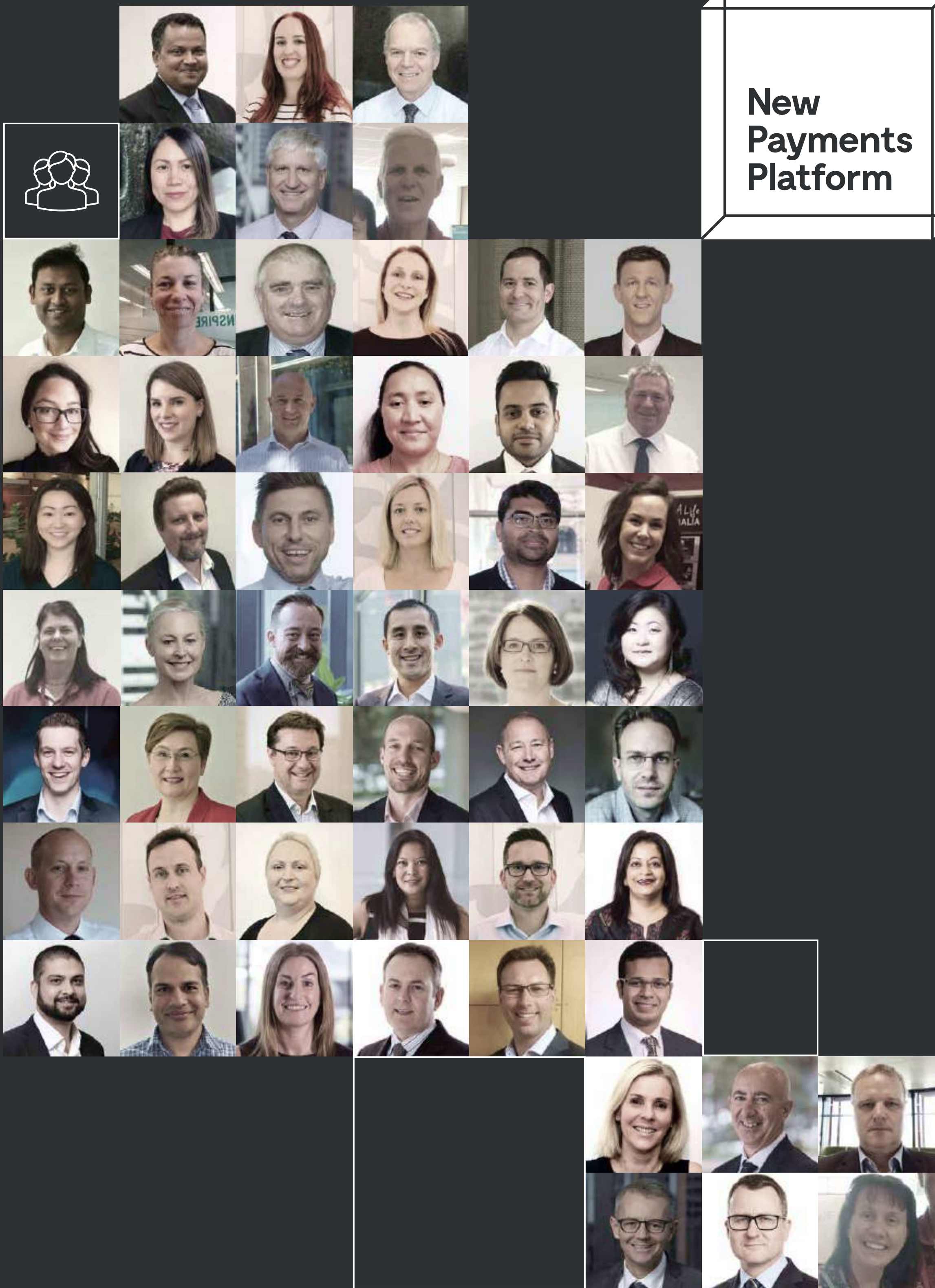
Growing opportunity

Annual Report
2017–2018

New Payments Platform

NPP AUSTRALIA LIMITED
ABN: 68 601 428 737
Financial Report For The Year Ended
30 June 2018

New Payments Platform



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

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There is something we must spotlight in this Annual Report that hard metrics cannot represent: the energy and commitment of thousands of people who came together to build and launch the infrastructure that brought data-rich real-time payments to Australia.

In 2012 the Reserve Bank's Payments System Board called for a system that would provide real-time payments, similar to those being considered and delivered in other countries. Australia's payments and financial services landscape responded to this call by mobilising on a scale rarely seen in our industry.

Our goal was to use the power of hindsight and respond to gaps identified in real-time payments systems in other international jurisdictions. We opted for a solution that would balance efficiency through shared use of common infrastructure, with an access regime to enable competition and diversity. This layered infrastructure would go on to be known colloquially as 'the Australian model', and is now studied and emulated by other payments organisations around the world.

It's certainly true, by what we saw happening around the world, that a 'higher voice' was required to gently encourage a highly competitive industry to invest in brand new payments infrastructure. This was the role of the Reserve Bank of Australia (RBA), as well as building and delivering the Fast Settlement Service – another important key point of differentiation.

As well as the RBA, there are other key players to be noted. The Australian Payments Network (previously APCA) for its horsepower in the early days under its then CEO, Chris Hamilton. SWIFT, who drew on an incredible heritage and technical strength to build the Basic Infrastructure which is often described as world leading for its use of ISO20022 and the PayID addressing service. BPAY, for building what was known in the earlier days as the 'Initial Convenience Service' and which is now known as 'Osko'. And finally, KPMG for the insights, independence and process rigour they brought as the Program Management Service Organisation (PMSO).

Last but not least, I would like to acknowledge my Board colleagues, both past and present. While there are many ingredients that combined to get us where we are today, such as strong partnerships, processes and governance, as well as a diverse group of participants, I believe a crucial ingredient was the Board's leadership. Their role was to both support and challenge, which at times called for acquiescence for the sake of something bigger than each of our own organisations.

In late October 2018 I step down as Chair of the NPP Australia Board, and I do so with incredible memories of a truly transformative time for our industry; I am immensely proud of what's been achieved in the past five years. I look forward to seeing where-to-from-here, and I suspect that our future success will come at the point when faster data-rich payments becomes an accepted way of life, or the "new normal", for Australia… despite the phenomenal efforts that have gone into making this incredible feat happen.

Paul Lahiff

CEO
repo

CEO's Report

EO's
port

In October 2017 the NPP Australia Board made the collective decision to push the metaphorical 'go button' on the New Payments Platform. This led us into a period of live proving, culminating in the official launch the New Payments Platform in February 2018.

This report provides the financial statement for NPP Australia for the year ended 30 June 2018. It covers the first 137 days of the Platform's operation following the launch of the New Payments Platform on 13 February 2018, prior to commencement of transactional revenue which did not begin until 1 July 2018.

But what these numbers also don't reflect is the complexity and scale of the program of work that brought the New Payments Platform to life.

The launch of the New Payments Platform followed nearly five years of incredible work from literally thousands of people across our industry and partner organisations to deliver the vision set-out by the Real-Time Payments Committee (RTPC): '…fast payments for consumers and businesses, with richer information, easier addressing and close to immediate funds availability to the recipient on as near to a 24x7 basis as practicable…"

To make this a reality, participating organisations filed themselves into 28 committees and subcommittees under the spearhead of a Program Design Authority. All of these committees had a clear and common purpose: to collectively navigate the challenges of launching a real-time payments system of this scale. Some of the challenges were expected, others were unforeseen – the people on these committees worked hard to overcome the various hurdles while respecting our competitive boundaries.

As we neared our launch, the 'outside world', both at home and abroad, became more interested. Could an industry of traditional rivals with vastly different and complex systems live up to the expectations set out by the RTPC's vision? At 12.01am we proved we could when the first 'public' payment took place – a donation from myself to the Alannah and Madeline Foundation, which focusses on keeping children safe from violence.

Media coverage was significant – on the first day of operation there were approximately 250 stories about the NPP and PayID across a wide spectrum of media outlets. Our PayID campaign, funded by our 13 founding participants, targeted one in three Australians who use internet and mobile banking, and by the end of the first week, more than one million Australians had registered a PayID.

While we celebrated the much anticipated Platform launch, our energy and momentum did not stop there. In the months that followed, we have worked with our participants to ramp-up the Platform's reach. At the same time we have held discussions with a wide range of organisations, to help them understand the full potential of the Platform and how they can access it.

On behalf of the team at NPP Australia, I can say we are incredibly proud of the past 12 months achievements. And now, with our sights fixed firmly on driving growth on this unique infrastructure I look forward to reporting back in 12 months' time about the various use-cases and progress we all hope to see the NPP bring to life.

Adrian Lovney

Directors' Report

The directors present their report on NPP Australia Limited (NPPA or the Company) for the year ended 30 June 2018.

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

Paul Lahiff
BSc, F Fin, MAICD
Chair (Independent)

Paul Lahiff was appointed independent chair of NPP Australia Limited in November 2014, having served as independent chair of the New Payments Platform Steering Committee since October 2013. Paul has over 35 years' experience in the financial services industry including most recently as Managing Director of Mortgage Choice and is a non-executive director of AUB Holdings, LIXI, and Endometriosis Australia.

Appointed independent Chair on 27 November 2014. Member of the Audit, Risk and Finance Committee, Remuneration and Nominations Committee and Strategy 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 Australian Energy Market Operator Expert 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. Member of the Strategy Committee.

Directors' Report continued

Marnie Baker
BBus, ASA, SF.Fin, MAICD

Marnie Baker is Managing Director at Bendigo and Adelaide Bank having worked in the Group since 1989 and served on the Bank's Executive since 2000. Ms Baker has extensive industry experience in financial services, specifically Retail Banking, Trustee & Custodial Services, Financial Planning, Insurance, Funds Management, Treasury, Risk & Compliance, Payment Systems, Information Technology, Change Management, Social Media and Digital Applications, Legal and Human Resources.

Ms Baker is also a director of Bendigo and Adelaide Bank Limited, Rural Bank Limited, Community Sector Enterprises Pty Limited and Community Sector Banking Pty Ltd. Marnie also sits on the Advisory Board of the Australian Centre for Financial Studies, Australian Banking Association, Business Council of Australia, Mastercard Asia Pacific Advisory Board and is Deputy Chair of the Loddon Campaspe Regional Partnership.

Appointed as a director on 16 December 2014. Chair of the Audit, Risk and Finance Committee.

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 non-executive director of Zip Co Limited and a member of the Australian Payments Council (APC).

Appointed as a director on 17 May 2018.

Nigel Dobson
BEcon

Nigel Dobson is Banking Services Business Lead at ANZ, responsible for developing and implementing the group's 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

Greg Johnston is the Head of Payments Settlements Department, Reserve Bank of Australia. Mr Johnston 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 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 Remuneration and Nominations Committee.

Directors' Report continued

Craig Kennedy
MBA, GAICD

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 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 member of the Australian Payments Council (APC).

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

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. Since March 2017, Albert has led the Strategic Initiatives and Industry Solutions teams of senior banking professionals tasked with designing and delivering a number of large new technology programs which will deliver leading edge working capital and analytics solutions to CBA's business, corporate, institutional and government clients. Albert's remit includes the commercialisation of emerging technology including the New Payments Platform, APIs, distributed ledger technologies and virtual accounts, as well as building out the Bank's international payments and cash management capabilities.

Appointed as a director on 6 June 2018.

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 operations. In her 17 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, Risk and Finance Committee

Directors' Report continued

Rachel Slade
BEcon (Hons)

Rachel Slade is the Executive General Manager Deposits & Transaction Services, National Australia Bank Limited. Rachel has more than 20 years' experience in the financial services industry. Prior to joining NAB Rachel spent 18 years working for Westpac in a range of roles, most recently General Manager, Global Transactional Service, Westpac Institutional Bank. Prior to moving into banking, Rachel worked as a financial services strategy consultant with Andersen Consulting, giving her knowledge of the financial services industry that expands past banking.

Rachel is also a director of Digital Wallet Pty Ltd (Beem It) and a member of the Australian Payments Council (APC).

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

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 Remuneration and Nominations Committee.

Alternate Directors

Christopher Campbell [1]
appointed 17 May 2018

Melanie Bragg (Evans) [2]
appointed 7 November 2017

Michael Eidel [3]
appointed 29 June 2017

Paul Franklin [4]
appointed 11 July 2017

Kieran McKenna [5]
appointed 30 June 2016

Michael O'Shea [6]
appointed 16 December 2014

Peter Gallagher [7]
appointed 12 February 2018

Bhaskar Katta [8]
appointed 22 June 2017

1. C Campbell was appointed as an alternate director to D Challenor
2. M Bragg was appointed as alternate director to A Sheedy
3. M Eidel was appointed as alternate director to I Povey (subsequently to A Naffah on 6 June 2018)
4. P Franklin was appointed alternate director to R Slade
5. K McKenna was appointed as an alternate to C Kennedy
6. M O'Shea was appointed as an alternate director to M Baker
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 of 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, LLM

Vanessa Chapman is a senior corporate lawyer with extensive top tier private practice and in-house payments industry legal and executive management experience. She joined NPP Australia in November 2016 as General Counsel and Company Secretary. She was admitted to practise as a solicitor in July 1993, and has extensive 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

Philip Joyce
17 May 2018

Ian Povey
6 June 2018

Alternate directors

John Arnott
6 November 2017

Carolina Glavinich Lopes
13 April 2018

Dr Anthony Richards
12 February 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 Risk & Finance Committee		Remuneration & Nominations Committee		Strategy Committee	
	A	B	A	B	A	B	A	B
Marnie Baker [1]	10	10	4	3				
Dianne Challenor [2]	1	1						
Nigel Dobson	10	10					1	1
Greg Johnston	10	10			4	3		
Craig Kennedy	10	9					1	1
Paul Lahiff	10	10	4	4	4	4	1	1
Adrian Lovney	10	10	4	4	4	4		
Philip Joyce [3]	9	9			4	4		
Chloe Munro, AO	3	3					1	1
Albert Naffah [4]								
Ian Povey [5, 6]	10	10					1	0
Adriana Sheedy	10	7	4	4				
Rachel Slade [7]	10	8	4	2				
Scott Southall	10	8			4	4		

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

Columns marked B indicate the number of meetings attended. The Chairman attends meetings of Strategy Committee as an observer. The CEO attends the meetings of Remuneration & Nominations Committee as an observer.

1. Michael O'Shea attended one meeting of the Board on behalf of Marnie Baker.
2. Dianne Challenor was appointed as a Director on 17 May 2018.
3. Philip Joyce retired as a Director on 17 May 2018.
4. Albert Naffah was appointed as a Director on 6 June 2018.
5. Ian Povey retired as a Director on 6 June 2018.
6. Michael Eidel attended one meeting of the Board on behalf of Ian Povey
7. Paul Franklin attended two meetings of the Board on behalf of Rachel Slade.

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. build and operate;
b. grow via Participants and Overlay Services; and
c. govern with strong, open rules and governance structures and controls.

Results

The operating loss for the year ended 30 June 2018 was $28,570,389 (2017: loss of $3,156,970).

Dividends

No dividends were proposed or paid in respect of the period since incorporation to 30 June 2018.

Review of operations

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

Significant changes in the state of affairs

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

On 9 February 2018, NPPA Shareholders appointed Chloe Munro AO as an independent Director, joining the Chair, Paul Lahiff as a second independent member of the Board.

Likely developments and expected results of operations

In 2018 -2019 NPP Australia Limited will continue to be responsible for the operation of the NPP. Following its launch, 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 scale and volume in the system through further innovation and development of the infrastructure and the creation of overlay services.

Directors' Report continued

Matters subsequent to the end of the financial year

There are 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, Paul Lahiff 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, company secretaries and eligible officers of NPPA have the benefit of the indemnity in Article 18.1.

Insurance

During the financial period 1 July 2017 to 30 June 2018 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

A copy of the Auditor's Independence declaration as required under section 307C of the Corporation Act 2001 is set out on page 9.

This Director's report is signed in accordance with a resolution of the directors.

P A Lahiff
Chair

A Lovney
Chief Executive Officer

18 September 2018
Sydney

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
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

18 September 2018

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 2018, 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

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 2018

	Note	2018 $	2017 $
Continuing operations			
Sales Revenue	2	2,802,598	297,400
Other income		333,490	412,626
Employee benefits expense		(4,116,664)	(1,389,612)
Occupancy expenses		(231,002)	(149,126)
Administration expenses		(287,048)	(106,040)
Depreciation of property, plant and equipment		(2,075,326)	(9,588)
Professional services fees		(438,352)	(1,587,217)
Audit fees	5	(16,925)	(49,525)
Governance fees		(78,937)	(430,498)
Marketing costs		(3,051,222)	–
IT Expenses		(21,196,042)	(127,438)
Insurance		(214,960)	(17,951)
Profit before income tax		**(28,570,390)**	**(3,156,970)**
Tax expense	3	(11,174,070)	–
Net Profit for the year		**(39,744,460)**	**(3,156,970)**
Total comprehensive income for the year		**(39,744,460)**	**(3,156,970)**

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2018

	Note	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	6	11,511,735	30,946,308
Trade and other receivables	7	215,876	2,441,227
Other assets	10	11,635,102	–
Total current assets		**23,362,713**	**33,387,535**
Non-current assets			
Property, plant and equipment	8	64,996	68,555
Deferred tax assets	12	–	11,174,070
Intangible assets	9	80,287,638	80,352,978
Total non-current assets		**80,352,634**	**91,595,603**
Total assets		**103,715,347**	**124,983,138**
LIABILITIES			
Current liabilities			
Trade and other payables	11	2,272,954	1,900,285
Total current liabilities		**2,272,954**	**1,900,285**
Total liabilities		**2,272,954**	**1,900,285**
Net assets		**101,442,393**	**123,082,853**
EQUITY			
Issued capital	13	134,800,000	116,696,000
Retained earnings		(33,357,607)	6,386,853
Total Equity		**101,442,393**	**123,082,853**

The accompanying notes form part of these financial statements.

Financial report continued

Statement of changes in equity for the year ended 30 June 2018

	Note	Redeemable Preferred Shares $	Retained Earnings $	Total $
Balance at 1 July 2016		**57,453,000**	**9,543,823**	**66,996,823**
COMPREHENSIVE INCOME				
Profit for the year			(3,156,970)	(3,156,970)
Total comprehensive income for the year		**–**	**(3,156,970)**	**(3,156,970)**
TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS, AND OTHER TRANSFERS				
Shares issued during the year		59,243,000		59,243,000
Total transactions with owners and other transfers		**59,243,000**		**59,243,000**
Balance at 30 June 2017		**116,696,000**	**6,386,853**	**123,082,853**
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**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2018

	Note	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,802,598	–
Payments to suppliers and employees		(38,668,234)	(6,490,280)
Interest received		288,855	319,990
Revenue non-operating		44,635	511,070
Net cash generated by operating activities		**(35,532,146)**	**(5,659,220)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Intangible assets		(1,987,533)	(45,333,435)
Purchase of property, plant and equipment		(18,895)	(78,143)
Net cash (used in)/generated by investing activities		**(2,006,428)**	**(45,411,578)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		18,104,000	59,243,000
Net cash provided by/(used in) financing activities		18,104,000	59,243,000
Net increase/(decrease) in cash held		(19,434,573)	8,172,202
Cash and cash equivalents at beginning of financial year		30,946,308	22,774,106
Cash and cash equivalents at end of financial year	**6**	**11,511,735**	**30,946,308**

The accompanying notes form part of these financial statements.

Financial report continued

Notes to the financial statements for the year ended 30 June 2018

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

The financial statements were authorised for issue on 18 September 2018 by the directors of the company.

Note 1: General Information and Summary of Significant Accounting Policies

Board of Directors	
Paul Lahiff	Independent Chair
Marnie Baker	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	
Christopher Campbell	Westpac Banking Corporation
Melanie Bragg (Evans)	ING Bank (Australia) Limited
Michel Eidel	Commonwealth Bank of Australia
Paul Franklin	National Australia Bank Limited
Kieran McKenna	Cuscal Limited
Michael O'Shea	Bendigo and Adelaide Bank Limited
Peter Gallagher	Reserve Bank of Australia
Bhaskar Katta	Australia and New Zealand Banking Group Limited

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').

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying NPPA's accounting policies.

The financial statements were authorised for issue by the directors on 18 September 2018.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

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 the value in use AASB 136.

Financial report continued

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:

- 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 principal 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', 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 instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The company does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

Preference Shares

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

d. Impairment of financial assets

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition

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 banking transaction processing platform software, to be ten (10) years from date of first use, commencing 1 April 2018.

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 of the asset are recognised in profit or loss when the asset is derecognised.

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.

Recoverability of internally generated intangible asset

During the year, the directors reconsidered the recoverability of the Company's internally generated intangible asset arising from its development of the NPP.

f. **Impairment of Assets**

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, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. 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 and sick leave 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.

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.

j. Revenue recognition

The Company has now commenced trading and future revenue will be recognised on services performed during the current year. Revenues are realised when cash or claims to cash are received in exchange for goods or services.

Fee income

Fee income received from members (who are also shareholders of NPPA) to undertake specific projects are recognized as deferred revenue upon receipt in the Statement of financial position at initial recognition. Subsequently, the deferred revenue is recognized as revenue in the Statement of comprehensive income as the services are performed.

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.

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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 using the effective interest method, less any provision for impairment. 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 14 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 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 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  Management is in the process of completing an assessment of the impact of AASB 9. Based on it's preliminary findings, the effects of AASB 9 are not expected to have a material effect on the Company. Therefore management considers the transitional provisions for introduction of this standard will not be applicable. Management's assessment has also considered the impact of AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014) and has decided not to early adopt.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

  AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Management is in the process of completing its impact assessment of AASB 15. Based a preliminary assessment performed on each service line of business, the effects of AASB 15 are not expected to have a material effect on the Company. Therefore management considers the transitional provisions for introduction of this standard will not be applicable. Management's assessment has also considered the impact of AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8*: Amendments to Australian Accounting Standards – Effective Date of AASB 15, AASB 2016-3: *Amendments to Australian Accounting Standards – Clarifications to AASB* 15.

  Based on management's preliminary asessment, they have decided not to early adopt.

- AASB 2016-3 mandatorily applies to annual reporting periods beginning on or after 1 January 2018, with earlier application

  The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract(s); and
  - recognise revenue when (or as) the performance obligations are satisfied.

- 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 or less of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

Management is in the process of completing an assessment of the impact of AASB 16. Based on a preliminary assessment performed over each service line of business and lease type, the effect of AASB 16 is not expected to have a material effect on the Company. It is impracticable at this stage to provide a reasonable estimate of such impact.

Therefore management considers the transitional provisions for introduction of this standard will not be applicable.

p. Critical accounting judgments

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, which is included in the statement of financial position at 30 June 2018 with a carrying amount of $80,287,638 and determined there are no indications of impairment.

Tax assets

The company has not recognised any additional tax assets as at June 2018. The Company had previously recognised a tax asset of $11,174,070 as at 30 June 2016. This tax asset results from eligible R&D expenditure which results in an expected R&D tax benefit for the year ended 30 June 2016 of $5,743,817 (2015: $5,430,253). The R&D tax benefit has been reviewed by the regulatory authorities responsible for administering the claim and AusIndustry has declared a negative finding of the R&D claim in March 2018. On the basis of the receipt of this finding, the Board has subsequently agreed at this time to impair the full deferred tax asset amount of $11,174,070 as at 30 June 2018.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made, or as required by law in the case of provisions for unidentified losses on off-balance-sheet credit risk exposures.

Note 2: Revenue and Other Income

	Note	2018 $	2017 $
(A) REVENUE FROM CONTINUING OPERATIONS			
Sales revenue			
– sale of goods		2,802,598	297,400
Total sales revenue		**2,802,598**	**297,400**
Other revenue			
– interest received		288,855	401,556
Total other revenue		**288,855**	**401,556**
Other income			
– other income		44,635	11,070
Total other income		**44,635**	**11,070**
(B) INCOME FROM CONTINUING OPERATIONS		**3,136,088**	**710,026**

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Note 3: Tax Expense

	Note	2018 $	2017 $
(a) The components of tax (expense) income comprise:			
Current tax		–	–
Deferred tax	12	11,174,070	–
		11,174,070	**-**
(b) The prima facie tax on profit/(Loss) from ordinary activities before income tax is as follows:			
Profit/(Loss) before tax		(28,570,390)	(3,156,970)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2017:30%)		(8,571,117)	(947,091)
		(8,571,117)	(947,091)
Adjustments for:			
Effect of unrecognised deferred tax asset		8,571,117	947,091
R&D offset or deferred tax assets released		(11,174,070)	–
		(11,174,070)	**-**
Income tax charge		**(11,174,070)**	**-**

As at 30 June 2018, the Company had cumulative tax losses carried forward of approximately $33,602,090 (2017: $2,576,925 and 2016: $1,382,265). No deferred tax asset has been recognised in respect of these tax losses, because there is insufficient certainty that suitable tax profits will arise which could be offset against the tax losses.

Note 4: Key Management Personnel

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

Mr P Lahiff Chairman (as at 30 June 2018)

Directors (as at 30 June 2018)	Alternative Directors (as at 30 June 2018)
Paul Lahiff (Chair)	
Adrian Lovney (Chief Executive Officer)	
Marnie Baker	Michael O'Shea
Dianne Challenor	Christopher Campbell
Nigel Dobson	Bhaskar Katta
Greg Johnston	Peter Gallagher
Chloe Munro AO (Independent)	
Albert Naffah	Michael Eidel
Craig Kennedy	Kieran McKenna
Scott Southall	
Adriana Sheedy	Melanie (Bragg) Evans
Rachel Slade	Paul Franklin

Key Management Personnel (as at 30 June 2018)	
Adrian Lovney	Chief Executive Officer
Vanessa Chapman	General Counsel and Company Secretary
Bob Masina	General Manager, Technology and Operations
Katrina Stuart	Head of Engagement

	2018 $	2017 $
Short term benefits		
– Salaries paid during current year	1,759,799	1,159,619
Long term benefits		
– Superannuation paid during current year	111,018	90,792
	1,870,817	**1,250,411**

Note 5: Auditor's Remuneration

	2018 $	2017 $
Remuneration of the auditor for:		
– Auditing or reviewing the financial statements	30,875	29,400
– Preparation of tax return	8,925	10,500
– Research and development tax services	–	112,100
	39,800	**152,000**

Note 6: Cash and Cash Equivalents

	Note	2018 $	2017 $
Cash at bank and on hand		1,511,735	20,946,308
Vendor contract contingency		10,000,000	10,000,000
	15	**11,511,735**	**30,946,308**
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		11,511,735	30,946,308
		11,511,735	**30,946,308**

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 $288,855 is included in the Statement of comprehensive income.

Vendor contract contingency

The Company holds $10 million in cash as contingency.

Note 7: Trade and Other Receivables

	Note	2018 $	2017 $
CURRENT			
Trade receivables		185,272	286,951
GST refundable		30,604	2,154,276
Total current trade and other receivables		**215,876**	**2,441,227**

Note 8: Property, Plant and Equipment

	2018 $	2017 $
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	97,037	78,143
Accumulated depreciation	(32,041)	(9,588)
	64,996	**68,555**
Total plant and equipment	**64,996**	**68,555**
Total property, plant and equipment	**64,996**	**68,555**

Note 9: Intangible Assets

	2018 $	2017 $
Opening Balance on 1 Jul	80,352,978	47,311,792
Additions (Software and Infrastructure)	1,987,533	33,041,186
Accumulated depreciation on software asset	(2,052,873)	-
Total intangible assets	**80,287,638**	**80,352,978**

Impairment

The impairment assessment in the current financial period relates to assets that were identified as having a reduced or no future economic benefit to the organisation. There was no impairment of assets in the course of development during the current financial period.

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Note 10: Other Assets

	2018 $	2017 $
CURRENT		
Prepaid expenses	11,635,102	–
	11,635,102	–

Note 11: Trade and Other Payables

	Note	2018 $	2017 $
CURRENT			
Unsecured liabilities			
Trade payables		264,050	1,125,193
Sundry payables and accrued expenses		1,733,954	333,125
– Employee entitlements		274,950	239,366
– Deferred revenue		–	202,600
		2,272,954	**1,900,284**

	Note	2018 $	2017 $
(a) Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables			
– Total Current		2,272,954	1,900,285
		2,272,954	**1,900,285**
Less construction contract advances and payables			
Less other payables (net amount of GST payable)			
Financial liabilities as trade and other payables	15	**2,272,954**	**1,900,285**

Note 12: Tax

	2018 $	2017 $
CURRENT		
Income tax payable	–	–
	–	–

	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rates	Exchange Differences	Closing Balance
DEFERRED TAX ASSETS	$	$	$	$	$	$
R&D Tax Incentive	11,174,070	–	–	–	–	11,174,070
Balance as at 30 June 2017	**11,174,070**	–	–	–	–	**11,174,070**
R&D Tax Incentive	11,174,070	(11,174,070)				
Balance as at 30 June 2018	**11,174,070**	**(11,174,070)**	–	–	–	–

Note 13: Issued Capital

	2018 $	2017 $
134,800 (2017: 116,696) fully paid redeemable preference shares	134,800,000	116,696,000
	134,800,000	**116,696,000**

(A) REDEEMABLE PREFERENCE SHARES	2018 No.	2017 No.
At the beginning of the reporting period	116,696	57,453
Shares Issued	18,104	59,243
At the end of the reporting period	**134,800**	**116,696**

Note 14: Events After the Reporting Period

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

Note 15: 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
2018	**Note**	**$**	**$**	**$**
Financial Assets				
Cash and cash equivalents	6	11,180,559	331,177	11,511,735
		11,180,559	**331,177**	**11,511,735**
Financial Liabilities				
Trade and other payables	11	-	(2,272,954)	(1,900,285)
		-	(2,272,954)	(1,900,285)
Net financial assets		**11,180,559**	**(1,941,777)**	**9,611,450**
2017				
Financial Assets				
Cash and cash equivalents	6	30,824,992	121,316	30,946,308
		30,824,992	**121,316**	**30,946,308**
Financial Liabilities				
Trade and other payables	11	-	(1,900,285)	(1,900,285)
		-	(1,900,285)	(1,900,285)
Net financial assets		**30,824,992**	**(1,778,969)**	**29,046,023**

b. **Credit risk**

Credit risk is managed under the Company's treasury policy as approved by the Board of Directors, inlcuding investing surplus funds in financial institutions that maintain a high credit rating. The Company was exposed to concentration risk toward Westpac Bank since the Company kept the bulk of it's interest bearing funds at that institution $10,151,613 (previously all cash and cash equivalents held at Commonwealth Bank of Australia 30 June 2017: $30,946,308). 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 is from capital raised from the participants of the business. Capital is sufficient for the expenditure identified in the budgeting process and required by the Company.

Also, the Board of Directors monitor liquidity through the process of approving the calls for additional capital. In the 2019 financial year, and moving forward, income will be raised through revenue 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

Note 16: Fair Value Measurements

The company does not subsequently measure any liabilities at fair value on a non-recurrring basis.

a. **Fair value hierarchy**

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

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

		30 June 2018			
		Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements	**Carrying amount**	**$**	**$**	**$**	**$**
Financial Assets					
Cash and cash equivalents	11,511,735	11,511,735	–	–	11,511,735
Total financial assets recognised at fair value on a recurring basis		**11,511,735**	–	–	**11,511,735**

		30 June 2017			
		Level 1	**Level 2**	**Level 3**	**Total**
Description	**Carrying amount**	**$**	**$**	**$**	**$**
Financial Assets					
Cash and cash equivalents	30,946,308	30,946,308	–	–	30,946,308
Total financial assets recognised at fair value on a recurring basis		**30,946,308**	–	–	**30,946,308**

Note 17: Reconciliation of loss after income tax to net cash flow from operating activities

	2018 $	2017 $
Post Tax (loss) / income for the period	(39,744,460)	(3,156,970)
Interest income	(288,855)	(401,556)
Receipts from customers	(2,802,598)	–
Depreciation and amortisation	2,075,326	9,588
Other income	(44,635)	(511,070)
Change in operating assets and liabilities:		
Decrease in current and deferred tax assets	11,174,070	–
Increase in trade payables and accruals	(5,900,994)	(1,599,212)
Net cash (used in) operating activities	**(35,532,146)**	**(5,659,220)**

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, as set out on pages 24 to 49, 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 2018 and of the performance for the year ended on that date of the company;
3. 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;
4. 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

P A Lahiff
Chair

A Lovney
Chief Executive Officer

18 September 2018
Sydney

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Independent Auditor's Report

Deloitte.

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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 2018, 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 2018 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 2018, 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:

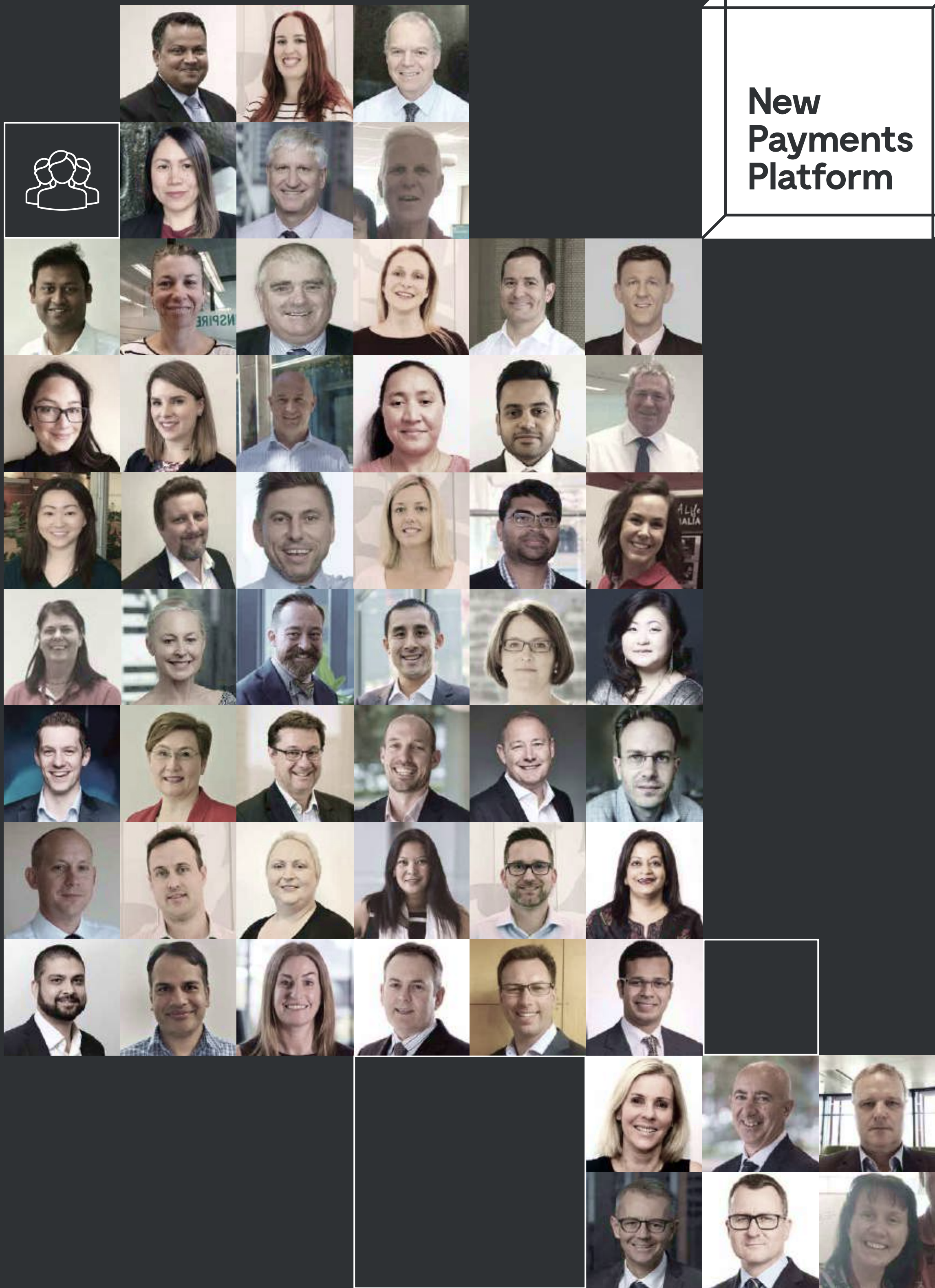
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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, 18 September 2018



New Payments Platform

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NPP AUSTRALIA LIMITED
ABN: 68 601 428 737
Financial Report For The Year Ended
30 June 2018