Growing opportunity

Annual Report
2018–2019

New Payments Platform

NPP AUSTRALIA LIMITED
ABN: 68 601 428 737
Financial Report For The Year Ended
30 June 2019

Vision

The leading open payments platform in Australia

Provides customers with a modern, digital way of making efficient payments that is always available, 24x7

Has ubiquitous reach with every transaction bank account in Australia able to make and receive NPP payments

Enables data-rich payments which supports processing and efficiency improvements across the economy, from small businesses through to government

Delivers capability that enables innovation, is reusable and extendable across all payment types from P2P payments through to B2B

Supports the ability for third parties to be able to initiate payments in a standardised, consistent and secure way

Supports different payment types (including both credit and debit-like messaging) to maximise volume and utility of platform

New Payments Platform

Provides fair and open access to the platform to ensure wide and diverse participation in the NPP

We’re connecting the nations innovators, institutions and consumers.

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With the Platform successfully launched, minds have turned to the opportunity it presents to support innovation in the payments system that go well beyond its foundational real-time payments capability.

This year I stepped into the role of Chair of the NPPA Board with a great sense of duty after observing from 'the outside world' the incredible efforts and deep collaboration that made the NPP a reality.

With the Platform successfully launched, minds have turned to the opportunity it presents to support innovation in the payments system that go well beyond its foundational real-time payments capability. This year we have mobilised ourselves around this aspiration, laying down the groundwork required to take the Platform's capabilities to the next level.

The ISO 20022 message usage guidelines, NPP API Framework and testing sandbox, the QR Code Standard and the work we commenced to investigate options that could enable debit like message capability, are all important steps to drive uptake of the Platform in line with market needs and international trends.

Access to the Platform is equally vital, so much so that we have set our vision for the Platform to be **"the leading open payments platform in Australia"**.

At the time of writing this report, NPPA had recently issued its public response to the Reserve Bank of Australia's Conclusions Paper on the NPP's Functionality and Access Consultation. In our response, which is available on NPPA's website, we signalled our ongoing commitment to operating the Platform in a way that promotes the public interest. This will require that we continue to reflect deeply on the way that we operate, as well as continuing to refine our operating rules and regulations, strengthening and/or amending them where necessary and we are committed to doing this.

Much of the detail contained in our individual responses to the Bank's 13 recommendations is work that commenced prior to the Consultation, showing our mutual objective to deliver an open and resilient Platform that serves the needs of all Australians. I remain firmly committed to ensuring broad participation in the Platform while balancing the need for appropriate safeguards for a Platform that moves money in real-time.

Spearheading our commitment is the NPPA Board and I would like to acknowledge the directors for their critical stewardship during the past financial year. It is a highly experienced and diverse board who have worked together in a way that has fostered open and productive collaboration as we pursue a shared strategic vision for the Platform.

I would especially like to acknowledge my fellow independent director, Chloe Munro, whose role is to ensure there is a balanced approach in all that we decide and do. Her external perspectives and insights have been invaluable in helping us to steer the Platform in the right direction and I look forward to continuing to work with Chloe as well as a third independent Director in the year ahead.

I close this report with a congratulatory note to all who have worked tirelessly this past financial year to make the NPP what it is today. But it's what it could become tomorrow that truly excites me, and I look forward to yet another year of collaboration, drive and momentum.

Robert McKinnon

CEO's Report

As we look ahead to our future capability roadmap and what capabilities need to be in place to maximise the utility of the platform, we will seek to incorporate the needs of different stakeholders in the payments ecosystem.

Over the past 12 months we've driven NPP growth upwards. As the 2018/19 financial year came to a close, the Platform was processing an average of 600,000 payments worth an estimated $500 million each day, which is around four times the number at the beginning of the year. As we move into the early stages of a new financial year, these numbers have climbed further, especially during periods when new services and channels have rolled out from our participating financial institutions.

NPP adoption has been as fast, or faster, than other similar systems around the world, something that was noted by the Reserve Bank of Australia following its consultation on the NPP's functionality and access. An 'ambitious agenda' were the words used in its paper to describe our focus on developing the necessary guidance and frameworks to support innovation on the Platform. As we look ahead to our future capability roadmap and what capabilities need to be in place to maximise the utility of the platform, we will seek to incorporate the needs of different stakeholders in the payments ecosystem.

In the last financial year, we launched two versions of the NPP API Framework and an API testing sandbox. We also released the NPP QR Code Standard and finalised an initial set of NPP ISO 20022 message usage guidelines. These are all important foundational elements that will enable innovation and use of the platform.

In last year's Annual Report, I said I was hopeful I could report back to you in 12 months' time with examples of various use cases coming to life via the NPP. I'm delighted to confirm that we have indeed witnessed a number of firsts.

Last year Carsales.com was the first 'non-financial' organisation to use the Platform to offer an online payment service that enables customers selling their car to receive funds from the sale in real-time. Block8 was the first blockchain technology development company to use the NPP alongside smart contract encoded technology, to empower businesses to manage their own asset administration and investor relations together with real-time payments, 24/7.

Fintech Earnd launched a service via the NPP that enables employers to give their employees access to their income as they earn it in real-time, negating the need to use payday lenders. We have also seen neo banks like Up and 86 400 embrace the NPP's speed and data capability as central aspects to their unique propositions.

As well as our focus on continued growth, key to achieving our vision this year will be a shared commitment between NPP Australia and its Participants to make the items listed on the proposed capability roadmap a reality. This roadmap will be updated twice a year on our website.

We are proud of how much has been achieved in bringing the first data-rich real-time payments platform to Australia. I also look forward to another year where we keep up the incredible momentum that will enable the NPP to live up to its world class title.

Adrian Lovney

Directors' Report

The directors present their report on NPP Australia Limited (NPPA or the Company) for the year ended 30 June 2019.

The names of the directors in office at the date of this report are set out below, together with particulars of their qualifications, experience and special responsibilities.

Bob McKinnon
BCom, CA, MAICD
Chair (Independent)

Bob McKinnon's appointment as Chair of NPP Australia's Board of Directors commenced in January 2019. Bob is a co-founder and director of Mirin Group and holds a number of board positions, including the role of non-executive director and Chair of the Audit and Risk Committee at AMP Capital Funds Management and AMP Investment Services. Bob is also independent Chair of the Audit and Risk Committee at Sydney Metro.

Having worked as Chief Information Officer both for Commonwealth Bank of Australia and Westpac Banking Corporation Limited, Bob has extensive experience in financial services, technology, and large scale transformation initiatives. Bob has also held various executive leadership roles at Brookfield Multiplex, State Street and Lend Lease.

Appointed as Independent Chair on 21 January 2019. Member of the People and Culture Committee.

Chloe Munro AO
FTSE, FIPAA, MA, MBA
(Independent)

Chloe Munro joined NPP Australia's Board as an independent director in February 2018. She brings more than two decades of experience in senior public policy roles combined with strong commercial skills developed in a range of industries. Chloe was previously the Chief Executive Officer and Chair of the Clean Energy Regulator and has also held various executive leadership roles at Telstra.

Chloe is also currently the independent Chair of the Energy Transition Hub Expert Advisory Panel and Chair of the IIG Solar Asset Fund and IIG Solar Income Fund. In February 2018, Chloe was appointed as a Professorial Fellow at the Sustainable Development Institute, Monash University.

Appointed as an independent director on 9 February 2018. Chair of the Audit Finance and Risk Committee.

Directors' Report continued

Dianne Challenor
BCom, MBA

Di Challenor has close to two decades of experience leading global and regional teams within banks in Asia Pacific, to deliver market-leading international treasury and payments solutions for customers. Di joined Westpac as the General Manager, Global Transaction Services in January 2017. Prior to joining Westpac, Di was based in Hong Kong as Managing Director & Head of Transaction Services, Asia Pacific for JP Morgan and prior to this she held the role of Chief Operating Officer for Citi's transaction bank in Asia Pacific.

Dianne is also a member of the Australian Payments Council (APC) and a director of Zip Co Limited.

Appointed as a director on 17 May 2018. Member of the People and Culture Committee.

Nigel Dobson
BEcon

Nigel Dobson is Banking Services Business Lead at ANZ, responsible for developing and implementing the groups Payments platform strategy.

Nigel leads the bank's blockchain strategy and associated activities, including fostering partnerships and industry pilots. Prior to this role, Nigel spent 4 years in senior transaction banking roles at ANZ, including Global Head of Payments and Cash Management and Global Head of Transaction Banking Products. Nigel joined ANZ in July 2009 from Citi in Hong Kong where he was Regional Head of Trade and Transaction Services.

Nigel is also a member of the Australian Payments Council (APC).

Appointed as a director on 16 December 2014. Member of the Strategy Committee.

Greg Johnston
BEcon, MAppFin, GAICD

Greg Johnston is the Head of Payments Settlements Department, Reserve Bank of Australia. Greg oversees the operation of Australia's real-time gross settlement system (RITS), settlement of the RBA's open market operation and FX reserve management transactions and the provision of custodial services to overseas central banks and other official institutions. Prior to taking up this role in 2013, he held a range of senior management positions at the Reserve Bank including Chief Representative, New York and Head of Banking. He has over 30 years' experience in central banking and private sector banking roles.

Greg is also a non-executive director of Note Printing Australia Limited.

Appointed as a director on 16 December 2014. Chair of the People and Culture Committee.

Craig Kennedy
MBA, GAICD, FFIN

Craig Kennedy is Managing Director, Cuscal Limited. Craig is responsible for all day-to-day company operations, including corporate strategy and direction. Craig has more than 30 years' experience in domestic and international retail banking with much of that time specialising in electronic banking and payments. Prior to joining Cuscal, Craig served as Managing Director of Espreon Limited and was also Head of Direct Banking at ING.

Craig is also a director of 86 400 Limited and member of the Australian Payments Council (APC).

Appointed as a director on 16 December 2014. Chair of the Strategy Committee.

Directors' Report continued

Adrian Lovney
LLB (Hons), MBA

Adrian Lovney is Chief Executive Officer of NPP Australia, having commenced in the position in September 2016. Prior to joining NPP Australia, Adrian was General Manager, Product & Service at Cuscal, where he was responsible for all product management and operational functions, marketing, sales, and client service. Adrian has an Honours degree in Law from Queensland University of Technology, an MBA from Melbourne Business School and has completed the Advanced Management Program at Harvard Business School.

Adrian is also a member of the Australian Payments Council (APC).

Appointed as a director on 5 September 2016. Member of the Audit, Risk and Finance Committee.

Albert Naffah
BCom, LLB

Albert has 20 years' experience in financial services across general management, strategy, business development, corporate and regulatory affairs, and operations. Albert is the General Manager of Payments Development and Strategy at CBA, accountable for designing and delivering a number of large new technology inititaives across the Bank's consumer, business and corporate customer segments. Albert's remit includes the commercialisation of emerging technology including the New Payments Platform, APIs, distributed ledger technologies and mobile payments.

Appointed as a director on 6 June 2018. Member of the Strategy Committee.

Michael O'Shea
BBus, MAICD

Michael has more than 20 years' experience in Financial Services including roles in Superannuation, Internal Audit and Retail Operations and Customer Strategy. In his current role, Michael has overall responsibility for Payments Product Development, Compliance, Operations and Support for Cards, Merchant Acquiring, ATMs, Payments, and Mobile and Electronic Banking. Michael is also the business sponsor for Bendigo and Adelaide Bank Limited "Up" Digital Banking initiative.

Michael is also an alternate director of Australian Payments Network Limited.

Appointed as a director on 18 October 2018. Member of the Audit Finance and Risk Committee.

Adriana Sheedy

Adriana Sheedy is Executive Director, Operations at ING having worked in the Group since 2000. Adriana has been involved in the New Payments Platform since 2015 and is responsible for all payments and operational processes and activities across ING's Australian retail and wholesale banking operations. In her 20 years of banking experience Adriana has held various roles across Operations, Risk Management and Compliance. Adriana also benefits from being a member of a global organisation enabling her to leverage payments knowledge and capability to enhance the Australian payments proposition.

Appointed as a director on 8 March 2017. Member of the Audit Finance and Risk Committee.

Directors' Report continued

Rachel Slade
BEcon (Hons)

Rachel Slade is the Chief Customer Experience Officer at NAB.

Rachel was appointed to the role of Chief Customer Experience Officer in October 2018. Previously, Rachel was Executive General Manager Deposits and Transaction Services, leading the development of products and payments solutions for retail, business and corporate and institutional customers. Rachel joined NAB from Westpac at the start of 2017, where for more than 10 years she held a number of senior executive roles including leading the global transactional services business and the customer-led transformation in the retail and business bank. Throughout her career Rachel has focused on creating and executing successful strategies to drive business transformation. Rachel holds a Bachelor of Economics (Hons) from Macquarie University, is a graduate of the Australian Institute of Company Directors and a graduate of the Harvard Business School's Women's Leadership Program.

Rachel is also a member of the Australian Payments Council (APC).

Appointed as a director on 8 May 2017.

Scott Southall
BSc, BBus

Scott Southall is a Managing Director and the Head of Citigroup Pty Limited Trade and Treasury Solutions (TTS) business for Australia and New Zealand and is also a member of the Executive Committee for Citi's business in Australia and New Zealand. Prior to joining Citi, Scott was employed by Westpac Banking Corporation in Australia, his last role with Westpac being General Manager of Deposits, Cards, and Merchants. Scott served as Westpac's board member for Eftpos Payments Australia Limited during its formation and first year of operation and previously served as Head of Global Transaction Banking within Westpac Institutional Bank. Prior to Westpac, Scott served as a partner at BearingPoint, Inc (formerly KPMG Consulting) for over seven years across a number of industries and within both the United States and Asia and was a member of both the North American and the Global Financial Services Management Team.

Appointed as a director on 16 December 2014. Member of the People and Culture Committee and the Strategy Committee.

Alternate Directors

Julie-Anne Bosich[1]
appointed 2 October 2018

Kate Byrne[2]
appointed 4 March 2019

Christopher Campbell[3]
appointed 17 May 2018

Paul Franklin[4]
appointed 11 July 2017

Kieran McKenna[5]
appointed 30 June 2016

Lynda McMillan[6]
appointed 26 July 2018

Peter Gallagher[7]
appointed 12 February 2018

Bhaskar Katta[8]
appointed 22 June 2017

1. J Bosich was appointed as alternate director to A Sheedy
2. K Byrne was appointed as an alternate director to M O'Shea
3. C Campbell was appointed as an alternate director to D Challenor
4. P Franklin was appointed alternate director to R Slade
5. K McKenna was appointed as an alternate to C Kennedy
6. L McMillan was appointed as alternate director to A Naffah
7. P Gallagher was appointed as an alternate to G Johnston
8. B Katta was appointed as an alternate director to N Dobson

Company Secretaries

Details of company secretaries in office at the date of this report (or holding office during the year) and each company secretary's qualifications and experience are set out below.

Vanessa Chapman

BA(Econ)/LLB (UNSW), LLM (UNSW), GAICD

Vanessa Chapman is a senior corporate lawyer with extensive top tier private practice and in-house payments industry legal and executive management experience, with particular expertise in payment systems and payments regulation. She joined NPP Australia in November 2016 as General Counsel and Company Secretary. Vanessa has been involved in the NPP programme since its inception, particularly in the formulation of the NPP governance arrangements. She has experience in a wide range of corporate, legal, governance, risk and regulatory matters.

Appointed as Company Secretary on 22 November 2016.

Patricia Chen

Patricia Chen joined NPP Australia in October 2016 and was appointed as Company Secretary in June 2017. She has a dual role as Company Secretary and Office Manager and supports the General Counsel and Company Secretary in the structure and operation of NPPA's corporate governance framework and compliance obligations.

Appointed as Company Secretary on 27 June 2017.

Director resignations during the year

The following directors resigned during 2017 - 2018 financial period with the resignation dates as indicated:

Directors

Marnie Baker
18 October 2018

Paul Lahiff
26 October 2018

Alternate directors

Melanie Bragg (Evans)
2 October 2018

Michael Eidel
27 July 2018

Directors' Report continued

Directors' meetings

The number of Board meetings and meetings of Committees during the year the Director was eligible to attend, and the number of meetings attended by each Director were:

	Board		Audit Finance & Risk Committee		People & Culture Committee		Strategy Committee	
	A	B	A	B	A	B	A	B
Marnie Baker [1,6]	4	3	1	0				
Dianne Challenor [5]	9	9			3	2		
Nigel Dobson	9	9					4	2
Greg Johnston	9	9			3	3		
Craig Kennedy	9	8					4	3
Paul Lahiff [3]	4	4	1	1	1	1	2	2
Adrian Lovney	9	9	4	4	4	4		
Robert McKinnon [4]	4	4	2	1	2	1	2	2
Chloe Munro AO	9	9	4	4				
Albert Naffah [7]	9	7					4	3
Michael O'Shea [2,6]	5	5	3	3			1	0
Adriana Sheedy [8]	9	9	4	4				
Rachel Slade [9,10]	9	8	1	0				
Scott Southall	9	8			3	3	2	2

Columns marked A indicate the number of meetings the Director was eligble to attend.

Columns marked B indicate the number of meetings attended. The Chair attends meetings of Audit Finance and Risk Committee and Strategy Committee as an observer. The CEO attends the meetings of the People & Culture Committee and Strategy Committee as an observer.

1. Marnie Baker retired as a Director on 18 October 2018
2. Michael O'Shea was appointed as a Director on 18 October 2018
3. Paul Lahiff retired as Independent Chair on 26 October 2018
4. Robert McKinnon was appointed as Independent Chair on 21 January 2019
5. Chris Campbell attended three meetings on behalf of Dianne Challenor
6. Michael O'Shea attended three meetings on behalf of Marnie Baker
7. Lynda McMillan attended three meetings on behalf of Albert Naffah
8. Julie-Anne Bosich attended one meeting on behalf of Adriana Sheedy
9. Paul Franklin attended six meetings on behalf of Rachel Slade
10. Rachel Slade resigned from Audit Finance and Risk Committee on 18 September 2018

Principal activities

The principal activity of the Company, following completion of industry testing and its public launch in February 2018, is the management and operation of the New Payments Platform (NPP) which is a new infrastructure for Australia's low-value payments. It provides Australian businesses and consumers with a fast, versatile, data-rich payments system for making their everyday payments. The NPP has been developed collaboratively by NPPA and 13 leading financial institutions.

The three key pillars of NPPA's operations are:

a. Operate;
b. Grow volumes on the platform; and
c. Governance of the rules and regulations established to manage the platform, and ongoing compliance and monitoring activities

Access to the NPP

NPPA aims to operate the NPP in a manner that promotes the public interest which includes facilitating fair access to the NPP as mutually owned utility infrastructure and ensuring ongoing investment in the NPP to meet the changing needs of financial institutions and users of the Australian payments system.

The NPP has been intentionally designed to be 'open access', encouraging broad participation across the payments ecosystem. Access arrangements for the NPP have been deliberately structured to be inclusive and to maximise the opportunities for different types of entities with different business objectives to access the capabilities of the NPP.

There are five ways for organisations to access the NPP:

1. NPP Participant
2. 'Identified Institution'
3. 'Connected Institution'
4. Overlay Service Provider
5. End user or customer of a participating financial institution

For more information on access please visit "Accessing the Platform" on the Company's website: https://www.nppa.com.au/the-platform/accessing-the-platform/

Directors' Report continued

Applications for access in FY 2019

During the last financial year (for the period from 1 July 2018 to 30 June 2019), NPPA has not received any applications for direct access to the NPP. During this period, 11 organisations have come on board indirectly as Identified Institutions, indicating that this has been the preferred route for many organisations to access the NPP. As at the time of this report, there are currently 80 organisations participating in the NPP, either as NPP Participants or as Identified Institutions. There are over 65 million accounts that can make and receive NPP payments, enabling many consumers, businesses and government agencies to realise the benefits of the NPP as customers of their participating financial institution.

NPP Wholesale Transaction Cost

NPPA is a mutually owned utility and operates on the guiding principle of being economically self-sustaining (and not profit-maximising), aiming to recover its operating costs based on a wholesale unit transaction cost which is charged to NPP Participants.

At the time of this report, NPPA has not established a wholesale transaction fee on a per transaction basis as current transaction volumes do not support the determination of a fee that would incentivise usage of the platform. Rather than paying on a per transaction basis, NPPA's shareholders have made fixed contributions to cover NPPA's operating costs.

Based on the organisation's sales revenue of $42.9m and settled transaction volumes of ~108 million (defined as 'off-us' transactions occurring across the Platform) for the financial year, the implied break-even wholesale transaction cost would have been ~$0.39 for the period. As a straight average, this implied price masks a number of variations:

- This figure is a straight average over a 12 month period during which transactional volumes were ramping up. The implied price is trending downwards as transaction volumes increase.
- Further, the implied wholesale transaction cost for each NPP Participant may be higher or lower than the industry average, depending on how many NPP transactions they have sent or received.
- In addition, the NPP wholesale transaction cost is one of many input costs for financial institutions, including those levied by Overlay Service Providers, in some cases by payment service providers, and also by the RBA for the usage of the Fast Settlement Service.

Results

The net profit for the year ended 30 June 2019 was $5,577,776 (2018: net loss of $39,744,460).

Dividends

No dividends were proposed or paid in respect of the period since incorporation to 30 June 2019.

Review of operations

During the financial period the Company continued to oversee the implementation and operation of NPP.

Significant changes in the state of affairs

The NPP is now operational, following completion of industry testing and its public launch February 2018.

On 21 January 2019, Robert McKinnon was appointed as Independent Chair on the Board, following the resignation of Paul Lahiff on 26 October 2018.

Likely developments and expected results of operations

In 2019-2020 NPP Australia Limited will continue to be responsible for the operation of the NPP. The Company remains focussed on working with the payments community (ranging from major banks, regional and international banks, payments aggregators to FinTech start-ups) to encourage usage of the platform and the development of native capability to further enhance the platform's functionality.

Directors' Report continued

Matters subsequent to the end of the financial year

No matters or circumstances have arisen that would significantly affect or may significantly affect:

1. the operations in future financial years; or
2. the results of those operations in future financial years; or
3. the state of affairs in future financial years.

Environmental regulation

The Company is not subject to any significant environmental regulation in respect of its activities.

Remuneration policy

Since the date of incorporation, no director of the Company has received, or has become entitled to receive, a benefit other than:

1. the independent Chair, Robert McKinnon and independent Director, Chloe Munro receive fees as included in [Note 4] of the financial statements;
2. the CEO receives remuneration in his capacity as an Executive of the organisation, but is not entitled to be remunerated in his capacity as a Director of the company; and
3. the benefit of the indemnity described below.

Indemnification of officers and auditors

The *Corporations Act 2001* prohibits a Company from indemnifying directors, secretaries, executive officers and auditors from liability except for liability to a party, other than the Company or a related body corporate, where the liability does not arise out of conduct involving a lack of good faith and except for liability for costs and expenses incurred in successfully defending certain proceedings. An indemnity for officers or employees, who are not directors, secretaries or executive officers, is not expressly restricted by the Corporations Act 2001.

Article 18.1 of the Company's Constitution provides in effect that every person who is or has been a director or secretary of the Company is entitled to be indemnified by the Company against any liabilities and expenses incurred by that person relating to that person's position with the Company other than to the extent prohibited by statute.

The directors of the Company, secretaries and eligible officers of NPPA have the benefit of the indemnity in Article 18.1.

Insurance

During the financial period 1 July 2018 to 30 June 2019 the Company paid a premium under a contract insuring each of the directors, secretaries and eligible officers of the Company. Disclosure of the nature of the liability insured against and the amount of the premium is prohibited by the confidentiality clause of the insurance policy, in accordance with common commercial practice.

Auditor's Independence Declaration

Auditor's
Independence
Declaration

Deloitte.

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225 George Street
Sydney, NSW, 2000
Australia

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

The Board of Directors
NPP Australia Limited
Level 9
420 George Street
Sydney NSW 2000

12 September 2019

Dear Board Members

NPP Australia 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 NPP Australia Limited.

As lead audit partner for the audit of the financial statements of NPP Australia Limited for the financial year ended 30 June 2019, 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

Mark Lumsden
Partner
Chartered Accountants

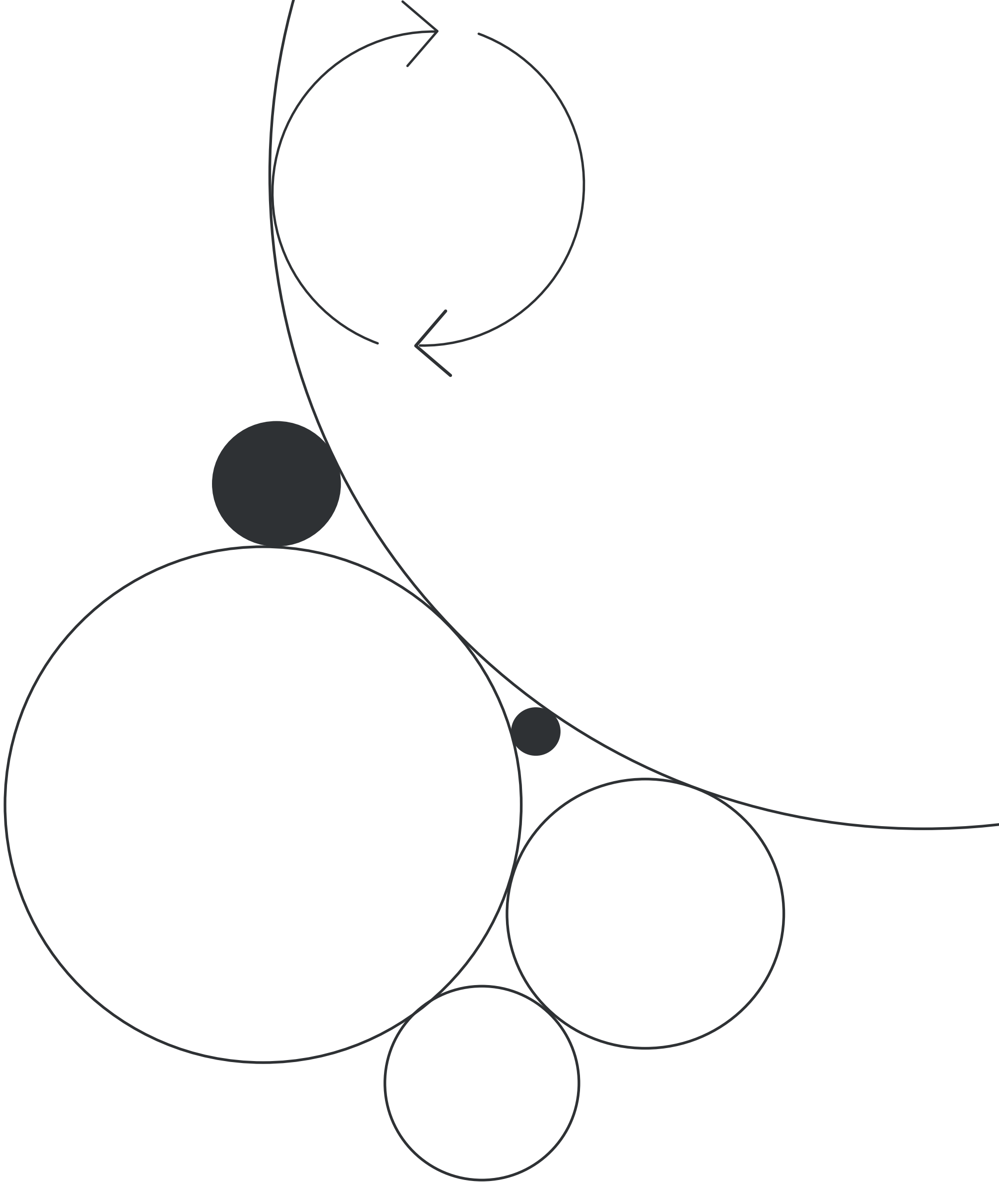
Financial Report

This financial report covers NPP Australia Limited (NPPA or the Company) as an individual entity.

NPPA is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

NPP Australia Limited
Level 9, 420 George Street
Sydney, NSW 2000



In this section

Financial report continued

Statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	Note	2019 $	2018 $
Continuing operations			
Sales Revenue	2	42,981,498	2,802,598
Other income		451,309	333,490
Employee benefits expense		(3,761,604)	(4,116,664)
Occupancy expenses		(204,418)	(231,002)
Administration expenses		(199,594)	(287,048)
Depreciation of property, plant and equipment		(8,260,005)	(2,075,326)
Professional services fees		(1,045,550)	(415,477)
Audit fees	5	(66,494)	(39,800)
Governance fees		(17,343)	(78,937)
Marketing costs		(164,446)	(3,051,222)
IT Expenses		(24,029,180)	(21,196,042)
Insurance		(106,397)	(214,960)
Profit before income tax		**5,577,776**	**(28,570,390)**
Tax expense	3	–	(11,174,070)
Net Profit for the year		**5,577,776**	**(39,744,460)**
Total comprehensive income for the year		**5,577,776**	**(39,744,460)**

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2019

	Note	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	6	22,417,452	11,511,735
Trade and other receivables	7	146,852	215,876
Other assets	10	12,062,949	11,635,102
Total current assets		**34,627,253**	**23,362,713**
Non-current assets			
Property, plant and equipment	8	51,168	64,996
Deferred tax assets	3	4,734,330	–
Intangible assets	9	75,617,781	80,287,638
Total non-current assets		**80,403,279**	**80,352,634**
Total assets		**115,030,532**	**103,715,347**
LIABILITIES			
Current liabilities			
Trade and other payables	11	3,276,033	2,272,954
Total current liabilities		**3,276,033**	**2,272,954**
Non-current Liabilities			
Deferred tax liabilities	3	4,734,330	–
Total non-current liabilities		**4,734,330**	–
Total liabilities		**8,010,363**	**2,272,954**
Net assets		**107,020,169**	**101,442,393**
EQUITY			
Issued capital	12	134,800,000	134,800,000
Retained earnings		(27,779,831)	(33,357,607)
Total Equity		**107,020,169**	**101,442,393**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2019

	Note	Redeemable Preferred Shares $	Retained Earnings $	Total $
Balance at 1 July 2017		**116,696,000**	**6,386,853**	**123,082,853**
COMPREHENSIVE INCOME				
Profit for the year			(39,744,460)	(39,744,460)
Total comprehensive income for the year		**–**	**(39,744,460)**	**(39,744,460)**
TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS, AND OTHER TRANSFERS				
Shares issued during the year		18,104,000		18,104,000
Total transactions with owners and other transfers		**18,104,000**	**–**	**18,104,000**
Balance at 30 June 2018		**134,800,000**	**(33,357,607)**	**101,442,393**
Balance at 1 July 2018		**134,800,000**	**(33,357,607)**	**101,442,393**
COMPREHENSIVE INCOME				
Profit for the year			5,577,776	5,577,776
Total comprehensive income for the year		**–**	**5,577,776**	**5,577,776**
Balance at 30 June 2019		**134,800,000**	**(27,779,831)**	**107,020,169**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		42,730,287	2,802,598
Payments to suppliers and employees		(28,699,556)	(38,668,233)
Interest received		438,363	288,855
Revenue non-operating		12,946	44,635
Net cash generated by operating activities		**14,482,040**	**(35,532,145)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Intangible assets		(3,564,195)	(1,987,533)
Purchase of property, plant and equipment		(12,128)	(18,895)
Net cash (used in)/generated by investing activities		**(3,576,323)**	**(2,006,428)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	18,104,000
Net cash provided by/(used in) financing activities		–	**18,104,000**
Net increase/(decrease) in cash held		10,905,717	(19,434,573)
Cash and cash equivalents at beginning of financial year		11,511,735	30,946,308
Cash and cash equivalents at end of financial year	6	**22,417,452**	**11,511,735**

The accompanying notes form part of these financial statements.

Financial report continued

Notes to the financial statements for the year ended 30 June 2019

This financial report includes the financial statements and notes of NPP Australia Limited.

The financial statements were authorised for issue on 12 September 2019 by the directors of the company.

Note 1: General Information and Summary of Significant Accounting Policies

Board of Directors	
Robert McKinnon	Independent Chair
Michael O'Shea	Bendigo and Adelaide Bank Limited
Dianne Challenor	Westpac Banking Corporation
Nigel Dobson	Australia and New Zealand Banking Group Limited
Greg Johnston	Reserve Bank of Australia
Craig Kennedy	Cuscal Limited
Adrian Lovney	NPP Australia Limited
Chloe Munro AO	Independent
Albert Naffah	Commonwealth Bank of Australia
Adriana Sheedy	ING Bank (Australia) Limited
Rachel Slade	National Australia Bank Limited
Scott Southall	Citigroup Pty Limited

Alternate Directors	
Julie-Anne Bosich	ING Bank (Australia) Limited
Kate Byrne	Bendigo and Adelaide Bank Limited
Christopher Campbell	Westpac Banking Corporation
Paul Franklin	National Australia Bank Limited
Peter Gallagher	Reserve Bank of Australia
Bhaskar Katta	Australia and New Zealand Banking Group Limited
Kieran McKenna	Cuscal Limited
Lynda McMillan	Commonwealth Bank of Australia

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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 Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Financial report continued

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principle accounting policies are set out below.

a. **Income Tax**

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Such assets are released through the tax line in the profit and loss.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:

i. a legally enforceable right of set-off exists; and
ii. the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Research and development (R&D) tax offset

An R&D tax offset is recognised within income tax expense and a tax asset is recorded when the Company satisfies the criteria to receive the tax credit.

b. **Property, Plant and Equipment**

Property, Plant and Equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Items of property, plant and equipment are depreciated on a straight-line basis over their useful lives. The estimated useful life of property, plant and equipment is 3 to 5 years.

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits. Any gain or loss from derecognising the asset (the difference between the proceeds of disposal and the carrying amount of the asset) is included in the statement of comprehensive income in the period the item is derecognised.

c. Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Shareholders' equity contributions are recognised as Preference Shares in the Statement of Financial Position.

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss or other comprehensive income', in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Classification and Subsequent Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the entity commits itself to either the purchase or sale of the asset.

Financial instruments (except for trade receivables) are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Financial assets in terms of AASB 9 need to be measured subsequently at either amortised cost or fair value on the basis of the entity's business model and the cash flow characteristics of the financial assets.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Amortised cost of a financial asset is:

- the amount at which the financial asset is measured at initial recognition;
- minus the principle repayments;
- plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; and
- adjusted for any loss allowance.

The *effective interest method* is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Preference Shares

Preferred share capital is classified as equity if it is non-redeemable or redeemable only at the discretion of the Company, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors.

d. Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in financial assets that are measured at amortised cost of fair value through other comprehensive income, lease receivables, contract assets as well as loan commitments and financial guarantee contracts. No loss allowance is recognised for investments in equity instruments. The amount of expected credit losses ("ECLs") is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, the Company has elected to use the simplified approach and has determined the loss allowance based off the lifetime ECL. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Purchased or originated credit-impaired approach

For a financial asset that is considered credit-impaired (not on acquisition or origination), the Company measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the Company assumes that the credit risk has not increased significantly since initial recognition and accordingly it can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such a determination that the financial asset has low credit risk, the Company applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if there is a low risk of default by the borrower, the borrower has strong capacity to meet its contractual cash flow obligations in the near term, or adverse changes in economic and business conditions in the longer term may, but not necessarily will, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Recognition of expected credit losses in financial statements

At each reporting date, the Company recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

De-recognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

e. Intangible Assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

The Company has assessed the economic useful life of the internally generated intangible asset, being the Payment Clearing and Settlement Infrastructure, to be ten (10) years from date of first use, commencing 1 April 2018.

The Company has not yet assessed the economic useful life of the internally generated intangible asset, being the Debit Enhancement Initiative project, which is currently still in development.

De-recognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount

f. Impairment of Assets

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine if circumstances have arisen that indicate that the carrying value may be impaired.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash- generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use. Intangible assets with definite lives and which are available for use are assessed for indicators of impairment annually.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

g. Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave & other leave entitlements in the period the related service is rendered. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

h. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial report continued

i. **Cash and Cash Equivalents**

   For cash flow statement presentation purposes, cash and cash equivalents should include cash on hand, deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Subsequently, cash and cash equivalents are measured at amortised cost in accordance with AASB 9.

j. **Revenue recognition**

   Revenues are realised when cash or claims to cash are received in exchange for goods or services.

   Fee income

   Fees consist of two principle elements, being a fixed priced administration component and a fixed transactional fee component. Fees received from members (who are also shareholders of NPPA) for utilisation of the Payment Clearing and Settlement Infrastructure are recognised as revenue over time where the Company measures the progress towards complete satisfaction of its performance obligations at the allocated transaction price with the objective of recognising revenue that depicts the Company's performance in transferring control of the service to the participants.

   Interest income

   Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is within the scope of AASB 9: *Financial Instruments*.

k. **Trade and Other Receivables**

   Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

   Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial. Payment terms for receivables are 30 days. Trade receivables will be reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

   Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial. Payment terms for receivables are 30 days. Trade receivables will be reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

l. Trade and Other Payables

Trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days.

m. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

n. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of 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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

o. New and amended accounting policies adopted by the Company

Initial application of AASB 9: *Financial Instruments*

The Company has adopted AASB 9: *Financial Instruments* with an initial application date of 1 July 2018. As a result, the Company has changed its financial instruments accounting policies as follows.

Financial assets in terms of AASB 9 need to be measured subsequently at either amortised cost or fair value on the basis of the Company's business model and the cash flow characteristics of the financial assets:

- debt investments that are held within a business model whose goal is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- debt investments that are held within a business model whose goal is both to collect contractual cash flows and to sell it, and that have contractual cash flows that are purely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income; and
- all other debt investments and equity investments are measured at fair value through profit or loss.
- considering the initial application of AASB 9 during the financial period, no financial statement line items were affected for the current or prior period.

The directors of the Company determined the existing financial assets as at 1 July 2018 based on the facts and circumstances that were present, and determined that the initial application of AASB 9 had the following effect:

- Financial assets as held-to-maturity and loans and receivables that were measured at amortised cost continue to be measured at amortised cost under AASB 9, as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.
- Financial assets measured at fair value through profit or loss under AASB 139 are still measured as such under AASB 9.

There were no financial assets/liabilities which the Company had previously designated as fair value through profit or loss under AASB 139 that were subject to reclassification/elected reclassification upon the application of AASB 9. There were no financial assets/liabilities which the Company has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9. The application of AASB9 has had no impact on the classification and measurement of financial assets or liabilities on the company.

Impairment

As per AASB 9, an expected credit loss model is applied, not an incurred credit loss model as per AASB 139. To reflect changes in credit risk, this expected credit loss model requires the Company to account for expected credit loss since initial recognition.

AASB 9 also determines that a loss allowance for expected credit loss be recognised on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts as the impairment provision would apply to them.

If the credit risk on a financial instrument did not show significant change since initial recognition, an expected credit loss amount equal to 12-month expected credit loss is used. However, a loss allowance is recognised at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the instrument is an acquired credit- impaired financial asset.

At each reporting date, the company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. The company assumes that credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Due to the low credit risk of the Company's financial assets, the Company rebuts the presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Classification and measurement of financial liabilities

AASB 9 determines that the measurement of financial liabilities and the classification relate to changes in the fair value designated as at fair value through profit or loss attributable to changes in the credit risk.

AASB 9 further states that the movement in the fair value of financial liabilities that is attributable to changes in the credit risk of that liability needs to be shown in other comprehensive income. Unless the effect of the recognition constitutes accounting mismatch in profit or loss. Changes in fair value in relation to the financial liability's credit risk are transferred to retained earnings when the financial liability is derecognised and not reclassified through profit or loss. AASB 139 requires the fair value amount of the change of the financial liability designated as at fair value through profit or loss to be presented in profit or loss.

Initial application of AASB 15: *Revenue from Contracts with Customers*

The Company has adopted AASB 15: Revenue from Contracts with Customers with an initial application date of 1 July 2018. As a result, the Company has changed its accounting policy revenue recognition.

To determine whether to recognise revenue, the company follows a 5-step process.

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when or as performance obligations are satisfied

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-along selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

The company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Under AASB 15, revenue is recognised when the Company satisfies performance obligations by transferring the promised services to its customers. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Revenue arises from the provision of access to the NPP Infrastructure to participants who have made fixed contributions to cover the company's operating costs, as specified in each contract. Fees consist of two principle elements being a fixed priced administration component (calculated in accordance with shareholder banding agreements) and a fixed transactional fee component. Annual invoices are issued in advance in two biannual instalments and are payable within 30 days. Fees are recognised on a straight-line basis as participants simultaneously receive and consume the benefit of the access (rather than at a series of discrete points in time when a transaction is processed) in accordance with the contract entered into and is the most appropriate depiction of the transfer of services.

The effects of the initial application of AASB 15 did not have a significant impact on the company's accounting policy and do not require an adjustment to the opening balance of equity at 1 July 2018.

p. New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the company, together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and lease liability for all leases (excluding short-term leases with a lease term of 12 months
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for
- inclusion of additional disclosure requirements.

The company's non-cancellable operating lease commitments amount to $455,995 as at the reporting date (refer to note 17). The amount is made up of a 60-month office lease commitment. The amount disclosed does not include any lease extension options and is not discounted as the company is still in the process of determining its incremental borrowing rate, and as such has not been able to determine the impact on the statement of financial position and statement of comprehensive income at this stage.

q. Critical Accounting Judgements

In the application of the Company's accounting policies, which are described in Note 1, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the directors have made in≈the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Recoverability of internally generated intangible asset

On an annual basis the directors consider whether there is any indication that the intangible asset might be impaired based on internal and external information.

During the year, the directors reconsidered the recoverability of the Company's internally generated intangible asset being the Payment Clearing and Settlement Infrastructure, which is included in the statement of financial position at 30 June 2019 with a carrying amount of $72,053,587 and determined there are no indications of impairment.

The Company has not yet assessed the economic useful life of the internally generated intangible asset, being the Debit Enhancement Initiative project, which is currently still in development and included in the statement of financial position at 30 June 2019 with a carrying amount of $3,564,195.

Tax assets

Due to the probability of future taxable profit being available, the company has recognised a tax asset as at June 2019. This deferred tax asset has been recognised to the extent that it offsets the deferred tax liability at this date, as per Note 3.

Revenue Recognition

Fees on participant access to the NPP Infrastructure are subject to performance criteria and other conditions, including ones outside of the company's control. The company is required to exercise judgement when recognising revenue, as to whether it is highly probable that its inclusion will not result in a significant reversal in the future when the uncertainty has been subsequently resolved.

Note 2: Revenue and Other Income

The Company has recognised the following amounts relating to revenue in the statement of profit or loss.

	Note	2019 $	2018 $
(a) **Revenue from continuing operations**			
Sales revenue			
– sale of goods		42,981,498	2,802,598
Total sales revenue		**42,981,498**	**2,802,598**
Other revenue			
– interest received		438,363	288,855
Total other revenue		**438,363**	**288,855**
Other income			
– other income		12,946	44,635
Total other income		**12,946**	**44,635**
Income from continuing operations		**43,432,807**	**3,136,088**

Note 3: Tax Expense

	Note	2019 $	2018 $
(a) The components of tax (expense) income comprise:			
Current tax		–	–
Deferred tax		–	(11,174,070)
		–	**(11,174,070)**
(b) **Current Tax** The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:			
Profit (Loss) before tax		5,577,776	(28,570,390)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%)		(1,673,333)	8,571,117
Adjustments for:			
– Current year loss to be carried forward		(2,171,660)	(8,571,117)
– Tax deductions in excess of accounting expenses		3,851,647	–
– Non-deductable PDs		(6,654)	–
Income tax attributable to entity		–	–
Deferred Tax			
Recognition of timing difference and carried forward losses		4,734,330	–
R&D offset or DTAs released		–	(11,174,070)
Recognition of DTL on timing difference		(4,734,330)	–
		–	**(11,174,070)**
Total taxation charge/benefit		–	**(11,174,070)**

As at 30 June 2019, the Company had cumulative tax losses carried forward of approximately $42,461,773 (2018: $35,222,905). A deferred tax asset has been recognised in respect of some of these tax losses, to the extent that they offset current deferred tax liabilities, as there is sufficient certainty that suitable tax profits will arise which could be offset against these tax losses. A deferred tax liability has been recognised in respect of taxable temporary differences.

Financial report continued

Note 4: Key Management Personnel Compensation

The following persons were directors and key management personnel of NPPA Limited during the financial period:

Directors (as at 30 June 2019)	Alternative Directors (as at 30 June 2019)
Robert McKinnon (Chair)	
Adrian Lovney (Chief Executive Officer)	
Michael O'Shea	Kate Byrne
Dianne Challenor	Christopher Campbell
Nigel Dobson	Bhaskar Katta
Greg Johnston	Peter Gallagher
Craig Kennedy	Kieran McKenna
Chloe Munro AO (Independent)	
Albert Naffah	Lynda McMillan
Adriana Sheedy	Julie-Anne Bosich
Rachel Slade	Paul Franklin
Scott Southall	

Key Management Personnel (as at 30 June 2019)	
Adrian Lovney	Chief Executive Officer
Vanessa Chapman	General Counsel and Company Secretary
Bob Masina	General Manager, Technology and Operations
Katrina Stuart	Head of Engagement
Chloe Munro	Director (Independent)
Robert McKinnon	Active Chair (Independent)
Paul Lahiff	Retired Chair (Independent)

	2019 $	**2018 $**
Short term benefits		
– Salaries paid during current year	2,008,370	1,759,799
Long term benefits		
– Superannuation paid during current year	103,311	111,018
Adjustment to prior year	–	(8,762)
	2,111,681	**1,862,055**

Note 5: Auditor's Remuneration

	2019 $	2018 $
Remuneration of the auditor for:		
– auditing or reviewing the financial statements	37,825	30,875
– taxation services	–	8,925
– other non audit services	28,669	–
	66,494	**39,800**

Note 6: Cash and Cash Equivalents

	Note	2019 $	2018 $
Cash at bank and on hand		9,405,186	1,511,735
Short-term bank deposits		3,012,266	-
Other deposits at bank		10,000,000	10,000,000
	14	**22,417,452**	**11,511,735**

Reconciliation of cash		
Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	22,417,452	11,511,735
	22,417,452	**11,511,735**

The cash and cash equivalents balance is held by Commonwealth Bank of Australia (CBA) and Westpac which are also shareholders in the Company. The interest income received on this balance of $438,363 is included in the Statement of comprehensive income.

The company holds $10 million as a Vendor Contract Contingency which is quarantined as a financial buffer so the shareholders are able to wind up the Company and exit the vendor contract should circumstances require.

Note 7: Trade and Other Receivables

	Note	2019 $	2018 $
CURRENT			
Trade receivables		66,041	185,272
GST Refundable		80,811	30,604
Total current trade and other receivables		**146,852**	**215,876**

Note 8: Property, Plant and Equipment

	2019 $	2018 $
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	109,164	97,037
Accumulated depreciation	(57,996)	(32,041)
	51,168	**64,996**
Total plant and equipment	**51,168**	**64,996**
Total property, plant and equipment	**51,168**	**64,996**

Note 9: Intangible Assets

	2019 $	2018 $
NPP Software and Infrastructure at Cost	82,340,510	82,340,511
Accumulated Depreciation on NPP Software Asset	(10,286,924)	(2,052,873)
Debit Enhancement Initiative Infrastructure at Cost	3,564,195	–
Total intangible assets	**75,617,781**	**80,287,638**

Note 10: Other Assets

	2019 $	2018 $
CURRENT		
Prepaid Expenses	11,742,713	11,635,102
Accrued Revenue	320,236	–
	12,062,949	**11,635,102**

Note 11: Trade and Other Payables

	Note	2019 $	2018 $
CURRENT			
Unsecured liabilities			
Trade payables		341,149	264,050
Sundry payables and accrued expenses		1,134,620	1,733,954
Employee Entitlements		392,264	274,950
Deferred Revenue		1,408,000	–
		3,276,033	**2,272,954**
(a) Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables			
– Total Current		3,276,033	2,272,954
		3,276,033	**2,272,954**
Financial liabilities as trade and other payables	14	**3,276,033**	**2,272,954**

Note 12: Issued Capital

	2019 $	2018 $
134,800 (2018: 134,800) fully paid redeemable preference shares	134,800,000	134,800,000
	134,800,000	**134,800,000**

(b) **Redeemable Preference Shares**	2019 No.	2018 No.
At the beginning of the reporting period	134,800	116,696
Shares Issued	–	18,104
At the end of the reporting period	**134,800**	**134,800**

Note 13: Events After the Reporting Period

The directors are not aware of any significant events since the end of the reporting period.

Note 14: Financial Risk Management

The Company provides the implementation framework for the NPP project. These activities expose NPP to limited financial risks which are measured by the following:

a. **Interest rate risk exposures**

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

Exposures arise predominantly from the cash accounts bearing variable interest rates and there was no borrowing as at the balance date. The Company is only subject to the risk of fluctuations in the prevailing market interest rates.

		Floating interest rate	Non-interest bearing	Total
2019	**Note**			**$**
Financial Assets				
Cash and cash equivalents	6	19,850,749	2,566,703	22,417,452
Trade and other receivables	7		146,852	146,852
		19,850,749	**2,713,555**	**22,564,304**
Financial Liabilities				
Trade and other payables	11	–	(3,276,033)	(3,276,033)
		–	**(3,276,033)**	**(3,276,033)**
Net financial assets		**19,850,749**	**(562,478)**	**19,288,271**
2018				
Financial Assets				
Cash and cash equivalents	6	11,180,558	331,177	11,511,735
Trade and other receivables	7		215,876	215,876
		11,180,558	**547,053**	**11,727,611**
Financial Liabilities				
Trade and other payables	11	–	(2,272,954)	(2,272,954)
		–	(2,272,954)	(2,272,954)
Net financial assets		**11,180,558**	**(1,725,901)**	**9,454,657**

b. Credit risk

Credit risk is managed under the Company's treasury policy as approved by the Board of Directors, including investing surplus funds in financial institutions that maintain a high credit rating. The Company was exposed to concentration risk toward Westpac Bank and Commonwealth Bank of Australia since the Company kept the bulk of it's interest bearing funds at the respective institutions $19,850,750. Westpac and Commonwealth Bank of Australia are both credit institutions with risk rating AA- and directors do not consider this risk to be material.

c. Liquidity risk

NPPA manages liquidity risk through the annual budgeting process. NPPA's main source of funding in the 2019 financial year is revenue raised from transaction fees.

d. Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying amounts as they are short term in nature and the interest rate is in line with prevailing market rates.

Note 15: Fair Value Measurements

The company does not hold any financial assets or financial liabilities that are subsequently measured at fair value as at the reporting date.

Note 16: Reconciliation of profit/(loss) after income tax to net cash flow from operating activities

	2019 $	2018 $
Post Tax (loss)/income for the period	5,577,776	(39,744,460)
Depreciation and amortisation	8,260,005	2,075,326
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	69,025	71,073
(Increase)/Decrease in prepayments	1,300,388	(11,635,102)
(Increase)/Decrease in current and deferred tax assets	(4,734,330)	11,174,070
Increase/(Decrease) in trade and other payables	156,563	701,116
Increase/(Decrease) in accruals & sundry payables	(956,769)	1,733,955
Increase/(Decrease) in provisions	75,052	91,876
Increase/(Decrease) in deferred tax liabilities	4,734,330	–
Net cash generated (used in) operating activities	**14,482,040**	**(35,532,146)**

Note 17: Lease Commitments

	2019 $	2018 $
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements as payable - minimum lease payments		
Not later than 12 months	180,485	171,966
Between 12 months and five years	275,510	455,995
	455,995	**627,961**

Debit Enhancement Initiative Project vendor costs of $2,987,006, which was incurred in the 2019 financial year, is expected to be capitalised in early stages of the 2020 financial year upon receipt of invoice from the vendor.

Directors' Declaration

Directors'
declaration

NPP AUSTRALIA LIMITED
ABN: 68 601 428 737
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of NPP Australia Limited, the directors of the company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
    a. comply with Australian Accounting Standards; and
    b. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the company;
2. 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;
3. the directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

On behalf of the Directors

R McKinnon
Chair

A Lovney
Chief Executive Officer

Date: 12 September 2019
Sydney

Independent Auditor's Report

Auditor's report

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

Phone: +61 2 9322 7000
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Independent Auditor's Report to the Member of NPP Australia Limited

Opinion

We have audited the financial report of NPP Australia Limited (the "Company") which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's directors' report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

Deloitte.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

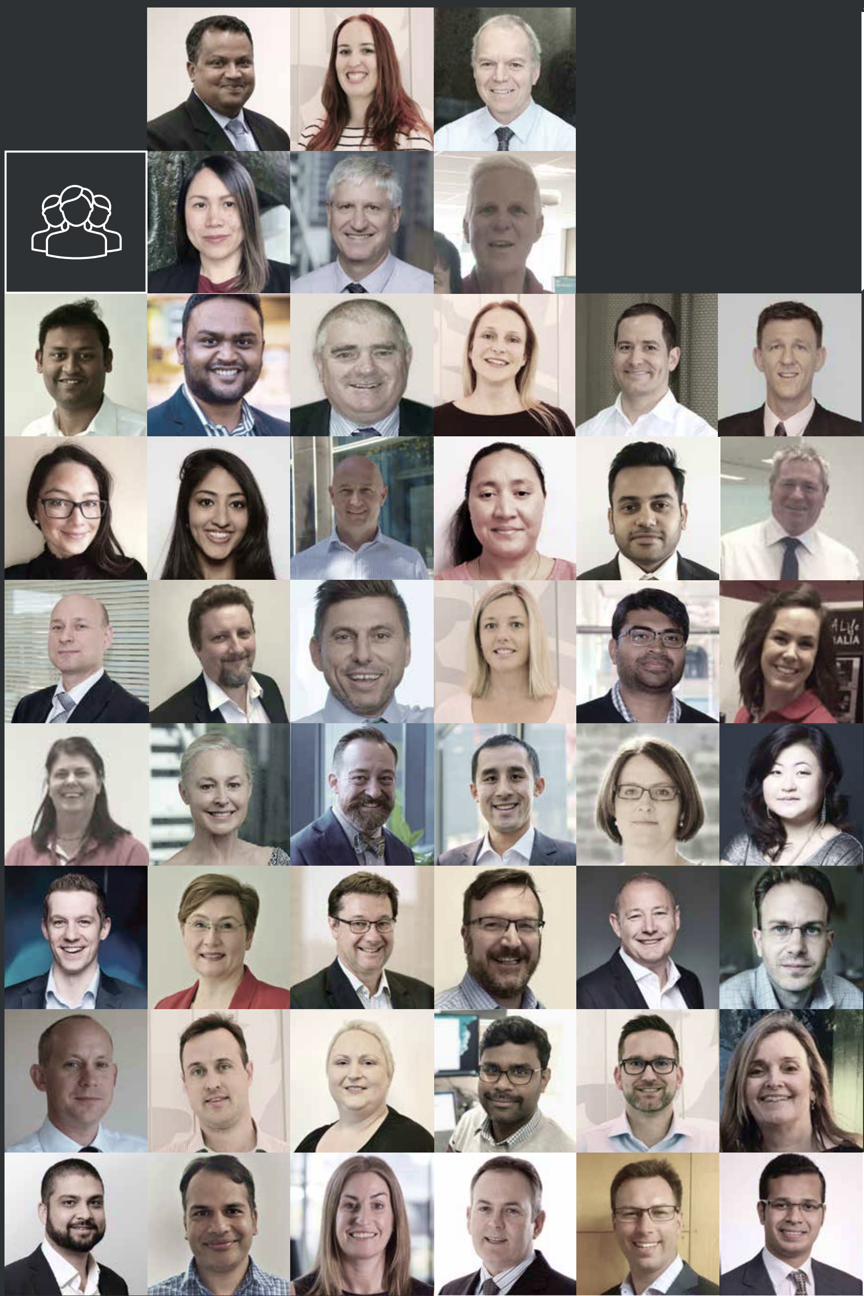
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte. Touche. Tohmatsu.

DELOITTE TOUCHE TOHMATSU

Mark Lumsden
Partner
Chartered Accountants
Sydney, 12 September 2019



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Payments
Platform

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NPP AUSTRALIA LIMITED
ABN: 68 601 428 737
Financial Report For The Year Ended
30 June 2019