Cuscal

Auditor’s Independence Declaration

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Auditor’s independence declaration to the directors of Cuscal Limited

As lead auditor for the audit of the financial report of Cuscal Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

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

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

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

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

Ernst & Young

Ernst & Young

Andrew Harmer Partner

25 August 2023

Cuscal

Financial Report

Statement of Profit or Loss
For the financial year ended 30 June 2023

Cuscal Limited and its controlled entities

	Notes	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
Gross fee and commission revenue	4	**297.2**	232.1	**296.4**	232.0
Direct fee and commission expense	4	**(76.4)**	(57.1)	**(76.2)**	(56.7)
Net fee and commission revenue		**220.8**	175.0	**220.2**	175.3
Interest income	5	**89.7**	15.1	**88.4**	12.6
Interest expense	5	**(67.2)**	(7.8)	**(64.7)**	(6.1)
Net interest income		**22.5**	7.3	**23.7**	6.5
Other operating (loss)/income	6	**(2.5)**	0.1	**(2.3)**	0.5
Total net operating income		**240.8**	182.4	**241.6**	182.3
Employee benefits expense	7	**(107.8)**	(88.1)	**(106.5)**	(88.1)
Occupancy expenses	7	**(4.4)**	(4.5)	**(4.3)**	(4.5)
Depreciation and amortisation	7	**(8.2)**	(3.0)	**(7.9)**	(3.0)
Non-salary technology expenses	7	**(57.3)**	(34.5)	**(57.0)**	(34.5)
Other expenses	7	**(25.7)**	(19.3)	**(25.4)**	(19.1)
Total operating expenses		**(203.4)**	(149.4)	**(201.1)**	(149.2)
Profit before income tax		**37.4**	33.0	**40.5**	33.1
Income tax expense	8	**(11.6)**	(9.6)	**(12.0)**	(9.6)
Profit after tax		**25.8**	23.4	**28.5**	23.5
Add: Loss attributable to non-controlling interests	33	**0.3**	-	**-**	-
Consolidated Profit attributable to the owners of Cuscal		**26.1**	23.4	**28.5**	23.5
Earnings per ordinary share ('EPS')					
Basic and diluted earnings per share	46	**$0.15**	$0.13	**$0.16**	$0.13

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

Statement of Other Comprehensive Income
For the financial year ended 30 June 2023

Cuscal Limited and its controlled entities

	Notes	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
Consolidated Profit for the year		**25.8**	23.4	**28.5**	23.5
Other comprehensive income					
Items that may be reclassified to the Statement of Profit and Loss:					
Unrealised gains / (losses) on Fair Value through OCI debt instruments		**10.4**	(21.9)	**10.4**	(21.9)
ECL reduction on Fair Value through OCI debt instruments taken directly to reserves		**0.2**	-	**0.2**	-
Income tax expense relating to these items		**(3.2)**	6.6	**(3.2)**	6.6
Foreign currency translation		**-**	-	**-**	-
Other comprehensive income, net of tax	30	**7.4**	(15.3)	**7.4**	(15.3)
Total comprehensive income for the year, net of tax		**33.2**	8.1	**35.9**	8.2
Total comprehensive loss attributable to non-controlling interests	**33**	**0.3**	-	**-**	-
Total comprehensive income attributable to owners of Cuscal		**33.5**	8.1	**35.9**	8.2

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

Statement of Financial Position
As at 30 June 2023

Cuscal Limited and its controlled entities

	Notes	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
ASSETS					
Cash and cash equivalents	11	**1,616.9**	1,664.4	**1,610.5**	1,661.5
Receivables due from financial institutions	12	**70.3**	24.1	**70.3**	24.1
Investment securities	13	**1,181.0**	1,429.4	**1,181.0**	1,429.4
Loans	14	**2.4**	0.2	**65.8**	0.2
Loans made by the Securitisation Trust	15	**0.7**	62.4	**-**	-
Other assets	17	**66.9**	43.8	**67.1**	44.3
Equity Investments	18	**4.4**	2.8	**25.8**	24.3
Current tax assets		**0.5**	1.8	**0.5**	1.8
Derivative financial assets	16	**0.1**	0.7	**0.1**	0.7
Deferred tax assets	19	**2.4**	6.9	**2.4**	6.9
Property, plant and equipment and right-of-use assets	20	**13.2**	16.6	**11.6**	16.6
Intangible assets	21,22	**118.5**	64.4	**40.1**	42.8
Total assets		**3,077.3**	3,317.5	**3,075.2**	3,252.6
LIABILITIES					
Payables due to financial institutions	23	**187.1**	101.0	**187.1**	101.0
Client deposits	24	**2,468.7**	2,366.2	**2,469.1**	2,366.4
Securities sold under agreement to repurchase	25	**-**	400.4	**-**	400.4
Discount securities issued	26	**4.5**	4.0	**4.5**	4.0
Borrowings of the Securitisation Trust	15	**-**	64.3	**-**	-
Other liabilities	27	**85.2**	60.6	**67.0**	60.1
Provisions	28	**30.7**	27.8	**30.1**	27.8
Total liabilities		**2,776.2**	3,024.3	**2,757.8**	2,959.7
Net assets		**301.1**	293.2	**317.4**	292.9
EQUITY					
Issued capital	29	**119.3**	119.3	**119.3**	119.3
Reserves	30	**(14.2)**	(5.2)	**2.2**	(5.2)
Retained earnings	31	**193.8**	179.1	**195.9**	178.8
Equity attributable to owners of Cuscal		**298.9**	293.2	**317.4**	292.9
Non-controlling interests	33	**2.2**	-	**-**	-
Total equity		**301.1**	293.2	**317.4**	292.9

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

Statement of Changes in Equity
For the financial year ended 30 June 2023

Consolidated

30 June 2023	Notes	Issued capital $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2022		**119.3**	**(5.2)**	**179.1**	**293.2**	**-**	**293.2**
Non-controlling interest recognised on acquisition	3	**-**	**-**	**-**	**-**	**2.4**	**2.4**
Share based payments expense relating to subsidiaries post-acquisition recognised in NCI	30, 35	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Put option reserve recognised on acquisition of Braavos Group	30	**-**	**(16.4)**	**-**	**(16.4)**	**-**	**(16.4)**
Total comprehensive income		**-**	**7.4**	**26.1**	**33.5**	**(0.3)**	**33.2**
Dividends paid	32	**-**	**-**	**(11.4)**	**(11.4)**	**-**	**(11.4)**
As at 30 June 2023		**119.3**	**(14.2)**	**193.8**	**298.9**	**2.2**	**301.1**

30 June 2022	Notes	Issued capital $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2021		127.1	10.1	204.5	341.7	-	341.7
Total comprehensive income		-	(15.3)	23.4	8.1	-	8.1
Shares bought back	29, 31	(7.8)	-	(14.6)	(22.4)	-	(22.4)
Dividends paid	32	-	-	(34.2)	(34.2)	-	(34.2)
As at 30 June 2022		119.3	(5.2)	179.1	293.2	-	293.2

Statement of Changes in Equity
For the financial year ended 30 June 2023

(Continued from previous page)

Cuscal

30 June 2023	Notes	Issued capital $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2022		**119.3**	**(5.2)**	**178.8**	**292.9**	**-**	**292.9**
Total comprehensive income		**-**	**7.4**	**28.5**	**35.9**	**-**	**35.9**
Dividends paid	32	**-**	**-**	**(11.4)**	**(11.4)**	**-**	**(11.4)**
As at 30 June 2023		**119.3**	**2.2**	**195.9**	**317.4**	**-**	**317.4**

30 June 2022	Notes	Issued capital $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
As at 1 July 2021		127.1	10.1	204.1	341.3	-	341.3
Total comprehensive income		-	(15.3)	23.5	8.2	-	8.2
Share bought back	29, 31	(7.8)	-	(14.6)	(22.4)	-	(22.4)
Dividends paid	32	-	-	(34.2)	(34.2)	-	(34.2)
As at 30 June 2022		119.3	(5.2)	178.8	292.9	-	292.9

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

Cash Flow Statement
For the financial year ended 30 June 2023

Cuscal Limited and its controlled entities

	Notes	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
Fees, commissions and other income received		**295.0**	229.7	**294.0**	229.6
Fees & commissions paid		**(76.9)**	(63.1)	**(76.3)**	(62.1)
Payments to other suppliers and employees		**(192.5)**	(144.2)	**(190.7)**	(144.4)
Interest received		**85.4**	19.1	**84.1**	16.6
Interest paid		**(61.1)**	(6.3)	**(60.2)**	(4.6)
Dividends received	6	**-**	-	**-**	0.1
Net income tax paid, net of research and development incentives		**(8.5)**	(44.4)	**(8.5)**	(44.4)
Net (increase) / decrease in loans		**(2.2)**	0.5	**(2.2)**	0.5
Net proceeds from / (payments to) settlement market participants		**59.5**	(6.0)	**59.5**	(6.0)
Net proceeds from investment securities		**263.2**	230.4	**263.2**	230.4
Net (repayments) / proceeds of repurchase agreements		**(400.1)**	256.4	**(400.1)**	256.4
Net proceeds / (repayments) of discount securities issued		**0.5**	(5.5)	**0.5**	(5.5)
Net proceeds of deposits		**97.0**	358.8	**97.0**	358.8
Net payments to prepaid cardholders		**(1.6)**	(29.5)	**(1.6)**	(29.5)
Net cash provided by operating activities	**36**	**57.7**	795.9	**58.7**	795.9
Repayment or sale of loans by the Securitisation Trust		**61.7**	18.8	**-**	-
Payment for acquisition of subsidiary, net of cash acquired	3	**(53.3)**	-	**-**	-
Investments in other entities		**(4.0)**	-	**(65.8)**	-
Payment for intangible assets		**(9.4)**	(23.5)	**(8.3)**	(23.5)
Proceeds on sale of ATMs		**-**	1.5	**-**	1.5
Cash settlement with controlled entities		**-**	-	**0.3**	0.1
Payment for property, plant & equipment		**(0.3)**	(2.6)	**(0.3)**	(2.6)
Net cash used in investing activities		**(5.3)**	(5.8)	**(74.1)**	(24.5)
Repayment of borrowings by the Securitisation Trust		**(64.2)**	(19.0)	**-**	-
Dividends paid (including dividend component of share buy back activities)	31,32	**(11.4)**	(48.8)	**(11.4)**	(48.8)
Shares bought back (excluding dividend component)	29	**-**	(7.8)	**-**	(7.8)
Cash payments for funding principal portion of lease liability		**(4.7)**	(4.6)	**(4.6)**	(4.6)
Net cash used in financing activities		**(80.3)**	(80.2)	**(16.0)**	(61.2)

Cash Flow Statement
For the financial year ended 30 June 2023

(Continued from previous page)

Cuscal Limited and its controlled entities

	Notes	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
Net (decrease) / increase in cash		**(27.9)**	709.9	**(31.4)**	710.2
Cash at the beginning of the financial year		**1,644.8**	934.9	**1,641.9**	931.7
Cash at the end of the financial year	**11**	**1,616.9**	1,644.8	**1,610.5**	1,641.9
Cash at the end of the financial year comprises:					
Cash and cash equivalents	11	**1,616.9**	1,664.4	**1,610.5**	1,661.5
Cash overdrafts (Payables due from Financial Institutions)	23	**-**	(19.6)	**-**	(19.6)
Cash at the end of the financial year		**1,616.9**	1,644.8	**1,610.5**	1,641.9

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

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

Notes to the Financial Statements

For the financial year ended 30 June 2023

Note 1 – Accounting Policies

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

Statement of Compliance

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

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

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

The financial statements were approved by the directors on 25 August 2023.

Basis of preparation

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

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

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

The accounting policies adopted in the preparation of this financial statements are consistent with those adopted and disclosed in the Consolidated Entity's annual financial report for the year ended 30 June 2022. Changes to the Consolidated Entity's key accounting policies during the year are described in this report in the section titled 'New Australian Accounting Standards and amendments to Accounting Standards that are effective in the current year', in Note 1.

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

- The fair value of net assets acquired and resulting goodwill as a result of the acquisition of Braavos Group, presented in Note 3;
- The method of measurement of Non-controlling Interest presented in Note 3;
- The accounting treatment of the cloud computing arrangement presented in Note 17;
- The recognition of deferred tax assets and liabilities presented in Note 19;
- The fair value of the put option liability presented in Note 27;
- The calculation of provisions presented in Note 28;
- The carrying value of financial instruments presented in Note 39;
- The fair value at grant date of Share Options issued and other key assumptions as presented in Note 35;

Note 1 – Accounting policies, continued

- The discount rates used in the calculation of lease liabilities in Note 27; and
- The assumptions used in the calculation of the ECL in Note 13.

Foreign currency

Foreign currency transactions

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

All exchange differences are recognised in profit or loss.

Foreign operations

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

Functional and Presentation Currency

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

Comparative amounts

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

Principles of consolidation

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

Control is achieved when Cuscal:

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

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

Control is lost when:

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

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

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

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

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

When a parent's ownership interest changes in a subsidiary that 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 subsidiaries are shown separately in the Consolidated Income Statement, Statement of Other Comprehensive

Income and Consolidated Statement of Financial Position and are determined on the basis of the Consolidated Entity's present ownership in the entity.

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

Note 1 – Accounting policies, continued

Business combinations

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

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

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

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

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. Please refer to Note 2.

Income Statement

Interest Income and expense

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

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

Fees and Commissions

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

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

Note 1 – Accounting policies, continued

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

Direct 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 direct fees and commission expenses relate to the processing of financial transactions for clients.

Dividend Income

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

Distribution Income

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

Operating Expenses

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

Software-as-a-Service (SaaS) arrangements

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

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

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

Taxation

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

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

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

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

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

Goods and services tax

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

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

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

Note 1 – Accounting policies, continued

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

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.

Assets and Liabilities

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.

Financial assets and financial liabilities

Financial Assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial assets at amortised cost

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

The Consolidated Entity financial assets held at amortised costs include receivables due from FI's and Loans to Securitisation Trust.

Fair value through other comprehensive income (FVOCI)

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

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

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

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and unlisted equity investments which the Consolidated

Entity had not irrevocably elected to classify at fair value through OCI. Dividends on unlisted investments are recognised in other income in the Statement of Profit or Loss when the right of payment has been established.

Note 1 – Accounting policies, continued

Derecognition

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

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

Impairment

Disclosures relating to impairment of financial assets are provided in Note 22.

The Consolidated Entity recognises an allowance for expected credit losses ("ECL's") for all debt instruments not held at fair value through profit or loss. The parent entity recognises an ECL for intercompany loans held at amortised cost. Refer "Expected Credit Losses" section below for further information on ECL methodology.

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

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

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

Note 1 – Accounting policies, continued

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

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

Derecognition

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

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.

Investment Securities

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

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

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

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.

Note 1 – Accounting policies, continued

Securitisation Trust Loans and Borrowings

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

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

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

Derivative Instruments

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

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

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

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.

Investments in other entities

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

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

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

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

Acquisitions

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

Depreciation

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

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

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

Useful lives	2023	2022
Plant and equipment	3-5 years	3-5 years
Leasehold improvements	10 years	10 years

Right-of-use ("ROU") assets

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

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

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

Note 1 – Accounting policies, continued

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.

Intangible Assets

Intangible assets acquired separately

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

Internally generated intangible assets

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.
- The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. The costs of external consultants engaged to develop the intangible asset or to modify purchased intangibles such as software, internal labour costs directly related to the project and project management costs directly related to the intangible asset are included.

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

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

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

Classes of intangible assets

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 2-8 years. Ongoing expenditure will be incurred to maintain the functional capabilities of the assets in line with current technology. These amounts include Braavos assets recognised on acquisition and capitalised subsequently.
- Software: Software assets are amortised over a useful life of 3-5 years.
- Investment in Australian Plus Payments Ltd ("AP+"): AP+ brings together the three domestic payment organisations BPay, Eftpos and NPPA into one integrated entity. Cuscal's investment

  was formerly in New Payments Platform Australia Ltd ("NPPA") however was converted into a share investment in AP+ during the 2022 financial year. Cuscal's investment in the entity is through a share capital subscription. This subscription is akin to a perpetual licence to access the NPP network, as such is being amortised as an intangible asset over a useful life of 10 years.
- Goodwill: Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any. Goodwill is the Consolidated Entity's only indefinite life intangible asset.

Note 1 – Accounting policies, continued

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.

Client Deposits

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

Securities sold under agreement to repurchase

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

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.

Other liabilities

(i) Accounts payable and other liabilities

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

(ii) Lease liabilities

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

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

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

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

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

Deferred tax assets and liabilities

Deferred tax is accounted for using the comprehensive Balance Sheet liability method in respect of temporary differences arising from

differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

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

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

Note 1 – Accounting policies, continued

Provisions

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

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

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

Employee benefits

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

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

Equity

Shareholders' Equity

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

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.

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.

Employee share option reserve

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

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

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

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

If the non-vesting condition is within the control of the 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 is treated as if they were a modification.

Note 1 – Accounting policies, continued

Non-controlling interests

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

Other notes

Expected Credit Losses

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

An ECL is required to be recognised on following items:

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

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

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

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

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

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

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

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

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

Note 1 – Accounting policies, continued

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 2025
AASB 2022-5 Amendments to AASs – Lease Liability in a Sale and Leaseback	1 January 2024	30 June 2024
AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current	1 January 2024	30 June 2024

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

Other new accounting standards adopted in the current year

The Group has chosen to implement AASB 8 Operating Segments in the current year. Segment analysis has been presented in Note 2 'Segment Reporting' for both the current and comparable financial year.

Note 2 – Segment Reporting

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

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

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

The 'Corporate' segment, which is not considered a reportable operating segment of the Group in line with *AASB 8 Operating Segments*, is used to reconcile the total segment results back to the consolidated Group results. It consists of:

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

Segment information for the reporting period is as follows:

Consolidated – 30 June 2023	Payments $m	All Other Segments[(i)] $m	Total $m
Revenue			
Net fee & commission revenue	**221.0**	**(0.2)**	**220.8**
Net interest income	**22.0**	**0.5**	**22.5**
Other operating (loss) / income	**(0.1)**	**(2.4)**	**(2.5)**
Total net operating income	**242.9**	**(2.1)**	**240.8**
Operating expenses	**(195.2)**	**-**	**(195.2)**
Adjusted EBITDA [(ii)]	**47.7**	**(2.1)**	**45.6**
Depreciation and amortisation	**(8.2)**	**-**	**(8.2)**
Profit before income tax	**39.5**	**(2.1)**	**37.4**
Income tax expense	**(12.2)**	**0.6**	**(11.6)**
Profit after tax	**27.3**	**(1.5)**	**25.8**
Add: Loss attributable to non-controlling interests	**0.3**	**-**	**0.3**
Consolidated Profit attributable to the owners of Cuscal	**27.6**	**(1.5)**	**26.1**

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

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

Note 2 – Segment Reporting, continued

Consolidated – 30 June 2022	Payments $m	All Other Segments[i] $m	Total $m
Revenue			
Net fee & commission revenue	**175.3**	**(0.3)**	**175.0**
Net interest income	**6.5**	**0.8**	**7.3**
Other operating (loss) / income	**-**	**0.1**	**0.1**
Total net operating income	**181.8**	**0.6**	**182.4**
Operating expenses	**(146.3)**	**(0.1)**	**(146.4)**
Adjusted EBITDA	**35.5**	**0.5**	**36.0**
Depreciation and amortisation	**(3.0)**	**-**	**(3.0)**
Profit before income tax	**32.5**	**0.5**	**33.0**
Income tax expense	**(9.5)**	**(0.1)**	**(9.6)**
Profit after tax	**23.0**	**0.4**	**23.4**
Add: Loss attributable to non-controlling interests	**-**	**-**	**-**
Consolidated Profit attributable to the owners of Cuscal	**23.0**	**0.4**	**23.4**

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

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

Note 3 – Acquisitions during the year

Acquisition of Braavos Corporation Pty Limited ('Braavos Group')

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

The 'Basiq' brand is recognised as a leading provider of Open Banking API solutions in Australia with a strong, proven and scalable platform. The Basiq acquisition is a highly strategic investment for the Cuscal Group, with the potential to materially expand our relevance and scale across payments and regulated data services and fast track our maturity in enabling the open data economy.

A loan facility was provided by Cuscal Limited to Cuscal Payments Holdings Limited for $60 million, which was fully drawn down to fund this transaction, the detail of which can be seen in Note 14.

Total purchase consideration was $55.1m and was settled in cash, with no deferred or contingent consideration. Acquisition-related costs of $2.5m are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, as part of 'Other' Operating Expenses.

The acquisition agreement includes performance based put/call options, which, if exercised, will increase Cuscal's future ownership of the Braavos Group up to 97% (incorporating employee share option arrangements in place) in exchange for cash returns. The accounting for this is fully explained in Note 27. It is noted that this arrangement does not classify as contingent consideration and has been accounted for separately.

Note 3 – Acquisitions during the year, continued

As the acquisition date was close to the financial year end, the purchase price allocation (PPA) is incomplete as at the date of this report. Therefore, the fair value assessment of assets, liabilities, equity interests and items of consideration of the acquired entities has not been finalised, and the amounts recognised for these on acquisition are therefore provisional. The recognition amounts are currently at the provisional value as at the acquisition date. In line with AASB 3, management will ensure the fair value assessment is completed within the measurement period of no more than 12 months subsequent to the acquisition date, and the values will be adjusted accordingly. This assessment is expected to primarily relate to the intangible assets acquired.

The provisional assets and liabilities recognised as a result of the acquisition are as follows:

	$m
Cash and cash equivalents	1.8
Intangible assets	7.6
Property, plant and equipment and right-of-use assets	1.6
Other assets	0.9
Employment benefits (Provisions)	(0.7)
Sundry creditors and accrued expenses (Other liabilities)	(1.1)
Lease liability (Other liabilities)	(1.2)
Net identifiable assets acquired	**8.9**
Less: non-controlling interests	(2.4)
Add: goodwill	48.6
Total consideration	**55.1**

The goodwill of $48.6 million is attributable to the potential for the Basiq solution (trading name of 'Braavos’) to materially expand Cuscal’s relevance and scale across payments and regulated data services and fast track our maturity in enabling the open data economy.

None of the goodwill is expected to be deductible for tax purposes.

The Consolidated Entity has chosen to recognise the non-controlling interest at its proportionate share of the acquired entity’s net identifiable assets. See Note 1 for the Consolidated Entity’s accounting policies for business combinations.

The acquisition date fair value of the trade receivables amounts to $0.2 million, with no related allowance for expected credit losses recognised.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the unfavourable terms of the lease relative to market terms.

From the date of acquisition, Braavos Group has contributed $0.8 million of income and $2.0m of expenses to the Net Profit Before Tax of the Group. If the acquisition had taken place at the beginning of the year, Braavos Group would have contributed $4.2 million of income and $7.2 million of expenses.

Notes to the Statement of Profit and Loss

Note 4 – Net Fee & Commission Revenue

	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
Gross Fee & Commission revenue				
Transactional product related revenue(i)	**286.2**	224.9	**285.4**	224.9
Project revenue	**10.9**	6.9	**10.9**	6.9
Treasury and securitisation revenue	**0.1**	0.3	**0.1**	0.2
Total Gross Fee & Commission revenue	**297.2**	232.1	**296.4**	232.0
Direct Fee & Commission expense				
Transactional product related direct expenses(ii)	**(76.1)**	(56.5)	**(76.1)**	(56.6)
Treasury and securitisation direct expenses	**(0.3)**	(0.6)	**(0.1)**	(0.1)
Total Direct Fee & Commission expense	**(76.4)**	(57.1)	**(76.2)**	(56.7)
Net Fee & Commission revenue	**220.8**	175.0	**220.2**	175.3
Analysis of Gross Fee & Commission revenue				
Recognised at a point in time(iii)	**288.9**	230.4	**288.1**	230.3
Recognised over time	**8.3**	1.7	**8.3**	1.7
Total Gross Fee & Commission revenue	**297.2**	232.1	**296.4**	232.0

(i) Transactional product related revenue includes transactional volume fees, fixed monthly fees and Payment and other Scheme related revenue, including any volume related incentives provided by payment schemes.
(ii) Transactional product related direct expenses include Payment Scheme fees and other direct processing costs.
(iii) Includes transactional volume fees recognised at the time of transaction processing.

Note 5 – Net interest Income

	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
Interest income				
Cash and receivable due from financial institutions	**42.5**	0.8	**42.5**	0.8
Investment securities	**44.0**	11.5	**44.0**	11.5
Loans	**0.6**	0.3	**1.9**	0.3
Loans in Securitisation Trust	**2.6**	2.5	**-**	-
Total interest income	**89.7**	15.1	**88.4**	12.6
Interest expense				
Payables due to financial institutions	**(0.2)**	-	**(0.2)**	
Client deposits	**(63.2)**	(5.3)	**(63.2)**	(5.3)
Discount securities	**(0.2)**	-	**(0.2)**	-
Repurchase agreements	**(0.6)**	(0.3)	**(0.7)**	(0.3)
Borrowings by Securitisation Trust	**(2.3)**	(1.7)	**-**	-
Lease liabilities	**(0.4)**	(0.5)	**(0.4)**	(0.5)
Put option liability	**(0.3)**	-	**-**	-
Total interest expense	**(67.2)**	(7.8)	**(64.7)**	(6.1)
Net interest income	**22.5**	7.3	**23.7**	6.5
Analysis of Interest Income by category of financial assets				
At amortised cost	**45.7**	3.6	**44.4**	1.1
At fair value through other comprehensive income	**44.0**	11.5	**44.0**	11.5
	89.7	15.1	**88.4**	12.6
Analysis of Interest Expense by category of financial liabilities				
At amortised cost	**(66.8)**	(7.3)	**(64.3)**	(5.6)
Lease interest	**(0.4)**	(0.5)	**(0.4)**	(0.5)
	(67.2)	(7.8)	**(64.7)**	(6.1)

Note 6 – Other operating income / (loss)

	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
(Loss) / Gain on revaluation on Investments in Other Entities	**(2.4)**	0.1	**(2.4)**	0.1
Securitisation Trust distributions	**-**	-	**0.2**	0.3
Dividends received – related parties	**-**	-	**-**	0.1
Foreign exchange losses	**(0.1)**	-	**(0.1)**	-
Total other operating (loss) / income	**(2.5)**	0.1	**(2.3)**	0.5

Note 7 – Operating expenses

	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
Employee benefits expense				
Salary and salary related costs	**104.5**	85.1	**103.3**	85.1
Employee share option expense	**0.1**	-	**-**	-
Other employee benefits expense	**3.2**	3.0	**3.2**	3.0
Total employee benefits expense	**107.8**	88.1	**106.5**	88.1
Occupancy expenses				
Depreciation: right-of-use premises assets	**4.2**	4.4	**4.2**	4.4
Other occupancy expenses	**0.2**	0.1	**0.1**	0.1
Total occupancy expenses	**4.4**	4.5	**4.3**	4.5
Depreciation and Amortisation				
Depreciation: computer equipment and software	**1.1**	1.1	**1.1**	1.1
Amortisation of intangible assets(i)	**7.1**	1.9	**6.8**	1.9
Total depreciation and amortisation	**8.2**	3.0	**7.9**	3.0
Non-salary technology expenses				
Communication	**4.1**	4.6	**4.1**	4.6
Repairs and maintenance	**12.4**	10.0	**12.4**	10.0
Software license and access fees	**9.7**	5.3	**9.7**	5.3
Outsourced Services	**24.4**	10.1	**24.4**	10.1
Other non-salary technology expenses	**6.7**	4.5	**6.4**	4.5
Total non-salary technology expenses	**57.3**	34.5	**57.0**	34.5
Other expenses				
Audit fees	**0.7**	0.7	**0.6**	0.7
Consulting	**11.7**	7.1	**11.8**	7.1
Travel, conferences and related expenses	**1.1**	0.3	**1.0**	0.3
Legal and insurance	**5.7**	4.3	**5.7**	4.3
Taxes	**0.8**	0.7	**0.8**	0.7
Marketing	**1.0**	0.8	**1.0**	0.8
Internal audit services	**0.9**	0.8	**0.9**	0.8
Acquisition costs	**2.5**	-	**2.5**	-
Other	**1.3**	4.6	**1.1**	4.4
Total other expenses	**25.7**	19.3	**25.4**	19.1
Total operating expenses	**203.4**	149.4	**201.1**	149.2

(i) Amortisation of intangible assets includes a net $0.7 million credit relating to R&D expenditure for prior periods (June 2022: $0.9 million).

Note 8 – Income tax expense

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

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Income tax expense comprises:				
Current income tax charge	**10.4**	6.2	**10.8**	6.2
Adjustments in respect of current income tax of previous years	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Relating to origination and reversal of temporary differences	**1.3**	3.5	**1.3**	3.5
Income tax expense reported in income statement	**11.6**	9.6	**12.0**	9.6
Reconciliation of income tax expense at the Consolidated Entity's effective income tax rate is as follows:				
Group operating profit before income tax expense	**37.4**	33.0	**40.5**	33.1
Income tax expense at 30% thereon	**11.2**	9.9	**12.0**	9.9
Non-deductible expenses	**0.1**	-	**0.1**	-
Group losses not recognised – controlling interests	**0.3**	-	**-**	-
Group losses not recognised – non-controlling interests	**0.1**	-	**-**	-
Non-taxable income	**(0.1)**	(0.3)	**(0.1)**	(0.3)
Income tax expense	**11.6**	9.6	**12.0**	9.6

The Group has $8.9m of unused accumulated tax losses in which no DTA has been recognised (2022: $Nil). These relate to losses acquired on acquisition of the Braavos Group for which no DTA was recognised.

Note 9 – Key management personnel remuneration

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

	Consolidated 2023 $'000	2022 $'000	Cuscal 2023 $'000	2022 $'000
Short-term employee benefits	**6,357**	5,899	**6,357**	5,899
Post-employment benefits	**138**	83	**138**	83
Other long-term employee benefits	**482**	187	**482**	187
Total key management remuneration	**6,977**	6,169	**6,977**	6,169

Note 9 – Key management personnel remuneration, continued

The following table lists the remuneration bands for Cuscal's Executives, including the Managing Director, for the year ended 30 June 2023.

	2023 Number of executives Incl-STI(i)	2022 Number of executives Incl-STI(i)
Up to $299,999	**1**	1
$300,000 to $500,000	**1**	3
$500,001 to $700,000	**3**	2
More than $700,000	**3**	2
Total key management remuneration	**8**	8

(i) STI = short term incentives

Note 10 – Remuneration of auditors

	Consolidated 2023 $'000	Consolidated 2022 $'000	Cuscal 2023 $'000	Cuscal 2022 $'000
Fees to Ernst & Young (Australia)				
Fees for auditing the statutory financial report of the parent covering the Group and any controlled entities and assurance services required by legislation (AFSL, APRA)	**686**	619	**686**	619
Fees for other non-audit services, as follows:				
- Tax compliance services	**186**	60	**186**	60
- Other non-audit services	**531**	49	**531**	49
Total remuneration of auditors	**1,403**	728	**1,403**	728

Ernst and Young were appointed as the auditor of Cuscal Limited effective 14 October 2020. It is the Group's policy to employ EY on assignments in addition to its statutory audit duties where EY's expertise and experience with the Group are important. These assignments are principally regulatory audits, procedures performed as part of completing the statutory audit, or where EY is awarded assignments on a competitive basis. During 2023, the Group engaged EY to provide statutory audit services, tax compliance services, independent accountant review services and remuneration review services.

The Board Audit Committee have procedures in place to review, oversee and approve non-audit services to ensure the required independence is maintained.

The Directors are satisfied that the provision of non-audit services during the year, by the auditor, is compatible with the general standard of the independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 10 do not compromise the external auditor's independence for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and

Note 10 – Remuneration of auditors, continued

- None of the services undermine the general principles relating to auditors independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Notes to the Statement of Financial Position

Note 11 – Cash and cash equivalents

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Cash at Reserve Bank	**1,513.4**	1,590.2	**1,513.7**	1,590.2
Cash at Bank	**103.4**	71.3	**96.8**	71.3
Cash held in the Securitisation Trust(i)	**0.1**	2.9	**-**	-
Total cash	**1,616.9**	1,664.4	**1,610.5**	1,661.5

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

Note 12 – Receivables due from financial institutions

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
At amortised cost:				
Prepaid cardholder balances(i)	**4.2**	5.8	**4.2**	5.8
Other amounts due from other financial institutions	**66.1**	18.3	**66.1**	18.3
Total receivables due from financial institutions	**70.3**	24.1	**70.3**	24.1

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

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

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

Note 13 – Investment Securities

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
At fair value through other comprehensive income:				
Negotiable certificates of deposit	**-**	53.9	**-**	53.9
Medium term floating rate notes	**1,062.3**	1,142.2	**1,062.3**	1,142.2
Other bonds	**118.7**	233.3	**118.7**	233.3
Total investment securities	**1,181.0**	1,429.4	**1,181.0**	1,429.4
Cuscal group has determined the following risk concentrations:				
With Banks, Mutual Banks and Credit Union issuers	**1,062.3**	1,227.0	**1,062.3**	1,227.0
With Australian government, semi-government and supranational issuers	**118.7**	202.4	**118.7**	202.4
Total investment securities excluding ECL	**1,181.0**	1,429.4	**1,181.0**	1,429.4

Investment securities expected to mature within 12 months of the balance date are $336.9 million (2022: $406.9 million).

In 2022 financial year, $430.1 million of investment securities were pledged to the Reserve Bank of Australia as collateral for the liability for Securities sold under agreement to repurchase in Note 25.

Note 14 – Loans

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Loans (secured)				
At amortised cost:				
Overdrafts	**2.4**	-	**2.4**	-
Term loans – Other – Principal	**-**	0.2	**63.5**	0.2
Term loans – Other – allowance for expected credit losses	**-**	-	**(0.1)**	-
Total loans	**2.4**	0.2	**65.8**	0.2
The Consolidated Entity has determined the following risk concentrations:				
Loans to credit unions and mutual banks	**2.4**	-	**2.4**	-
Loans to other organisations	**-**	0.2	**-**	0.2
Loans to related entities	**-**	-	**63.4**	-
Total loans	**2.4**	0.2	**65.8**	0.2

Note 14 – Loans, continued

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Maximum loan credit exposure – Committed Facilities (including drawn amounts detailed above)				
To credit unions and mutual banks				
Overdrafts	**178.5**	178.1	**178.5**	178.1
Other organisations				
Overdrafts	**0.1**	5.1	**0.1**	5.1
Term Loans	**-**	0.4	**-**	0.4
Related entities				
Term loans	**-**	-	**71.6**	-
Total committed facilities	**178.6**	183.6	**250.2**	183.6
Unutilised loan credit exposure – Committed Facilities				
To credit unions and mutual banks				
Overdrafts	**176.1**	178.1	**176.1**	178.1
Other organisations				
Overdrafts	**0.1**	5.1	**0.1**	5.1
Term Loans	**-**	0.2	**-**	0.2
Related entities				
Term loans	**-**	-	**8.1**	-
Total unutilised facilities	**176.2**	183.4	**184.3**	183.4

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

Of the total committed facilities held with clients at June 2023, $177.9m is secured by security deposits (2022: $177.9m).

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

Loans to related parties

On 27 March 2023, Cuscal Limited provided a total facility limit to Cuscal Payment Holdings Limited (subsidiary of Cuscal Limited) for $60 million, which was fully drawn down from that date. As at 30 June 2023, $1.5 million in interest has accrued on the loan. This loan eliminates on a consolidated basis.

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

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

Please refer to Note 45 for a detailed movement schedule of the related party loan balances as well as interest charged during the period since the loan agreement date.

Note 15 – Securitisation Trust loans and borrowings

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Loans by the Securitisation Trust				
At amortised cost:				
Residential mortgages – Integrity Series 2014-1	**0.7**	62.4	-	-
Total loans by the Securitisation Trust	**0.7**	62.4	**-**	-
Specific and collective provision for impairment				
At balance date the amount of the specific provision for impairment of loans	-	-	-	-

Refer to Note 39 for further information in respect of credit risk and maturities of the Securitisation Trust loans and borrowings.

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Borrowings of the Securitisation Trust				
At amortised cost:				
Secured borrowings – Integrity Series 2014-1	**-**	64.3	-	-
Total borrowings of the Securitisation Trust	**-**	64.3	**-**	-

The Integrity Series 2014-1 Trust

The Integrity Series 2014-1 ('the Trust') was established in April 2014 to hold residential mortgages originated by mutual banks and credit unions. At inception, the Trust was 'closed' to new business and the loan balances held at that time began to decline as either repayments were made on the loans, or the loans themselves were discharged or sold.

During the 2023 year, the Trust sold collectively $47.6 million of these Loans to either the loan originators (i.e. credit unions and mutual bank clients) or another third party. The sale of the loans provided the funds that enabled the Trust to repay the current note holders (i.e. the secured borrowings), as well as the return of the $0.1 million extraordinary expense reserve to Cuscal Limited.

As at 30 June 2023, the remaining balance of unsold loans was $0.7m. The Trust is actively seeking to sell these loans and after the sale is completed, the Trust will be wound up.

Prior to the repayment of the secured borrowings, all borrowings by the Trust were limited in recourse to the assets of the Trust and neither Cuscal nor any of its subsidiaries had any obligation in respect to the repayment of those borrowings, except for the $0.1 million extraordinary expense reserve.

Note 16 – Derivative financial assets

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
At fair value through profit or loss:				
Foreign currency forward contracts	**0.1**	0.7	**0.1**	0.7
Total derivative financial assets	**0.1**	0.7	**0.1**	0.7

No derivative financial assets for the current year are expected to be recovered or are due to be settled within 12 months of the balance date (2022: $0.7m).

Note 17 – Other assets

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Trade Receivables(i)	**5.5**	5.2	**5.1**	5.2
Less: Provision for doubtful debts	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Net trade receivables	**5.4**	5.1	**5.0**	5.1
Prepayments	**18.7**	13.7	**18.7**	13.7
Contract assets	**41.9**	24.6	**41.9**	24.6
Other amounts receivable	**0.9**	0.4	**1.5**	0.8
Receivables due from controlled entities	**-**	-	**-**	0.1
Total other assets	**66.9**	43.8	**67.1**	44.3

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

During the 2022 financial year, Cuscal entered into a SaaS arrangement with a third party service provider. Management performed an accounting assessment of the services provided under this arrangement and concluded:

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

The 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 $5.2 million in relation to this arrangement are included under prepayments (2022: $3.2 million).

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

Note 18 – Equity investments

	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
At fair value through profit or loss:				
Shares in other entities	**4.4**	2.8	**4.4**	2.8
At cost less impairment:				
Shares in subsidiaries (refer Note 44)	**-**	-	**21.4**	21.5
Total Equity investments	**4.4**	2.8	**25.8**	24.3
Shares in other entities				
Balance at beginning of year	**2.8**	2.6	**2.8**	2.6
Revaluation (loss) / gain	**(2.4)**	0.2	**(2.4)**	0.2
New investment in other entities	**4.0**		**4.0**	
Balance at end of financial year	**4.4**	2.8	**4.4**	2.8
Shares in subsidiaries				
Balance at beginning of year	**-**	-	**21.5**	21.5
Repayment of extraordinary expense relating to Integrity Series 2014-1 Trust	**-**	-	**(0.1)**	-
Balance at end of financial year	**-**	-	**21.4**	21.5

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

Shares in other entities

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

During the year Cuscal invested $4.0 million to acquire a 9.96% interest in a Payments technology business. The Group believes that it does not have 'significant influence' over the business as a result of this investment (as defined under AASB 128).

Shares in subsidiaries

Cuscal Payments Holding Limited (a 100% owned subsidiary of Cuscal Limited) acquired a controlling interest in Braavos Corporation Pty Limited on 28 March 2023. The impact of this is eliminated on consolidation.

Detailed information on the impact of the acquisition of Braavos Corporation Pty Limited is presented in Note 3.

A listing of the shares in subsidiaries that Cuscal holds is presented in Note 44.

Note 19 – Deferred tax assets and liabilities

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

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

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

Note 19 – Deferred tax assets and liabilities, continued

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

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

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

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Property, plant and equipment				
At Cost	**15.0**	14.1	**13.5**	13.2
Accumulated depreciation	**(11.3)**	(10.2)	**(10.4)**	(9.3)
Total Property, plant and equipment	**3.7**	3.9	**3.1**	3.9
Right-of-use assets – Property				
At Cost	**22.5**	21.5	**21.5**	21.5
Accumulated depreciation	**(13.0)**	(8.8)	**(13.0)**	(8.8)
Total Right-of-use assets	**9.5**	12.7	**8.5**	12.7
Total Property, plant and equipment and right-of-use assets	**13.2**	16.6	**11.6**	16.6

Property, Plant & Equipment with remaining expected useful lives of less than 12 months after the balance date is $Nil (2022: $0.3 million). All other remaining items of Property, Plant & Equipment have expected useful lives longer than 12 months after the balance date for both current and comparable period.

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Property, plant and equipment				
Carrying value at beginning of year	**3.9**	2.4	**3.9**	2.4
Additions	**0.3**	2.6	**0.3**	2.6
Recognised on acquisition of Braavos	**0.6**	-	**-**	-
Disposals - cost	**-**	(10.1)	**-**	(9.9)
Disposals - accumulated depreciation	**-**	10.1	**-**	9.9
Depreciation	**(1.1)**	(1.1)	**(1.1)**	(1.1)
Balance at end of financial year	**3.7**	3.9	**3.1**	3.9
Right-of-use asset				
Carrying value at beginning of year	**12.7**	18.0	**12.7**	18.0
Additions	**-**	-	**-**	-
Recognised on acquisition of Braavos	**1.0**	-	**-**	-
Lease incentive	**-**	(0.9)	**-**	(0.9)
Depreciation	**(4.2)**	(4.4)	**(4.2)**	(4.4)
Balance at end of financial year	**9.5**	12.7	**8.5**	12.7
Total Property, plant and equipment and right-of-use assets	**13.2**	16.6	**11.6**	16.6

Note 21 – Intangible assets

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Payments Infrastructure				
At cost	**72.9**	83.5	**60.1**	79.2
Accumulated amortisation	**(26.5)**	(43.0)	**(21.9)**	(38.7)
Total Payments Infrastructure	**46.4**	40.5	**38.2**	40.5
Software				
At cost	**1.4**	1.7	**1.4**	1.7
Provision for impairment	**(0.4)**	(0.4)	**(0.4)**	(0.4)
Accumulated amortisation	**(1.0)**	(1.3)	**(1.0)**	(1.3)
Total Software	**-**	-	**-**	-
Investment in Australian Plus Payments Ltd (AP+)				
At cost	**4.0**	4.0	**4.0**	4.0
Accumulated amortisation	**(2.1)**	(1.7)	**(2.1)**	(1.7)
Total Investment in A+	**1.9**	2.3	**1.9**	2.3
Goodwill	**70.2**	21.6	**-**	-
Total Intangible assets	**118.5**	64.4	**40.1**	42.8

Intangible assets with remaining expected useful lives less than 12 months after the balance date is $Nil million (2022: $Nil). Remaining items of Intangible assets have expected useful lives longer than 12 months after the balance date for both current and comparable year.

Changes during the financial year

Cuscal Group acquired a controlling interest in Braavos Corporation Pty Limited on 28 March 2023. On a provisional basis, goodwill of $48.6m was recognised on this transaction, being the excess of the sum of the consideration transferred and the amount of non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The impacts of the acquisition on the acquisition date and subsequent to this can be seen in Note 3.

Changes during the previous financial year

During the previous financial year, Australia's three domestic payment organisations – NPP Australia Limited, BPAY and Eftpos Australia Limited - were bought together into one integrated entity, Australian Payments Plus (AP+). In February 2022, as a consequence of the above merger, Cuscal received preference shares in the new entity in place of its existing preference shares in NPPA Australia Limited. Cuscal treated its existing shares in NPPA as an intangible asset, as the initial amount paid was akin to a license fee that provided access to the New Payments Platform. Cuscal considered the nature of the new shares issued in AP+ and adopted the same accounting treatment as that of the existing NPPA shares. The AP+ shares continue to be treated as an intangible asset with a 10 year useful life and no adjustment has been made to the carrying value or amortisation schedule upon transfer of the investment.

Note 21 – Intangible assets, continued

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Payments Infrastructure				
Carrying value at the beginning of the year	**40.5**	17.8	**40.5**	17.8
Additions	**5.7**	27.5	**4.8**	27.5
Recognised on acquisition of Braavos	**7.6**	-	**-**	-
Disposals - cost	**(23.9)**	(0.6)	**(23.9)**	-
Disposals - accumulated amortisation	**23.9**	0.6	**23.9**	-
Amortisation for the year (i)	**(7.4)**	(4.8)	**(7.1)**	(4.8)
Balance at the end of the year	**46.4**	40.5	**38.2**	40.5
Software				
Carrying value at the beginning of the year	**-**	0.1	**-**	0.1
Disposals - cost	**(0.3)**	(0.3)	**(0.3)**	(0.3)
Disposals - accumulated amortisation	**0.3**	0.3	**0.3**	0.3
Amortisation for the year	**-**	(0.1)	**-**	(0.1)
Balance at the end of the year	**-**	-	**-**	-
Investment in AP+				
Carrying value at the beginning of the year	**2.3**	2.7	**2.3**	2.7
Amortisation for the year	**(0.4)**	(0.4)	**(0.4)**	(0.4)
Balance at the end of the year	**1.9**	2.3	**1.9**	2.3
Goodwill				
Carrying value at the beginning of the year	**21.6**	21.6	**-**	-
Goodwill on Braavos acquisition	**48.6**	-	**-**	-
Total Goodwill	**70.2**	21.6	**-**	-
Total Intangible assets	**118.5**	64.4	**40.1**	42.8

(i) Amortisation of the year has been reduced by $0.3 million R&D concessions claimed during the year (2022: $2.4 million)

Note 22 – Impairment of Intangible assets

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

For the year ended 30 June 2023, the Consolidated Entity divided its activities into the following, with separately identifiable corporate activities:

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

At balance date, all of the Consolidated Entity's net intangible assets including goodwill of $70.2 million (2022: $21.6 million) are allocated to the Payments Cash Generating Unit (hereafter "CGU").

Payments CGU – Process and Assumptions

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

This assessment has been carried out on the following basis:

- It is assumed that the Payments CGU is subject to the same level of prudential regulation as the Australian Prudential Regulation Authority ("APRA") applies to the Consolidated Entity. Accordingly, the returns from the Payments CGU included in the recoverable amount are only after allowing for the maintenance of capital as required under APRA Prudential Standards and applicable internal capital overlays.
- The returns from the Payments CGU are based on the projections for the Payments CGU in the Consolidated Entity's FY24 Corporate Plan and Budget covering the period to 30 June 2028. The FY24 Corporate Plan and Budget was approved by the Cuscal Board on 16 June 2023. The assumptions in the Plan are based on recent past experience adjusted for management expectations for pricing on contract renewals, new contracts and relevant product development. Further, the Plan allows for the level of investment required to ensure the Payments CGU continues to provide high-level functionality to customers.
- The recoverable amount of the Payments CGU has been determined by discounting the net cash flows of the Payments CGU.
- A terminal value growth rate of 3% (2022: 3%) has been applied at the end of the five year period in the FY24 Corporate Plan and Budget.
- The cash flows have been discounted at the Consolidated Entity's weighted average cost of capital ("WACC"), which has been assessed on the basis that the ongoing activities of the Consolidated Entity will be focused on the Payments CGU.

Note 22 – Impairment of Intangible assets, continued

Payments CGU – Process and Assumptions, continued

- Discount rates of 10.0% (High), 9.5% (Mid) and 9.1% (Low) have been applied to the Net Cash Flows (2022: 10.0% High; 9.5% Mid; 9.0% Low). The WACC is that assessed by an independent expert advisor as being the Consolidated Entity's WACC as at March 2023 (2022 was based on independent expert advisor report from November 2020).
- The inputs used in determining the recoverable amount of the Payments CGU are Level 3 inputs under the fair value hierarchy set out in accounting standard AASB 13 Fair Value Measurement.

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

The valuation of the Payments CGU has been stress tested. Firstly, the terminal value growth rate was reduced from 3% to 2% (2021: 3% to 2%). Secondly, the discount rates were increased by approximately 24% to 12.5% (High), 12% (Mid) and 11.5% (Low). Thirdly, the breakeven point where recoverable amount equals the carrying value of the Payments CGU was determined. This point arises when the Net Profit After Tax of the Payments CGU in each of the next 5 years declines by 38% (2022: 40%).

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

Corporate CGU – Process and Assumptions

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

Intangible assets not in use - testing

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

Note 23 – Payables due to financial institutions

	Consolidated		Cuscal	
	2023 $m	2022 $m	2023 $m	2022 $m
At amortised cost:				
Settlement balances due to other financial institutions, unsecured	**187.1**	81.4	**187.1**	81.4
Bank overdrafts	**-**	19.6	**-**	19.6
Total payable due to financial institutions	**187.1**	101.0	**187.1**	101.0

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

Note 24 – Client Deposits

	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
At amortised cost:				
Deposits at call, unsecured	**1,589.0**	1,535.3	**1,589.4**	1,535.5
Security deposits	**879.7**	830.9	**879.7**	830.9
Total deposits	**2,468.7**	2,366.2	**2,469.1**	2,366.4
Concentration				
Banks, credit unions and mutual banks	**1,522.4**	1,527.9	**1,522.4**	1,527.9
Other organisations	**946.3**	838.3	**946.3**	838.3
Related parties	**-**	-	**0.4**	0.2
Total deposits by concentration	**2,468.7**	2,366.2	**2,469.1**	2,366.4

All Client Deposits are expected to mature within 12 months of the balance date, except for $359.5 million, which will mature after 12 months (2022: $256.4 million).

Note 25 – Securities sold under agreement to repurchase

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

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

From September 2022, the Consolidated Entity has met its minimum balance requirement by pledging cash.

At 30 June 2023, no investment Securities have been pledged to the Reserve Bank of Australia as collateral for the liability for Securities sold under agreement to repurchase (2022: $430.1 million).

	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
At amortised cost:				
Repurchase agreements with the Reserve Bank of Australia	**-**	**400.4**	**-**	**400.4**

Note 26 – Discount securities issued

	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
At amortised cost:				
Negotiable certificates of deposit – unsecured	**4.5**	4.0	**4.5**	4.0

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

Note 27 –Other liabilities

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Liability to prepaid cardholders(i)	**4.2**	5.8	**4.2**	5.8
Contract liabilities(ii)	**21.4**	8.1	**21.3**	8.1
Sundry creditors and accrued expenses	**32.3**	33.0	**31.5**	32.5
Lease liabilities	**10.6**	13.7	**9.4**	13.7
Liability for put option on acquisition of Braavos	**16.7**	-	**-**	-
Payable due to related entities	**-**	-	**0.6**	-
Total other liabilities	**85.2**	60.6	**67.0**	60.1

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

In other liabilities, all amounts are expected to be recognised within 12 months of the balance date with the exception of contract liabilities of $15.2 million (2022: $0.2 million), the non-current portion of the lease liability of $4.8 million (2022: $4.2m million) and the put option liability of $16.7 million (2022: $Nil).

Put option liability

As part of the acquisition of a controlling interest in Braavos Corporation Pty Limited on 28 March 2023, Cuscal Payments Holdings Pty Limited entered into a put and call option agreement with the remaining shareholders. The ultimate outcome is that Cuscal Payments Holdings Pty Limited will acquire the 'non-controlled' interest in Braavos Corporation Pty Limited in the future.

The exercise price of the put and call options and the timing of exercising these options are dependent on market conditions and the extent to which the acquired business can meet the performance hurdles stipulated in the Shareholders' Deed.

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

Any subsequent changes in the carrying amount of the put option liability that result from remeasurement will be treated as changes in cash flow estimates and recognised in profit or loss under AASB 9. The remeasurement of the present value of the amount payable upon the exercise of the put option are recognised in the statement of profit or loss.

A further amount of $0.3m has been recorded as interest expense during the year, representing the adjustment to the present value of the initial financial liability (refer Note 5).

Note 27 –Other liabilities, continued

Contract liabilities

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

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Transactional product related revenue	**1.2**	1.7	**1.2**	1.7
Project revenue	**4.2**	5.7	**4.2**	5.7
Total revenue recognised in current reporting period from carried forward contract liabilities	**5.4**	7.4	**5.4**	7.4

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

Note 28 - Provisions

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Employee benefits	**22.8**	20.3	**22.3**	20.3
Other provisions	**7.9**	7.5	**7.8**	7.5
Total provisions	**30.7**	27.8	**30.1**	27.8
Employee Benefits				
Opening balance	**20.3**	17.0	**20.3**	17.0
Additional provisions	**11.4**	14.7	**11.3**	14.7
Recognised on acquisition of Braavos	**0.7**	-	**-**	-
Amounts utilised during the year	**(9.6)**	(11.4)	**(9.3)**	(11.4)
Balance at end of financial year	**22.8**	20.3	**22.3**	20.3
Other provisions				
Opening balance	**7.5**	5.3	**7.5**	5.3
Additional provisions	**1.0**	3.3	**1.3**	3.3
Recognised on acquisition of Braavos	**0.1**	-	**-**	-
Amounts utilised during the year	**(0.7)**	(1.1)	**(1.0)**	(1.1)
Balance at end of financial year	**7.9**	7.5	**7.8**	7.5
Total provisions	**30.7**	27.8	**30.1**	27.8

Provisions expected to be utilised after 12 months of the balance date are $5.9 million (2022: $5.1 million). All other amounts are expected to be recognised and settled within 12 months of the balance date.

Note 29 – Issued capital

Cuscal has 175,356,653 ordinary shares on issue as at 30 June 2023 (2022: 175,356,653). For both periods, each ordinary share is fully paid, carries one voting right and ranks equally for ordinary dividends with all other shareholders.

	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
Issued and fully paid ordinary shares				
Opening balance	**119.3**	127.1	**119.3**	127.1
Less: capital component of shares bought back	**-**	(7.8)	**-**	(7.8)
Total issued capital at end of financial year	**119.3**	119.3	**119.3**	119.3

Changes in Issued Capital during the previous year

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

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

Note 30 – Reserves

	Consolidated 2023 $m	Consolidated 2022 $m	Cuscal 2023 $m	Cuscal 2022 $m
Capital profits reserve	**0.5**	0.5	**0.5**	0.5
General reserve	**2.0**	2.0	**2.0**	2.0
Fair Value through OCI reserve (debt instruments)	**(2.8)**	(10.2)	**(2.8)**	(10.2)
Reserve for credit losses	**2.5**	2.5	**2.5**	2.5
Put option reserve	**(16.4)**	-	**-**	-
Total reserves	**(14.2)**	(5.2)	**2.2**	(5.2)

Note 30 – Reserves, continued

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Fair Value through OCI reserve				
Balance at beginning of the financial year	**(10.2)**	5.1	**(10.2)**	5.1
Unrealised (loss) / gain on financial instruments recognised in reserve (net of income tax)	**7.2**	(15.3)	**7.2**	(15.3)
ECL impairment reversal on Fair Value through OCI debt instruments taken directly to reserves	**0.2**	-	**0.2**	-
Balance at end of the financial year	**(2.8)**	(10.2)	**(2.8)**	(10.2)
Put option reserve				
Balance at beginning of the financial year	**-**	-	**-**	-
Reserve recognised on acquisition of Braavos Corporation Pty Limited	**(16.4)**	-	**-**	-
Balance at end of the financial year	**(16.4)**	-	**-**	-

Changes in Reserves during the year

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

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

This foreign currency translation reserve is immaterial at 30 June 2023.

The Group has also recognised a put option liability in reserves, in line with the share purchase agreement as part of the Acquisition of the Braavos Group. Please refer to Note 27 which details the impacts of the recognition of the put option liability and the related reserve.

Note 31 – Retained earnings

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Balance at beginning of financial year	**179.1**	204.5	**178.8**	204.2
Profit for the year attributable to the owners of Cuscal	**26.1**	23.4	**28.5**	23.4
Shares bought back dividend component – refer note 29	**-**	(14.6)	**-**	(14.6)
Dividends paid – refer note 32	**(11.4)**	(34.2)	**(11.4)**	(34.2)
Balance at end of financial year	**193.8**	179.1	**195.9**	178.8

Refer to Note 29 and Note 32 for dividends paid as part of Share buy-back in the previous financial year.

Note 32 – Dividends paid

	2023 Cents per Share	2023 Total $m	2022 Cents per Share	2022 Total $m
Dividends paid from retained earnings				
Fully paid ordinary shares				
Dividend component of shares buy-back, franked to 30%	-	-	127.00	14.6
Special dividend, franked to 30%	-	-	13.40	25.0
Final dividend, franked to 30%	**3.00**	**5.3**	2.10	3.9
Interim dividend, franked to 30%	**3.50**	**6.1**	3.00	5.3
Total dividends paid	**6.50**	**11.4**	145.50	48.8
Dividend franking account				
Adjusted franking account balance (tax paid basis)		**69.5**		67.1

Refer to Note 29 and Note 31 for dividends paid as part of the prior year Share buy-back.

Note 33 – Non-Controlling Interests ("NCI")

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

The details of the acquisition are presented in Note 3.

The non-controlling interest of the Braavos Group is currently 18.44%.

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

Braavos Group	29 March 2023 – 30 June 2023 $m
Summarised Statement of Profit & Loss	
Net Operating Income	0.8
Operating Expenses	(2.3)
Tax benefit	-
Loss for the year	(1.5)
Total comprehensive loss	(1.5)
Loss allocated to NCI	(0.3)

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

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

Braavos Group	2023 $m
Summarised Statement of Financial Position	
Total assets	10.3
Total liabilities	(2.8)
Net assets	**7.5**
Accumulated NCI	**2.2**

Note 34 – Leases

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

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

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

Nature of leases

The Consolidated Entity’s leases relate to the following:

- Cuscal’s office premises at 1 Margaret Street, Sydney, NSW, 2000; and
- Braavos Group’s offices at 5 Raglan Street, Manly, NSW, 2095.

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

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

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

Changes during the financial year

As part of the acquisition of the Braavos Group, the Group recognised a lease liability of $1.2 million and a right-of-use asset of $1.1 million. The acquired lease liability and right-of-use asset will be accounted for from the acquisition date in line with the Group’s accounting policies set out in Note 1.

Changes during the previous financial year

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

Note 34 – Leases, continued

In November 2021, management negotiated with the landlord to utilise the unspent remainder of the fit-out component ($1.1 million) as a rent reduction. The agreement has an effective date of 1 January 2022. This resulted in a write-down of the existing right-of-use asset by $0.9 million.

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

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Right-of-use assets				
Buildings	**9.5**	12.7	**8.5**	12.7
Total Right-of-use assets	**9.5**	12.7	**8.5**	12.7
Lease Liabilities				
Current	**4.8**	4.2	**4.5**	4.2
Non-current	**5.8**	9.5	**4.9**	9.5
Total Lease liabilities	**10.6**	13.7	**9.4**	13.7

The only addition to right-of-use assets during the year was $1.0 million (net of accumulated depreciation) as a result of the acquisition of the Braavos Group, as seen in Note 20 (2022: $Nil).

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

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

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Profit and Loss impact relating to Leases				
Depreciation charge on Property lease ROU assets	**4.2**	4.4	**4.2**	4.4
Interest expense on Property Lease liabilities	**0.4**	0.5	**0.4**	0.5
Expense for short term leases	**0.1**	-	**-**	-
Total Profit and Loss impact relating to leases	**4.7**	4.9	**4.6**	4.9

The total cash outflow for leases for the year ending 30 June 2023 was $4.3 million (2022: $4.6 million).

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

Note 35 – Employee share options

As part of the acquisition of a controlling interest in Braavos Corporation Pty Limited (Braavos) on 28 March 2023, in line with AASB 3, the Group has recognised existing employee share options already issued from Braavos as part of the non-controlling interest on acquisition. Employee benefits expenses relating to Braavos 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 $0.9 million.

Note 35 – Employee share options, continued

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

	2023 Average exercise price per share option	2023 Number of Options	2022 Average exercise price per share option	2022 Number of Options
Movement in share options				
As at 1 July	-	-	-	-
Acquired on acquisition of Braavos Corporation Pty Limited	**$0.01**	**65,361**	-	-
Granted subsequent to acquisition	-	-	-	-
Exercised subsequent to acquisition	-	-	-	-
Forfeited subsequent to acquisition	-	-	-	-
As at 30 June	**$0.01**	**65,361**	-	-
Vested and exercisable as at 30 June	**$0.01**	**42,967**	-	-

The weighted average share price per share at the end of the period was $24.45. The number of options exercised during the period subsequent to acquisition was Nil.

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

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

In total, $0.1 million (2022: $Nil) of employee remuneration expense (all of which related to equity settled share-based payment transactions) subsequent to acquisition relating to subsidiary employee share options has been included in non-controlling interests.

Notes to the Cash Flow Statement

Note 36 – Reconciliation of net cash flows from operating activities.

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Consolidated Profit for the year	**25.8**	23.4	**28.5**	23.5
Depreciation expense	**5.3**	5.5	**5.3**	5.5
Amortisation of intangible assets	**7.1**	1.9	**6.8**	1.9
Interest expense on put option liability	**0.3**	-	**-**	-
Loss / (gain) on revaluation on Investments in Other Entities	**2.4**	(0.1)	**2.4**	(0.1)
Increase / (decrease) in income tax provision	**(1.3)**	(41.2)	**(1.3)**	(41.2)
Decrease / (increase in deferred tax items)	**4.5**	(3.1)	**4.5**	(3.1)
Net decrease / (increase) in other assets and liabilities	**24.9**	(71.8)	**87.0**	(71.9)
(Increase) / decrease in loans & advances	**(2.2)**	0.5	**(65.6)**	0.5
(Increase) / decrease in receivables from financial institutions	**(46.2)**	13.3	**(46.2)**	13.3
Increase in payables due to financial institutions	**86.1**	0.4	**86.1**	0.4
Decrease in investment securities	**248.4**	256.2	**248.4**	256.2
(Decrease) / increase in repurchase agreements	**(400.4)**	256.7	**(400.4)**	256.7
Increase / (decrease) in discount securities issued	**0.5**	(5.4)	**0.5**	(5.4)
Increase in client deposits	**102.5**	359.6	**102.7**	359.6
Net cash provided by / (used in) operating activities	**57.7**	795.9	**58.7**	795.9

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

Note 37 – Changes in liabilities from financing activities

Consolidated	Opening Balance $m	Cash flows $m	New leases/other $m	Other $m	Closing balance $m
30 June 2023					
Borrowings of securitisation trust	**64.3**	**(64.3)**	**-**	**-**	**-**
Lease liabilities	**13.7**	**(4.7)**	**1.2**	**0.4**	**10.6**
Other liabilities[(i)]	**-**	**-**	**16.4**	**0.3**	**16.7**
Total liabilities from financing activities	**78.0**	**(69.0)**	**17.6**	**0.7**	**27.3**
30 June 2022					
Borrowings of securitisation trust	83.3	(19.0)	-	-	64.3
Lease liabilities	18.7	(4.6)	-	(0.4)[(ii)]	13.7
Total liabilities from financing activities	102.0	(23.6)	-	(0.4)	78.0

(i) Represents the Put Option liability recognised as part of acquisition of a controlling interest in Braavos Corporation Pty Limited, with interest expense on the option recognised post-acquisition.
(ii) Lease fit-out incentive reduction in lease liability of $0.9 million less interest capitalised on the lease of $0.5 million.

Risk

Note 38 – Capital risk management

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

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

The Consolidated Entity's capital management objectives are:

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

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

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

The Consolidated Entity's Internal Capital Adequacy Assessment Policy ("ICAAP") set by the Board requires Cuscal ADI to maintain a minimum level of capital at the higher of:

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

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

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

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

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

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

Note 39 – Financial risk management

Cuscal Group (All entities other than the Securitisation Trust)

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

Note 39 – Financial risk management, continued

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

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

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

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

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

Securitisation Trust

The Integrity Series 2014-1 Trust (hereafter "the Trust") is a closed term debt issuance structure which has issued Residential Mortgage Backed Securities ("RMBS") Notes to investors via a private placement (refer Notes 13 & 42). The Trust has not entered into any derivative financial transactions.

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

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

Significant accounting policies

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

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

Foreign currency risk management

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

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

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

Note 39 – Financial risk management, continued

Derivative financial instruments

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

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

Market risk

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

- Interest rate risk, the risk of loss due to changes in interest rates, arises from the management of Cuscal's liquidity portfolio. Funds are raised from clients and invested in highly liquid assets. The mismatch between repricing terms for the funds raised and investments in liquid assets gives rise to interest rate risk. Cuscal's sensitivity to interest rate movement is largely immaterial as the majority of assets and liabilities are either short term or in instruments where the interest rate resets every 3 months;

- Specific issuer risk, the risk of loss due to shifts in credit spreads, arises from the investment of funds in assets, that while highly liquid, whose valuation can move relative to general market conditions.

- Foreign exchange risk, the risk of loss due to movements in foreign exchange rates, arises from supply contracts that are denominated in foreign currency. The variance between budgeted and hedge exposures is monitored on a monthly basis;

- Equity price risk, arises from exposure to investment in unconsolidated entities. In each case, the total investment is approved directly by the Board. The details of these equity investments are described in Note 16;

- Commodity price risk, the risk of loss due to movement in commodity prices. Cuscal has no exposure to commodity prices.

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

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

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

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

Note 39 – Financial risk management, continued

Market risk, continued

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

	2023 $m	2022 $m
Consolidated Entity and Cuscal (Parent)		
Increase in yield curve of 50 bps	**(0.6)**	(1.5)
Decrease in yield curve of 50 bps	**0.6**	1.5

At 30 June 2023, Cuscal has a $2.8 million fair value loss held in reserves relating to changes in bond rates on its Investment Securities portfolio (2022: $10.2m). It is anticipated that these securities will be held to maturity, in which this fair value loss will fully wind back to nil upon maturity of the relevant positions.

Credit risk

(a) The Consolidated Entity, excluding the Securitisation Trust

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

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

Each counterparty has an assigned total exposure limit, both individually and as a group. The limit comprises all exposures including settlements, cash, loans, trading securities held and guarantees. In order to assess the credit exposure of the Group'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. The Group relies on collateral security typically in the form of cash security deposits and a right of offset.

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

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

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

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

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

(b) Securitisation Trust

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

Note 39 – Financial risk management, continued

Credit risk, continued

As set out in Note 15, the assets of the Trust have been reduced to $0.7 million of mortgage loans, which the Trust is actively seeking to sell. There are no borrowings remaining in the Trust. The remaining assets of the Trust are funded by undistributed amounts remaining in the Trust.

As at 30 June 2023 there are no arrears on any of the remaining loans, which were originated between 18-20 years ago.

All loans in the Trust are covered by Lenders' Mortgage Insurance ("LMI"). In the event of losses being incurred on Trust loans they are passed in following order:

1. The LMI provider; and
2. If LMI fails, Cuscal as the residual income unit holder, but only to the extent of any amount undistributed by the Trust.

Accordingly, in the event of losses in the Trust and the total failure of LMI cover, the final distribution to Cuscal would be reduced by any shortfall between the sale proceeds on the mortgaged properties and the then value of mortgage loans.

At June 2023, no 'expected credit loss' impairment is carried in respect of the residential mortgages in the Trust (June 2022: $Nil).

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

	Consolidated 2023 %	2022 %
Financial Assets		
Financial Institutions	**96.1**	92.1
Government, Semi-Government and supranationals	**3.9**	6.0
Residential Mortgages	**-**	1.9
Total credit risk concentration	**100.0**	100.0

Note 39 – Financial risk management, continued

Credit risk, continued

Maximum credit risk exposure

	Consolidated 2023 $m	2022 $m
Financial Assets		
Cash and cash equivalents	**1,616.9**	1,664.4
Receivables due from financial institutions	**70.3**	24.1
Derivative financial asset	**0.1**	0.7
Securities	**1,181.0**	1,429.4
Loans	**2.4**	0.2
Loans by the Securitisation Trust	**0.7**	62.4
Total financial assets	**2,871.4**	3,181.2
Off-Balance sheet		
Undrawn facilities	**176.2**	183.4
Total maximum credit risk exposure	**3,047.6**	3,364.6

Liquidity risk

(a) The Consolidated Entity, excluding the Securitisation Trust

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

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

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

(b) Securitisation Trust

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

The Trust is a closed term debt issuance, into which no new loans can be originated. Up to June 2023, the Trust was funded by the issue of Notes to investors backed by a liquidity facility that, subject to the conditions of the facility being met, will provide the Trust with funding should it be necessary.

Note 39 – Financial risk management, continued

Liquidity risk, continued

As set out in Note 15, the assets of the Trust have been reduced to $0.7 million of mortgage loans, which the Trust is actively seeking to sell. There are no borrowings remaining in the Trust. The remaining assets of the Trust are funded by undistributed amounts remaining in the Trust.

(c) Contractual undiscounted cash flows of financial liabilities

Maturity Profiles

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

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

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

Consolidated	At call $m	3 months or less $m	3-12 months $m	1-5 years $m	Over 5 years $m	No maturity specified $m	Total Contractual cash flows $m
30 June 2022							
Payables due to financial institutions	101.0	-	-	-	-	-	101.0
Client deposits	1,394.3	275.4	446.0	256.4	-	-	2,372.1
Securities sold under agreement to repurchase	-	400.3	-	-	-	-	400.3
Discount securities issued	-	4.0	-	-	-	-	4.0
Borrowings of the Securitisation Trust	-	3.9	10.4	51.6	-	-	65.9
Lease liabilities	-	1.1	3.4	9.7	-	-	14.2
Liability to prepaid cardholders	5.8	-	-	-	-	-	5.8
Total undiscounted cash flows	1,501.1	684.7	459.8	317.7	-	-	2,963.3

Note 39 – Financial risk management, continued

Liquidity risk, continued

Cuscal	At call $m	3 months or less $m	3-12 months $m	1-5 years $m	Over 5 years $m	No maturity specified $m	Total Contractual cash flows $m
30 June 2023							
Payables due to financial institutions	**187.1**	**-**	**-**	**-**	**-**	**-**	**187.1**
Client deposits	**1,258.7**	**470.3**	**381.4**	**364.1**	**-**	**-**	**2,474.5**
Discount securities issued	**-**	**4.5**	**-**	**-**	**-**	**-**	**4.5**
Lease liabilities	**-**	**1.2**	**3.6**	**5.0**	**-**	**-**	**9.8**
Liability to prepaid cardholders	**4.2**	**-**	**-**	**-**	**-**	**-**	**4.2**
Total undiscounted cash flows	**1,450.0**	**476.0**	**385.0**	**369.1**	**-**	**-**	**2,680.1**
30 June 2022							
Payables due to financial institutions	101.0	-	-	-	-	-	101.0
Client deposits	1,394.5	275.4	446.0	256.4	-	-	2,372.3
Securities sold under agreement to repurchase	-	400.3	-	-	-	-	400.3
Discount securities issued	-	4.0	-	-	-	-	4.0
Lease liabilities	-	1.1	3.4	9.7	-	-	14.2
Liability to prepaid cardholders	5.8	-	-	-	-	-	5.8
Total undiscounted cash flows	1,501.3	680.8	449.4	266.1	-	-	2,897.6

Cuscal	At call $m	3 months or less $m	3-12 months $m	1-5 years $m	Over 5 years $m	No maturity specified $m	Total Contractual cash flows $m
30 June 2022							
Payables due to financial institutions	101.0	-	-	-	-	-	101.0
Client deposits	1,394.5	275.4	446.0	256.4	-	-	2,372.3
Securities sold under agreement to repurchase	-	400.3	-	-	-	-	400.3
Discount securities issued	-	4.0	-	-	-	-	4.0
Lease liabilities	-	1.1	3.4	9.7	-	-	14.2
Liability to prepaid cardholders	5.8	-	-	-	-	-	5.8
Total undiscounted cash flows	1,501.3	680.8	449.4	266.1	-	-	2,897.6

Note 39 - Financial risk management, continued

Fair value

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

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

Derivative financial assets and liabilities

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

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

Payables due to financial institutions

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

Deposits

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

Discount securities issued

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

Note 39 - Financial risk management, continued

Fair value, continued

Borrowings of the Securitisation Trust

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

Put option liability (in Other Liabilities)

The Group recognises Put Option financial liabilities initially at the present value of the value the Group could be required to pay on the future exercise by holders of the put options. After initial recognition, put option financial liabilities are subsequently measured at amortised cost using the effective interest method. The Group re-estimates put option financial liabilities at the reporting date using the same model applied during initial measurement. The discount rate is however not reset as the liability is held at amortised cost. The adjustment is recognised as income or expense, and movements in the put option liability are ultimately transferred to the Put Option Reserve.

Methods applied in determining fair values of financial assets and liabilities

Level 1 – Reference to published price quotations in active markets

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

Level 2 – Valuation techniques supported by market inputs

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

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

Level 3 – Valuation technique not supported by market inputs

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

Valuation technique used to determine level 3 fair values

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

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

Note 39 - Financial risk management, continued

Fair value, continued

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

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

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

Note 39 - Financial risk management, continued

Fair value, continued

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 30 June 2022 and 30 June 2023.

Consolidated - 30 June 2023	Unlisted equity securities $m	Loans $m	Loans by Sec Trust $m	Put option Liability $m	Total $m
Opening balance 1 July 2021	**2.6**	**0.4**	**81.3**	**-**	**84.3**
Gains / (losses) recognised in other income	**0.2**	**-**	**-**	**-**	**0.2**
Gains / (losses) recognised in interest income / (expense)	**-**	**-**	**2.5**		**2.5**
Repayment of loans	**-**	**(0.2)**	**(21.4)**		**(21.6)**
Closing Balance 30 June 2022	**2.8**	**0.2**	**62.4**	**-**	**65.4**
Recognised on acquisition of Braavos	**-**	**-**	**-**	**(16.4)**	**(16.4)**
New investments in other entities	**4.0**	**-**	**-**		**4.0**
Gains / (losses) recognised in other income	**(2.4)**	**-**	**-**		**(2.4)**
Gains / (losses) recognised in interest income / (expense)	**-**	**-**	**2.6**	**(0.3)**	**2.3**
Repayment of loans	**-**	**(0.2)**	**(16.2)**		**(16.4)**
Disposals	**-**	**-**	**(48.1)**	**-**	**(48.1)**
Closing Balance 30 June 2023	**4.4**	**-**	**0.7**	**(16.7)**	**(11.6)**

Expected Credit Losses ("ECL")

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

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

The approach to ECL is outlined in Note 1.

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

Note 39 - Financial risk management, continued

Fair value, continued

Consolidated	Gross exposure for Financial asset carried at Amortised cost $m	FVOCI $m	Total exposure $m	ECL allowance on Financial assets carried at Amortised cost $m	FVOCI $m	Total ECL allowance
30 June 2023						
Cash	**1,616.9**	**-**	**1,616.9**	**-**	**-**	**-**
Receivables due from FIs	**70.3**	**-**	**70.3**	**-**	**-**	**-**
Investment securities	**-**	**1,181.0**	**1,181.0**	**-**	**0.3**	**0.3**
Loans	**2.4**	**-**	**2.4**	**-**	**-**	**-**
Loans made by the Securitisation Trust	**0.7**	**-**	**0.7**	**-**	**-**	**-**
Other assets (Trade debtors)	**5.5**	**-**	**5.5**	**-**	**-**	**-**
Contract assets	**41.9**	**-**	**41.9**	**-**	**-**	**-**
Undrawn commitments	**176.2**	**-**	**176.2**	**-**	**-**	**-**
Total	**1,913.9**	**1,181.0**	**3,094.9**	**-**	**0.3**	**0.3**
30 June 2022						
Cash	1,664.4	-	1,664.4	-	-	-
Receivables due from FIs	24.1	-	24.1	-	-	-
Investment securities	-	1,429.9	1,429.9	-	0.5	0.5
Loans	0.2	-	0.2	-	-	-
Loans made by the Securitisation Trust	62.4	-	62.4	-	-	-
Other assets (Trade debtors)	5.2	-	5.2	-	-	-
Contract assets	24.6	-	24.6	-	-	-
Undrawn commitments	183.4	-	183.4	-	-	-
Total	1,964.3	1,429.9	3,394.2	-	0.5	0.5

Note 39 - Financial risk management, continued

Fair value, continued

Cuscal	Gross exposure for Financial asset carried at Amortised cost $m	FVOCI $m	Total exposure $m	ECL allowance on Financial assets carried at Amortised cost $m	FVOCI $m	Total ECL allowance
30 June 2023						
Cash	**1,610.5**	**-**	**1,610.5**	**-**	**-**	**-**
Receivables due from FIs	**70.3**	**-**	**70.3**	**-**	**-**	**-**
Investment securities	**-**	**1,181.0**	**1,181.0**	**0.1**	**0.3**	**0.3**
Loans	**65.8**	**-**	**65.8**	**-**	**-**	**-**
Other assets (Trade debtors)	**5.1**	**-**	**5.1**	**-**	**-**	**-**
Contract assets	**41.9**	**-**	**41.9**	**-**	**-**	**-**
Undrawn commitments	**184.3**	**-**	**184.3**	**-**	**-**	**-**
Total	**1,977.9**	**1,181.0**	**3,158.9**	**0.1**	**0.3**	**0.3**
30 June 2022						
Cash	1,661.5	-	1,661.5	-	-	-
Receivables due from FIs	24.1	-	24.1	-	-	-
Investment securities	-	1,429.9	1,429.9	-	0.5	0.5
Loans	0.2	-	0.2	-	-	-
Other assets (Trade debtors)	5.2	-	5.2	-	-	-
Contract assets	24.6	-	24.6	-	-	-
Undrawn commitments	183.3	-	183.3	-	-	-
Total	1,898.9	1,429.9	3,328.8	-	0.5	0.5

Unrecognised Items

Note 40 - Assets pledged as collateral

Securities

At June 2023, there are no repurchase agreements and therefore no investment Securities have been pledged to the Reserve Bank of Australia as collateral for the liability for any Securities sold under agreement to repurchase in Note 25 (2022: $430.1 million).

Note 41 – Commitments and contingencies

Contingent liability - Put Option Guarantee

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

The value of the guarantee would sit with the Parent only (Cuscal) and the value to the Group on consolidation is $Nil.

Note 41 – Commitments and contingencies, continued

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

Commitments

	Consolidated 2023 $m	2022 $m	Cuscal 2023 $m	2022 $m
Commitments				
IT capital expenditure commitments not longer than 1 year	**4.0**	8.0	**4.0**	8.0
Total commitments and contingencies	**4.0**	8.0	**4.0**	8.0

Note 42 - Credit facilities

	Consolidated 2023 $m	2022 $m
(a) Committed financing activities that are available to the Group are as follows:		
i) Bank overdraft	**7.0**	7.0
ii) Within the day accommodation	**100.0**	100.0
iii) Encashment negotiation advice, payroll delivery services, and corporate purchasing card	**193.0**	193.0
iv) Bank guarantee	**4.5**	6.5
v) Overseas bills purchased from credit unions pending clearance of funds	**-**	2.5
vi) Purchasing card facility	**1.0**	1.0
(b) Committed financing facility available to the Securitisation Trust is as follows:		
i) Asset Liquidity	**1.3**	1.3

As at 30 June 2023, $4.4 million (2022: $4.5 million) of the bank guarantee facility was utilised. The remaining credit facilities were unused at balance date.

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

As at 30 June 2023, $Nil of the asset liquidity facility was utilised (2022: $Nil). This facility is only available to the Trust in accordance with the contractual arrangements of the Trust. Neither Cuscal, nor any of its subsidiaries are able to access this facility.

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

As at 30 June 2023, neither Cuscal nor any other part of the Consolidated Entity provided financing facilities to the Trust (2022: $Nil).

Note 43 - Subsequent events

In respect of the financial year ended 30 June 2023, the Directors have determined that a final dividend of 4.0 cents per ordinary share shall be paid to all shareholders registered at 22 September 2023. The final dividend will total $7.0 million. The dividend will be franked to 100% at the 30% corporate income tax rate.

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

Other Information

Note 44 - Particulars in relation to controlled entities

Controlled entities

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

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

	Class of Share	Interest Held 2023 %	2022 %
Parent Entity			
Cuscal Limited			
Controlled entities			
Cuscal Management Pty Limited	Ord	**100**	100
Integris Securitisation Services Pty Limited	Ord	**100**	100
Votraint No. 1451 Pty Limited	Ord	**n/a**	100
Strategic Payments Services Pty Limited ("SPS")	Ord	**100**	100
Integrity Series 2014-1 Trust	Ord	**100**	100
Cuscal Payments Holdings Pty Limited	Ord	**100**	n/a
Braavos Corporation Pty Limited(i)	Ord	**81.56(ii)**	-
Basiq Pty Limited(i)	Ord	**81.56(ii)**	-
Basiq.io D.O.O. (i)	Ord	**81.56(ii)**	-

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

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

The entities listed above are proprietary limited as defined by the Corporations Act 2001. All entities are incorporated and have principal place of business in Australia, apart from one entity in the Braavos Group, Basiq.io D.O.O., which is incorporated in Serbia.

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

Note 44 - Particulars in relation to controlled entities, continued

Changes during the financial year

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

- Votraint No. 1451 Pty Limited was de-registered by ASIC on 20th July 2022. There is no impact to the 2023 Annual Report, given Votraint No. 1451 Pty Limited is a non-trading entity.
- Cuscal Payments Holdings Pty Limited was incorporated on 24 February 2023. The entity was established to hold significant investments that Cuscal may undertake.
- Cuscal Payments Holdings Pty Limited acquired an 81.56% controlling interest (77.25% fully diluted) in Braavos Corporation Pty Limited on 28th March 2023. Braavos Corporation Pty Limited is the parent entity of both Basiq Pty Limited and Basiq.io D.O.O. The impacts of the acquisition on the acquisition date and subsequent to this can be seen in Note 3.

There were no other significant changes to controlled entities during the 2023 financial year and up to the date of this report.

Structured Entities included in the consolidated financial statements

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

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

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

As set out in Notes 15 and 39, during the year all borrowings by the Trust have been repaid and the mortgage loans in the Trust have reduced to $0.7 million. The Trust is actively seeking to sell the remaining loans. After that sale is completed, the Trust will be wound up.

Notwithstanding the substantial reduction in the assets of the Trust and the repayment of its borrowings, the relationships between Cuscal, its subsidiaries and the Trust continues unchanged and are set out in detail in the Integris Securitisation Trust Framework and in the Transaction documents applicable to the Trust. Cuscal and its subsidiaries do not have the ability to amend the documentation governing the Securitisation Trust.

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

Integris has indemnified the Trustee against penalties arising in connection with the Trustee's performance of its duties or exercise of its powers under the Master Origination and Servicing Agreement to the extent of $0.5 million.

Tax Consolidation Group

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

Note 45 - Related party disclosures

(a) Key management personnel

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

(b) Loans to directors

As at 30 June 2023 the outstanding balance of loans to directors was $Nil (2022: $Nil).

Note 45 - Related party disclosures, continued

(c) Directors' interests in contracts

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

(d) Controlled entities

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

Amounts receivable from and payable to controlled entities are disclosed in Note 17 and 27.

(d) Loans to related entities

On 27 March 2023, Cuscal Limited provided a total facility limit to Cuscal Payment Holdings Limited for $60 million, which was fully drawn down from that date. As at 30 June 2023, $1.5 million in interest has accrued on the loan.

On 24 May 2023, Cuscal Limited provided a total facility limit of $11.6 million to Braavos Corporation Pty Limited, of which $2.0 million was drawn down at 30 June 2023. As at 30 June 2023, <$0.1 million in interest has accrued on the loan.

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

The movement in these loan balances and the interest charged are as follows:

	Cuscal Payments Holdings Pty Ltd $m	Braavos Corporation Pty Ltd $m
Loans to related parties		
Balance as at 1 July 2022	**-**	-
Loans advanced	**60.0**	**2.0**
Loan repayments made	**-**	-
Interest charged	**1.5**	**-**
Interest paid	**-**	-
Balance as at 30 June 2023	**61.5**	**2.0**

Cuscal

Note 46 – Earnings per share

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

Weighted average number of ordinary shares outstanding during the year was 175.4 million (2022: 180.1 million). The reduction from the prior financial year is a result of the share buy-back schemes undertaken in December 2021.

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

	Consolidated 2023 Cents	2022 Cents
Earnings per ordinary share ('EPS')		
Basic and diluted earnings per share	**$0.15**	$0.13

Note 47 – Net assets per share

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

	Consolidated 2023 Cents	2022 Cents
Net Assets per ordinary share		
Basic net assets attributable to the owners of Cuscal, per ordinary share at year end	**$1.71**	$1.67

Note 48 – Additional company information

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

Level 2
1 Margaret Street
SYDNEY NSW 2000

The number of employees at 30 June 2023 of the Consolidated Entity is 591 (2022: 447). This includes permanent and fixed term employees and excludes external contractors.

Cuscal

Directors' Declaration

The Directors declare that, in their opinion:

- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- The attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements; and
- The attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the *Corporations Act 2001* (Cth).

On behalf of the Directors

Elizabeth Proust AO Chairman Sydney, 25 August 2023	Craig Kennedy Managing Director

Cuscal

Independent Auditor's Report

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Independent auditor's report to the members of Cuscal Limited

Opinion

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

► The Group consolidated and Company statements of financial position as at 30 June 2023;

► The Group consolidated and Company statements of profit and loss, statements of other comprehensive income, statements of changes in equity and cash flow statements for the year then ended;

► Notes to the financial statements, including a summary of significant accounting policies; and

► The directors' declaration.

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

a. Giving a true and fair view of the Company's and the Group's financial position as at 30 June 2023 and of their financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

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

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

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

Ernst & Young

Andrew Harmer Partner

25 August 2023