ANNUAL REPORT
2016

Cuscal

The complete payments partner

Annual Report 2016

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Highlights in 2015/16

Financial outcomes

✓ NPAT	+25%	$13.3m
✓ ROE	+20%	5.4%
✓ EPS	+15%	7.1 c / share
✓ DPS	held	8.5 c / share

we achieved

- ✓ PCI compliance
- ✓ ATM fleet refresh
- ✓ Data Centre consolidation near complete

we processed & settled

$21bn
EFT value settled

947m
EFT transactions switched

$51bn
BPay & direct entry value settled

243m
BPay and direct entry transactions processed

we launched

- ✓ a card management platform
- ✓ Android Pay

26
Android Pay clients live on 'day one'

we remain

one of twelve founding members of the NPP

with

- ✓ Over 120 clients
- ✓ Over 400 employees

Letter from the Chairman and Managing Director

Annual Report 2016

In 2016 Cuscal again took a leadership role in the changing payments industry. We helped bring innovative new payments technology to Australia and positioned our existing clients to better prepare for the future. We continued our overall strategy for change and growth and returned revenue and underlying profitability in line with expectations.

Over the next year our focus will be preparing our clients for the new world of payments, while focusing on delivering a high degree of accuracy and reliability with our day-to-day operations. The launch of the New Payments Platform (NPP) in late 2017 and the evolving digital and mobile payments landscape will be our top priorities, while continuing to expand and diversify our client base.

Some key highlights for the year were:

New Payments Platform (NPP)

Over the past year we have made good progress on our NPP build and established a leadership position through our white papers, animations, webinars, articles and client workshops. 36 of our clients have now signed up to connect to the NPP through Cuscal.

Launch of Android Pay and enhanced digital offering

28 financial institutions (FIs) went live on Day 1 of Android Pay in Australia and 26 of those connected via Cuscal. Overall, 41 of our clients have committed to connecting to Android Pay via Cuscal and will connect soon.

We updated our full mobile banking app on a quarterly basis, continuing to enhance its functionality for our clients and their customers. We also expanded our API suite and started offering new digital products to our clients through our partnership with Moroku, a Sydney-based developer of mobile banking and payments software.

New clients

Our strategic decision to expand and diversify our traditional financial institution client base saw us sign a series of new clients over the past year, including Square, Adyen, Wirecard and Cash Converters.

Strengthened technology platform

We concluded some major internal technology projects over the past year which have given us a stronger platform for future growth. This included the final stages of the integration of the systems and processes from our acquisition of SPS.

- *PCI compliance*: we became the first Australian FI to be wholly PCI compliant across all of our business, a major achievement which shows the integrity of our systems and processes.
- *Data centre colocation*: we are in the final stages of migrating our original four data centres to two state-of-the art new premises in Sydney, which will enhance the reliability and availability of our data.
- *ATM refresh*: we completed a refresh of hardware and software of our rediATM fleet with full EMV capability, to increase security, reduce liability and improve performance.

Fraud

We've improved performance in fraud over the past year, helping our clients and their customers stay one step ahead of the criminals. We are consistently beating industry benchmarks on fraud detection and prevention and will be enhancing our platform in the year ahead to be ready for the launch of the NPP.

Card Management Platform

We recently launched our card management platform with our initial client; CUA. The platform allows FIs to offer their customers different types of credit cards, including rewards, while owning the end customer relationship and controlling profitability levers.

Industry representation

We continued to represent the needs of our clients at industry level, fighting for greater payment innovation and a level playing field for all. Significant initiatives over the past year have been the EPAL mandates, the RBA's interchange regulation and the NPP.

Enhanced collaboration and communication

Over the past year we held a series of client workshops and webinars on the NPP, mobile payments and debit card optimisation. We've also expanded our regular communication to include client webinars and more thought leadership articles, white papers and newsletters.

Financial performance

The financial year ended June 2016 saw Cuscal's profit increase by 25% to $13.3m (inclusive of a one-off tax benefit of $1.3m). Underlying profit increased 13% to $12.0m (excluding the tax adjustment). The result was driven by strong underlying transaction volume growth as well as organic growth across a diversifying client base.

Board and Leadership Team changes

We welcomed Steve Targett to the Board this year as Peter Evers retired. There were also a few changes to our Leadership Team. Hemant Kogekar joined Cuscal as CIO and Brian Parker took on a new role as GM Emerging Business, which will help us balance the demands of new business while maintaining a high degree of reliability in our day-to-day operations. Adrian Lovney, GM Product & Service, will be leaving in August 2016 to be the CEO of New Payment Platform Australia.

The coming year looks to be another busy and exciting year in payments and we look forward to the challenges ahead with strong positions in all strategic areas of our business.

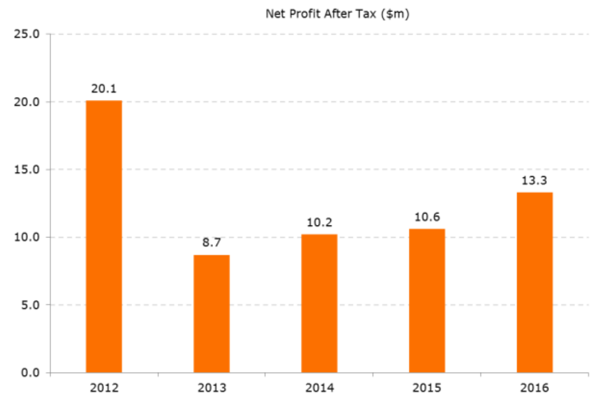
William (Bill) J Conn OAM
Chairman
Sydney, 17 August 2016

Craig N Kennedy
Managing Director

Review of Operations

Overview

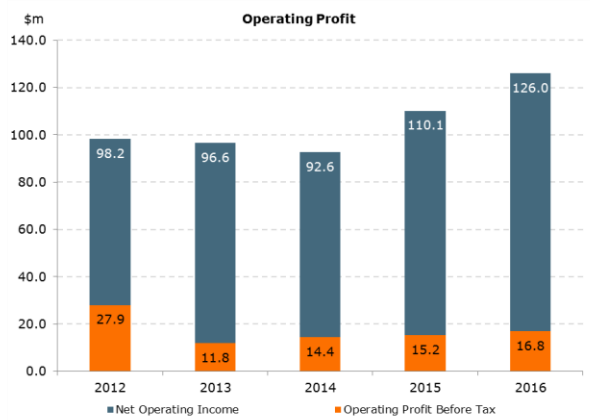
The Net Profit After Tax (NPAT) for the year ended 30 June 2016 of $13.3 million is a 25% improvement on the previous year, inclusive of a $1.3m one-off tax benefit.



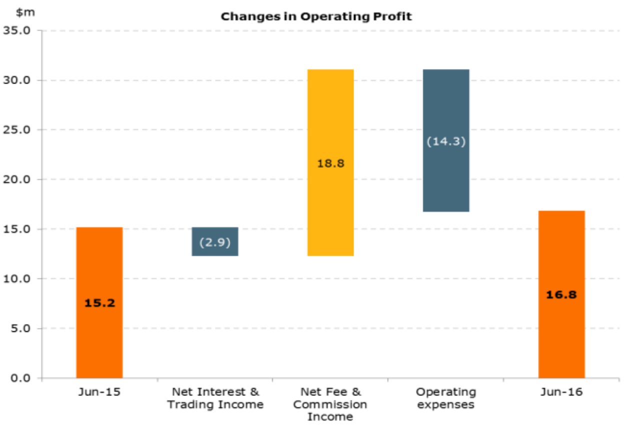
Excluding the tax adjustment, underlying NPAT increased 13% to $12.0m compared to the previous year with the 'payment' business contribution more than offsetting the decline in Wholesale Balance Sheet earnings during the year.

Operating Profit

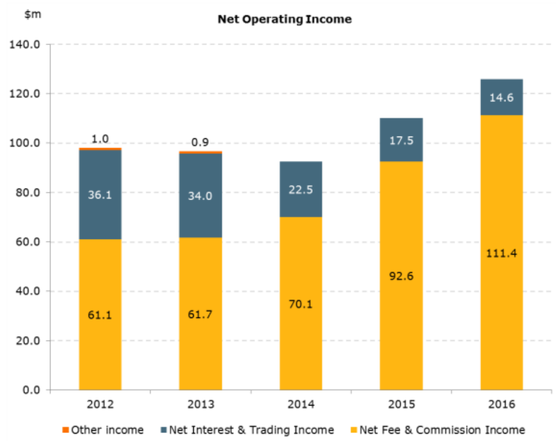
Net Profit Before Tax improved 11% on last year reflecting continued growth in net operating income inclusive of a full year contribution from SPS (7 months only included in 2015 results).



Net Operating Income has increased 14% compared to the prior year. Strong transaction volume growth continue to drive an increase in fee and commission income. Focus on strategic project initiatives, growing customer base and product offering has caused a corresponding increase in operating expenses, particularly employment and technology.



The planned decline in return and now closure of the Wholesale Balance Sheet business continues to drive a decline in net interest income year on year.



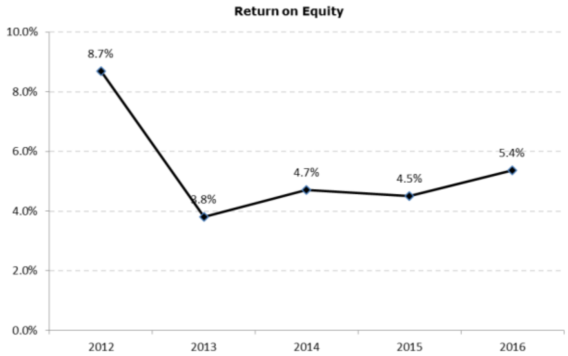
Net Fee and Commission Income now contributes 88% of Net Operating Income, up from around 60% five years ago. This reflects the transition to a purer 'payments' business that has occurred over this time.

Retained balance sheet activity, which drives Net Interest and Trading Income, is largely now in support of the payments business.

Shareholder returns

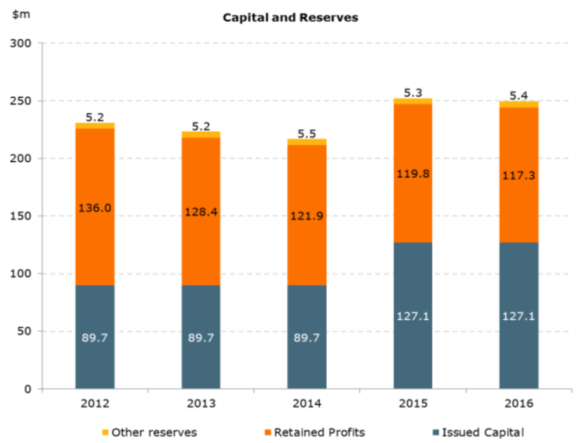
Return on Equity

Cuscal's Return on Equity (ROE) increased 90 bpts or 20% for the financial year to 5.4% and reflects higher net profit but over a higher average equity base relative to 2015.



Capital and Reserves

Cuscal continues to maintain a strong capital position. At 30 June 2016, Cuscal's capital adequacy ratio was 28.5% after allowing for the impact of the final dividend. Capital and Reserves remain substantially in excess of regulatory and internal requirements.

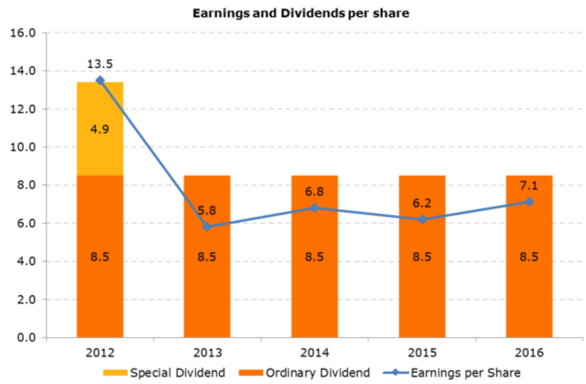


Earnings and Dividend per share

Earnings per share (EPS) increased 0.9 cents per share or 15% for the financial year to 7.1 cents per share. This reflects higher net profit but over a higher average shares on issue relative to 2015.

Total ordinary dividend payments have been maintained at the same level as the last few years. Total distributions of $15.9 million have been declared for the year.

An interim ordinary dividend of 3.5 cents per share was paid in April 2016 and a final ordinary dividend of 5.0 cents per share has been declared, a total of 8.5 cents for the year.



Outlook for 2017

The 2017 financial year is expected to be dominated by development of the New Payments Platform, delivery of Apple Pay and Samsung Pay and enhancement of Android Pay. These initiatives will take priority to ensure we can deliver market leading capability for our clients.

We expect a continued increase in transaction volumes enabling 'payments' earnings, offset somewhat by investment spend on key payment infrastructure initiatives.

Directors' Report

Introduction

The directors of Cuscal Limited ('Cuscal') submit herewith the annual financial report for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The directors that held office during or since the end of the financial year are;

W J Conn (Chairman)

C N Kennedy (Managing Director)

M S Genovese

G Venardos

A L Templeman-Jones

R Goudswaard

C McCaul

S C Targett (appointed 8 December 2016)

P T Evers (resigned 18 September 2015)

Principal Activities

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

- Electronic and paper payment processing including EFTPOS, direct entry, BPAY and member and corporate chequing;
- Card products including rediCARD debit and Visa debit and credit cards;
- Card platform services, including rewards;
- ATM owner and management services of the rediATM network;
- Digital applications development;
- Liquidity management and settlement services;
- Specialised finance facilities;
- Network communication services;
- Fraud management services; and
- Development of payments infrastructure for the New Payments Platform (https://www.cuscal.com.au/new-payments-platform)

Review of Operations

Net Profit After Tax for the year, attributable to members of the consolidated entity, was $13.3 million compared to $10.6 million for the previous year.

The main factors influencing the result from operating activities for the year are discussed in the review of operations on pages 4 and 5.

Subsequent Events

There has not been any matter or circumstance, other than that disclosed in the financial statements or notes, that has arisen since the end of the financial year, that has significantly affected or may significantly affect, the operations of Cuscal or the consolidated entity, the results of those operations, or the state of affairs of Cuscal or the consolidated entity in future financial years.

Future Developments

The financial trends seen over the last four financial years are expected to continue in 2017, with a greater contribution from the payments business and lower contribution from balance sheet activities.

The Outlook for 2017 is discussed in the Review of Operations, page 5.

Dividends

In respect of the financial year ended 30 June 2015, a final ordinary dividend of 5.0 cents per ordinary share (franked to 100% at the 30% corporate income tax rate) was paid on 8 October 2015. The amount paid was $9.3 million.

In respect of the financial year ended 30 June 2016, an interim dividend of 3.5 cents per ordinary share (franked to 100% at the 30% corporate income tax rate) was paid on 7 April 2016. The amount paid was $6.5 million.

In respect of the financial year ended 30 June 2016, the Directors have determined that a final ordinary dividend of 5.0 cents per ordinary share shall be paid on or before 6 October 2016 to shareholders registered as at 23 September 2016. The dividend will be franked to 100% at the 30% corporate income tax rate. The amount of this final ordinary dividend will total $9.3 million.

Indemnification of Officers and Auditors

Cuscal has agreed to indemnify the following current directors of the Company: W J Conn, C N Kennedy, M S Genovese, G Venardos, A L Templeman-Jones, R Goudswaard, C McCaul, S C Targett, the former director P T Evers, the Company Secretary and all executive officers of Cuscal and of any related body corporate, against a liability that may arise from their positions within the Company to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability indemnified.

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

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

Share Transactions

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

Based on information registered with Cuscal in the year, 5,184,316 shares were traded during the financial year ended 30 June 2016 with prices ranging from $1.25 to $1.67. The volume weighted average price was $1.47.

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

Auditor's Independence Declaration

The auditor's independence declaration is included on page 12 of the Annual Report.

Public Prudential Disclosures

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

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

These disclosures are to be found on Cuscal's website; www.cuscal.com.au/prudential-disclosures

Rounding Off of Amounts

Cuscal is a company of a kind referred to in ASIC instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, amounts in this directors' report and the financial report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

W J Conn	C N Kennedy
Chairman	Managing Director

Sydney, 17 August 2016

Information on Directors

William (Bill) Conn,
OAM, MBA, BCom (Hons)

- Chairman, Independent Non-Executive Director
- Appointed November 2009
- Aged 70

Experience:

- A Chairman and director of large Australian corporations, financial services firms, charitable foundations and community organisations
- Extensive professional experience in investment banking

Special Responsibilities:

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

Directorships in Other Entities:

- ACL Holdings Limited
- IWIF Holdings Limited
- Maths Pathway Pty Ltd

Other Declared Interests:

- Nil

Craig Kennedy
MBA, GAICD

- Managing Director
- Appointed December 2008
- Aged 47

Experience:

- 4 years as Managing Director and Chief Executive Officer of Espreon Ltd
- 1 year as CEO, Asia Pacific of Monster Worldwide
- 5 years with ING Bank (Australia) Limited, including 2 years as Head of Direct Banking
- 2 years with Advance Bank/St George Bank as National Manager, Electronic Banking
- 10 years with State Bank of New South Wales

Directorships in Other Entities:

- NPP Australia Limited

Other Declared Interests:

- Nil

Mark Genovese,
FIPA, MAICD

- Non-Executive Director
- Appointed October 2011
- Aged 54

Experience:

- 17 years experience in General Manager/CEO roles at several credit unions, and has been CEO of Maritime, Mining & Power Credit Union since 2003
- Previously spent 8 years at Cuscal in senior and executive management roles.

Special Responsibilities:

- Member of the Board Governance and Remuneration Committee

Directorships in Other Entities:

- Coal Services Pty Ltd

Other Declared Interests:

- Nil

George Venardos,
BCom, FCA, FTI, FAICD, FGIA, FCIS

- Independent Non-Executive Director
- Appointed December 2013
- Age 58

Experience:

- 30 years experience in the financial services industry in Australia his former positions including as Group Chief Financial Officer of Insurance Australia Group and eight years as Chairman of the Finance & Accounting Committee of the Insurance Council of Australia.
- In 2003, named Insto Magazine's CFO of the Year.

Special Responsibilities:

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

Directorships in Other Entities:

- IOOF Holdings Limited
- Lawcover Pty Ltd
- Ardent Leisure Limited
- BluGlass Limited
- SAS Trustee Corporation
- Guild Group Holdings Limited

Other Declared Interests:
Nil

Anne Templeman-Jones,
FAICD, B.Comm, EMBA, CA

- Independent Non-Executive Director
- Appointed March 2013
- Age 55

Experience:

- 25 years experience in financial services both in Australia and internationally; most recent roles were with Westpac as Director Corporate and Institutional Bank and Director Group Risk Reward.

Special Responsibilities:

- Chair of the Board Risk Committee
- Member of the Board Governance & Remuneration Committee

Directorships in Other Entities:

- APN News & Media Limited
- GUD Holdings Limited
- Pioneer Credit Limited
- CBA Wealth and Advice (comprising Commonwealth Financial Planning Ltd, BW Financial Advice Ltd, Count Financial Ltd, Financial Wisdom Ltd)

Other Declared Interests:

- Nil

Rob Goudswaard,
BEc, Grad Dip Fin, FAICD, FFIN

- Non-Executive Director
- Appointed March 2015
- Aged 56

Experience:

- CEO, Credit Union Australia Limited
- Many years experience in financial services, including 30 years in a variety of senior positions with ANZ Bank in Australia and internationally including Chief Risk Officer for Institutional Global, Managing Director of Regional, Rural and Small Business Banking, General Manager for Pacific and Personal Banking Asia and Chief Operating Officer for Small to Medium Business in Australia & New Zealand.
- CEO and Director of Rural Finance Corporation of Victoria

Special Responsibilities:

- Member of the Board Risk Committee

Directorships in Other Entities:

- Credicorp Finance Pty Ltd
- Credicorp Insurance Pty Ltd
- CUA Health Limited

Cathy McCaul,
BSc

- Non-Executive Director
- Appointed December 2014
- Aged 63

Experience:

- more than 25 years experience in information technology and financial services;
- currently President of Global Processing for MasterCard.

Directorships in Other Entities:

- Trevica Poland
- MasterCard Access Prepaid Worldwide (UK, Australia, Canada, Japan, Korea, New Zealand, Singapore, and US)
- MasterCard Services Ltd, UK

Stephen Craig Targett

- Non-Executive Director
- Appointed December 2015
- Age 61

Experience

- CEO, QT Mutual Bank
- More than 20 years solid banking experience both in Australia and internationally. He has held various Directorships including Lloyds TSB, Clydesdale Bank, Yorkshire Bank, Northern Bank, National Irish Bank, and the National Bank of New Zealand.
- Steve was the first Australian ever elected to the Board of the New York based International Swaps and Derivatives Association. He also was Chair of the Australian Financial Markets Association for 3 years.

Special Responsibilities

- Member of Board Audit Committee

Directorships in Other Entities:

- TAS Managed Services
- P&C's Queensland

Information on Company Secretary

Bianca Bates

- Company Secretary & General Counsel
- Appointed August 2014
- Age 43

Experience:

- 18 years qualified legal experience in the financial services industry
- Senior Associate at Phillips Fox and Yeldham Price O'Brien Lusk
- Senior legal, company secretarial and compliance roles held with GE Capital and Genworth

Information on Directors
Continued

Attendance at meetings during the year

	Board		Board Audit Committee		Board Governance & Remuneration Committee		Board Risk Committee	
	A	B	A	B	A	B	A	B
W J Conn	9	9	4	4	5	5		
C N Kennedy	9	9						
P T Evers	2 <	2 <					2 #	2 #
M S Genovese	9	9			5	5		
G Venardos	8	9	4	4			6	6
A L Templeman-Jones	9	9			4	5	6	6
R Goudswaard	9	9	2 *	2 *			3 >	3 >
C McCaul	9	9						
S C Targett	4 ^	4^	2 ^	2 ^				

A	Number of meetings attended
B	Number of meetings that the Director was eligible to attend
*	Membership of Board Audit Committee concluded 8 December 2015
^	Membership of Cuscal Board commenced 8 December 2016 and membership of the Board Audit Committee commenced 17 February 2016
#	Membership of Board Risk Committee concluded 16 September 2015
<	Membership of Cuscal Board concluded 18 September 2015
>	Membership of Board Risk Committee commenced 8 December 2015

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

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

The Board of Directors
Cuscal Limited
1 Margaret Street
Sydney NSW 2000

17 August 2016

Dear Board Members

Cuscal Limited

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

As lead audit partner for the audit of the financial statements of Cuscal Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Jonathan Perkinson
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the Members of Cuscal Limited

We have audited the accompanying financial report of Cuscal Limited, which comprises the statement of financial position as at 30 June 2016**,** the statement of profit and loss, the statement of other comprehensive income, the cash flow statement and the statement of changes in equity for the year ended on that date, notes comprising a summary of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 6 to 69.

Directors' Responsibility 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 Note 44, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cuscal Limited would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Cuscal Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 44.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Jonathan Perkinson
Partner
Chartered Accountants
Sydney, 17 August 2016

Directors' Declaration

The directors of Cuscal Limited declare that:

a) In the directors' 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;

b) In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 44 to the financial statements; and

c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity.

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

On behalf of the Directors

William J Conn

W J Conn
Chairman
Sydney, 17 August 2016

C N Kennedy
Managing Director

Statement of Profit and Loss

For the financial year ended 30 June 2016

Cuscal Limited and its controlled entities

		Consolidated		Cuscal	
		2016	2015	2016	2015
	Notes	$m	$m	$m	$m
Interest income	2	**56.6**	79.3	**37.7**	50.4
Interest expense	2	**(43.0)**	(63.3)	**(28.3)**	(40.5)
Net interest income		**13.6**	16.0	**9.4**	9.9
Net trading result	2	**1.0**	1.5	**1.0**	1.5
Net interest and trading income		**14.6**	17.5	**10.4**	11.4
Fee and commission income		**208.7**	197.1	**208.4**	186.0
Fee and commission expenses		**(97.3)**	(104.5)	**(95.9)**	(102.8)
Net fee and commission income		**111.4**	92.6	**112.5**	83.2
Other operating income	3	**-**	-	**3.2**	4.3
Total net operating income		**126.0**	110.1	**126.1**	98.9
Employment expenses	4	**(60.6)**	(51.0)	**(60.6)**	(46.1)
Occupancy expenses	4	**(4.1)**	(5.7)	**(4.1)**	(4.7)
Non-salary technology expenses	4	**(31.6)**	(27.0)	**(31.6)**	(23.2)
Other expenses	4	**(12.9)**	(11.2)	**(12.6)**	(10.6)
Total operating expenses		**(109.2)**	(94.9)	**(108.9)**	(84.6)
Profit before income tax		**16.8**	15.2	**17.2**	14.3
Income tax expense	5	**(3.5)**	(4.6)	**(4.5)**	(3.8)
Profit for the year		**13.3**	10.6	**12.7**	10.5

The above statements 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 2016

Cuscal Limited and its controlled entities

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Profit for the year	**13.3**	10.6	**12.7**	10.5
Other comprehensive income				
Items that may be reclassified to the Statement of Profit and Loss:				
Unrealised gains/(losses) on investment securities taken directly to reserves	**0.1**	(0.3)	**0.1**	(0.3)
Income tax relating to components of other comprehensive income	**-**	0.1	**-**	0.1
Other comprehensive income (net of tax)	**0.1**	(0.2)	**0.1**	(0.2)
Total comprehensive income attributable to owners of the company	**13.4**	10.4	**12.8**	10.3

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

Statement of Financial Position
As at 30 June 2016

Cuscal Limited and its controlled entities

		Consolidated		Cuscal	
		2016	2015	2016	2015
	Notes	$m	$m	$m	$m
ASSETS					
Cash and cash equivalents	9	**772.8**	575.8	**771.4**	573.0
Receivables due from financial institutions	10	**117.3**	348.3	**107.7**	332.5
Trading securities	11	**224.9**	584.2	**224.9**	584.2
Investment securities	11	**644.9**	134.8	**644.9**	134.8
Loans	12	**3.1**	105.3	**3.1**	105.3
Loans made by the Securitisation Trust	13	**324.2**	444.7	**-**	-
Derivative financial assets	14	**-**	0.9	**-**	0.9
Other assets	15	**21.1**	19.0	**20.4**	16.3
Investments	16	**0.7**	-	**38.1**	37.4
Deferred tax assets	17	**8.9**	6.9	**8.9**	6.2
Property, plant and equipment and ATMs	18	**19.2**	20.6	**18.5**	19.5
Intangible assets	20	**36.3**	36.6	**11.7**	10.7
Total assets		**2,173.4**	2,277.1	**1,849.6**	1,820.8
LIABILITIES					
Payables due to financial institutions	22	**43.9**	67.9	**43.9**	67.9
Deposits	23	**816.1**	693.0	**826.1**	698.4
Securities sold under agreement to repurchase	24	**106.3**	108.8	**106.3**	108.8
Discount securities issued	25	**465.4**	561.9	**465.4**	561.9
Borrowings of the Securitisation Trust	13	**332.6**	459.1	**-**	-
Derivative financial liabilities	14	**0.3**	1.4	**0.3**	1.4
Other liabilities	26	**140.2**	113.8	**140.6**	112.7
Current tax liabilities		**4.5**	2.8	**4.5**	2.8
Deferred tax liabilities	17	**2.4**	3.6	**2.4**	3.6
Provisions	27	**11.9**	12.6	**11.8**	12.0
Total liabilities		**1,923.6**	2,024.9	**1,601.3**	1,569.5
Net assets		**249.8**	252.2	**248.3**	251.3
EQUITY					
Issued capital	28	**127.1**	127.1	**127.1**	127.1
Reserves	29	**5.4**	5.3	**5.4**	5.3
Retained earnings	30	**117.3**	119.8	**115.8**	118.9
Total equity		**249.8**	252.2	**248.3**	251.3

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

Cuscal Limited and its controlled entities

Consolidated

30 June 2016	Issued capital	Other capital reserves	Retained earnings	Total equity
	$m	$m	$m	$m
As at 1 July 2015	**127.1**	**5.3**	**119.8**	**252.2**
Ordinary shares issued	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**0.1**	**13.3**	**13.4**
Dividends paid	**-**	**-**	**(15.8)**	**(15.8)**
As at 30 June 2016	**127.1**	**5.4**	**117.3**	**249.8**

30 June 2015	Issued capital	Other capital reserves	Retained earnings	Total equity
	$m	$m	$m	$m
As at 1 July 2014	89.7	5.5	121.9	217.1
Ordinary shares issued	37.4	-	-	37.4
Total comprehensive income	-	(0.2)	10.6	10.4
Dividends paid	-	-	(12.7)	(12.7)
As at 30 June 2015	127.1	5.3	119.8	252.2

Cuscal

30 June 2016	Issued capital	Other capital reserves	Retained earnings	Total equity
	$m	$m	$m	$m
As at 1 July 2015	**127.1**	**5.3**	**118.9**	**251.3**
Ordinary shares issued	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**0.1**	**12.7**	**12.8**
Dividends paid	**-**	**-**	**(15.8)**	**(15.8)**
As at 30 June 2016	**127.1**	**5.4**	**115.8**	**248.3**

30 June 2015	Issued capital	Other capital reserves	Retained earnings	Total equity
	$m	$m	$m	$m
As at 1 July 2014	89.7	5.5	121.1	216.3
Ordinary shares issued	37.4	-	-	37.4
Total comprehensive income	-	(0.2)	10.5	10.3
Dividends paid	-	-	(12.7)	(12.7)
As at 30 June 2015	127.1	5.3	118.9	251.3

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

Cash Flow Statement

For the financial year ended 30 June 2016

Cuscal Limited and its controlled entities

	Consolidated		Cuscal	
	2016 $m	2015 $m	2016 $m	2015 $m
Cash flows from operating activities				
Fees, commissions and other income received	**211.4**	202.2	**211.3**	192.3
Fees & commissions paid	**(97.8)**	(108.5)	**(94.9)**	(96.1)
Payments to other suppliers and employees	**(87.4)**	(86.8)	**(88.9)**	(84.5)
Interest received	**57.9**	83.4	**39.0**	54.6
Interest paid	**(46.6)**	(66.1)	**(31.7)**	(42.8)
Dividends received	**-**	-	**1.9**	1.9
Income tax paid (net of research and development incentives)	**(5.1)**	(3.1)	**(6.6)**	(4.5)
Net decrease in loans	**101.7**	71.0	**101.7**	71.0
Receipts for trading securities (net)	**358.0**	279.2	**358.0**	279.2
(Payments)/Receipts for investment securities (net)	**(507.4)**	37.7	**(507.4)**	37.7
Decrease/(increase) in receivables due from financial institutions	**241.9**	(7.4)	**235.6**	(9.2)
Decrease in payables due to financial institutions (net)	**(24.1)**	(72.5)	**(24.1)**	(72.5)
Repayments of discount securities issued (net)	**(96.0)**	(476.1)	**(96.0)**	(476.0)
(Repayments)/proceeds of repurchase agreements (net)	**(2.5)**	4.7	**(2.5)**	4.7
Proceeds of deposits (net)	**125.1**	111.6	**129.6**	116.8
Net cash generated by/(used in) operating activities (Note 8)	**229.1**	(30.7)	**225.0**	(27.4)
Cash flows from investing activities				
Net decrease in loans by the Securitisation Trust	**120.5**	193.8	**-**	-
Investments in other entities	**(0.7)**	-	**(0.7)**	-
Payment for intangible assets	**(6.9)**	(1.7)	**(6.9)**	(1.4)
Payment for property, plant and equipment and ATM's	**(2.8)**	(14.6)	**(3.2)**	(14.5)
Cash acquired as part of SPS acquisition	**-**	7.7	**-**	-
Net cash provided by /(used in) investing activities	**110.1**	185.2	**(10.8)**	(15.9)
Cash flows from financing activities				
Net repayments of borrowings by the Securitisation Trust	**(126.4)**	(195.0)	**-**	-
Dividends paid	**(15.8)**	(12.7)	**(15.8)**	(12.7)
Net cash used in financing activities	**(142.2)**	(207.7)	**(15.8)**	(12.7)
Net increase/(decrease) in cash	**197.0**	(53.2)	**198.4**	(56.0)
Cash at the beginning of the financial year	**575.8**	629.0	**573.0**	629.0
Cash at the end of the financial year (Note 9)	**772.8**	575.8	**771.4**	573.0

The above cash flow statements should be read in conjunction with the accompanying notes.
In 2015, the acquisition of SPS (refer note 41) was a non-cash transaction.

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Note 1 – Significant changes in the current reporting period

The significant items that have affected the financial performance and financial position of the Consolidated Entity are summarised in the Review of Operations set out on pages 4 to 5 of the Annual Report.

Notes to the Statement of Profit or Loss

Note 2 – Net interest and trading income

Interest income and expense on all interest bearing assets and liabilities, including those at fair value, is recognised in profit or loss using the effective interest method.

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

The net trading result includes both realised gains and losses on the disposal of financial assets and financial liabilities and the fair value changes relating to financial assets and financial liabilities designated as held at fair value through profit or loss and fair value changes in derivatives which partially offset the foregoing, and includes fair value changes on derivatives used to hedge the Consolidated Entity’s economic interest rate position where hedge accounting requirements are not met.

Interest income and interest expense of the Securitisation Trust are brought to account in accordance with Note 12 ‘Loans”, Note 23 ‘Deposits’ and Note 25 for ‘Discount Securities Issued’ respectively.

Note 2 – Net interest and trading income, continued

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Interest income				
Cash and other financial institutions	**13.5**	22.3	**13.3**	21.8
Trading and investment securities	**23.3**	26.2	**23.3**	26.2
Loans and advances	**1.1**	2.4	**1.1**	2.4
Residential mortgage loans in Securitisation Trust	**18.7**	28.4	**-**	-
Total interest income	**56.6**	79.3	**37.7**	50.4
Interest expense				
Other financial institutions	**(0.3)**	(0.3)	**(0.3)**	(0.3)
Deposits	**(13.7)**	(17.1)	**(13.7)**	(17.1)
Discount securities	**(12.2)**	(20.6)	**(12.2)**	(20.6)
Repurchase agreements	**(2.1)**	(2.5)	**(2.1)**	(2.5)
Borrowings by Securitisation Trust	**(14.7)**	(22.8)	**-**	-
Total interest expense	**(43.0)**	(63.3)	**(28.3)**	(40.5)
Net interest income	**13.6**	16.0	**9.4**	9.9
Net trading result	**1.0**	1.5	**1.0**	1.5
Net interest and trading income	**14.6**	17.5	**10.4**	11.4
Analysis of Interest Income by category of financial assets				
At amortised cost	**19.8**	30.8	**1.1**	2.4
Held for Trading	**14.6**	37.3	**14.4**	36.8
Available for Sale	**22.2**	11.2	**22.2**	11.2
	56.6	79.3	**37.7**	50.4
Analysis of Interest Expense by category of financial liabilities				
At amortised cost	**(15.0)**	(23.1)	**(0.3)**	(0.3)
At fair value through the profit and loss statement	**(28.0)**	(40.2)	**(28.0)**	(40.2)
	(43.0)	(63.3)	**(28.3)**	(40.5)

Note 3 – Other operating income

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Trust distributions - consolidated structured entities	**-**	-	**1.3**	2.4
Dividends received - related parties	**-**	-	**1.9**	1.9
Total other operating income	**-**	-	**3.2**	4.3

Note 4 – Expenses

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Employment expenses				
Salary and salary related costs	**60.0**	50.5	**60.0**	45.6
Staff training	**0.6**	0.5	**0.6**	0.5
Total employment expenses	**60.6**	51.0	**60.6**	46.1
Occupancy expenses				
Operating lease rentals and outgoings	**3.8**	4.8	**3.8**	3.9
Depreciation: furniture, fittings & leasehold improvements	**0.1**	0.1	**0.1**	0.1
Repairs & maintenance	**0.1**	0.5	**0.1**	0.5
Other occupancy expenses	**0.1**	0.3	**0.1**	0.2
Total occupancy expenses	**4.1**	5.7	**4.1**	4.7
Non-salary technology expenses				
Communication	**4.4**	4.0	**4.4**	3.8
Depreciation: computer equipment, software and ATMs	**4.9**	5.0	**4.9**	4.8
Amortisation of intangible assets	**6.0**	5.9	**6.0**	5.1
Repairs and maintenance	**7.9**	6.2	**7.9**	5.1
Other non-salary technology expenses	**8.4**	5.9	**8.4**	4.4
Total non-salary technology expenses	**31.6**	27.0	**31.6**	23.2
Other expenses				
Auditors remuneration (Note 7)	**1.3**	1.3	**1.2**	1.3
Consulting	**3.1**	0.8	**3.1**	0.8
Travel, conferences and related expenses	**1.9**	1.3	**1.9**	1.3
Legal and insurance	**1.2**	1.7	**1.1**	1.6
Licence fees and other taxes	**2.3**	0.7	**2.2**	0.5
Loss on sale of property, plant & equip.	**-**	0.8	**-**	0.8
Marketing	**1.2**	2.3	**1.2**	2.3
Other	**1.9**	2.3	**1.9**	2.0
Total other expenses	**12.9**	11.2	**12.6**	10.6
Total expenses	**109.2**	94.9	**108.9**	84.6

Notes: Included in other expenses for the year ending 30 June 2015 are SPS related acquisition costs of $0.9m which relate to consulting, auditor remuneration, legal fees and other.

Included in total expenses for 2016 is $5.1m of non-capitalised development costs (2015: $0.4m).

Note 5 – 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		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Income tax expense comprises:				
Current income tax charge	**8.4**	5.8	**8.5**	4.8
Adjustments in respect of current income tax of previous years	**(0.4)**	(0.1)	**(0.1)**	(0.1)
Relating to origination and reversal of temporary differences (refer Note 17)	**(3.2)**	(1.1)	**(3.9)**	(0.9)
Utilisation of tax losses	**(1.3)**	-	**-**	-
Income tax expense reported in income statement	**3.5**	4.6	**4.5**	3.8
Reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Consolidated Entity's effective income tax rate is as follows:				
Operating profit before income tax expense	**16.8**	15.2	**17.2**	14.3
Income tax expense calculated at 30% thereon	**5.0**	4.5	**5.2**	4.3
Non-deductible costs	**0.1**	0.3	**0.1**	0.3
Research and development tax incentive	**(0.3)**	(0.2)	**(0.3)**	(0.2)
Intercompany dividends	**-**	-	**(0.5)**	(0.6)
Losses recognised	**(1.3)**	-	**-**	-
Income tax expense	**3.5**	4.6	**4.5**	3.8

Note 6 – Key management personnel remuneration

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Short-term employee benefits	**4,401**	4,732	**4,401**	4,732
Post-employment benefits	**191**	174	**191**	174
Other long-term employee benefits	**915**	602	**915**	602
Total key management remuneration	**5,507**	5,508	**5,507**	5,508

Note 7 – Remuneration of auditors

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

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Audit of the financial report	**833**	733	**833**	725
Taxation services	**186**	214	**183**	214
Other non-audit services	**268**	347	**128**	347
Total remuneration of auditors	**1,287**	1,294	**1,144**	1,286

Note 8 – Reconciliation of net profit to net cash flows from operating activities

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Profit after tax for the year	**13.3**	10.6	**12.7**	10.5
Depreciation expense	**5.0**	5.2	**5.0**	5.2
Amortisation of intangible assets	**6.0**	5.3	**6.0**	4.4
Amortisation of discount/premium on securities	**(2.4)**	1.4	**(2.2)**	1.8
Decrease in income tax provision	**1.7**	0.1	**1.7**	0.1
(Increase)/decrease in deferred tax items	**(3.2)**	1.4	**(3.5)**	(0.9)
Decrease/(increase) in net other assets and liabilities	**12.0**	(2.9)	**10.4**	(0.1)
Decrease in loans & advances	**101.7**	71.0	**101.7**	71.0
Decrease/(increase) in receivables from financial institutions	**241.9**	(7.4)	**235.6**	(9.2)
Increase in deposits	**125.1**	111.6	**129.6**	116.8
Decrease in trading securities	**358.0**	279.2	**358.0**	279.2
(Increase)/decrease in investment securities	**(507.4)**	37.7	**(507.4)**	37.7
Decrease in payables due to financial institutions	**(24.1)**	(72.5)	**(24.1)**	(72.5)
Decrease in notes issued (net)	**(96.0)**	(476.1)	**(96.0)**	(476.1)
(Decrease)/increase in repurchase agreements (net)	**(2.5)**	4.7	**(2.5)**	4.7
Net cash generated by operating activities	**229.1**	(30.7)	**225.0**	(27.4)

Notes to the Statement of Financial Position

Note 9 - Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which have an insignificant risk of changes in value. These comprise cash on hand, cash in ATMs, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within payables due to financial institutions in the Statement of Financial Position.

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Cash at Reserve Bank	**182.7**	222.3	**182.7**	222.3
Cash at Bank	**481.9**	265.6	**480.5**	262.8
Cash in ATMs	**108.2**	87.9	**108.2**	87.9
Total cash	**772.8**	575.8	**771.4**	573.0

Note 10 – Receivables due from financial institutions

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
At fair value:				
Cash in fixed term deposits	**-**	215.0	**-**	215.0
At amortised cost:				
Amounts due from Banks	**-**	10.0	**-**	10.0
Other amounts due from other financial institutions	**107.8**	107.5	**107.7**	107.5
Cash held in the Securitisation Trust*	**9.5**	15.8	**-**	-
Total receivables due from financial institutions	**117.3**	348.3	**107.7**	332.5

* 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 11 – Securities

Trading securities

Trading securities are fixed interest securities, discounted instruments and floating rate instruments, which are purchased for current resale in day to day trading operations.

Items included in the trading portfolio are carried at fair value. Realised gains and losses, and unrealised gains and losses arising from changes in the fair value of trading securities are recognised as trading income or expense in the profit and loss statement in the period in which they arise. Interest income on trading securities is recognised in the income statement as interest income.

Investment securities

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.

Investment securities are categorised as available-for-sale and are carried at fair value. Realised gains and losses are recognised as trading income or expense in the profit and loss statement in the period in which they arise. Unrealised gains and losses are taken to the Available for Sale Reserve, in Equity, and are recycled to profit or loss on realisation.

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Securities				
Trading securities at fair value:				
Negotiable certificates of deposit	**8.0**	167.9	**8.0**	167.9
Bonds, medium term floating rate notes and other securities issued by Financial Institutions, predominantly Australian Banks	**216.9**	416.3	**216.9**	416.3
Total trading securities	**224.9**	584.2	**224.9**	584.2
Investment securities at fair value:				
Negotiable certificates of deposit	**153.3**	69.3	**153.3**	69.3
Bonds, medium term floating rate notes and other securities issued by Financial Institutions, predominantly Australian Banks	**491.6**	65.5	**491.6**	65.5
Total investment securities	**644.9**	134.8	**644.9**	134.8

Note 12 - Loans

Loans are recorded at amortised cost less impairment. Interest income on loans is brought to account using the effective interest rate method.

As part of Cuscal's focus on Payments, and following a period of advice to clients, with effect from 30 June 2016, Cuscal has ceased to provide loan facilities, other than overdrafts to clients with the exception of two term loan facilities disclosed as "Term Loans – other" below.

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Loans				
At amortised cost:				
Overdrafts	**1.3**	5.8	**1.3**	5.8
Term loans - other	**1.8**	99.5	**1.8**	99.5
Total loans	**3.1**	105.3	**3.1**	105.3
Security Analysis - Secured	**3.1**	105.3	**3.1**	105.3

Loan facilities are primarily secured by a fixed and floating charge over the assets and undertakings of the borrower. (Refer to Note 33 for further information in respect of credit risk).

Terms loans comprise amounts advanced under both committed and uncommitted facilities.

	Consolidated		Cuscal	
Risk concentration by customer or industry groups				
Cuscal has determined the following risk concentrations:				
Loans to credit unions and mutual banks	**1.3**	101.3	**1.3**	101.3
Loans to other	**1.8**	4.0	**1.8**	4.0
Total loans	**3.1**	105.3	**3.1**	105.3

Note 12 – Loans, continued

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Maximum loan credit exposure - Committed Facilities (including drawn amounts detailed above)				
To credit unions and mutual banks				
Overdrafts	**202.7**	196.1	**202.7**	196.1
Term Loans	**-**	42.3	**-**	42.3
Other				
Overdrafts	**1.3**	0.1	**1.3**	0.1
Term Loans	**5.9**	8.3	**5.9**	8.3
Total committed facilities	**209.9**	246.8	**209.9**	246.8
Un-utilised loan credit exposure - Committed Facilities				
Overdrafts	**202.7**	190.4	**202.7**	190.4
Term Loans	**4.1**	47.5	**4.1**	47.5
Total un-utilised facilities *	**206.8**	237.9	**206.8**	237.9

* Committed Facilities are generally granted for a term of one year and may be renewed subject to the Consolidated Entity's credit review process.

Specific and collective provision for impairment				
At balance date the amount of the specific provision for impairment of loans	**-**	-	**-**	-

Refer to Note 33 for further information in respect of credit risk.

Impaired Loans				
Non – accrual loans without specific provision for impairment	**-**	-	**-**	-
Revenue forgone on impaired loans	**-**	-	**-**	-

Note 13 – Securitisation Trust loans and borrowings

The Integris 2014-1 Trust has been assessed as being a "controlled entity" under AASB 10. The Trust holds residential mortgages originated by mutual banks, credit unions and third party originators. The Trust is a "closed" structure and no new loans can be added to the Trust.

Interest income of the residential mortgages is brought to account using the effective interest method.

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

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Loans made by the Securitisation Trust				
At amortised cost:				
Residential mortgages	**324.2**	444.7	**-**	-
Total loans by the Securitisation Trust	**324.2**	444.7	**-**	-
Specific and collective provision for impairment				
At balance date the amount of the specific provision for impairment of loans	-	-	-	-

Refer to Note 33 for further information in respect of credit risk.

	Consolidated 2016 $m	Consolidated 2015 $m	Cuscal 2016 $m	Cuscal 2015 $m
Borrowings of the Securitisation Trust				
At amortised cost:				
Borrowings – secured	**332.6**	459.1	**-**	-

All borrowings by the Trust are limited in recourse to the assets of the Trust and neither Cuscal nor any of its subsidiaries have any obligation in respect to the repayment of those borrowings.

Defaults on Borrowings

There were no defaults during the current or prior year in respect of principal, interest payments or redemptions on the borrowings of the Trust.

Note 14 – Derivative financial assets and liabilities

Derivative instruments entered into by the Consolidated Entity include futures, forwards and forward rate agreements, swaps and options in the interest rate markets. The Consolidated Entity uses these derivative instruments for their risk management of existing financial assets and liabilities.

All derivatives, including those used for balance sheet hedging purposes, are recognised on the balance sheet 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.

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Derivative financial assets				
At fair value:				
Interest rate swaps	-	0.9	-	0.9

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Derivative financial liabilities				
At fair value:				
Interest rate swaps	**0.3**	1.4	**0.3**	1.4

Note 15 - Other assets

Trade receivables and other receivables are carried at amortised cost less impairment. Other amounts receivable primarily relate to amounts receivable from financial clearing systems and are generally settled daily.

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Trade receivables (i)	**4.4**	3.6	**3.8**	1.2
Provision for doubtful debts	**-**	-	**-**	-
Trade receivables less provision	**4.4**	3.6	**3.8**	1.2
Prepayments	**4.9**	4.9	**4.4**	3.8
Accrued income	**11.3**	8.4	**11.3**	8.4
Other amounts receivable	**0.5**	2.1	**0.9**	2.9
Total other assets	**21.1**	19.0	**20.4**	16.3

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

Note 16 - Investments

Investments in other entities are carried at cost, less impairments. Investments in subsidiaries held by Cuscal are carried in its financial statements at cost less impairment in accordance with AASB 127 Separate Financial Statements.

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Shares in other entities at cost	**0.7**	-	**0.7**	-
Shares in subsidiaries at cost (refer note 41)	**-**	-	**37.4**	37.4
Total Investments	**0.7**	-	**38.1**	37.4

Note 17 – Deferred tax assets and deferred tax 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, but are only recognised in both cases 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 the liabilities are settled.

Current and deferred tax is recognized as an expense on income in the profit and loss, except when it relates to items credited or debited direct to equity in which case the deferred tax is also recognized 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.

	2016 Consolidated					
	Opening Balance	Acquired	Utilised	Charge to equity	Charge to profit	Closing balance
Deferred tax assets	$m	$m	$m	$m	$m	$m
Other liabilities	**3.7**	**-**	**-**	**-**	**1.9**	**5.6**
Provisions - employee entitlements	**1.5**	**-**	**-**	**-**	**0.3**	**1.8**
Provisions - ATM site rental contracts	**0.2**	**-**	**-**	**-**	**-**	**0.2**
Property, plant and equipment	**1.1**	**-**	**-**	**-**	**0.2**	**1.3**
Other assets	**0.1**	**-**	**-**	**-**	**(0.1)**	**-**
Income tax losses and other tax credits	**0.3**	**-**	**(0.3)**	**-**	**-**	**-**
Total deferred tax assets	**6.9**	**-**	**(0.3)**	**-**	**2.3**	**8.9**
Deferred tax liabilities						
Other income	**(0.6)**	**-**	**-**	**-**	**(0.1)**	**(0.7)**
Property, plant, equipment and intangible assets	**(3.0)**	**-**	**-**	**-**	**1.3**	**(1.7)**
Total deferred tax liabilities	**(3.6)**	**-**	**-**	**-**	**1.2**	**(2.4)**
Net deferred tax assets	**3.3**	**-**	**(0.3)**	**-**	**3.5**	**6.5**
Net movement taken to income tax expense					**3.2**	

Note 17 – Deferred tax assets and liabilities, continued

	2016 Cuscal					
	Opening Balance	Acquired	Utilised	Charge to equity	Charge to profit	Closing balance
Deferred tax assets	$m	$m	$m	$m	$m	$m
Other liabilities	**3.4**	**-**	**-**	**-**	**2.2**	**5.6**
Provisions - employee entitlements	**1.5**	**-**	**-**	**-**	**0.3**	**1.8**
Provisions - ATM site rental contracts	**0.2**	**-**	**-**	**-**	**-**	**0.2**
Property, plant and equipment	**1.1**	**-**	**-**	**-**	**0.2**	**1.3**
Total deferred tax assets	**6.2**	**-**	**-**	**-**	**2.7**	**8.9**
Deferred tax liabilities						
Other income	**(0.6)**	**-**	**-**	**-**	**(0.1)**	**(0.7)**
Property, plant, equipment and intangible assets	**(3.0)**	**-**	**-**	**-**	**1.3**	**(1.7)**
Total deferred tax liabilities	**(3.6)**	**-**	**-**	**-**	**1.2**	**(2.4)**
Net deferred tax asset	**2.6**	**-**	**-**	**-**	**3.9**	**6.5**
Net movement taken to income tax expense					**3.9**	

	2015 Consolidated					
Deferred tax assets	Opening Balance	Acquired	Utilised	Charge to equity	Charge to profit	Closing balance
	$m	$m	$m	$m	$m	$m
Other liabilities	2.7	-	-	-	1.0	3.7
Provisions - employee entitlements	1.5	-	-	-	-	1.5
Provisions - ATM site rental contracts	0.2	-	-	-	-	0.2
Property, plant and equipment	2.2	-	-	-	(1.1)	1.1
Other assets	0.2	-	-	-	(0.1)	0.1
Income tax losses and other tax credits	-	2.7	(2.4)	-	-	0.3
Total deferred tax assets	6.8	2.7	(2.4)	-	(0.2)	6.9
Other income	(0.6)	-	-	-	-	(0.6)
Property, plant, equipment and intangible assets	(4.3)	-	-	-	1.3	(3.0)
Total deferred tax liabilities	(4.9)	-	-	-	1.3	(3.6)
Net deferred tax assets	1.9	2.7	(2.4)	-	1.1	3.3
Net movement taken to income tax expense					1.1	

Note 17 – Deferred tax assets and liabilities, continued

Deferred tax assets	2015 Cuscal					
	Opening Balance	Acquired	Utilised	Charge to equity	Charge to profit	Closing balance
	$m	$m	$m	$m	$m	$m
Other liabilities	2.6	-	-	-	0.8	3.4
Provisions - employee entitlements	1.5	-	-	-	-	1.5
Provisions - ATM site rental contracts	0.2	-	-	-	-	0.2
Property, plant and equipment	2.2	-	-	-	(1.1)	1.1
Other assets	0.1	-	-	-	(0.1)	-
Total deferred tax assets	6.6	-	-	-	(0.4)	6.2
Other income	(0.6)	-	-	-	-	(0.6)
Property, plant, equipment and intangible assets	(4.3)	-	-	-	1.3	(3.0)
Total deferred tax liabilities	(4.9)	-	-	-	1.3	(3.6)
Net deferred tax asset	1.7	-	-	-	0.9	2.6
Net movement taken to income tax expense					0.9	

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Unrecognised deferred tax assets				
Unused tax losses for which no deferred tax asset have been recognised	-	1.3	-	-

Note 18 - Property, plant and equipment and ATMs

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:

	2016	2015
Plant and equipment	3-5 years	3-5 years
Leasehold improvements	10 years	10 years
Automatic teller machines *	8 years	8 years

* Acquired ATM's are written off over the term of their assessed useful life or a maximum 8 years.

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
ATMs				
At Cost	**27.1**	26.9	**27.1**	26.9
Provision for impairment	**(1.4)**	(1.1)	**(1.4)**	(1.1)
Accumulated depreciation	**(12.8)**	(11.6)	**(12.8)**	(11.6)
	12.9	14.2	**12.9**	14.2
Property, plant and equipment				
At Cost	**19.3**	20.8	**18.1**	19.5
Accumulated depreciation	**(13.0)**	(14.4)	**(12.5)**	(14.2)
	6.3	6.4	**5.6**	5.3
Total property, plant and equipment and ATMs	**19.2**	20.6	**18.5**	19.5

Note 18 - Property, plant and equipment and ATMs, continued

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
ATMs				
Carrying value at beginning of year	**14.2**	7.4	**14.2**	7.4
Additions	**5.2**	10.4	**5.2**	10.4
Disposals	**(5.0)**	(5.3)	**(5.0)**	(5.3)
Depreciation and impairment	**(3.6)**	(3.3)	**(3.6)**	(3.3)
Depreciation written back on disposals	**2.1**	5.0	**2.1**	5.0
Balance at end of financial year	**12.9**	14.2	**12.9**	14.2
Property, plant and equipment				
Carrying value at beginning of year	**6.4**	4.1	**5.4**	4.0
Additions	**1.6**	3.9	**1.6**	3.8
Acquired in SPS Transaction (refer note 41)	**-**	1.1	**-**	-
Disposals	**(3.1)**	(1.9)	**(3.1)**	(1.8)
Depreciation	**(1.7)**	(1.8)	**(1.4)**	(1.7)
Depreciation written back on disposals	**3.1**	1.0	**3.1**	1.0
Balance at end of financial year	**6.3**	6.4	**5.6**	5.3
Total Property, Plant & Equipment and ATMs	**19.2**	20.6	**18.5**	19.5

Note 19 - Impairment of ATM assets

Cuscal operates the "rediATM" sub network, a network of ATMs that provides member institutions, mainly credit unions and mutual banks, with a large fleet of ATMs through which the members can provide fee free ATM services to their customers. Cuscal owns both the rediATM network and a fleet of ATMs within the rediATM network.

At each reporting date, Cuscal considers whether there is any indication that an asset may be impaired. If such an indication exists, the recoverable amount of the asset is compared to the carrying value of the asset. If the carrying value exceeds the recoverable amount that excess is an impairment loss.

If the recoverable value is negative and a lease obligation exists to hold the ATM at its location, Cuscal considers the lease to be onerous and an impairment provision is raised against the lease contract.

Note 19 - Impairment of ATM assets, continued

Cuscal uses a 5 year net present value cash flow model to assess recoverability at the following levels:

- At an individual ATM level; where Cuscal has made the decision to deploy the ATM in its location, or
- At the network level; in cases where Cuscal has acquired existing ATM networks from credit unions and mutual banks. When the lease on an ATM acquired as part of a network is renewed by Cuscal, it is then assessed at the individual ATM level.

The cash flows in the model are discounted at a pre-tax rate of 15.4% (2015: 17.1%), reflecting Cuscal's estimated pre-tax weighted average cost of capital ("WACC") (refer to Note 20). This discount rate is lower than the rate applied in the prior year, and reflects the lower interest rate environment of recent years.

Overall the level of ATM impairment is unchanged from 2015 levels.

Provision for impairment amounting to $1.7 million remains overall unchanged from prior year and are held in respect of impaired ATM assets as follows:

- Against the carrying value of the ATM hardware of $1.4 million (2015: $1.1million) - refer Note 18, and
- As a provision against the site lease rental agreements covering ATMs with a negative discounted cash flow, which are considered to be onerous contracts of $0.3 million (2015: $0.6 million) – refer Note 27.

Note 20 - Intangible assets

i) Intangible assets acquired separately

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

ii) Internally generated intangible assets – research and development expenditure

An internally-generated intangible asset arising from the development of an internal project that is recognised only when certain criteria have been met. The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred for the data when the regular criteria are first met.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit and 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.

The Payments Infrastructure intangible assets are being amortised over a period of 2-5 years. Ongoing expenditure will be incurred to maintain the functional capabilities of the asset in line with current technology.

iii) 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 20 - Intangible assets, continued

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Payments Infrastructure				
At cost	**29.0**	29.0	**23.8**	23.8
Accumulated amortisation	**(22.0)**	(16.3)	**(19.8)**	(15.4)
Total Payments Infrastructure	**7.0**	12.7	**4.0**	8.4
Intangible – Software				
At cost	**6.3**	1.2	**6.3**	1.2
Accumulated amortisation	**(0.6)**	(0.3)	**(0.6)**	(0.3)
Total Computer Software	**5.7**	**0.9**	**5.7**	**0.9**
Investment in NPP Australia Limited (NPPA)	**2.0**	1.4	**2.0**	1.4
Goodwill on SPS acquisition (refer Note 41)	**21.6**	21.6	**-**	-
Total Intangible assets	**36.3**	36.6	**11.7**	10.7
Payments Infrastructure – Cuscal				
Carrying value at the beginning of year	**8.4**	12.8	**8.4**	12.8
Amortisation for the period (net of Research and Development offsets)	**(4.4)**	(4.4)	**(4.4)**	(4.4)
Balance at end of financial year	**4.0**	8.4	**4.0**	8.4
Payments Infrastructure – SPS				
Carrying value at the beginning of year	**4.3**	-	**-**	-
Acquired in SPS transaction (refer note 41)	**-**	4.9	**-**	-
Additions	**-**	0.3	**-**	-
Amortisation for the period	**(1.3)**	(0.9)	**-**	-
Balance at end of financial year	**3.0**	4.3	**-**	-
Total Payments Infrastructure Assets	**7.0**	12.7	**4.0**	8.4
Intangible – Software				
Carrying value at the beginning of year	**0.9**	0.4	**0.9**	0.4
Additions	**5.1**	0.6	**5.1**	0.6
Amortisation for the period	**(0.3)**	(0.1)	**(0.3)**	(0.1)
Balance at end of financial year	**5.7**	0.9	**5.7**	0.9
Investment in NPP Australia Limited (NPPA)				
Carrying value at the beginning of year	**1.4**	-	**1.4**	-
Additions	**0.6**	1.4	**0.6**	1.4
Balance at end of financial year	**2.0**	1.4	**2.0**	1.4

Note 21 - 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. At 30 June 2016 (and 30 June 2015) the Consolidated Entity divided its activities into two operating cash generating units (CGU's), with separately identifiable corporate activities:

- **Payments**, the main CGU which covers the processing and settlement of financial transactions on behalf of customers, generally for their customers. Payments includes Cuscal's ATM activities, card issuance activities, fraud monitoring and data analytics. All of the acquired SPS assets, excluding the deferred tax asset, were allocated to Payments.
- **Balance Sheet**, this CGU covers the Consolidated Entity's lending and securitisation activities; including the funding of those activities. The Balance Sheet CGU also manages the investment of the Consolidated Entity's surplus capital.

The future strategic direction of the Consolidated Entity is focused on the Payments CGU.

Goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Consolidated Entity's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. All the goodwill arising from the acquisition of Strategic Payment Services Pty Ltd (SPS), refer to Note 41, has been allocated to the Payments CGU.

Other Intangibles – Limited Life

Payments Infrastructure Assets

These are assets that enable the processing and settlement of financial transactions.

There are two Payment Infrastructure assets:

- developed by Cuscal, and
- acquired as part of the SPS acquisition.

The Cuscal asset represents amounts capitalised for the cost of the external software component and development expenditure directly related to building this capability, net of research and development incentives. Amortisation of this asset is over 5 years, commencing from the start of the 2013 financial year.

The other Payment Infrastructure asset represents the fair value of the SPS asset at acquisition. Fair value was determined on the basis of an independent expert valuation report. This asset is being amortised over 2-4 years commencing from 1 December 2014.

Note 21 - Impairment of Intangible assets, continued

Investment in NPP Australia Limited (NPPA)

NPPA is the company that has been incorporated to build and operate the New Payments Platform (NPP) currently being developed by the Reserve Bank of Australia with a target commencement date of late 2017.

As the primary advantage that Cuscal will receive as an investor in NPPA is the right to connect to the NPP, the asset is akin to a "licence" to access the NPP. The investment in NPPA is not readily transferable and is not expected to generate a return such that the primary incentive for investing in NPPA is to receive access rights to the NPP. Accordingly, treatment of this asset as a limited life intangible is considered to be the most accurate reflection of the underlying economic purpose of the transaction. Amortisation of this asset will commence when the NPP commences operation.

Process and Assumptions

All of the Consolidated Entity's intangible assets have been allocated to the Payments CGU.

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

This assessment has been carried out on the following basis:

- It is assumed that the Payments CGU is subject to the same level of prudential regulation as the Australian Prudential Regulation Authority (APRA) applies to the Consolidated Equity.
- Accordingly, the returns from the Payments CGU included in the recoverable amount are only after allowing for the maintenance of capital as required under APRA Prudential Standards and applicable internal capital overlays.
- The returns from the Payments CGU are based on the Consolidated Entity's Five Year Strategic Plan covering the period to 30 June 2021. The Five Year Strategic Plan was approved by the Cuscal Board in July 2016.
  - The assumptions in the Five Year Strategic Plan are based on recent past experience adjusted for management expectations for pricing on contract renewals, new contracts and relevant product development.
  - The Five Year Strategic Plan allows for the investment required to ensure the Payments CGU is able continue to provide high level functionality to customers.
  - The recoverable amount of the Payments CGU has been determined by discounting the net cash flows to an equity holder of the Payments CGU.
  - A terminal value growth rate of 3% (2015: 3%) has been applied at the end of the Five Year Strategic Plan.
  - The cash flows to the equity holder have been discounted at the Consolidated Entity's weighted average cost of capital (WACC) of 10.8% post-tax (2015: 12.0%).
  - The WACC is that assessed by an independent expert advisor as being the Consolidated Entity's WACC as at 30 April 2015. No circumstances have arisen between the date of that report and 30 June 2016 which would cause the WACC to be reassessed.
  - The inputs used in determining the recoverable amount of the Payments CGU are Level 3 inputs under the fair value hierarchy set out in accounting standard AASB 13 Fair Value Measurement.

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

The recoverable amount of the Payments CGU becomes equal to its carrying value if the net profit after tax assumed in the Five Year Strategic Plan, is 19.5% (2015: 20%) lower than projected in each of the 5 years of the Plan.

Note 22 – Payables due to financial institutions

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
At amortised cost				
Settlement balances due to other financial institutions, unsecured	**43.9**	67.9	**43.9**	67.9

Note 23 - Deposits

Term deposits placed by customers are recorded at fair value based on models derived from market prices. Realised gains and losses, and unrealised gains and losses arising from changes in the fair value of these deposits are recognised in profit or loss in the period in which they arise. "At call" deposits are recognised at amortised cost.

Interest expense on deposits is recognised in the profit and loss as interest expense.

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
At amortised cost:				
Deposits at call, unsecured	**616.8**	446.3	**617.8**	451.7
Security deposits	**128.3**	122.6	**128.3**	122.6
	745.1	568.9	**746.1**	574.3
At fair value:				
Term deposits, unsecured	**71.0**	124.1	**80.0**	124.1
Total deposits	**816.1**	693.0	**826.1**	698.4
Concentration				
Credit unions and mutual banks	**766.8**	641.7	**766.8**	648.3
Other parties	**49.3**	51.3	**49.3**	44.7
Related parties	**-**	-	**10.0**	5.4
Total deposits by concentration	**816.1**	693.0	**826.1**	698.4

Default on borrowings

In respect of deposits and discounted securities issued: there were no defaults during the year or prior year in respect of principal, interest payments or redemptions on the borrowings.

Note 24 - Securities sold under agreement to repurchase

Securities sold under agreement to repurchase are initially recognised at fair value and are subsequently carried at fair value through profit and loss with unrealised gains and losses arising from changes in the fair value of the instrument being recognised in profit or loss in the period in which they arise.

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
At fair value:				
Repurchase agreements with the Reserve Bank of Australia	**106.3**	108.8	**106.3**	108.8

Note 25 – Discount securities issued

Discount Securities Issued comprise negotiable certificates of deposit and are initially recognised at fair value, net of transaction costs incurred and are subsequently carried at fair value through profit and loss with unrealised gains and losses arising from changes in the fair value of the instrument being recognised in profit or loss in the period in which they arise.

Interest expense on negotiable certificates of deposit is recognised in profit or loss as interest expense.

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
At fair value:				
Negotiable certificates of deposit – unsecured	**465.4**	561.9	**465.4**	561.9

Note 26 –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.

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Liability to prepaid cardholders*	**105.2**	90.0	**105.2**	90.0
Deferred income	**11.3**	6.8	**11.3**	6.6
Sundry creditors and accrued expenses	**23.7**	17.0	**24.1**	16.1
Total other liabilities	**140.2**	113.8	**140.6**	112.7

* The liability to prepaid cardholders is in respect of store value cards issued by Cuscal Limited.

Note 27 - Provisions

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, 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

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

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

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Employee benefits				
Current	**8.9**	9.4	**8.9**	9.4
Non-current	**2.6**	2.0	**2.6**	2.0
	11.5	11.4	**11.5**	11.4
Impairment of ATMs - site rental agreements (Refer Note 19)	**0.3**	0.6	**0.3**	0.6
Onerous lease on surplus office accommodation	**0.1**	0.6	**-**	-
Total provisions	**11.9**	12.6	**11.8**	12.0

Note 28 – Issued capital

Each ordinary share carries one voting right and ranks equally for ordinary dividends, other than the shares issued during the previous financial year as consideration for the acquisition of Strategic Payments Services Pty Ltd (SPS) in 2015. These shares did not rank for the 2015 interim dividend paid at 3.5 cents per share but now rank equally for all future dividends.

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Issued and fully paid ordinary shares				
Opening balance	**127.1**	89.7	**127.1**	89.7
Issued during the year	**-**	37.4	**-**	37.4
Total issued capital 186,858,915 ordinary shares	**127.1**	127.1	**127.1**	127.1

Note 29 – Reserves

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Capital profits reserve	**0.5**	0.5	**0.5**	0.5
General reserve	**2.0**	2.0	**2.0**	2.0
Available for sale reserve	**0.4**	0.3	**0.4**	0.3
Reserve for credit losses - refer Note 33	**2.5**	2.5	**2.5**	2.5
Total reserves	**5.4**	5.3	**5.4**	5.3
Available for sale reserve				
Balance at beginning of financial year	**0.3**	0.5	**0.3**	0.5
Unrealised gains and losses on investment securities recognised in reserve (net of income tax)	**0.1**	(0.2)	**0.1**	(0.2)
Balance at end of financial year	**0.4**	0.3	**0.4**	0.3

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 adaption of IFRS to provide general coverage for unknown credit losses and replaced a general provision for doubtful debts.

The available for sale reserve represents the amount of net unrealized gains on investment securities at balance date.

Note 30 – Retained earnings

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Balance at beginning of financial year	**119.8**	121.9	**118.9**	121.1
Profit for the year	**13.3**	10.6	**12.7**	10.5
Dividends paid	**(15.8)**	(12.7)	**(15.8)**	(12.7)
Balance at end of financial year	**117.3**	119.8	**115.8**	118.9

Note 31 – Dividends paid

	2016		2015	
	Cents per Share	Total $m	Cents per Share	Total $m
Dividends paid from retained earnings				
Fully paid ordinary shares				
Final dividend, prior year – franked to 30%	**5.0**	**9.3**	**5.0**	7.5
Interim dividend – franked to 30%	**3.5**	**6.5**	**3.5**	5.2
Total dividends paid	**8.5**	**15.8**	**8.5**	12.7

	Cuscal	
	2016	2015
	$m	$m
Dividend franking account		
Adjusted franking account balance (tax paid basis)	**56.0**	52.2

Risk

Note 32 – Capital risk management

Cuscal subsidiaries have very limited amounts of financial assets, financial liabilities and other financial instrument exposures to/from entities outside the Consolidated Entity. Accordingly, unless otherwise presented, the disclosures in this note and Note 33 are only in respect of the Consolidated Entity as there is only insignificant differences between the exposures of Cuscal and those of the Consolidated Entity.

Capital risk management

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 Institution (‘ADI’) and as such is subject to regulation by the Australia Prudential Regulation Authority (‘APRA’).

Note 32 – Capital risk management, continued

All ADIs are subject to minimum capital requirements externally imposed by APRA. Under the definitions of the specific regulations, the ADI in the case of the Group consists of the parent entity and certain controlled entities ('Cuscal ADI'). APRA requires Cuscal ADI to have 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 ICAAP is subject to half-yearly review by the Board Risk Committee and annual review by the Board.

Historically, the Consolidated Entity has operated with levels of capital significantly above the limits set under the ICAAP and by APRA, and continues to do so as at 30 June 2016.

Note 33 - Financial risk management

Cuscal

Cuscal's Treasury undertakes activities in wholesale markets of borrowing and lending funds, lending to clients (now reduced), and the management of the Consolidated Entity's capital in accordance with the capital management plan approved by the Board.

Cuscal'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 credit union and mutual bank deposit base.

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 in respect of:

- 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 an ADI 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") [refer Notes 13 & 39] is a closed term debt issuance structure which has issued Residential Mortgage Backed Securities (RMBS) Notes to investors via a private placement. The Trust has not entered into any derivative financial transactions.

Note 33 - Financial risk management, continued

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

The Trust Manager in accordance with Trust documentation makes decisions in relation to the above matters.

A subsidiary of Cuscal, Cuscal Management Pty Limited, acted as the Manager of the Trust up until December 2015 when these duties were transferred to a non-related entity, and another subsidiary, Integris Securitisation Services Pty Limited, 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 either in the Notes relating to that financial asset or financial liability or in Note 44.

Regular way purchases and sales of financial assets and liabilities are accounted for on a trade date basis.

Foreign currency risk management

Reflecting its role as primarily a provider of deposit and lending services to credit unions and mutual banks, the Consolidated Entity has minimal foreign currency risk.

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

Exchange differences are recognised in profit or loss except equity instruments classified as Available for Sale, in which case the gain or loss is taken through the Available for Sale reserve, in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Interest rate risk management

The Consolidated Entity defines interest rate risk as the potential for loss in fair value due to adverse changes in interest rates.

Cuscal uses a Value-at-Risk approach to limit interest rate risk. Value-at-Risk is measured at 99% confidence over a one day time period.

On any given day, there is a 1% chance that Cuscal's financial assets and liabilities will lose more, on a pre-taxation basis, than the calculated Value-at-Risk due to interest rate movements. It is Board policy that the interest rate Value-at-Risk be less than 0.25% of Cuscal's capital base as reported to APRA at the previous month end.

However, financial markets periodically have extreme movements that are larger than could have been reliably predicted. As such, Cuscal conducts stress tests on the portfolio to determine the potential loss from extreme, but not completely implausible, scenarios.

The following table provides value-at-risk information for the reporting and comparative periods based on month end balances during the financial years.

This exposure to interest rate risk is also managed by closely matching asset and liability cash flows and the use of interest rate derivative contracts.

Note 33 - Financial risk management, continued

Value at risk

	Average		Minimum		Maximum		Year End	
30 June	2016	2015	2016	2015	2016	2015	2016	2015
	$m	$m	$m	$m	$m	$m	$m	$m
Interest Rate Risk	**-**	-	**-**	-	**0.1**	0.1	**-**	0.1

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 uses derivatives – mainly interest rate swaps– in its management of interest rate risk. All dealing in derivatives is subject to approved Board policies and monitoring by Risk Management.

As the Consolidated Entity is increasingly focused on its Payments activities, the level of use of derivatives has continued to materially decline again during this financial year.

Outstanding interest rate swap contracts as at reporting date

Consolidated	Notional Principal Amount		Fair Value	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	$m	$m	$m	$m
Assets				
Outstanding fixed to floating contracts				
Less than 1 year	**-**	57.4	**-**	0.5
1 to 2 years	**-**	26.5	**-**	0.4
Total derivative financial assets	**-**	83.9	**-**	0.9
Liabilities				
Outstanding floating to fixed contracts				
Less than 1 year	**21.3**	102.0	**0.3**	0.6
1 to 2 years	**-**	47.8	**-**	0.8
Total derivative financial liabilities	**21.3**	149.8	**0.3**	1.4

The interest rate swaps settle on bases between one and six months. The floating rate leg on the interest rate swaps is the applicable Australian BBSW rate. All settlements are on a net basis.

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Note 33 - Financial risk management, continued

Credit risk

Cuscal

Credit risk is defined as the risk of economic loss where the Consolidated Entity 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 is comprised of all exposures including settlements, cash, loans, trading securities held and guarantees. In order to assess the credit exposure of the Consolidated Entity'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 analyses of a borrower's financial information are also important factors used in determining the financial state of a counterparty.

Loan exposures are managed and monitored through facility limits for individual borrowers and a credit review process. The Consolidated Entity relies on collateral security typically in the form of a fixed and floating charge over the assets and undertakings of its borrowers or cash security deposits.

The maximum credit exposure in respect of committed loan facilities is shown in Note 12.

Cuscal's loans are reviewed for impairment in accordance with the accounting policy in Note 44. At the end of the financial year and at the end of the previous financial year no loans were impaired.

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

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

As set out in Note 12, by 30 June 2016 Cuscal had ceased its lending activities, other than for overdrafts. This is consistent with Cuscal's focus on its payment activities.

Quantitative analysis is supported by the statistical generation of expected and unexpected loss modeling on an individual and portfolio basis. The loss modeling is reviewed monthly to monitor the adequacy of the reserve for credit losses.

Where necessary an appropriation of profits, approved by the Board, is made to adjust the reserve for credit losses - refer Note 29.

Securitisation Trust

All residential mortgages are subject to lending criteria determined from time to time by the Master Servicer, a Cuscal subsidiary.

Loans are secured by mortgages for which the Trust has a first mortgage and mortgage insurance. All loan assets are subject to recurring review and assessment for possible impairment.

At year end, no provision for impairment is carried in respect of the residential mortgages in the Trust.

All bad debts are written off in the period in which they are identified.

Note 33 - Financial risk management, continued

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

Consolidated	2016	2015
	%	%
Financial institutions	**84.5**	79.7
Residential mortgages	**15.5**	20.3
	100.0	100.0

Maximum credit risk exposure

Consolidated	2016	2015
Financial Assets	$m	$m
Cash and cash equivalents	**772.8**	575.8
Receivables due from financial institutions	**117.3**	348.3
Trading securities	**224.9**	584.2
Investment securities	**644.9**	134.8
Loans	**3.1**	105.3
Loans made by the Securitisation Trust	**324.2**	444.7
Derivative financial assets	**-**	0.9
Total	**2,087.2**	2,194.0
Off-Balance sheet		
Undrawn facilities	**206.8**	237.9
Total maximum credit risk exposure	**2,294.0**	2,431.9

Liquidity risk

(a) Cuscal

The liquidity management policy of Cuscal is approved by the Board and agreed with APRA. Cuscal manages liquidity risk by continuously monitoring the time to liquidate and cost to liquidate its trading 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.

(b) Securitisation Trust

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

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

Note 33 - Financial risk management, continued

(c) Contractual undiscounted cash flows of financial liabilities

Maturity Profiles

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

Consolidated	At call $m	3 mths or less $m	3-12 months $m	1-5 years $m	Over 5 years $m	No maturity specified $m	Total $m
30 June 2016							
Payables due to financial institutions	**43.9**	**-**	**-**	**-**	**-**	**-**	**43.9**
Deposits	**616.8**	**165.8**	**26.1**	**8.4**	**-**	**-**	**817.1**
Securities sold under agreement to repurchase	**-**	**106.3**	**-**	**-**	**-**	**-**	**106.3**
Discount securities issued	**-**	**388.0**	**78.8**	**-**	**-**	**-**	**466.8**
Derivative financial liabilities							
Net contractual amounts	**-**	**-**	**0.3**	**-**	**-**	**-**	**0.3**
Borrowings of the Securitisation Trust	**-**	**-**	**-**	**-**	**-**	**333.4**	**333.4**
Total undiscounted cash flows	**660.7**	**660.1**	**105.2**	**8.4**	**-**	**333.4**	**1,767.8**
30 June 2015							
Payables due to financial institutions	67.9	-	-	-	-	-	67.9
Deposits	445.8	61.4	61.2	3.3	-	122.6	694.3
Securities sold under agreement to repurchase	-	108.8	-	-	-	-	108.8
Discount securities issued	-	456.9	107.5	-	-	-	564.4
Derivative financial liabilities							
Net contractual amounts	-	0.1	0.3	0.7	-	-	1.1
Borrowings of the Securitisation Trust	-	-	-	-	-	459.6	459.6
Total undiscounted cash flows	513.7	627.2	169.0	4.0	-	582.2	1,896.1

Note 33 - Financial risk management, continued

Cuscal	At call $m	3 mths or less $m	3-12 months $m	1-5 years $m	Over 5 years $m	No maturity specified $m	Total $m
30 June 2016							
Payables due to financial institutions	**43.9**	**-**	**-**	**-**	**-**	**-**	**43.9**
Deposits	**617.8**	**174.8**	**26.1**	**8.4**	**-**	**-**	**827.1**
Securities sold under agreement to repurchase	**-**	**106.3**	**-**	**-**	**-**	**-**	**106.3**
Discount securities issued	**-**	**388.0**	**78.8**	**-**	**-**	**-**	**466.8**
Derivative financial liabilities							
Net contractual amounts	**-**	**-**	**0.3**	**-**	**-**	**-**	**0.3**
Total undiscounted cash flows	**661.7**	**669.1**	**105.2**	**8.4**	**-**	**-**	**1,444.4**
30 June 2015							
Payables due to financial institutions	67.9	-	-	-	-	-	67.9
Deposits	451.3	61.4	61.2	3.3	-	122.6	699.8
Securities sold under agreement to repurchase	-	108.8	-	-	-	-	108.8
Discount securities issued	-	456.9	107.5	-	-	-	564.4
Derivative financial liabilities							
Net contractual amounts	-	0.1	0.3	0.7	-	-	1.1
Total undiscounted cash flows	519.2	627.2	169.0	4.0	-	122.6	1,442.0

Fair value

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

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

Note 33 - Financial risk management, continued

Trading and 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. Interest rate swaps, where Cuscal maintains a relatively hedged overall position, are valued using the midpoint of bid and ask rates.

Loans and loans made by the securitisation trust

For variable rate loans and for the small number of fixed rate loans in the Trust, the carrying amount is an approximation of fair value.

Derivative financial assets

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

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. Fixed rate deposits are revalued using a yield curve that represents Cuscal's credit risk.

Discount securities issued

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

Borrowings of the Securitisation Trust

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

Derivative financial liabilities

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

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.

Note 33 - Financial risk management, continued

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

Level 3 – Valuation technique not supported by market inputs

This category includes financial assets and liabilities whose fair value is determined using a valuation technique (model) for which more than an insignificant level of input in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive.

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

Consolidated - 30 June 2016	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial Instruments – assets				
Cash in fixed term deposits	**-**	**-**	**-**	**-**
Derivative assets - Interest rate swaps	**-**	**-**	**-**	**-**
Trading securities	**-**	**224.9**	**-**	**224.9**
Investment securities	**-**	**644.9**	**-**	**644.9**
Total financial instruments – assets	**-**	**869.8**	**-**	**869.8**
Financial Instruments – liabilities				
Derivative liabilities - Interest rate swaps	**-**	**(0.3)**	**-**	**(0.3)**
Deposits	**-**	**(71.0)**	**-**	**(71.0)**
Securities sold under agreement to repurchase	**-**	**(106.3)**	**-**	**(106.3)**
Discount securities issued	**-**	**(465.4)**	**-**	**(465.4)**
Total financial instruments – liabilities	**-**	**(643.0)**	**-**	**(643.0)**

Consolidated - 30 June 2015	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial Instruments – assets				
Cash in fixed term deposits	-	215.0	-	215.0
Derivative assets - Interest rate swaps	-	0.9	-	0.9
Trading securities	-	584.2	-	584.2
Investment securities	-	134.8	-	134.8
Total financial instruments – assets	-	934.9	-	934.9
Financial Instruments – liabilities				
Derivative liabilities - Interest rate swaps	-	(1.4)	-	(1.4)
Deposits	-	(124.1)	-	(124.1)
Securities sold under agreement to repurchase	-	(108.8)	-	(108.8)
Discount securities issued	-	(561.9)	-	(561.9)
Total financial instruments – liabilities	-	(796.2)	-	(796.2)

Note 33 - Financial risk management, continued

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

Unrecognised Items

Note 34 - Assets pledged as collateral

Trading Securities

Trading Securities of $122.3 million (2015:$121.3 million) have been pledged to the Reserve Bank of Australia as collateral for the liability for Securities sold under agreement to repurchase in Note 24.

Note 35 – Commitments for expenditure

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Capital expenditure commitments not longer than 1 year				
IT & ATM capital expenditure	**0.6**	1.1	**0.6**	1.1
Investment in NPPA Ltd	**2.0**	2.6	**2.0**	2.6
Total commitments for expenditure	**2.6**	3.7	**2.6**	3.7

Note 36 - Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The expense is in the appropriate expense category in Note 4.

The largest lease commitment is in respect of Cuscal's head office at 1 Margaret Street Sydney. The lease commenced on 1 July 2013 and, partly on 1 July 2014. The lease covers 4 floors and expires on 30 June 2020.

Under the terms of this lease, the rent and certain other charges increase by a known percentage each year over the lease term. Cuscal does not have the option to purchase the leased assets at the expiry of the lease period.

In addition Cuscal has entered into a series of leases with varying terms and conditions for ATM sites as part of its development of ATMs under the rediATM network.

	Consolidated		Cuscal	
	2016	2015	2016	2015
	$m	$m	$m	$m
Operating Leases				
Non-cancellable operating lease payments				
Not later than one year	**10.2**	8.9	**10.2**	8.4
Later than 1 year and not longer than 5 years	**23.5**	26.3	**23.5**	26.2
Later than 5 years	**0.4**	0.9	**0.4**	0.9
Total non-cancellable operating lease payments	**34.1**	36.1	**34.1**	35.5

Note 37 – Credit facilities

	Consolidated 2016 $m	Consolidated 2015 $m
(a) Committed financing facilities that are available to Cuscal are as follows:		
i) Bank overdraft	**7.0**	7.0
ii) Within the day accommodation	**100.0**	100.0
iii) Encashment negotiation advice, payroll delivery services, and corporate purchasing card	**193.0**	176.0
iv) Bank guarantee	**9.5**	9.5
v) Overseas bills purchased from credit unions pending clearance of funds	**2.5**	2.5

As at 30 June 2016, $8.7 million (2015: $8.7 million) of the bank guarantee facility was utilised. The remaining credit facilities were unused at balance date

	Trust 2016 $m	Trust 2015 $m
(b) Committed financing facility available to the Securitisation Trust is as follows:		
i) Asset liquidity	**5.9**	8.2

As at 30 June 2016, $Nil of the asset liquidity facility was utilised. This facility is only available to the Trust in accordance with the contractual arrangements of the Trust. Neither Cuscal, nor any of its subsidiaries are able to access this facility.

As at 30 June 2016 neither Cuscal nor any of its subsidiaries provided financing facilities to the Trust.

Note 38 - Subsequent events

In respect of the financial year ended 30 June 2016, the Directors have determined that a final dividend of 5.0 cents per ordinary share shall be paid on or before 6 October 2016 to all shareholders registered on 23 September 2016 (the 'books close' date). The dividend will be franked to 100% at the 30% corporate income tax rate. The final dividend will total $9.3 million.

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 39 – 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.

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.

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.

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	
		2016	2015
		%	%
Parent Entity			
Cuscal Limited			
Controlled entities (i)			
CUSCAL Management Pty Limited	Ord	**100**	100
Integris Securitisation Services Pty Limited	Ord	**100**	100
Votraint No. 1451 Pty Limited	Ord	**100**	100
Strategic Payments Services Pty Ltd ("SPS")	Ord	**100**	100

i) All controlled entities are incorporated in Australia.

Each of the entities listed above entities is a limited purpose company. Votraint No. 1451 Pty Limited is a non-trading entity. There are no restrictions on Cuscal's ability to access or use assets of these companies and settle liabilities of the Consolidated Entity.

As an Authorised Deposit- taking Institution (ADI), Cuscal is limited by APRA Prudential Standard APS 222 Associations with Related Entities as to the scope and size of exposures it may have to its subsidiaries. The limitations have no impact on the day to day operations of the above entities.

Structured Entities included in the consolidated financial statements

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

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

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

Cuscal Management was the Trust Manager up until December 2015 when this role was transferred to a non-related entity. Up until that date, Cuscal Management received Trust Management fees from the Trust.

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

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

All borrowings of the Trust are limited to the assets of the Trust and Cuscal and its subsidiaries have no obligations in respect to the repayment of those borrowings.

In respect of the Trust, Cuscal and its subsidiaries carry out the roles set out above. In addition:

- Cuscal has provided $0.1 million to fund the Extraordinary Expense Reserve of the Trust, which is repayable on final distribution date, and
- Integris has indemnified the Trustee against penalties arising in connection with the Trustee's performance of its duties or exercise of its powers under the Master Origination and Servicing Agreement to the extent of $0.5 million.

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

Tax Consolidation Group

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

Note 40 - Related party disclosures

(a) Key management personnel

Details of the Key Management Personnel, including remuneration are disclosed in Note 6.

(b) Loans to directors

As at 30 June 2016 the outstanding balance of loans to directors was $ nil (2015: $ nil).

(c) Directors' interests in contracts

As required by the Corporations Act 2001, some Directors have given notice that they hold office in specified credit unions, mutual banks and other companies and as such are regarded as having an interest in any contract or proposed contract which may be between Cuscal and its controlled entities and those credit unions and companies.

All transactions between credit unions, mutual banks and other companies in which a Director is an officer and/or a member and Cuscal and its controlled entities are transacted on normal terms and conditions.

(d) Controlled entities

Cuscal's controlled entities receive administrative support services from Cuscal for which they pay management fees. 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 2, 3 and 4.

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

Note 41 - Acquisition of Strategic Payments Systems Pty Ltd ("SPS")

The following information is presented in respect of the year ended 30 June 2015.

On 1 December 2014 Cuscal Limited acquired 100% of the shares of SPS. SPS is a highly respected provider of switching, device driving, card management and merchant management services.

The consideration for the acquisition was the issue by Cuscal of 37,371,783 ordinary shares in Cuscal. The fair value of these shares, based on an internal valuation of the combined entity, was assessed to be $1.00 per share resulting in a total consideration of $37.4 million.

The result of the issue of these shares is that Bendigo and Adelaide Bank Limited and MasterCard Asia/Pacific (Australia) Pty Ltd, a wholly owned subsidiary of MasterCard Worldwide, each became a 10% shareholder in Cuscal.

As disclosed in Note 4, acquisition-related costs of $0.9 million have been recognised as an expense in the statement of profit and loss in the year ending 30 June 2015 as part of other expenses.

As detailed below, Goodwill of $21.6 million arose on acquisition. This goodwill primarily represents the expected synergies to arise from the combination, the stronger market potential of the combination and the assembled workforce of SPS. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Note 41 - Acquisition of Strategic Payments Systems Pty Ltd ("SPS"), continued

Assets acquired and liabilities assumed at the date of acquisition	Fair value on acquisition
	$m
Cash & cash equivalents	**7.7**
Trade debtors	**2.4**
Other current assets	**1.5**
Payment Infrastructure assets	**6.0**
Property plant and equipment	**0.2**
Deferred tax asset	**2.7**
Total assets	**20.5**
Trade and other payables	**3.7**
Provisions	**1.0**
Total liabilities	**4.7**
Net assets	**15.8**
Shares issued as purchase consideration	**37.4**
Net assets acquired	**15.8**
Goodwill on acquisition	**21.6**

Amounts contributed by SPS included in the consolidated income statement and the statement of other comprehensive income	From 1 December 2014 to 30 June 2015	Assuming the acquisition occurred on 1 July 2014 – full year contribution
	$m	$m
Revenue	**11.6**	**19.8**
Net profit after tax	**0.7**	**1.2**
Other comprehensive income	**Nil**	**Nil**

Note 42 – Earnings per share and net assets per share

	Consolidated	
	2016	2015
	Cents	Cents
Earnings per ordinary share		
Basic and diluted earnings per share	**7.1**	6.2
	$	$
Net assets per ordinary share at year end	**1.34**	1.35

Note 43 – 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 are both:

1 Margaret Street
SYDNEY NSW 2000

The number of employees at 30 June 2016 of the Consolidated Entity is 420 (30 June 2015: 364).

Note 44 – Summary of other significant accounting policies

The information contained in this note represents significant accounting policies not included elsewhere in the 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').

The financial statements were approved by the directors on 17 August 2016.

Basis of preparation

The financial report has been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities (including derivative instruments) that are measured at fair value through the profit and loss. 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.

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.

Note 44 – Summary of other significant accounting policies, continued

In these financial statements, the material areas of accounting judgement and sources of estimation uncertainty are in respect of:

- The carrying value of automatic teller machine assets (ATMs) discussed in Note 19,
- The carrying amount of intangible assets discussed in Note 21,
- The fair value of financial instruments discussed in Note 33, and
- The purchase price allocation process applied to the acquisition of SPS, refer Note 41.

Principles of consolidation

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

Control is achieved when Cuscal:

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

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

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

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.

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.

Foreign currency transactions

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

Exchange differences are recognised in profit or loss except equity instruments classified as Available for Sale, in which case the gain or loss is taken through the Available for Sale reserve, in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Financial assets and financial liabilities

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

(i) has been acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(ii) is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;

(iii) is a derivative that is not designated and effective as a hedging instrument; or

(iv) eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Note 44 – Summary of other significant accounting policies, continued

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

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

Financial instruments at fair value through the profit and loss

Financial assets at fair value through the profit and loss are stated at fair value, with any resultant gain or loss recognised in the profit and loss. Fair value is determined in the manner described in Note 33.

Impairment of financial assets

Financial assets measured at amortised cost or cost, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

Impairment of available for sale investments

Available for sale investments are also subject to impairment testing. Any impairment is recognised firstly against the balance in equity that has arisen from changes in fair value of the investment subsequent to its initial recognition, and then any remaining impairment is recognised in profit or loss within the Net Trading Result.

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

Derecognition of financial assets

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

Note 44 – Summary of other significant accounting policies, continued

Internally generated intangible assets – research and development expenditure

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, internally labour costs directly related to the project and project management costs directly related to the intangible asset are included. No general management costs or share of overheads are capitalised.

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.

Fees and commissions

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

The majority of fees and commissions relate to the processing of financial transactions for credit unions, mutual banks and other customers.

Dividend Income

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

Taxation

Current and deferred tax is recognised as an expense or income in profit or loss, except when it 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, will charge or reimburse its wholly owned subsidiaries for current tax liabilities or assets it incurs in connection with their activities.

As a consequence, Cuscal will recognise 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.

Note 44 – Summary of other significant accounting policies, continued

Goods and services tax

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

i. 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
ii. for receivables and payables which are recognised inclusive of GST.

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

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

Research and development incentives

Some of the projects which Cuscal has developed qualify for Research and Development Incentives provided by the Australian Government. The largest such project is the development of the payments infrastructure detailed in Note 20.

Research and development incentives are recognised in accordance with Accounting Standard AASB 120 Accounting for Government Grants and Disclosure of Government Assistance in the period in which the qualifying expenditure is incurred. 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.

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 that:

- 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 ‘Sharebased 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.

Comparative amounts

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

Note 45 - Adoption of new and revised accounting policies

In the current year, Cuscal has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

The following standard relevant to Cuscal became effective in 2016:

AASB 2015-3 "Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality"

This amendment results from the completion of the AASB project to remove Australian guidance on materiality from Australian Accounting Standards, with the issue of the final amending standard to effect the withdrawal of AASB 1031 Materiality. The amendment does not have any material impact on the disclosures or the amounts recognised in the Cuscal or Consolidated Entity financial statements.

Accounting standards & interpretations issued but not yet adopted

Cuscal has reviewed all accounting Standards and Interpretations that have been issued and not yet adopted.

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

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2015-2 "Amendments to Australian Accounting Standards – Disclosure Initiative: Amendment to AASB 101	1 January 2016	30 June 2017
AASB 9 "Financial Instruments" and relevant amending standards	1 January 2018	30 June 2019
AASB 15 "Revenue from Contracts with Customers" and "Amendments to Australian Accounting Standards arising from AASB 15"	1 January 2018	30 June 2019
AASB 16 "Leases"	1 January 2019	30 June 2020

AASB 2015-2 does not require any significant change to current practice, but will facilitate improved reporting, including an emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of sub-totals, the ordering of notes, and the identification of significant accounting policies. These amendments may result in minor changes to the layout of the Cuscal's Financial Statements

AASB 9 changes require all recognised financial assets that are within the scope of AASB 139 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Cuscal's investment securities currently treated as "available for sale" investments will have to be measured at fair value through the profit or loss instead of unrealised changes in value being recognised in the Available for Sale Reserve. It is not practical to provide an estimate of this effect as it will depend upon the level of investment securities held at 30 June 2019. The effect, if any, will only affect the Available for Sale Reserve and/or Retained Earnings.

The changes to AASB 9 also require that changes in the value of financial liabilities designated as at fair value through profit or loss due to changes in the credit risk of those liabilities – changes in Cuscal's credit risk – be recognised in other comprehensive income and are not subsequently reclassified to profit or loss.

The effect, if any, will only arise if Cuscal's credit rating varies from its current level. The initial impact of such a ratings change on Cuscal's financial liabilities designated as at fair value through profit or loss will be debited or credited to equity and thereafter remains in equity.

Note 45 - Adoption of new and revised accounting policies, continued

In relation to the impairment of financial assets AASB 9 requires an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The effect, if any, will depend on the nature of the financial assets that Cuscal holds on 30 June 2019 and whether Cuscal's nil credit loss experience continues in the period between 30 June 2016 and the introduction of AASB 9.

AASB 15 specifies how and when revenue is recognised, based on the concept of recognising revenue for performance obligations as they are satisfied. AASB 15 also requires enhanced disclosures. The effect, if any, will depend on the structure of Cuscal's contracts when AASB 15 takes effect. However, if the structure of Cuscal's contracts at that time is similar to the current contract structure; AASB 15 is not expected to have any material effect on the recognition of revenue.

AASB 16 removes the classification of leases as either "operating" or "finance" – all long-term leases will effectively become Finance leases. Cuscal will have to amend its accounting over the life of the lease, which will result in a front-loaded pattern of expense for its leases, even though Cuscal pays fairly constant annual rentals (usually indexed each year). Cuscal's initial assessment of AASB 16 is that it will apply to the lease of our premises at 1 Margaret Street and leases on our ATM fleet.

Other than as noted above, the adoption of these standards is not expected to have a material financial impact on the financial statements of Cuscal or the Consolidated Entity.

Corporate Governance Statement 2016

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1 Approach to Governance

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

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

Good governance references include the ASX Corporate Governance Council's (ASX CGC) *'Corporate Governance Principles and Recommendations'* and the Prudential Standard issued by the Australian Prudential Regulation Authority, *CPS 510 Governance* (CPS 510) and *CPS 220 Risk Management*. Although Cuscal is not a listed entity, the Board is also committed to complying with the ASX CGC recommendations to the extent that they are applicable to Cuscal.

This document reflects Cuscal's governance framework as at 30 June 2016.

2 Roles and Responsibilities

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

The Board has adopted a formal Board Charter that details the role, responsibilities, composition, committees, delegations, operation and performance of the Cuscal Board. The Board is also governed by regulation including prudential regulation, general law, the Banking Act, the Corporations Act and the Cuscal Constitution.

As Cuscal is an unlisted entity, the Board has formed the view that the Board Charter should not be generally made available to members of the public. Accordingly, this Board Charter is made available to shareholders on Cuscal's website through a secured webpage.

2.1 Board Responsibilities

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

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

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

2.2 Delegations of Board Authority

The Board has delegated to the Managing Director the authority to manage the operations of the Cuscal group, subject to specific delegations and limits approved by the Board. The Managing Director has the ability to delegate authority to members of the Leadership Team.

The Managing Director also regularly consults with the Chairman on matters generally as they arise.

The Managing Director is responsible for:

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

2.3 Structure of the Board

The Board seeks to have, and considers appropriate it has, a broad range of relevant financial services and other skills and experience to meet its objectives. The current Board composition is set out on pages 11 and 12 in this Annual Report.

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

2.4 Independence

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

A Director is not considered independent if they:

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

Pursuant to the Board Charter, the Board is responsible for the determination of Directors' independence, taking into account the circumstances of each Director. Cuscal is largely owned by credit unions and mutual banks and many of its clients are those same organisations. This has created the situation whereby elected Directors may not be independent by the usual definitions. The Cuscal Board has therefore determined that elected Directors, whose organisations have a material out-sourcing contract with Cuscal, may not be considered to be independent.

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

Accordingly, in terms of the above definition and criteria, Messrs W Conn, G Venardos and Ms A Templeman-Jones are considered to be independent non-executive directors.

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

2.5 Composition

Both the composition of the Board and the election of Directors are determined in accordance with the Cuscal Constitution, and any such regulatory requirements as apply from time to time. The Constitution prescribes that, subject to satisfaction of any regulatory requirements, an equal number of Directors elected by shareholders and Directors appointed by the Board. Cuscal has regulatory approval to have one additional non-executive, non-independent Director to non-executive, independent Directors until 1 December 2017. The maximum number of Directors as determined by the current Constitution is nine, comprising up to four Directors elected by shareholders, up to four Directors appointed by the Board, and the Managing Director, who may be appointed at the discretion of the Board. Cuscal's Board currently comprises three elected Directors, four appointed Directors (one of which is a non-executive, non-independent Director), and the Managing Director, who has been appointed as a Director under the discretion given to the Board.

Cuscal has written agreements with each Director setting out, inter alia, the terms of his/her appointment.

The period of office held by each Director in office at the date of the annual report and his / her status as to independence are set out on pages 11 and 12 in this Annual Report.

Cuscal's elected Directors generally serve three-year terms, retiring at the Annual General Meeting closest to the expiration of their term. Cuscal's independent appointed Directors serve an initial term of no longer than three years, with the terms of office staggered to ensure continuity of experienced Directors. The Board has a selection framework for the appointment of independent Directors, with the Board Governance & Remuneration Committee having oversight of this process. Matters to be considered in the selection of candidates include:

- strategic issues, and commercial and other pressures facing Cuscal at the time and over the following three years;
- the overall balance of skill sets available on the Cuscal Board at the time and those

likely to be required over the following three years, with reference to competencies required under the Fit & Proper Policy; and
- an assessment of Cuscal's position with respect to market-based remuneration levels for Directors.

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

APRA's CPS 510 on Governance mandates that ADIs must have a majority of independent Directors at all times. However, under the Standard, special service providers such as Cuscal have been able to seek alternative Board composition arrangements. Cuscal currently has in place a concession by APRA to have one additional non-executive, non-independent Director to non-executive, independent Directors until 1 December 2017 and the Managing Director, who has been appointed as a Director under the discretion given to the Board.

The Board has adopted a Diversity Policy that sets out Cuscal's objectives for achieving workplace diversity and flexibility, how it will achieve these objectives and how it will measure those achievements. To achieve its objectives Cuscal:
- will set Board determined measurable objectives for achieving gender diversity
- the Board will assess annually both the objectives and progress in achieving them;
- will assess pay equity on an annual basis; and
- will encourage and support the application of flexibility policy into practice across the business.

2.6 The Chairman

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

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

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

2.7 Avoidance of Conflicts of Interest

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

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

2.8 Board Renewal

The Board has a policy on renewal to ensure the Board remains open to new ideas and independent thinking. As detailed in the Board Charter, the Board has set, as a general rule, that a Director's tenure be reviewed if the Director is approaching a service period of three concurrent terms of office. Matters to be considered by the Board will include:
- average tenure of Board members;
- whether Directors have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of Cuscal; and
- competencies and requirements under Cuscal's Fit and Proper Policy.

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

2.9 Ongoing Professional Development

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

In addition, Board meetings periodically include workshops and other development sessions to build knowledge on important issues and to ensure the Board is kept up to date on relevant industry matters.

2.10 Board Meetings and Processes

The current meeting schedule comprises nine Board meetings per year, but this number may be varied during the year, as required. In addition to these standard meetings, the Board participates in an annual strategy planning forum with the Leadership Team and relevant senior Management. The forum provides an opportunity for consideration of longer-term strategic issues and initiatives.

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

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

2.11 Board, Committees & Directors Performance Review

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

The Board has established an annual process, with advice from the Board Governance & Remuneration Committee, to conduct the performance evaluations and assessments. The performance evaluation is based on assessment of the Board and each Committee as a collective and each individual director undergoes a self-assessment and peer review. Outcomes of the evaluation of the Board and Committees are discussed at the Board and / or Board Governance & Remuneration Committee level and, for individual Directors, with the

Chairman. The Director with the longest tenure on the Board conducts the discussion with the Chairman. From time to time, external consultants may be engaged to carry out a these performance reviews.

2.12 Directors' Remuneration

Board remuneration is approved by shareholders at the Annual General Meeting, based on the recommendations of the Board in compliance with a policy determined by shareholders, which states that:

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

At the 2016 Annual General Meeting, shareholders approved a total sum of $686,933 for Directors remuneration for 2015/16. Allocation of this fee pool was made on the following basis:

- Chairman – $157,678
- Base Director Fee (including membership of one Board Committee) – $83,188
- Membership of a second Committee – additional $10,058
- Chair of a second Committee – additional $5,709

Additional fees may be paid to Cuscal Directors appointed to selected subsidiary Boards, though no such amount had been paid in the financial year ended 30 June, 2016, or since.

2.13 Executive Performance Evaluation & Remuneration

Executive performance is reviewed annually, with criteria being clearly defined, time constrained and based on the achievement of specific objectives, which are aligned to Cuscal's corporate goals. Performance evaluations against those objectives for the 2015/16 financial year took place in July/August 2015. The executive remuneration approach is to reward performance and provide an appropriately competitive salary to attract, retain, and engage competent and high performing executives.

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

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

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

Cuscal's Remuneration Policy outlines in more detail the structure of Executive performance and remuneration arrangements.

2.14 Company Secretary

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

While Directors have unfettered access to the Secretary and the Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board, as a matter of day-to-day interaction with Management, the Secretary reports to the General Manager, Shared Services.[1]

3 Committees and Subsidiary Companies

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

The three standing Committees (Governance & Remuneration, Audit and Risk) undergo an annual process where their performance is evaluated. Committee members and relevant management are required to complete a questionnaire (tailored to each Committee) to assess Committee performance. Each Committee discusses the results and schedules any action items accordingly.

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

As Cuscal is an unlisted entity, the Board has formed the view that the Board Committee Charters should not be generally made available to members of the public. Accordingly, these Charters are only made available to shareholders on Cuscal's website through a secured webpage.

Details of Committee members, their qualifications and their attendance at Committee meetings are on pages 11 to 13 of the Annual Report

3.1 Board Governance & Remuneration Committee

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

The Committee consists of the Chairman of the Board as Committee Chair, plus two other non-executive Directors. A majority of Committee members are independent. The Managing Director is an attendee at Committee meetings, except in relation to discussion on matters affecting his/her own remuneration or performance, or any other matters where a conflict may exist. The Secretary is an attendee, with other management invited as required.

Activities of note for the Committee over the 2015/16 financial year include:

- the review of Cuscal's corporate governance principles and governance framework;
- oversight the development and implementation of a CEO and Senior Executive succession planning program;
- reviewed and approved Cuscal's remuneration disclosures as required under APRA Standard APS 330;
- ongoing review of efficiency and effectiveness of the Board, Board Committee and subsidiary company memberships; and
- Review and consider the Board's budget for the following financial year.

3.2 Board Audit Committee

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

The Committee consists of an independent Chairman plus two other non-executive Directors. A majority of the members are

[1] For the period March to September 2016, the Company Secretary is appointed acting GM Shared Services, reporting to the Managing Director.

independent and all members are financially literate. The Chairman of the Board is a member of this Committee and the Managing Director is an invitee. The Committee has a standing invitation to External and Internal Audit and selected senior management.

Activities of note for the Committee over the previous year include:

- consideration of accounting matters arising from the acquisition of Strategic Payment Services
- oversight and endorsement of the year end and half year end financial statements, including dividend payments; and
- review of relevant internal audit reports and approval and review of the internal audit plan.

3.3 Board Risk Committee

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

The Committee consists of an independent Chairman plus two other non-executive Directors. A majority of the members are independent. The Managing Director is an invitee to Committee meetings as are other senior management with risk responsibilities.

The Committee's main focus over the 2015/16 year included:

- oversight of the Operational Risk framework and operating model
- continuing oversight of the Balance Sheet Strategy review;
- consideration of Cuscal's Capital Plans;
- and
- assessment of risk appetite and strategic risks.

3.4 Committee Memberships at 30 June 2016

	Board Governance & Remuneration	Board Audit	Board Risk
Bill Conn(1)	♦(C)	♦	
George Venardos(1)		♦(C)	♦
Anne Templeman-Jones(1)	♦		♦(C)
Steve Targett(2)		♦	
Mark Genovese(2)	♦(i)		
Rob Goudswaard(2)			♦(ii)

(C) denotes Chair
(1) denotes independent, non-executive Director
(2) denotes non-independent non-executive Director
(i) membership of Board Governance & Remuneration commenced on 7 December 2015
(ii) membership of Board Risk commenced 17 February 2016
Director, Cathy McCaul does not currently sit on a Board Committee.

4 External Auditor

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

The External Auditor has a standing invitation to and attends all Board Audit Committee meetings. The External Auditor has unfettered access to the Board. The Board Audit Committee's main responsibilities to the Board relating to the External Auditor are detailed within the Committee's charter, located on Cuscal's shareholder website.

The External Auditor attends the Annual General Meeting and is available to answer shareholder questions on the conduct of the audit and the audit report.

5 Internal Audit

Internal Audit reports to the Board Audit Committee and management on the adequacy and effectiveness of the risk management framework, internal controls and governance processes. Cuscal's internal audit function is fully outsourced, for the June 2016 year to KPMG. The Board Audit Committee is responsible for assessing whether the Internal Audit function is adequate, properly resourced and independent.

6. Risk Management

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

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

6.1 Risk Management Framework

The risks to which Cuscal is exposed can be categorised generally into strategic, technology, liquidity, market, regulatory, credit and operational risk. The approach to risk management links the business strategies and objectives, vision and values to the internal control and risk management systems. Risk management processes include a regular business unit and enterprise-wide identification, assessment and evaluation of risk. The Board and management also engage in an annual risk workshop which culminates in Cuscal's APS 310 declaration. In addition to this annual exercise, a six monthly update on strategic risks is provided to the Board.

The Cuscal Board reviews and approves the risk management framework and sets key risk parameters for the major risk areas. The framework is reviewed annually and the last review was undertaken in December 2015. The Board evaluates the effectiveness of risk management strategies and internal control processes. The Board Audit and Risk Committees have significant roles in the risk management process. In addition, independent assurance on the risk framework is provided through internal audit activity.

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

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

- continual review and development of ethical standards;
- continual risk identification, assessment and control processes, at both enterprise and business unit levels;
- comprehensive policies and written procedures on risk and compliance;
- appropriate risk and compliance committee structures at Board and management levels;
- assigning appropriate delegations of authority;
- recruiting skilled, professional staff;
- maintaining information systems which provide relevant, timely and accurate information on risks and controls;
- a comprehensive business continuity plan with associated disaster recovery capability for major systems;
- regular staff workshops to increase awareness of fraud prevention and detection processes; and
- independent assurance on the risk framework and internal controls through audit.

6.2 Managing Director & Chief Financial Officer (CFO) Assurance

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

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

7 Communicating with Shareholders

The Board is committed to protecting shareholders' interests and aims to ensure that shareholders are well informed of all major developments affecting Cuscal's operations and financial standing. Cuscal has a continuing engagement and disclosure to its members through the following channels.

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

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

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

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

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

- Shareholder Announcements
  News is distributed via email to shareholder Chairs and CEOs and is also posted on the Shareholder Centre secure website. Such news includes financial results, dividends, material announcements and performance updates.

- Roadshows and Shareholder Visits
  From time to time the Cuscal Board and Executives host meetings around Australia. These provide the opportunity for shareholders to be consulted on significant decisions and provided with updates about financial results, strategic initiatives and future plans.

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

8 Ethical and Responsible Behaviour

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

The Cuscal values define the way in which employees are encouraged to work together. Quite simply, it's "what we do around here" to achieve Cuscal's business goals and aspirations. The values, which were developed through consultation and input from employees and the Board are:

- Reliability
- Energy
- Partnership

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

As Cuscal is an unlisted entity, the Board has formed the view that the Codes of Conduct should not be generally made available to members of the public. Accordingly, Directors' Code of Conduct is made available to shareholders via Cuscal's shareholder centre through a secured webpage.

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

Cuscal is committed to the highest standards of ethical, moral and legal business conduct. In line with this commitment, and as a reflection of commitment to transparency, a Whistleblower Protection Policy is in place that aims to provide an avenue for employees to raise serious concerns with the reassurance that they will not be disadvantaged for reporting their reasonable suspicions about other persons in good faith. Concerns may be reported either internally, or through Cuscal's Ethical Disclosure Alert (CEDA), an independent externally-hosted disclosure facility.

Directory

Principal Offices

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

Integris Securitisation Services Pty Ltd
Level 2
1 Margaret Street
Sydney NSW 2000
Telephone: (02) 8299 9000
Facsimile: (02) 8299 9600

Strategic Payment Services Pty Ltd
Level 2
1 Margaret Street
Sydney NSW 2000
Telephone: (02) 8299 9000
Facsimile: (02) 8299 9600

Company Secretary

Bianca Bates
Telephone: (02) 8299 9035
Facsimile: (02) 8299 9600

Auditors

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Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: (02) 9322 7000
Facsimile: (02) 9322 7001