareholder satisfies the 'qualified person' rules (refer to further comments below), the Shareholder should also include any franking credit attached to the dividend in their assessable income. However, such a Shareholder should be entitled to a tax offset equal to the franking credit. The tax offset can be applied to reduce the income tax payable on the Shareholder's taxable income. Where the tax offset exceeds the income tax payable on the Shareholder's taxable income in an income year, the Shareholder should be entitled to a tax refund equal to the amount of the excess.

To the extent that a dividend is unfranked, Shareholders who are individuals and complying superannuation entities should be taxed on the dividend received without applying any tax offset.

9.11.1.2 Corporate Shareholders

Corporate Shareholders are also required to include both the dividend and associated franking credit in their assessable income, subject to satisfaction of the qualified person rules. A tax offset should be allowed up to the amount of the franking credit on the dividend.

An Australian tax resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the distribution received. This allows the corporate Shareholder to pass on the benefit of the franking credits to its own shareholders through the payment of franked dividends.

Where franking credits received by a corporate Shareholder exceed the income tax payable by that Shareholder, the excess cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

9.11.1.3 Trusts and partnerships

Shareholders who are trustees of certain trusts (other than trustees of complying superannuation entities) or partnerships should include the dividend in their assessable income in determining the net (or taxable) income of the trust or partnership. Subject to satisfaction of the qualified person rules, such Shareholders should also include any franking credit attached to the dividend in their net income. As a result, a relevant beneficiary which is 'presently entitled' to a share of the trust's income, or has been 'attributed' a share of the trust's taxable income, may be entitled to a tax offset for a corresponding share of the franking credit received by the Shareholder. A relevant partner may be entitled to a tax offset equal to a share of the franking credit received by the Shareholder based on their share of interests in the partnership.

Notably, as the qualified person rules can be complex in the context of distributions received indirectly via a trust or partnership, it is recommended that Shareholders seek independent professional advice on the tax consequences arising in these circumstances.

9.11 Australian taxation considerations continued

9.11.1.4 Qualified person rules

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person', in which case the Shareholder should not be required to include the amount of franking credits in their assessable income and should also not be entitled to a tax offset.

9.11.1.5 Broadly, to be a 'qualified person', a Shareholder must satisfy the holding period rule or, if necessary, the related payment rule.

The holding period rule requires a Shareholder to hold the Shares continuously 'at risk' for more than 45 days (which is measured as the period commencing the day after the Shares were acquired by the Shareholder, and ending on the 45th day after the Shares become ex-dividend) in order to qualify for franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed $5,000.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to the dividend. A related payment is one where a Shareholder or their associate effectively passes on the benefit of the dividend to another person.

The related payment rule requires the Shareholder to have held the Shares at risk for the continuous period of 45 days as above but within the period, which commences on the 45th day before, and ends on the 45th day after, the day the Shares become ex-dividend. As indicated above, the qualified person rules can be particularly complex for distributions received indirectly (for example, via an interposed trust). For completeness, where a beneficiary invests through a trust which qualifies as an Attribution Managed Investment Trust, the beneficiary is deemed to be a qualified person.

It is recommended that Shareholders in such situations seek independent professional taxation advice.

There are specific integrity rules that prevent taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of 'dividend washing' or certain other arrangements. Shareholders should consider the impact of these rules given their own personal circumstances.

9.11.2 Disposal of Shares – Australian tax residents

Most Australian resident Shareholders will be subject to Australian CGT on the disposal of their Shares. Some Shareholders may hold their Shares on revenue account or as trading stock, or be subject to the Taxation of Financial Arrangements regime. These Shareholders should seek their own professional tax advice in respect of the consequences of a disposal of Shares.

The disposal of a Share by a Shareholder should constitute a CGT event. If the Shareholder is a partnership, the CGT event occurs to the partner (and not the partnership).

The Shareholder should derive a capital gain to the extent that the capital proceeds from the disposal exceed the CGT cost base of the Share. The CGT cost base of the Share is broadly the amount paid to acquire the Share plus certain non-deductible transaction/incidental costs. In the case of an arm's length on-market sale, the capital proceeds should generally equal the gross cash proceeds from the sale.

A CGT discount may be available on the capital gain (after reduction of the capital gain by applicable capital losses) where the capital gain is derived by an individual, complying superannuation entity or trustees of certain trusts (except where the trustee is assessed on the capital gain), provided that the Shares have been held for at least 12 months (not including the date of acquisition or disposal for CGT purposes) prior to sale and certain other requirements have been met.

The CGT discount for individuals and trustees of certain trusts is 50%, after offsetting current year or prior year capital losses; and for a complying superannuation entity, the discount is 33⅓%, after offsetting current year or prior year capital losses.

The CGT discount rules for trusts are complex, but the CGT discount may flow through to beneficiaries of the trust which are 'presently entitled' to a share of the trust's income or have been 'attributed' a share of the trust's taxable income, in certain circumstances.

A Shareholder will incur a capital loss to the extent that the reduced CGT cost base of a Share (which should generally be calculated in a similar manner to the CGT cost base) exceeds the capital proceeds from its disposal. Capital losses may only be offset against capital gains derived in the same year or future years, subject to corporate Shareholders satisfying certain rules relating to the recoupment of carried forward losses. Capital losses cannot be offset against other assessable income.

9.11.3 GST

9.11.3.1 GST treatment of dividends

Shareholders should not be liable for GST in relation to any dividends they may receive.

9.11.3.2 GST treatment of acquiring or disposal of Shares

Shareholders should not be liable for GST from acquiring or disposing of any Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition or disposal of Shares. Separate GST advice should be sought by Shareholders in this respect.

9.11.4 Stamp duty

Under current stamp duty legislations, no stamp duty should be payable by the Shareholders on the acquisition of Shares or on any subsequent transfer of Shares provided that:

- the Company remains on the official list of the ASX;
- all Shares remain quoted on the ASX; and
- the Shares issued or transferred alone, or when aggregated with Shares acquired or already held by the acquirer, a related person of the acquirer or acquired as part of one arrangement or in concert with other Shareholders, do not amount to 90% or more of the Shares.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.11.5 Tax file number (TFN)

Australian tax resident Shareholders may, if they choose, notify the Company of their tax file number (TFN), Australian Business Number (**ABN**) or a relevant exemption from withholding tax with respect to dividends. In the event that the Company is not so notified, pursuant to the TFN withholding rules, withholding tax should be automatically deducted at the highest marginal rate (including where relevant, the Medicare levy), from unfranked dividends.

However, Australian tax resident Shareholders should be able to claim a tax credit in respect of the tax withheld on dividends due to their TFN not being quoted in their income tax returns.

A Shareholder who holds Shares as part of an enterprise may quote its ABN instead of its TFN.

9.12 Selling restrictions

This Prospectus does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

9.12.1 Bermuda

This document may be distributed, and the New Shares may be offered and sold, only from outside Bermuda to institutional and professional investors in Bermuda. No offer or invitation to subscribe for New Shares may be made to the public in Bermuda or in any manner that would constitute engaging in business in or from within Bermuda. In addition, no invitation is being made to persons resident in Bermuda for exchange control purposes to subscribe for New Shares.

9.12.2 Cayman Islands

This document may be distributed, and the New Shares may be offered and sold, only from outside the Cayman Islands to institutional and professional investors in the Cayman Islands. No offer or invitation to subscribe for New Shares may be made to the public in the Cayman Islands or in any manner that would constitute carrying on business in the Cayman Islands.

9.12.3 European Union (excluding Austria)

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

9.12.4 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). Accordingly, this document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.12.5 Japan

The New Shares have not been, and will not be, registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors.

Any Qualified Institutional Investor who acquires New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of New Shares is conditional upon the execution of an agreement to that effect.

9.12.6 New Zealand

The Retail Offer is being extended to New Zealand investors under the New Zealand Mutual Recognition Regime. Important information specific to New Zealand investors is provided in the Important Notices section of this Prospectus under the heading 'New Zealand Warning Statement'.

The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than under the New Zealand Mutual Recognition Regime (in respect of the Retail Offer) or (in respect of the Institutional Offer) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the Financial Markets Conduct Act 2013 ("FMC Act");
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

9.12.7 Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in the Norwegian Securities Trading Act).

9.12.8 Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the "SFA") or another exemption under the SFA.

This document has been given to you on the basis that you are an "institutional investor" or an "accredited investor" (as such terms are defined in the SFA). If you are not such an investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.12 Selling restrictions continued

9.12.9 Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

No offering or marketing material relating to the New Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to investors who qualify as "professional clients" (as defined in the Swiss Financial Services Act). This document is personal to the recipient and not for general circulation in Switzerland.

9.12.10 United Arab Emirates

This document does not constitute a public offer of securities in the United Arab Emirates and the New Shares may not be offered or sold, directly or indirectly, to the public in the UAE. Neither this document nor the New Shares have been approved by the Securities and Commodities Authority ("SCA") or any other authority in the UAE.

No marketing of the New Shares has been, or will be, made from within the UAE other than in compliance with the laws of the UAE and no subscription for any securities may be consummated within the UAE. This document may be distributed in the UAE only to "professional investors" (as defined in the SCA Board of Directors' Decision No.13/RM of 2021, as amended).

No offer of New Shares will be made to, and no subscription for New Shares will be permitted from, any person in the Abu Dhabi Global Market or the Dubai International Financial Centre.

9.12.11 United Kingdom

Neither this document nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated ("relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

9.13 Consents to be named and disclaimers of responsibility

Each of the parties listed below in this **Section 9.13**, each a consenting party, has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for, any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of statements or reports in this Prospectus that are specified below in the form and context in which the statements or reports appear:

- Merrill Lynch Equities (Australia) Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager to the Offer in the form and context in which it is named;
- each of Bell Potter Securities Limited, Ord Minnett Limited and MST Financial Services Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Joint Lead Manager to the Offer in the form and context in which it is named;
- Gilbert + Tobin has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation matters) to the Company and SaleCo in relation to the Offer in the form and context in which it is named;
- Ernst & Young Strategy and Transactions Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in the form and context in which it is named and to the inclusion of its Independent Limited Assurance Report set out in **Section 8** in the form and context in which it appears in this Prospectus;
- Ernst & Young has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Company's auditor, the Australian tax adviser, provider of financial and tax due diligence services in relation to the Offer and provider of advice in relation to remuneration arrangements to the Company, in the form and context in which it is named;
- BDO Audit Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Braavos' auditor (as described in **Section 4.2.3**) in the form and context in which it is named;
- The Initiatives Group has given, and not withdrawn before lodgement of the Prospectus with ASIC, its written consent to be named in this Prospectus in relation to the inclusion in this Prospectus of references to the Industry Report the Company commissioned The Initiatives Group to prepare in the form and context in which they are included; and
- Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Share Registry of the Company in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company.

9.14 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under the Prospectus are governed by the laws applicable in New South Wales and each Applicant submits to the exclusive jurisdiction of the courts of New South Wales.

9.15 Statement of Directors

This Prospectus is authorised by each Director and each Director of SaleCo who consents to its lodgement with ASIC and its issue.

Appendix A.
Accounting Policies

Appendix A. Accounting Policies

1. Basis of preparation

The financial information 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.

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 Group 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 the financial information is determined on such a basis, except for measurements that have some similarities to fair value, such as 'value in use' in AASB 136 *Impairment of Assets*.

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.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial information requires management to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors.

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

- the fair value of net assets acquired and resulting goodwill as a result of the acquisition of Basiq;
- the method of measurement of Non-controlling Interest;
- the accounting treatment of the cloud computing arrangement;
- the recognition of deferred tax assets and liabilities;
- the useful life of intangible assets;
- the fair value of the put option liability;
- the calculation of provisions;
- the carrying value of financial instruments;
- the fair value at grant date of Share Options issued and other key assumptions;
- the valuation and level of significant influence and control assessments of unlisted equity securities;
- the discount rates used in the calculation of lease liabilities; and
- the assumptions used in the calculation of the expected credit losses (**ECL**).

See **Section 2.7.9** below for further detail.

2.1 Foreign currency

2.1.1 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.

Appendix A. Accounting Policies continued

2. Critical accounting judgements and key sources of estimation uncertainty continued

2.1.2 Foreign operations

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

2.1.3 Functional and Presentation Currency

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

2.2 Comparative amounts

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

2.3 Principles of consolidation

The financial information comprises the financial information 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 Cuscal:

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

The Group 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 Group evaluates whether it has the power to direct relevant activities.

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

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

When the Group 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 does 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 subsidaries are shown separately in the income statement and the statement of the financial position and are determined on the basis of the Group's present ownership in the entity.

The income statements and statement of financial position are determined on the basis of the Group's present ownership in the entity.

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

2.4 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 Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively; and
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group 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.

2.5 Segment reporting

The Group has one reportable operating segment, 'Payments'. In identifying this, management generally follows the Group's service lines representing its main products and services.

2.6 Income Statement

2.6.1 Interest Income and expense

The effective interest rate method

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

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

2.6.2 Fees and Commissions

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

- Transactional product related income: comprises two key components:
  - General transactional processing income is Cuscal's key revenue stream and is relatively simplistic in nature, i.e. the performance obligation is deemed to have been met when the transaction is processed or service is provided. Clients can only benefit once a transaction is processed and hence, Cuscal will recognise the revenue once a transaction is processed; and
  - Scheme incentive income, includes revenue from exclusivity arrangements, new accounts created and volume contributions. Depending on the type of incentive, the revenue can have various performance obligations that may be met over time or at a point in time. Revenue is only recognised to the extent that a significant reversal is not expected to occur in future.

2. Critical accounting judgements and key sources of estimation uncertainty continued

- Project income: Projects are completed to customer specifications and control is deemed to pass on to the customer upon completion. Cuscal's Project revenue streams are broken down into the following two categories – small or large scale customer projects. Revenue relating to smaller projects will be recognised at a point in time (i.e. the end of the project), while larger projects may have specific performance obligations embedded into the contract at inception, in which case they may be recognised over time.
- Treasury and Securitisation income: Securitisation and treasury fee income is generally recognised when the service has been provided.

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

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

2.6.3 Dividend Income

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

2.6.4 Distribution Income

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

2.6.5 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. IT expenses are recognised as incurred unless they qualify for capitalisation as an asset due to the related service generating probable future benefits.

2.6.6 Software-as-a-Service (SaaS) arrangements

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

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

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

2.6.7 Taxation

Income tax is recognised in the income statement except when it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised directly in equity or in the other comprehensive income.

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

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

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

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

2.6.8 GST

Revenues, expenses and assets are recognised net of the amount of 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 income statement 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.

2.6.9 Research and development incentives

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

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

2.7 Assets and Liabilities

2.7.1 Cash and Liquid Assets

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

Bank overdrafts are shown within payables due to financial institutions in the statement of financial position.

2.7.2 Financial assets and financial liabilities

2.7.2.1 Financial Assets

2.7.2.1.1 Initial recognition and measurement

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

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

2. Critical accounting judgements and key sources of estimation uncertainty continued

2.7.2.1.2 Subsequent measurement

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

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

2.7.2.1.3 Financial assets at amortised cost

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

The Group financial assets held at amortised cost include receivables due from FIs and Loans to Securitisation Trust.

2.7.2.1.4 Fair value through other comprehensive income (FVOCI)

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement 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 Group's debt instruments at fair value through OCI include investments securities.

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

2.7.2.1.5 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 income statements.

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

2.7.2.1.6 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 Group's statement of financial position) when:

- The rights to receive cash flows from assets have expired; or
- The Group 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 'passthrough' arrangement, and either the Group has transferred substantially all risks and rewards of the assets or the Group has neither transferred nor retained substantially all risks and rewards of the assets but has transferred the control of the assets.
- When the Group 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group has retained.

2.7.2.1.7 Impairment

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. The parent entity recognises an ECL for intercompany loans held at amortised cost.

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

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

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

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

Therefore, the Group 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 Group applies the low credit risk simplification. Every quarter, the Group 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 Group reassesses the credit rating of the debt instrument from credit agencies such as Standard & Poors ('S&P') and Moody's.

The Group'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 Group'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.

2.7.2.2 Financial liabilities

2.7.2.2.1 Initial recognition and measurement

All financial liabilities are recognised initially at fair value and the Group'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.

2.7.2.2.2 Subsequent measurement

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

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

2.7.2.2.3 Financial liabilities at fair value through profit or loss

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

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

Gains or losses on liabilities held for trading are recognised in the income statement.

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 Group has not designated any financial liability as at fair value through profit or loss.

2. Critical accounting judgements and key sources of estimation uncertainty continued

2.7.2.2.4 Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement 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 income statements.

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

2.7.2.2.5 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 income statements.

2.7.2.2.6 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.

2.7.2.2.7 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 income statement in the period in which they arise. Unrealised gains and losses are taken to the fair value through OCI reserve, in Equity, and are recycled to profit or loss on realisation.

Interest income is calculated using the effective interest method and is recognised in the income statement. Changes in fair value are recognised in the income statement when the asset is derecognised.

2.7.2.3 Loans

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

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

2.7.2.4 Securitisation Trust Loans and Borrowings

The Integrity Series 2014-1 Trust (the **Trust**) has been assessed as being a controlled entity under AASB 10 *Consolidated Financial Statements*, due to the Group's ability to exercise its influence on the returns of the Trust through 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.

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

2.7.2.5 Derivative Instruments

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

All derivatives, including those used for 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 the income statement unless the derivative meets the requirements for hedge accounting.

2.7.3 Other Assets

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

Other assets includes implementation fees paid for cloud computing which are treated as Software-as-a-Service provider ‘SaaS’ arrangements.

2.7.3.1 Investments in other entities

Investments in other entities, excluding subsidiaries, are classified and carried at Fair Value through Profit and Loss (FVPTL).

Revaluations on these investments are recorded under Other Income in the income statement.

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

2.7.3.2 Property, plant, equipment and right-of-use assets

2.7.3.2.1 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.

2.7.3.2.2 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:

Table A.1 Estimated useful lives

Useful lives	2024	2023
Plant and Equipment	3-5 years	3-5 years
Leasehold Improvements	10 years	10 years

2. Critical accounting judgements and key sources of estimation uncertainty continued

2.7.3.3 Right-of-use (ROU) assets

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

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

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

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

2.7.3.4 Intangible Assets

2.7.3.4.1 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.

2.7.3.4.2 Internally-generated intangible assets

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

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

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

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

2.7.3.4.3 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’ and Open Banking data capability to Cuscal customers. This primarily includes internal and external labour costs and licence costs. The Payments Infrastructure intangible assets are currently in-use and are being amortised over a period of two to eight years. Ongoing expenditure will be incurred to maintain the functional capabilities of the assets in line with current technology. These amounts include Braavos assets recognised on acquisition and capitalised subsequently.
- Software: Software assets are amortised over a useful life of three to five years.
- Investment in Australian Plus Payments Ltd (**AP+**): AP+ brings together the three domestic payment organisations BPAY, Eftpos and NPPA into one integrated entity. Cuscal’s investment was formerly in New Payments Platform Australia Ltd (NPPA) however was converted into a share investment in AP+ during the 2022 financial year. Cuscal’s investment in the entity is through a share capital subscription. This subscription is akin to a perpetual licence to access the NPP network, as such it 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 Group’s only indefinite life intangible asset.

2.7.3.5 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.

2.7.3.6 Client Deposits

All deposits are recorded at amortised cost. Interest expense on deposits is recognised in the income statement as interest expense. Any deposits overdrawn at the end of the reporting period are reclassified to Loans in the statement of financial position.

2.7.3.7 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 income statement as interest expense.

2.7.3.8 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.

2.7.4 Other liabilities

2.7.4.1 Accounts payable and other liabilities

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

2. Critical accounting judgements and key sources of estimation uncertainty continued

2.7.4.2 Lease liabilities

At the commencement date of the lease, the Group 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 Group and payments of penalties for terminating the lease, if the lease term reflects the Group 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 Group 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 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.

2.7.4.3 Deferred tax assets and liabilities

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial information 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.

2.7.4.4 Provisions

Provisions are recognised when the Group has a present obligation, arising from past events; it is probable that the Group 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 Group 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.

2.7.4.5 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 Group in respect of services provided by employees up to reporting date, over the applicable service period.

2.7.5 Equity

2.7.5.1 Shareholders' Equity

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

2.7.5.2 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.

2.7.5.3 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.

2.7.5.4 Employee share option reserve

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

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

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

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

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

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

2.7.5.5 Non-controlling interests

External interest in the equity that is controlled by the Group is shown as non-controlling interest in the controlled entities in the equity section of the statement of financial position. This includes share-based payment in the Group where the awards relate to shares in subsidiaries.

2. Critical accounting judgements and key sources of estimation uncertainty continued

2.7.6 Other Notes

2.7.6.1 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 the ECL model.

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

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

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

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

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

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

The Group's general approaches 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 ADIs will be low as there is no history of default for any Australian ADIs.
- 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 ADIs is generally low as there is no history of default.
- Loans: Cuscal loans are immaterial hence there is no ECL.
- Trade Receivables: the majority of the Group's debtor balances are settled next day via direct debit against customer accounts held with Cuscal, hence the ECL charge is immaterial.
- Loans made by the Securitisation Trust: under this structure, should credit losses occur, those losses are first subject to Loan Mortgage Insurance (LMI). In the event of total loss on the mortgages in the Trust and a total non-performance of LMI, an event of extremely low probability, the most Cuscal can lose is the amount it has paid into a special reserve account and any residual income units but only to the extent of any amount undistributed by the Trust.
- Undrawn commitments – the majority of Cuscal's overdraft 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.

2.7.7 New Accounting Standards and amendments to Accounting Standards issued that are effective in the current year

The following Standards and Interpretations issued are effective are considered relevant to the preparation of the financial information of the Group. None of the new standards or amendments stated had an impact on the financial information of the Group.

Definition of accounting estimates – amendments to AASB 108

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

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

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

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

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

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

2.7.8 New Accounting Standards and amendments to Accounting Standards that are not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of the Prospectus 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
AASB 2014-10 *Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2025	30 June 2026
AASB 2020-1 *Amendments to AASs – Classification of Liabilities as a Current or Non-current*	1 January 2024	30 June 2025
AASB 2022-6 *Amendments to AASs – Non-Current Liabilities with covenants*	1 January 2024	30 June 2025
AASB 2022-5 *Amendments to AASs – Lease Liability in a Sale and Leaseback*	1 January 2024	30 June 2025
AASB 18 *Presentation and Disclosure in Financial Statement*	1 January 2027	30 June 2028

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

2. Critical accounting judgements and key sources of estimation uncertainty continued

2.7.9 Further detail on critical accounting judgements and key sources of estimation uncertainty

2.7.9.1.1 Acquisition of Basiq

On 28 March 2023, Cuscal Payments acquired 81.56% of the issued shares (77.25% fully diluted) in Braavos, the parent company of Basiq. The remaining interest in Basiq was subsequently acquired on 1 July 2024.

As the acquisition date was close to the June 2023 financial year end, the acquisition fair value assessment was incomplete as at the date of the FY23 annual report. Therefore, the fair value of assets, liabilities, equity interests and items of consideration of the acquired entities were recognised on a provisional basis, as at the acquisition date.

In line with AASB 3, Management is allowed to perform a fair value assessment within the measurement period of no more than 12 months subsequent to the acquisition date.

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

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

These changes have been reflected in the financial information as at and for FY24, with amendments made to carrying values from 28 March 2023, and reflected in the 30 June 2023 balances. The cumulative impact to the income statement has been recognised in FY24.

2.7.9.1.2 The method of measurement of Non-controlling Interest

On 28 March 2023, Cuscal acquired an 81.56% controlling interest in Braavos Corporation Pty Limited, the parent entity of the Braavos Group. This interest reduces to 77.25% on a fully diluted basis, accounting for employee share options issued but not exercised. The non-controlling interest of the Group at 30 June 2024 is 18.44%.

2.7.9.1.3 The accounting treatment of the cloud computing arrangement

During FY22, Cuscal entered into a SaaS arrangement with a third-party service provider. Management performed an accounting assessment of the services provided under this arrangement and concluded:

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

The upfront fees associated with this arrangement will be recognised as expenses over the service period as specified under the contract entered with the third party. Upfront fees of $5.2m in relation to this arrangement are included under prepayments as at 30 June 2024.

2.7.9.1.4 The recognition of deferred tax assets and liabilities

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

2.7.9.1.5 *Liability for option on acquisition of Basiq*

As part of the acquisition of a controlling interest in Braavos on 28 March 2023, Cuscal Payments agreed a Put and Call option arrangement as part of the Shareholders' Deed with the remaining shareholder. The ultimate intent of the Put and Call Option was that Cuscal Payments could acquire the 'non-controlled' interest in Braavos in the future. Cuscal Payments subsequently acquired the remaining interest in Braavos on 1 July 2024, which extinguished the Put and Call Option. As this subsequent acquisition occurred after 30 June 2024, a liability in respect of the Put and Call Option is included in the Pro Forma Historical Statement of Financial Position as at 30 June 2024.

Under the terms of the Shareholders' Deed, the exercise price of the Put and Call Option and the timing of exercise were dependent on market conditions and the extent to which the acquired business met certain performance hurdles.

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

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

$1.3m has been recorded as interest expense in FY24, representing the unwinding of the present value of the initial financial liability throughout the period to June 2024.

At 30 June 2024, a fair value assessment of the Put and Call Option has been performed, and the fair value has been determined to be $5.5m as at 30 June 2024, which is $12.5m below the carrying value of $18m as at 30 June 2023. The difference of $12.5m between the revised fair value of the Put and Call Option and its carrying value is being treated as gain on remeasurement, with the impact being recognised in the income statement under AASB 9.

2.7.9.1.6 *The calculation of provisions*

Provisions expected to be utilised after 12 months of the balance date are $5.9m. All other amounts are expected to be recognised and settled within 12 months of the balance date.

2.7.9.1.7 *Fair value of financial instruments*

- Fair value: is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value reflects the present value of future cash flows associated with a financial asset or financial liability. Fair values of financial assets and liabilities are determined using quoted market prices, where available. Market prices are obtained from independent market vendors, brokers, or market makers. Where no active market price or rate is available, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing at balance dates. The following methods and significant assumptions have been applied in determining the fair values of financial assets and liabilities carried at fair value, and, for disclosure purposes, in determining whether a material difference between the fair value and the carrying amount exists.
- Cash and cash equivalents: the carrying amount of cash and cash equivalents is an approximation of fair value as they are short-term in nature or are receivable on demand.
- Receivables due from financial institutions: the carrying amount of receivables due from financial institutions is an approximation of fair value as they are short-term in nature or are receivable on demand.
- Investment Securities: security-specific yields and prices are used for all positions where possible. Where applicable, security revaluations are conducted using standard market formulae and conventions. Other positions are valued using a yield curve that best reflects the issuer and credit risk of the instrument. All assets and liabilities, except for futures contracts and interest rate swaps, are valued at the most conservative of bid and offer rates. In keeping with market convention, futures contracts are valued at the settlement price.
- Loans and loans made by the Securitisation Trust: tor variable rate loans in the Trust, the carrying amount is an approximation of fair value.

2. Critical accounting judgements and key sources of estimation uncertainty continued

- Derivative financial assets and liabilities: the fair value of swaps is calculated utilising discounted cash flow models, based on the estimated future cash flows. The fair value of forward foreign contracts is calculated on the foreign rates prevailing at the balance date.
- Payables due to financial institutions: the carrying amount of payables due to financial institutions is an approximation of fair value as they are short-term in nature or are payable on demand.
- Deposits: for variable rate deposits the carrying amount is an approximation of fair value.
- Discount securities: issued Discount securities were revalued using a yield curve that represents Cuscal's credit risk.
- Option liability (in Other Liabilities): the carrying amount of the option liability is at fair value where a remeasurement has occurred. The fair value is calculated as the present value of the amount payable upon the exercise of the option.
- Methods applied in determining fair values of financial assets and liabilities:
  - Level 1 – Reference to published price quotations in active markets: this category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
  - Level 2 – Valuation techniques supported by market inputs: this category includes financial instruments whose fair value is determined using a valuation technique (model), where inputs in the model are taken from an active market or are market observable. If certain inputs in the model are not market observable, but all significant inputs are, the instrument is still classified in this category, provided that the impact of those elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are (more than insignificantly) modified based on other market observable external data.
  - Level 3 – Valuation technique not supported by market inputs: this category includes financial assets and liabilities whose fair value is determined using a valuation technique (model) for which more than an insignificant level of input in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. The Group classes its equity investments at as Level 3 where valuation technique is not supported by market inputs.
  - Valuation technique used to determine Level 3 fair values: The Group 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.

2.7.9.1.8 The fair value at grant date of Share Options issued and other key assumptions

As part of the acquisition of a controlling interest in Basiq on 28 March 2023, in line with AASB 3, the Group has recognised existing employee share options already issued from Basiq as part of the non-controlling interest on acquisition. Employee benefits expenses relating to Basiq share options subsequent to acquisition have been recognised as non-controlling interests. The number of options issued as at the acquisition date was 65,361 at an average exercise price per share option of $0.01. The non-controlling interest amount recognised in regards to subsidiary share options on acquisition was $0.9m.

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

Glossary

G

Glossary

Term	Definition
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
ABA	Australian Banking Association.
ABN	A unique 11-digit identifier issued to all entities registered in the Australian Business Register, known as an Australian Business Number.
ACCC	Australian Competition and Consumer Commission. A Commonwealth statutory authority responsible for ensuring compliance with the Competition and Consumer Act 2010 (formerly the Trade Practices Act 1974) and the provisions of the Conduct Code.
Action Initiation	A potential new channel for consumers to allow a business to initiate actions on their behalf with the consumers' consent.
ADI	Authorised deposit-taking institution. ADIs (banks, building societies and credit unions) are supervised by the Australian Prudential Regulation Authority (APRA).
Adjusted EBITDA	Net profit before non-controlling interests, income tax expense, depreciation expense (other than depreciation expense on 'right-of-use' assets under AASB 16 *Leases* (AASB 16) which is included in 'occupancy expenses') and amortisation expense. Cuscal generates net interest income from its operating activities and accordingly Adjusted EBITDA includes net interest income which is comprised of interest income from investment of client deposits, and interest earned on corporate cash reserves, less interest expense on client deposits and lease interest expense under AASB 16.
Adjusted EBITDA margin	Adjusted EBITDA divided by net operating income.
ADR	Accredited by the ACCC to receive consumer data to provide a product or service, known as an Accredited Data Recipient.
AFCUL	Australian Federation of Credit Union Leagues.
AFCX	Australian Financial Crimes Exchange
AFSL	Australian Financial Services Licence.
ALCo	Asset and Liability Committee, primarily assesses balance sheet risks for Cuscal and its management of liquidity and interest rate risk, to ensure it has appropriate cash and cash equivalents to meet its liabilities as they become due.
AML/CTF Act	*Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth).
AP+	Australian Payments Plus Ltd.
API	Application programming interface, being a set of functions and procedures allowing the creation of applications that access the features or data of an operating system, application, or other service.

Term	Definition
API Call	A message sent to a server asking an API to provide a service or information.
Applicant	A person who submits an Application.
Application	An application to subscribe for Shares under this Prospectus.
Application Monies	The amount accompanying an Application Form submitted by an Applicant.
Application Form	An application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility).
APRA	Australian Prudential Regulation Authority.
ASAE	Australian Standard on Assurance Engagements.
ASIC	Australian Securities and Investments Commission. ASIC is the national regulator of Australia's companies. ASIC has responsibility for market protection and consumer integrity issues across the financial system.
ASIC Act	*Australian Securities and Investments Commission Act 2001* (Cth).
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange that it operates, as the context requires. The Australian Securities Exchange is Australia's primary national exchange for equities, warrants and equity-related derivatives.
ASX Listing Rules	The listing rules of ASX.
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition).
ASX Settlement	ASX Settlement Pty Ltd (ABN 49 008 504 532) and, to the extent that they are applicable, the operating rules of each of ASX and ASX Clear Pty Ltd (ABN 48 001 314 503).
ASX Settlement Operating Rules	The operating rules of ASX Settlement.
ATM	Automated Teller Machine is an electronic banking outlet that allows customers to complete basic transactions without the aid of a branch representative or teller.
AusPayNet	Australian Payments Network. A public company owned by banks, building societies and credit unions which has specific accountability for key parts of the Australian payments system, particularly payments clearing operations.
AUSTRAC	Australian Transaction Reports and Analysis Centre is Australia's anti-money laundering and counter-terrorism financing regulator and specialist financial intelligence unit.
Average FTE	Average of FTE position at each month end for the period.

Glossary continued

Term	Definition
AWS	Amazon Web Services, a subsidiary of Amazon, provides on-demand cloud computing platforms and APIs to individuals, companies and governments, on a metered, pay-as-you-go basis.
B2B	Business-to-Business.
B2C	Business-to-Consumer.
Banking Act	*Banking Act 1959* (Cth).
Basiq	Braavos and Basiq.io D.O.O BEOGRAD NOVI BEOGRAD.
Batch	Batch payments are transactions between FIs that are settled in bulk at set times during the day. In Australia, there are two main systems (or rails) for making batch payments, being BECS and BPAY both of which are facilitated by a central clearing system.
BEAR	Banking Executive Accountability Regime, set out in Part IIAA of the Banking Act, establishing accountability obligations for ADIs and their senior executives and Directors, as well as, among other things, deferred remuneration, key personnel and notification obligations for ADIs.
BECS	Bulk Electronic Clearing System operated by AusPayNet.
BI	Basic Infrastructure is an industry utility owned by NPPA and operated by SWIFT under a long-term contract with NPPA.
Board or **Board of Directors**	The board of directors of the Company.
Board Committees	Committees established by the Board, including the Audit Committee, Risk Committee, Remuneration and Nominations Committee.
Bookrunner	Merrill Lynch Equities (Australia) Limited.
BPAY	BPAY is an electronic bill payment service operated by Australian Payments Plus.
Braavos	Braavos Corporation Pty Ltd and its controlled entity, Basiq Pty Ltd.
Broker	Any ASX participating organisation selected by the Bookrunner and the Company to act as a broker to the Offer.
Broker Firm Offer	The offer of Shares under this Prospectus to Australian or New Zealand resident investors who are not Institutional Investors and who receive a firm allocation of Shares from their Broker, as described in **Section 7.6**.
BSB	Bank State Branch.
CAGR	Compound Annual Growth Rate.

Term	Definition
Card Payment Rails (Schemes or **Networks)**	Card payment rails (schemes or networks) provide the underlying connections that make up the payment rails. They maintain the integrity of the network through upholding the scheme rules and verifying that transactions are compliant. For transacting through their rails, the scheme or network will charge an interchange or scheme fee per transaction.
Cardholder	Purchaser of goods and services from merchants.
CBA	Commonwealth Bank of Australia (ACN 123 123 124).
CCA	*Competition and Consumer Act 2010* (Cth).
CDR	Consumer Data Right.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CGT	Capital Gains Tax, accrued when realising profits from the disposal of assets including investments, property and shares.
Cheque	A document that instructs a financial institution to make a payment on behalf of the payer.
CHESS	Clearing House Electronic Subregister System operated in accordance with the Corporations Act.
Churn	Also known attrition or customer churn, is the rate at which customers stop doing business with an entity.
Clearing	The process of transmitting, reconciling and in some cases confirming payment instructions prior to settlement; it may include netting of instructions and the calculation of final positions for settlement.
Closing Date	The date on which the Offer is expected to close, being 20 November 2024, in respect to the Retail Offer and 21 November 2024, in respect to the Institutional Offer.
CMS	A system for managing smart cards through the life cycle of the card, known as a Card Management System.
Company or **Cuscal**	Cuscal Limited (ACN 087 822 455).
Completion	The date on which Shares are issued and transferred to Successful Applicants in accordance with the terms of the Offer and the Offer Management Agreement.
Connected Institution	Can have a direct connection to the BI and is able to send requests and other messages to initiate payments between NPP Participants; however they cannot send their own payment clearing or settlement messages.
Constitution	The Constitution of the Company.

Glossary continued

Term	Definition
Corporations Act	*Corporations Act 2001* (Cth).
Corporations Regulations	*Corporations Regulations 2001* (Cth).
CPM	Client Partnership Managers.
CPS 230	APRA Prudential Standard CPS 230 Operational Risk Management.
CPS 234	APRA Prudential Standard CPS 234 Information Security.
CPS 510	APRA Prudential Standard CPS 510 Governance.
CPS 511	APRA Prudential Standard CPS 511 Remuneration.
Credit	A method of buying goods or services that allows you to pay for them in the future.
CRO	Chief Risk Officer.
Cuscal Payments	Cuscal Payments Holdings Pty Ltd.
CVC	Card Validation Code is a three- or four-digit number on a credit card or debit card that helps prevent fraud.
CY	Calendar Year.
CY23, CY24, CY25 and **CY27**	Calendar year ended on 31 December 2023 and calendar years ending on 31 December 2024, 31 December 2025 and 31 December 2027 respectively.
Debit	Money taken out of a bank account.
DCE	A digital currency exchange is a business that facilitates a market and exchanges legal tender and other electronic currencies for electronic currencies.
DH	A business that holds consumer data and must transfer the data to an accredited data recipient at the consumer's request, known as a Data Holder.
DIA	The Department of Internal Affairs Te Tari Taiwhenua (New Zealand).
Digital Assets	Digital currencies and associated investments.
Digital Wallet	Software that enables cards to be hosted digitally and used in eligible transactions.
Direct credit	Payments that are sent to specific accounts.
Direct NPP Participant	Connected to the NPP BI and acts as a clearing sponsor for other Participants and Identified Institutions.
Director	A director of the Company.

Term	Definition
DTA	Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of: • deductible temporary differences; • the carry forward of unused tax losses; and • the carry forward of unused tax credits.
ECL	Expected credit loss.
EFTPOS	Electronic funds transfer at point of sale. The eftpos system is a domestic debit card system managed by eftpos Payments Australia Limited.
Eligible Employee	All permanent full-time and part-time employees of the Company resident in Australia and New Zealand.
Employee and Director Priority Offer	The offer of Shares under this Prospectus to Eligible Employees and Directors, as described in **Section 7.7**.
ERCo	Enterprise Risk Committee.
ESA	Exchange Settlement Account. An account held at the RBA by FIs to settle financial obligations arising from the clearing of payments.
ES	Exchange Settlement. An ES balance is held with the RBA to facilitate the ongoing settlement of market payments initiated through the Batch payment (i.e. BECS and BPAY) system or the NPP.
Escrow Period	The period commencing on Completion and ending at 4:30pm (Sydney time) on the Results Release Date where the Full Year Results have been released to ASX by the Company before close of trading on the Results Release Date (or otherwise, 4:30pm on the next trading day following the Results Release Date, where the Full Year Results have been released to ASX after close of trading on the Results Release Date (in either case, unless an exception applies)).
Escrowed Shares	Each of the Shares held by the Escrowed Shareholders at Completion of the Offer, as described in **Section 9.7.1**.
Escrowed Shareholders	Each of the Selling Shareholders.
ESOP	Employee Share Ownership Plan.
Evergreen	Contracts which have run beyond their initial service period which have no end date provided that they are not terminated by the customer, which they may do on the giving of six months' notice.
Existing Shareholders	The shareholders of the Company as at the Prospectus Date.
Exposure Period	Seven-day period after the lodgement of this Prospectus with ASIC which may be extended by ASIC by up to a further seven days.
FAR	The Financial Accountability Regime, as described in **Section 2.4.1.2**.

Glossary continued

Term	Definition
FATA	*Foreign Acquisitions and Takeovers Act 1975* (Cth).
FI	Financial Institution. A company whose primary function is to intermediate between lenders and borrowers in the economy.
Financial Crimes Client	A Cuscal client who offers their customers the ability to transact on an account held by the client through a card or the NPP (principally, ADIs) and subscribe to Cuscal's Vigil service.
Financial Information	Historical Financial Information and Forecast Financial Information collectively described in **Section 4.1**.
FINSIA	Financial Services Institute of Australasia.
Fintech	Financial technology. Firms that use new technology to compete with traditional financial methods in the delivery of financial services. Includes Payment Service Providers.
Forecast Financial Information	Statutory Forecast Financial Information and Pro Forma Forecast Financial Information also described in **Section 4.1**.
FSS	Fast Settlement Service, built by the RBA to give Direct NPP Participants the capability to transact in real time.
FSSA	*Financial Sector (Shareholdings) Act 1998* (Cth).
FTE	Full-time equivalent of employees.
Full Year Results	The Company's financial results for the full year ended 30 June 2024 (including, without limitation, the Company's Appendix 4E).
FVOCI	Fair value through other comprehensive income.
FY	Financial Year.
FY22, FY23 and FY24	Historical financial years ended 30 June 2022, 30 June 2023 and 30 June 2024 respectively.
FY25 and FY28	Forecast financial years ending 30 June 2025 and 30 June 2028.
GSB	Great Southern Bank (ABN 44 087 650 959) is Australia's largest mutual bank.
GST	Goods and Services Tax.
Group	The Company and the entities it controlled at the end of, or during, the year ended 30 June 2024.
Headcount	The number of permanent employees.
Historical Financial Information	Statutory Historical Financial Information and Pro Forma Historical Financial Information also described in **Section 4.1**.

Term	Definition
IASB	International Accounting Standards Board.
Independent Limited Assurance Report	The report prepared by the Investigating Accountant as set out in **Section 8**.
Industry Data	Data relating to the industries segments, sectors and channels in which the Company operates.
Investigating Accountant	Ernst & Young Strategy and Transactions Limited.
Identified Institution	An Identified Institution can offer customers NPP enabled payments via an arrangement with a directly connected NPP Full Participant who can clear and settle payments on their behalf.
IFRS	International Financial Reporting Standards.
In-app payment	In-app payments enable consumers to pay for goods or services directly in the merchant's mobile application.
INSEAD	Institut Européen d'Administration des Affaires.
Institutional Investor	An investor who has been invited to participate in the Institutional Offer and is: • a person in Australia who is a wholesale client under section 761G of the Corporations Act and either a 'professional investor' or 'sophisticated investor' under sections 708(11) and 708(8) of the Corporations Act; or • an institutional investor in certain other jurisdictions, as agreed between the Company and the Bookrunner, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one with which the Company is willing in its discretion to comply), and provided that in each case such investors are not in the United States.
Institutional Offer	The invitation to acquire Shares made to Institutional Investors in Australia and a number of other eligible jurisdictions, as described in **Section 7.8**.
Interchange fee	A fee paid between card issuers and acquirers when cardholders make transactions.
IPO	Initial Public Offering.
Issuer	The issuer of the card used for payment by the payer.
Joint Lead Managers	Bell Potter Securities Limited, Ord Minnett Limited and MST Financial Services Pty Ltd.
Least Cost Routing	When a customer makes a payment with their dual-network debit card, the merchant may choose to send the transaction via the debit network that costs them the least to accept. This is known as 'least-cost routing' or 'merchant-choice routing'. If the merchant chooses not to route, the transaction will be sent via the default network.
Listing	Admission of the Company to the Official List.

Glossary continued

Term	Definition
LTI Plan	Long-Term Incentive plan is a company policy that rewards employees for reaching specific goals.
m	million.
Major Banks	Refers to Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation, collectively.
Merchant	The provider of a good or service and organises a means of payment for the payer through the use of a merchant acquirer. In the case of cards, the merchant is the payee.
Merchant acquirer	Provides the required infrastructure for the merchant to accept a payment request from a payer as well as the required connectivity to card payment schemes (or card networks) such as Visa, Mastercard or eftpos.
Money Order	Cheque-like product that can be drawn against Australia Post, providing a means of transferring currency through the mail system without the need for the payer or payee to have a bank account.
myCDR	Cuscal's consumer data right information and governance service.
NA	Not available.
NCI	Non-Controlling Interest.
NED	Non-Executive Director.
Net Fee and Commission Revenue	Gross fee and commission revenue less direct fee and commission expenses.
Net Interest Income	Net interest income from client deposits held as security and for pre-funding settlement of daily payment volumes across all of Cuscal's core payments capabilities.
Net Operating Income	Net fee and commission income plus net interest income.
Network	Provides the underlying connections that make up a 'payments network'.
New Shares	New fully paid ordinary shares in the issued capital of the Company to be issued under the Offer.
New Zealand Mutual Recognition Regime	The mutual recognition regime established under sections 575 and 576 of the Financial Markets Conduct Act 2013 (NZ) and Part 9 of the Financial Markets Conduct Regulations 2014 (NZ), for financial products offered in New Zealand by an Australian offeror.
NM	Not meaningful.
NOI	Net operating income, comprising of net fee and commission revenue plus net interest income and other operating (loss)/income.

Term	Definition
Non-IFRS	Certain financial and other measures Cuscal uses to manage and report on its business that are not recognised under Australian Accounting Standards or International Financial Reporting Standards.
NPAT	Net Profit After Tax.
NPATO	Net profit after tax attributable to the owners of Cuscal.
NPATO margin	Net profit after tax attributable to the owners of Cuscal divided by net operating income.
NPP	New Payments Platform, maintained by NPP Australia Limited.
OAIC	Office of the Australian Information Commissioner.
Offer	The offer of Shares under this Prospectus.
Offer Management Agreement	The offer management agreement between the Company, SaleCo and the Bookrunner in relation to the Offer, as described in **Section 9.6**.
Offer Price	$2.50 per Share.
Official List	The official list of entities that ASX has admitted to and not removed from listing.
Open Banking	The first application of the Consumer Data Right, a data sharing regime, announced by the Government in the 2017-2018 Budget.
Organisation identifier	An identifier that is representative of a company, organisation or trading name for PayID.
Osko	Facilitates direct peer-to-peer payments in real time.
Overlay service	A product or service that uses the NPP infrastructure's capabilities, potentially in a customised way to define a bespoke payment service or process.
Passthrough expense	Costs charged to Cuscal by a third party (predominantly a payment scheme or network), which Cuscal directly recovers from clients.
Passthrough revenue	Revenue that Cuscal recovers from its clients, typically at nil margin, which generally relates to expenses typically charged by the underlying payment scheme or network.
Payee	A person to whom money is paid or is to be paid.
Payer	An individual or business purchasing either a good or service from a merchant (payee).
PayID	The addressing service is a centralised directory for the NPP, enabling access to the NPP through a mobile number, email address, ABN or organisation Identifier.
Payment Processor	Connects a merchant acquirer or issuer or both to the underlying payment rails (schemes or network).

Glossary continued

Term	Definition
Payment Service Provider (or PSP)	Enables payment capabilities for their own customers utilising Cuscal's payments capabilities.
PayTo	Enables merchants and businesses to initiate real-time payments from their customers' bank accounts with consent.
PCI DSS	Payment Card Industry Data Security Standard, a set of industry-wide requirements for the protection of cardholder data, as described in **Section 2.4.1.8.3**.
Performance Right	A performance right entitles the participant to acquire one Share on vesting at nil exercise price, subject to the satisfaction of vesting conditions, which include performance-based vesting conditions, as described in **Section 6.3.5.2**.
PIN	Personal Identification Number.
POS	Point of Sale.
Prepaid	Paid for earlier.
Privacy Act	*Privacy Act 1988* (Cth).
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	The date on which a copy of this Prospectus was lodged with ASIC.
Pro Forma Forecast Cash Flows	Pro forma forecast consolidated cash flows for FY25.
Pro Forma Forecast Income Statement	Pro forma forecast consolidated income statement for FY25.
Pro Forma Historical Cash Flows	Pro forma historical consolidated cash flows for FY22, FY23 and FY24.
Pro Forma Historical Income Statements	Pro forma historical consolidated income statements for FY22, FY23 and FY24.
Pro Forma Historical Statement of Financial Position	Pro forma historical consolidated statement of financial position as at 30 June 2024.
Prudential Standards	Legally binding standards setting out APRA's minimum requirements in relation to capital, governance and risk management for APRA-regulated entities.
Put and Call Option	The put and call option described in **Section 2.7.9.1.5**.
R-ADI	Restricted authorised deposit taking institution.
Rail	A platform or network infrastructure that allows all digital money transfers to be made between payers and payees.

Term	Definition
RAS	Risk Appetite Statement.
RBA	Reserve Bank of Australia.
Related Bodies Corporate	As per the Corporations Act, a body corporate is: (a) a holding company of another body corporate; or (b) a subsidiary of another body corporate; or (c) a subsidiary of a holding company of another body corporate.
Regulated Data Services	Principal activity of the Group that enables clients to access CDR data.
Repo	Repurchase agreement. A sale and repurchase agreement to sell securities in order to buy them back at a slightly higher price.
Retail Offer	The Broker Firm and the Employee and Director Priority Offer.
Results Release Date	The day of the release of the Company's Full Year Results.
RITS	The Reserve Bank Information and Transfer System (RITS) was established in August 1991 and is operated by the Reserve Bank of Australia. The RITS is Real-Time Gross Settlement (RTGS) system and is the means by which Exchange Settlement Accounts are accessed and membership is compulsory for all Australian-licensed banks and participants in the Reserve Bank's domestic market operations.
RMFS	Risk Management Framework and Strategy.
RTGS	Real-time gross settlement. A payment system in which processing and settlement take place in real-time (continuously).
Schemes	Payment networks that maintain the rules and connectivity between merchant acquirers and issuers and perform clearing and settlement functions.
Securitisation Trust	The Integrity Series 2014-1 Trust, a closed-term debt issuance structure which has issued Residential Mortgage Backed Securities Notes to investors via a private placement.
Selling Shareholders	Existing Shareholders selling a portion or all of their Shares as part of the IPO.
Settlement	The settlement in respect of the Shares the subject of the Offer occurring under the Offer Management Agreement and associated settlement support arrangements.
Settlement Bank	The settlement bank is an ADI that has an ESA with the RBA to facilitate settlement of funds.
Settlement Participant/ Indirect Participant	No direct connection to the BI and so must use a Clearing Sponsor, however they will use their own ESA for settlement.
Shareholders	Holders of Shares.
Shares	Fully paid ordinary shares in the capital of the Company.

Glossary continued

Term	Definition
Share Registry	Link Market Services Limited (ABN 54 083 214 537).
Share Right	A share right entitles the participant to acquire one Share on vesting at nil exercise price, subject to the satisfaction of purely service-based vesting conditions, as described in **Section 6.3.5.2**.
Share Sale Agreement	The share sale agreement entered into between the Company and the Selling Shareholders, under which the Selling Shareholders have agreed to sell a specified number of their Existing Shares at the Offer Price to SaleCo.
SIP	Strategic Investment Program.
SLA	Service Level Agreements.
Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager	Merrill Lynch Equities (Australia) Limited.
SPS	Strategic Payments Services Pty Ltd.
Statutory Forecast Cash Flows	Statutory forecast consolidated cash flows for FY25.
Statutory Forecast Income Statement	Statutory forecast consolidated income statement for FY25.
Statutory Historical Cash Flows	Statutory historical consolidated cash flows for FY22, FY23 and FY24.
Statutory Historical Income Statements	Statutory historical consolidated income statements for FY22, FY23 and FY24.
Statutory Historical Statement of Financial Position	Statutory historical consolidated statement of financial position as at 30 June 2024.
STI	Short-term incentive.
STI Plan	Short-term incentive plan.
Successful Applicant	An Applicant or Institutional Investor who is issued or transferred Shares under the Offer.
SWIFT	Society for Worldwide Interbank Financial Telecommunication.
Switch	Acts as a mediator between the payment gateway and financial institutions, allowing for the integration of various payment methods, for example, credit cards, debit cards and mobile payments.

Term	Definition
Takeover Bid	Has the meaning given in the Corporations Act and includes a proportional takeover bid.
Tap'n'Go	Contactless payments made in person by a cardholder via tapping a card on a terminal.
TFR or **Total Fixed Remuneration**	An employee's total fixed remuneration (inclusive of base salary, statutory superannuation, and any benefits).
TFN	A unique identifier issued by the Australian Taxation Office to each taxpaying entity, known as a Tax File Number.
Transaction value	Monetary dollar value of transactions that occur within Cuscal's business.
Transaction volume	Number of transactions that occur within Cuscal's business.
Travellers Cheques	Can be purchased by anyone, normally as a means of acquiring foreign exchange before travelling abroad, offering security to the customer and involving a charge by the provider and the bank that converts them to cash.
US Person	Has the meaning given to that term under Rule 902(k) under the US Securities Act.
US Securities Act	The US Securities Act of 1933, as amended.
1HFY25	Forecast half year ending 31 December 2024, unless otherwise indicated.
2HFY25	Forecast half year ending 30 June 2025, unless otherwise indicated.

Broker Firm Offer Application Form

B

Cuscal

CUSCAL LIMITED
ABN 95 087 822 455

Broker Code

Adviser Code

Broker Firm Offer Application Form

This is an Application Form for Shares in Cuscal Limited under the Broker Firm Offer on the terms set out in the Prospectus dated 8 November 2024. You may apply for a minimum of $2,000 Shares and multiples of $500 thereafter. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

A Shares applied for , , at Price per Share **A$2.50**

(minimum $2,000, thereafter in multiples of $500)

B Application Monies **A$** , , .

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C

Applicant #1

Surname/Company Name

Title

First Name

Middle Name

Joint Applicant #2

Surname

Title

First Name

Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box ☐ Company ☐ Partnership ☐ Trust ☐ Super Fund

E

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level

Street Number

Street Name

Suburb/City or Town

State

Postcode

Email address (only for purpose of electronic communication of shareholder information)

F

CHESS HIN

X

If you have a Broker Sponsored account and would like your securities to be allocated to this account, it is important that you enter your HIN at this step. Failure to do so will result in your securities being allocated to a new Issuer Sponsored account. You will not be able to change this until after the stock exchange listing takes place and you will need to request your broker to do this for you.

G

Telephone Number where you can be contacted during Business Hours ( )

Contact Name (PRINT)

H

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

Cheque or Bank Draft Number

BSB -

Account Number

Total Amount **A$** , , .

LODGEMENT INSTRUCTIONS

You must return your application so it is received by your Broker by the deadline set out in their offer to you.

CCL BRO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Cuscal Limited ("Cuscal") Shares. Further details about the Shares are contained in the Prospectus dated 8 November 2024 issued by Cuscal Limited. The Prospectus will expire on 8 December 2025. While the Prospectus is current, Cuscal Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of $2,000 Shares and thereafter in multiples of $500. You may be issued all of the Shares applied for or a lesser number.

B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.

C Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.

D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Cuscal Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

E Please enter your postal address for all correspondence. All communications to you from Cuscal Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

F If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Cuscal Limited's issuer sponsored subregister.

G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

H Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.

If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Corporate Directory

Company's Registered Office

Cuscal Limited

Level 2, 1 Margaret Street
Sydney, NSW 2000

Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager

Merrill Lynch Equities (Australia) Limited

Governor Phillip Tower
Level 34, 1 Farrer Place
Sydney, NSW 2000

Issuer Counsel

Gilbert + Tobin

Level 35, Tower Two,
International Towers
200 Barangaroo Avenue
Barangaroo, NSW 2000

Investigating Accountant

Ernst & Young Strategy and Transactions Limited

200 George Street
Sydney, NSW 2000

Auditor

Ernst & Young

200 George Street
Sydney, NSW 2000

Joint Lead Managers

Bell Potter Securities Limited

Aurora Place
Level 38, 88 Phillip Street
Sydney, NSW 2000

Ord Minnett Limited

Level 18, 225 George Street
Sydney, NSW 2000

MST Financial Services Pty Ltd

Level 13/14
Martin Place
Sydney, NSW 2000

Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney, NSW 2000

Offer Information Line

Toll Free Within Australia:

1800 336 109

Outside Australia:

+61 1800 336 109

Between 8:30am and 5:30pm
(Sydney time), Monday to Friday
(excluding public holidays)

Offer Website

https://events.miraqle.com/cuscal-ipo

Company Website

www.cuscal.com

Design by | ideate Co.