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Annual Report
2019–2020

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NPP AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITY
ABN: 68 601 428 737
Financial Report For The Year Ended
30 June 2020

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 the platform

New Payments Platform



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

Fast facts

As of 30 June 2020

101

Participating Financial Institutions
(including subsidiaries and sub-brands)

1,128,000

Average daily NPP transactions

68.8mn

NPP reachable accounts
(can make and/or receive
NPP payments)



411.6mn

Total number
of transactions
on the Platform



**New
Payments
Platform**

**4.93
million**

Number of
registered PayIDs



\$19.8bn

Largest single
transaction across
the NPP



\$1,005

Average transaction size

\$413.8bn

Total value of NPP payments

Note: Transaction data for FY 2019/20; sourced from RBA Payments Statistics data series c06-1-hist; number of participating financial institutions and PayID data as of 30 June 2020; account reach data as of 6 July 2020; number of financial institutions accounts for organisations operating sub-brands/subsidiaries separately.

We're enabling Australia's rapid acceleration to a digital economy.

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Chair's report

Chair's report



A rapid acceleration towards digital payments confirms the NPP's vital role in enabling Australia's digital economy, requiring us to be unwavering in our commitment to deliver our strategy.

While technological advancement and growing consumer and business expectations have played a role in the growing shift towards digital payments, this year the COVID-19 pandemic accelerated things significantly.

Since March 2020, 44% of Australians have decreased their use of cash, 94% have paid for their groceries using contactless payments and there has been a 30% increase in online share of retail sales. Some in our industry have hypothesised that the uptake of digital payments witnessed over these past few months would ordinarily have taken five years to occur.

The push for digital payments from both consumers and businesses reinforces the vital role of the NPP in enabling Australia's digital economy. But there is no need to 'pivot' or change our plans in the face of these unprecedented times. Rather, we must simply double down on efforts to grow and evolve the NPP and its capabilities.

Our vision remains to be 'the leading open payments platform in Australia,' achieved by focusing on four underlying strategic imperatives: reach and performance; developing new capabilities; driving volume;

and supporting access and market participation. In the past year we have seen this strategy come to life.

Our reach has grown substantially, with nearly 69 million Australian bank accounts able to make and/or receive payments via the NPP by the end of June 2020. As we've continued to grow, we have worked with participants to ensure ongoing resilience, and our efforts have been rewarded with year-on-year reduction in incidents.

The NPP Roadmap, first unveiled in October 2019, positions us well to not only meet customer demand, but to also enable more efficient and automated processes. In particular, the Mandated Payments Service (MPS) is recognised widely by the market as core foundational capability. Combined with the ongoing development of standardised capabilities and frameworks delivered through NPP Business Services, delivering this sought-after capability will drive use and enable innovation by a range of different organisations.

Work has also continued to migrate bulk payments onto the NPP, to drive volume and cost efficiencies. Activity to support this effort has continued steadfastly throughout the year with the foundations now ready, such as messaging formats and sample Batch Payment APIs. From here we

will work with individual financial institutions to finalise their own plans and timing to use the NPP for bulk and unattended payments.

Of course, operating in such extraordinary times requires careful prioritisation of our efforts and getting more out of the capability we already have. Our focus is on ensuring delivery on commitments we have made to the market which will expand the functionality of the platform. You will see this articulated in the upcoming October 2020 NPP Roadmap which will see continued focus on the delivery of MPS combined with some activities that could help reduce regulatory risk.

I want to end this report by acknowledging the NPPA directors for their ongoing support and focus throughout the year – particularly their adaptability and commitment during the unusual circumstances presented by COVID-19. In particular, I'd like to thank outgoing directors Dianne Challenor and Adriana Sheedy for their invaluable service and contribution. I'd also like to formally welcome Tony Graham, Elizabeth Hallett and Jim Tate, who joined us this year.

Bob McKinnon

CEO's report

CEO

repo



This year we continued to grow the NPP'S reach, while developing the capability required to support its full potential, despite the extraordinary challenge presented by the COVID-19 pandemic.

In the 2020 financial year, the NPP processed an average of 1.1 million daily payments worth a total of \$413.8 billion. This is an increase of 167% and 215% respectively from the same time last year. In April 2020 the platform processed close to \$24 billion in transactions in a single day and we saw the largest single transaction - \$19.8 billion - settled on the platform. Close to 20% of all account-to-account credit payments are now processed on the NPP.

We started the financial year reaffirming our commitment to operate the NPP in the public's interest in our response to the RBA's *Conclusions Paper into NPP Access and Functionality*, which was well received. At the same time, we introduced a mandatory compliance framework, which has given the confidence we need as an industry to see the NPP grow further.

Publishing the NPP Roadmap in October 2019 was a further stake in the ground for developing the NPP in a way that meets the needs of participating financial institutions, payment providers and users within the ecosystem. We have focused on delivering NPP Business Services which will enable organisations to use the NPP's native capabilities

to develop their own product and services for their customers 'outside' the Platform, driving competition and innovation 'at the edges'.

Payment initiation remains the number one capability request we receive from the market; suffice to say, after we unveiled the Mandated Payments Service (MPS) as a central piece of the NPP Roadmap, it generated considerable interest. By delivering a comprehensive solution that can support a wide range of use cases, the MPS will play an important role in enabling further competition and innovation.

This year we saw more innovators like Azupay, Monoova and Split Payments join a growing pool of fintechs leveraging the NPP's capabilities. The Reserve Bank of Australia partnered with the Department of Finance to implement a program of work focused on using the NPP to modernise Commonwealth cash management, enabling Government departments to respond to emergencies through access to real-time funding during business hours or on weekends. Something which proved timely as the year unfolded.

In March, when COVID-19 cases climbed in Australia, the NPPA team transitioned quickly to remote working. I'm proud of how our team and the wider NPP community

embraced this new way of working. Despite these uncertain and challenging times, productivity remains consistent and our focus to deliver is resolute.

As we enter the new financial year, it's worth calling out an early achievement: the five-millionth PayID was registered in mid-July. The value of PayID has been especially evident within the small business community during the COVID-19 pandemic, with businesses like cafes, hairdressers and food delivery services offering PayID as an alternative to cash for their 'on demand' services.

Despite the challenges of the past 12 months, we have achieved a great deal, driven by a renewed sense of conviction towards the role the NPP plays both now and in the future. The platform has an important part to play in navigating the Australian economy through these current challenging times, and I look forward to seeing consumers, businesses and organisations benefit from its world class capabilities.

Adrian Lovney

Directors' report

The directors present their report on NPP Australia Limited (NPPA or the Company) for the year ended 30 June 2020.

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 Audit Finance and Risk Committee, NPP Governance Committee and People and Culture 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.

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

Directors’ Report continued



Nigel Dobson
BEcon

Nigel Dobson is Banking Services Portfolio Lead at ANZ, responsible for developing and implementing the group’s Payments platform strategy.

The Banking Services portfolio has responsibility for developing and implementing ANZ’s payment platform strategy, supporting the enterprise and ANZ’s partners. Banking Services is also responsible for delivering ANZ’s response to Open Banking in Australia and shaping ANZ’s business services strategy to meet the demands of an open data economy.

Nigel also 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 Chair of Lygon 1B, a digital bank guarantee start-up, a member of the Australian Payments Council and a Fellow of Blockchain Australia.

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



Tony Graham
BCom

Tony joined Macquarie Group in 1998 and is currently Head of Product and Technology in the Banking & Financial Services Group which is responsible for retail banking, business banking, wealth management and motor vehicle leasing.

Prior to joining Macquarie, Tony spent ten years as an IT Consultant with Accenture specialising in large technology change programs for retail financial institutions and government departments (taxation).

Tony currently serves as Chairman of the Board for Macquarie Equities Limited. He is a member of the Executive Committee for Macquarie’s Banking and Financial Services Group, as well as a member of the Macquarie Group Foundation Board, the philanthropic arm of the Macquarie Group.

Appointed as a director on 21 December 2019. Member of the Audit Finance and Risk Committee.



Elizabeth Hallett

BCom, LLB., GAICD,
GAIST (Independent)

Elizabeth is an experienced non-executive director and chair of audit & risk committees in the financial services, infrastructure and regulated sectors. Elizabeth was appointed to the NPP Australia board as its third independent director, in February 2020. She is also a non-executive director on the boards of Sunsuper (a large public offer superannuation fund), NSW Land Registry Services, and the Civil Aviation Safety Authority.

Elizabeth is a current reappointed member of the Takeovers Panel, and also sits on the Advisory Committee of the John Sample Group. Previously, Elizabeth was a corporate partner with an international law firm for 22 years, where she held global and national leadership roles.

Appointed as an independent director on 6 February 2020. Chair of the Governance Committee and a member of the People and Culture Committee.



Greg Johnston

BEcon, MAppFin, GAICD

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 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 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 a fellow of FINSIA, a member of the Australian Payments Council and a Director of 86 400 Limited.

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

Directors’ Report continued



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 a director on 9 February 2018. Chair of the Audit Finance and Risk Committee and member of the NPP Governance 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 and Data Economy at CBA accountable for the Bank’s retail and business payments product suite, and for designing and delivering a number of large new technology programs 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, open banking 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 and People and Culture Committee.



Rachel Slade
BEcon (Hons)

Rachel Slade was appointed to the role of NAB's Group Executive, Personal Banking, in June 2020.

Previously, Rachel was Chief Customer Experience Officer with overall responsibility for delivering exceptional service for the bank's customers, and 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. Prior to joining Westpac, Rachel worked as a financial services strategy consultant with Andersen Consulting.

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.

Appointed as a director on 8 May 2017.

Directors' Report continued



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 Strategy Committee.



Jim Tate
MCom, BCom, FCPA, FAICD

After an early career in accounting and tax, Jim Tate joined Bank of America in 1979 and Westpac Banking Corporation in 1988.

Jim led both Westpac's New York and London branches before taking over Westpac's AGC, negotiating its successful sale to GE.

Further positions included: Chief Financial Officer, Westpac Institutional Bank, Chief Product Officer, Westpac Group, Chief Operating Officer, Westpac New Zealand Limited and, since 2015, Chief Product Officer, Business.

Jim is, currently, an Advisor for the Westpac Group, an alumnus of the University of New South Wales and a Fellow of both CPA Australia and Australian Institute of Company Directors.

Appointed as a director on 13 February 2020. Member of the Strategy Committee.

Alternate Directors

Kate Byrne¹
appointed 4 March 2019

John Collins²
appointed 15 July 2019

Shane Conway³
appointed 13 June 2020

Kieran McKenna⁴
appointed 30 June 2016

Lynda McMillan⁵
appointed 26 July 2018

Peter Gallagher⁶
appointed 12 February 2018

1. K Byrne was appointed as alternate director to M O'Shea
2. J Collins was appointed as alternate director to N Dobson
3. S Conway was appointed as alternate director to R Slade
4. K McKenna was appointed as alternate director to C Kennedy
5. L McMillan was appointed as alternate director to A Naffah
6. P Gallagher was appointed as alternate director to G Johnston

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

GCert BA

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 NPP Australia'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 the 2019 - 2020 financial period with the resignation dates as indicated:

Directors

Dianne Challenor
13 February 2020

Adriana Sheedy
20 December 2019

Alternate Directors

Julie-Anne Bosich
20 December 2019

Christopher Campbell
13 February 2020

Paul Franklin
11 December 2019

Bhaskar Katta
15 July 2019

Andrew Kerr
12 June 2020

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		NPP Governance Committee		People & Culture Committee		Strategy Committee	
	A	B	A	B			A	B	A	B
Dianne Challenor ¹	4	3					4	1		
Nigel Dobson	10	9							9	9
Tony Graham ^{2,9}	6	6	1	1						
Elizabeth Hallett ^{3,11}	6	6			2	2	2	2		
Greg Johnston ⁶	10	10					6	6		
Craig Kennedy	10	9							9	9
Adrian Lovney	10	10	5	5	2	2	6	6	9	9
Robert McKinnon ¹⁰	10	10	5	5	2	2	6	6	9	8
Chloe Munro	10	9	5	5	2	2				
Albert Naffah	10	10							9	8
Michael O'Shea ¹²	10	9	5	5			1	1		
Adriana Sheedy ⁴	4	4	3	3						
Rachel Slade ^{7,8}	10	10								
Scott Southall ¹³	10	9					4	3	9	7
Jim Tate ^{5,14}	6	6							4	4

Columns marked A indicate the number of meetings the director was eligible to attend.

Columns marked B indicate the number of meetings attended. The Chair attends meetings of Strategy Committee as an observer. The CEO attends the meetings of the People & Culture Committee and Strategy Committee as an observer. The NPP Governance Committee is comprised of the Independent Directors of the Board and the CEO.

1. Dianne Challenor resigned as a director on 13 February 2020
2. Tony Graham was appointed as a director on 21 December 2019
3. Elizabeth Hallett was appointed as a director on 6 February 2020
4. Adriana Sheedy resigned as a director on 20 December 2019
5. Jim Tate was appointed as a director 13 February 2020
6. Peter Gallagher attended three meetings on behalf of Greg Johnston
7. Paul Franklin attended one meeting on behalf of Rachel Slade
8. Andrew Kerr attended one meeting on behalf of Rachel Slade
9. Tony Graham was appointed to the Audit Finance and Risk Committee on 8 April 2020
10. Robert McKinnon was appointed to the Audit Finance and Risk Committee on 19 February 2020 (Mr McKinnon was previously an observer to the Committee)
11. Elizabeth Hallett was appointed to the People and Culture Committee on 8 April 2020
12. Michael O'Shea was appointed to the People and Culture Committee on 8 April 2020
13. Scott Southall resigned from the People and Culture Committee on 8 April 2020
14. Jim Tate was appointed to the Strategy Committee on 8 April 2020

Principal activities

The principal activity of the Company is the management and operation of the New Payments Platform (NPP) which is new infrastructure for Australian 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 NPP Australia and 13 leading financial institutions.

The three key pillars of NPP Australia's operations are:

- a. Operate;
- b. Grow via Participants, Business Services and Overlay Services; and
- c. Governance of the rules and regulations established to manage the platform, and ongoing compliance and monitoring activities.

Access to the NPP

NPP Australia aims to operate the NPP in a manner that promotes the public interest, including 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 six ways for organisations to access the NPP:

1. NPP Full Participant
2. NPP Settlement Participant
3. Identified Institution
4. Connected Institution
5. Overlay Service Provider
6. End user or customer of a participating financial institution
(NPP Full Participant, NPP Settlement Participant or Identified 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 2020

During the last financial year (for the period from 1 July 2019 to 30 June 2020), NPP Australia did not receive any applications for direct access to the NPP. During this period, 12 organisations came on board indirectly as Identified Institutions, indicating that this has been the preferred route for many organisations to access the NPP. At the time of publication, there are currently 93 organisations (excluding subsidiaries and sub-brands) participating in the NPP, either as NPP Participants or as Identified Institutions. There are more than 68.8 million accounts that can make and/or 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

NPP Australia 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 publication, NPP Australia had 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, NPP Participants have made equitably calculated contributions to cover NPP Australia's operating costs.

Based on the organisation's sales revenue of \$43.9m and settled transaction volumes of ~303 million (defined as 'off-us' transactions occurring across the Platform) for the financial year, the implied break-even wholesale transaction cost would have been ~\$0.14 for the period. As a straight average, this implied cost 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 cost 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 2020 was \$4,001,437 (2019: \$5,577,776).

Dividends

No dividends were proposed or paid in respect of the period since incorporation to 30 June 2020.

Review of operations

During the financial period the Company continued to oversee the operation, management and governance of the NPP.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of NPP Australia during the 2019 - 2020 financial year.

Likely developments and expected results of operations

In 2020-2021 NPP Australia Limited will continue to be responsible for the operation of the NPP. The Company remains focused 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.

Following the RBA's Review of Retail Payments Regulation (published 29 November 2019), the view of the NPP Australia Board and Shareholders considered that there was merit in exploring the potential consolidation of domestic schemes and organisations into a single entity. The view of the NPP Australia Board and Shareholders was that reviewing the structural arrangements for NPP Australia and other industry-owned payments companies was worthy of serious exploration in order to deliver more efficient, simpler, stronger domestic payments infrastructure, and to deliver better services to Australian consumers and businesses, with a number of key benefits:

- for the public interest, by facilitating the development and faster delivery of new payments functionality that will benefit consumers, merchants/SMEs and institutional customers alike;
- for the payments industry, by maintaining a sustainable, resilient and scale alternative to global schemes and technology companies, that enables continued innovation, a low cost of acceptance and effective risk management: and
- for the companies and their shareholders, via faster speed to market, integrated product roadmaps and more efficient deployment of capital.

Directors’ Report continued

These potential benefits have been further emphasised by the COVID-19 pandemic which has:

- accelerated the trend away from cash towards digital payments including online and in-app; and
- highlighted the importance of targeted investment, resilient systems, and reduced complexity.

A wholly owned subsidiary company, Industry Committee Administration Pty Ltd (ABN 91 641 558 250) (**ICA**), was incorporated on 15 June 2020, to establish a governance framework for a committee (Industry Committee) to be established for the purpose of considering and making non-binding recommendations as to whether and how best the objects of the industry-owned payments companies might be served by a merger or amalgamation of the entities (subject to obtaining authorisation or approval from the Australian Competition and Consumer Commission), taking into account the respective interests of their constituent shareholders, stakeholders and the public interest. ICA has been established as a special purpose contracting entity for the purposes of coordinating this activity. In terms of its practical activities, ICA will collect contributions from shareholders of industry-owned payments companies who have elected to participate in these discussions, enter into contracts with entities providing services to the Industry Committee, and pay associated invoices, in accordance with the directions of the Industry Committee.

ICA has not traded in the 2020 Financial Year.

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 directors, Elizabeth Hallett and 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 NPP Australia have the benefit of the indemnity in Article 18.1.

Insurance

During the financial period 1 July 2019 to 30 June 2020 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.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



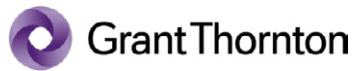
R McKinnon
Chair



A Lovney
Chief Executive Officer

Date: 9 September 2020
Sydney

Audit declar tor's aration



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Auditor's Independence Declaration

To the Directors of NPP Australia Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of NPP Australia Limited for the financial year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M R Leivesley
Partner – Audit & Assurance

Sydney, 9 September 2020

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Financial report

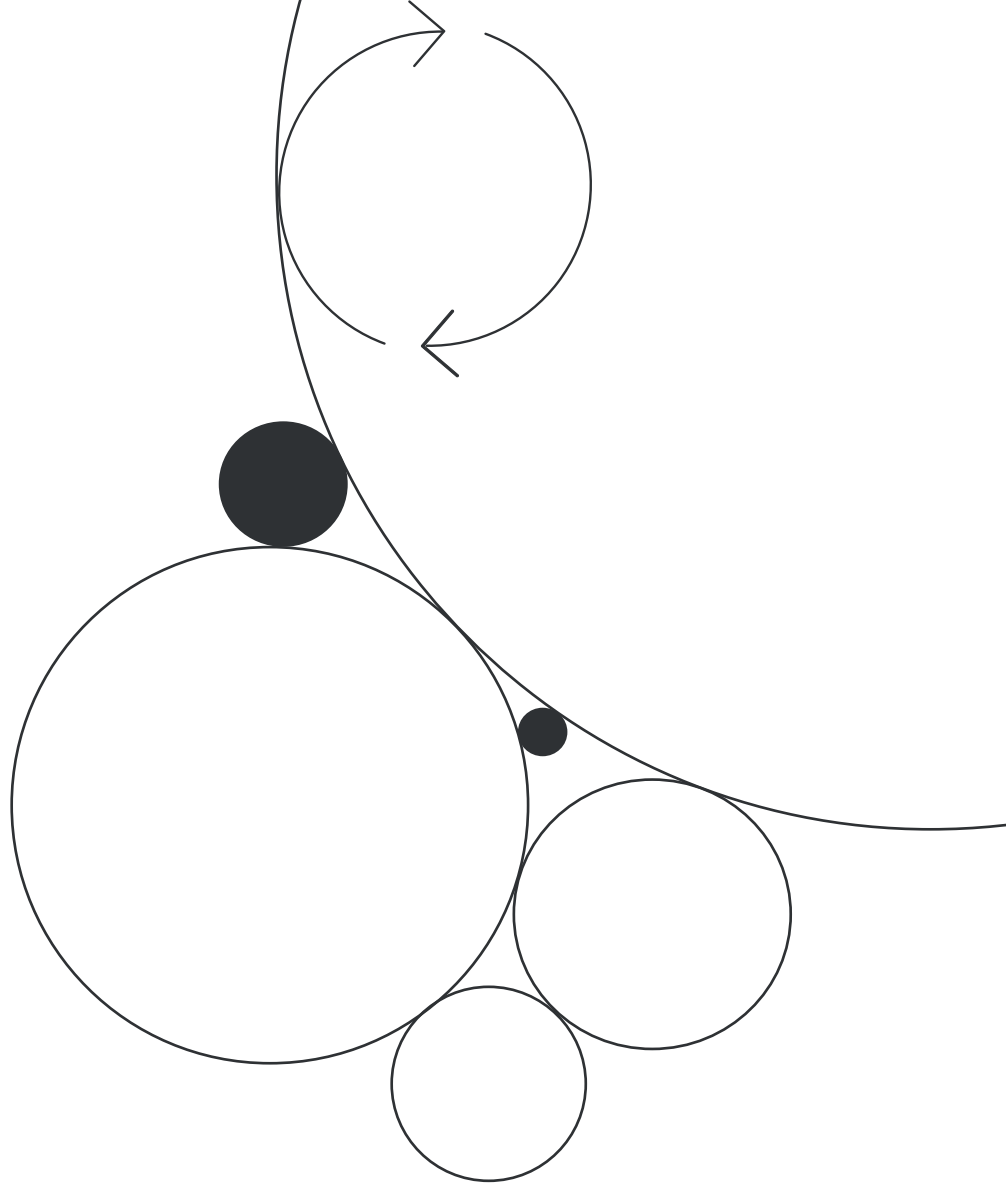
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This financial report covers NPP Australia Limited (NPPA or the Company) as an individual entity.

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



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Financial report continued

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

	Note	Consolidated Group	
		2020 \$	2019 \$
Continuing operations			
Sales Revenue	2	43,899,999	42,981,498
Other income		492,833	451,309
Employee benefits expense		(4,748,053)	(3,761,604)
Occupancy expenses		(51,234)	(204,418)
Administration expenses		(187,442)	(199,594)
Depreciation of property, plant and equipment		(8,406,324)	(8,260,005)
Professional services fees		(1,632,087)	(1,112,044)
Governance fees		(2,613)	(17,343)
Marketing costs		(78,391)	(164,446)
IT Expenses		(25,042,841)	(24,029,180)
Insurance		(220,127)	(106,397)
Finance costs		(22,283)	-
Profit before income tax		4,001,437	5,577,776
Tax expense	3	-	-
Net Profit for the year		4,001,437	5,577,776
Total comprehensive income for the year		4,001,437	5,577,776

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position as at 30 June 2020

		Consolidated Group	
	Note	2020	2019
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6	31,609,655	22,387,053
Trade and other receivables	7	217,326	177,251
Other assets	11	11,752,514	12,062,949
Total current assets		43,579,495	34,627,253
Non-current assets			
Property, plant and equipment	8	102,637	51,168
Right-of-use assets	9	222,241	-
Deferred tax assets	3	8,347,947	4,734,330
Intangible assets	10	71,298,423	75,617,781
Total non-current assets		79,971,248	80,403,279
Total assets		123,550,743	115,030,532
LIABILITIES			
Current liabilities			
Trade and other payables	13	3,772,774	3,139,659
Borrowings	14	178,229	-
Total current liabilities		3,951,003	3,139,659
Non-current liabilities			
Trade and other payables	13	208,047	136,374
Borrowings	14	84,927	-
Deferred tax liabilities	3	8,347,947	4,734,330
Total non-current liabilities		8,640,921	4,870,704
Total liabilities		12,591,924	8,010,363
Net assets		110,958,819	107,020,169
EQUITY			
Issued capital	15	134,800,000	134,800,000
Retained earnings		(23,841,181)	(27,779,831)
Total Equity		110,958,819	107,020,169

The accompanying notes form part of these financial statements.

Financial report continued

Consolidated Statement of Changes in Equity for the year ended 30 June 2020

	Note	Redeemable Preferred Shares \$	Retained Earnings \$	Total \$
Consolidated Entity 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 2020		134,800,000	(27,779,831)	107,020,169
Retained earnings adjustment on initial adoption of AASB 16 Leases			(62,787)	(62,787)
Balance at 1 July 2019		134,800,000	(27,842,618)	106,957,382
COMPREHENSIVE INCOME				
Profit for the year			4,001,437	4,001,437
Total comprehensive income for the year		-	4,001,437	4,001,437
Balance at 30 June 2020		134,800,000	(23,841,181)	110,958,819

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows for the year ended 30 June 2020

	Note	Consolidated Group	
		2020	2019
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		48,290,000	47,279,648
Payments to suppliers and employees		(35,337,168)	(33,279,316)
Interest received		426,060	438,363
Revenue non-operating		63,038	12,946
Net cash generated by operating activities	18	13,441,930	14,451,641
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Intangible assets		(3,914,692)	(3,564,195)
Purchase of property, plant and equipment		(75,582)	(12,128)
Net cash (used in)/generated by investing activities		(3,990,274)	(3,576,323)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(229,054)	-
Net cash provided by/(used in) financing activities		(229,054)	-
Net increase/(decrease) in cash held		9,222,602	10,875,318
Cash and cash equivalents at beginning of financial year		22,387,053	11,511,735
Cash and cash equivalents at end of financial year	6	31,609,655	22,387,053

The accompanying notes form part of these financial statements.

Financial report continued

Notes to the Financial Statements for the year ended 30 June 2020

These consolidated financial statements and notes represent those of NPP Australia Limited and its Controlled Entity (the 'consolidated group' or 'group'). The subsidiary company was incorporated on 15 June 2020 and did not have any trading activity in the 2020 Financial Year.

The separate financial statements and notes of NPP Australia Limited have been presented within this financial report as an individual parent entity ('Parent Entity').

The financial statements were authorised for issue on 9 September 2020 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
Jim Tate	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
Tony Graham	Macquarie Bank Limited
Rachel Slade	National Australia Bank Limited
Scott Southall	Citigroup Pty Limited
Elizabeth Hallett	Independent

Alternate Directors

Kate Byrne	Bendigo and Adelaide Bank Limited
Shane Conway	National Australia Bank Limited
Peter Gallagher	Reserve Bank of Australia
John Collins	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 ('IFRS'). 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:

- 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.

Financial report continued

The principal accounting policies are set out below.

a. Principles of Consolidation

The general purpose consolidated financial statements incorporate all of the assets, liabilities and results of the Parent NPP Australia Limited and its Controlled Entity (which is a wholly owned subsidiary). Subsidiaries are entities the Parent controls. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations other than those associated with the issue of a financial instrument are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

b. 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.

c. 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.

Financial report continued

d. 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 Group, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors.

e. Leases

The Group recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortised using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the incremental borrowing rate. Generally, an incremental borrowing rate is used as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. Lease payments associated with these leases will be expensed on a straight-line basis over the lease term.

Financial report continued

f. Impairment of financial assets

The Group 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 Group 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 Group'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 Group 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 Group 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 Group 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 Group 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.

g. 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.

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.

Financial report continued

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

h. Impairment of Assets

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group 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 Group 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 Group 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.

i. 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 Group in respect of services provided by employees up to reporting date.

j. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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

k. 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.

l. Revenue recognition

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

Fee income

Fees consist of a fixed contribution operating charge, which is not subject to any variable consideration. 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 Parent measures the progress towards complete satisfaction of its performance obligations at the allocated transaction price with the objective of recognising revenue that depicts the Parent's performance in transferring control of the service to the participants.

No revenue was recorded for the Subsidiary throughout the reporting period.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group 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*.

m. 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.

n. 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 Group prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days.

o. 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.

p. 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.

q. New and amended accounting policies adopted by the Company

Initial application of AASB 9: Leases

The Group has elected to apply AASB 16 initially on 1 July 2019, the comparative amounts for the year prior to first adoption will not be restated as the Group has chosen to apply AASB 16 retrospectively with cumulative effect. Therefore, the cumulative effect of adoption AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Recognition exemptions apply for short-term leases of low value items.

Financial report continued

A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees, as the Standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance to this new standard. There are, however, two exceptions allowed: short-term and low-value leases.

The Group has recognised right-of-use assets and lease liabilities of approximately \$753,148 (after adjusting for prepayments and accrued lease payments recognised as at 30 June 2020). The amount does not include any lease extension options.

Following the adoption of this new Standard, the Group's net profit after tax decreased by \$10,041 in 2020.

The 2020 Financial Year repayment of the principle portion of the lease liabilities will be classified as cash flows from financing activities, thus decreasing operating cash outflows and increasing financing cash outflows by approximately \$229,054.

The following summary indicates the reclassification of operating lease commitments on 01 July 2019 due to the implementation of AASB 16:

	Consolidated Group
	\$
Operating Lease Commitments at 30 June 2019	455,995
Lease Liability as at 01 July 2019:	
Recognition of lease liability on lease inception	743,009
Interest expense incurred on lease up to 30 June 2019	102,072
Lease payments on lease up to 30 June 2019	(423,423)
	421,659
Reclassification difference due to implementation of AASB 16	34,336

r. Critical Accounting Judgements

In the application of the Group's accounting policies, which are described in Note 1, the directors of the Group 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 Group'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 Parent's internally generated intangible asset being the Payment Clearing and Settlement Infrastructure, which is included in the statement of financial position at 30 June 2020 with a carrying amount of \$63,819,535 and determined there are no indications of impairment.

The Parent 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 2020 with a carrying amount of \$7,478,888.

Tax assets

Due to the probability of future taxable profit being available, the company has recognised a tax asset as at June 2020. 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 Parent's control. The Parent 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.

Financial report continued

s. Parent Information

The following information has been extended from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	Parent Entity	
	2020	2019
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	31,609,655	22,387,053
Trade and other receivables	217,326	177,251
Other assets	11,752,514	12,062,949
Total current assets	43,579,495	34,627,253
Non-current assets		
Property, plant and equipment	102,637	51,168
Right-of-use assets	222,241	-
Deferred tax assets	8,347,947	4,734,330
Intangible assets	71,298,423	75,617,781
Other financial assets	1	-
Total non-current assets	79,971,248	80,403,279
Total assets	123,550,743	115,030,532
LIABILITIES		
Current liabilities		
Trade and other payables	3,772,774	3,139,659
Borrowings	178,229	-
Total current liabilities	3,951,003	3,139,659
Non-current liabilities		
Trade and other payables	208,047	136,374
Borrowings	84,927	-
Deferred tax liabilities	8,347,947	4,734,330
Total non-current liabilities	8,640,921	4,870,704
Total liabilities	12,591,924	8,010,363
Net assets	110,958,819	107,020,169
EQUITY		
Issued capital	134,800,000	134,800,000
Retained earnings	(23,841,181)	(27,779,831)
Total Equity	110,958,819	107,020,169
Total comprehensive income for the year	4,001,437	5,577,776

Note 2: Revenue and Other Income

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

	Note	Consolidated Group	
		2020	2019
		\$	\$
Revenue from continuing operations			
Sales revenue			
- sale of goods		43,899,999	42,981,498
Total sales revenue		43,899,999	42,981,498
Other revenue			
- interest received		429,795	438,363
Total other revenue		429,795	438,363
Other income			
- other income		63,038	12,946
Total other income		63,038	12,946
Income from continuing operations		44,392,832	43,432,807

Financial report continued

Note 3: Tax Expense

	Note	Consolidated Group	
		2020 \$	2019 \$
(a) The components of tax (expense) income comprise:			
Current tax		-	-
Deferred tax		-	-
		-	-
(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		4,001,437	5,577,776
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2019: 30%)		(1,200,431)	(1,673,333)
Adjustments for:			
- Current year loss to be carried forward		(2,020,001)	(2,171,660)
- Tax deductions in excess of accounting expenses		3,203,768	3,851,647
- Non-deductible PDs		16,664	(6,654)
Income tax attributable to entity		-	-
Deferred Tax Movements			
Recognition of timing difference and carried forward losses		3,613,617	4,734,330
R&D offset or DTAs released		-	-
Recognition of DTL on timing difference		(3,613,617)	(4,734,330)
		-	-
Total taxation charge/benefit		-	-
Deferred Tax Balances at 30 June			
Deferred tax asset		8,347,947	4,734,330
Deferred tax liability		(8,347,947)	(4,734,330)
		-	-

As at 30 June 2020, the Company had cumulative tax losses carried forward of approximately \$49,195,110 (2019: \$42,461,773). 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.

Note 4: Key Management Personnel Compensation

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

Directors (as at 30 June 2020)	Alternative Directors (as at 30 June 2020)
Robert McKinnon (Independent Chair)	
Adrian Lovney (Chief Executive Officer)	
Michael O'Shea	Kate Byrne
Jim Tate	
Nigel Dobson	John Collins
Greg Johnston	Peter Gallagher
Craig Kennedy	Kieran McKenna
Chloe Munro AO (Independent)	
Albert Naffah	Lynda McMillan
Tony Graham	
Rachel Slade	Shane Conway
Scott Southall	
Elizabeth Hallett (Independent)	

Key Management Personnel (as at 30 June 2020)

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	Chair (Independent)
Elizabeth Hallett	Director (Independent)

	2020 \$	2019 \$
Short term benefits		
- Salaries paid during current year	2,266,204	2,008,370
Long term benefits		
- Superannuation paid during current year	118,801	103,311
Adjustment to prior year	-	-
	2,385,005	2,111,681

Financial report continued

Note 5: Auditor's Remuneration

	Consolidated Group	
	2020	2019
	\$	\$
Auditors of the Group - Grant Thornton Australia Limited		
Remuneration of the auditor for:		
- auditing or reviewing the financial statements	45,000	-
- taxation services	-	-
- other non audit services	-	-
	45,000	-
Other Auditors - Deloitte Touche Tohmatsu Limited		
Remuneration of the auditor for:		
- auditing or reviewing the financial statements	6,165	39,716
- taxation services	-	-
- other non audit services	-	30,102
	6,165	69,818

Note 6: Cash and Cash Equivalents

	Note	Consolidated Group	
		2020 \$	2019 \$
Cash at bank and on hand		5,844,790	8,987,603
Short-term bank deposits		15,764,865	3,399,450
Other deposits at bank		10,000,000	10,000,000
	17	31,609,655	22,387,053

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	31,609,655	22,387,053
	31,609,655	22,387,053

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 \$429,795 is included in the Statement of comprehensive income.

The Parent holds \$10 million as a Vendor Contract Contingency which is quarantined as a financial buffer so the shareholders are able to wind up the Group and/or exit the vendor should circumstances require.

A retrospective reallocation of cash and cash equivalents has been applied to the Group's prior period comparative information to reclassify interest receivable to Trade and Other Receivables.

Financial report continued

Note 7: Trade and Other Receivables

	Note	Consolidated Group	
		2020	2019
		\$	\$
CURRENT			
Trade receivables		97,122	66,041
Provision for impairment on trade receivables		(486)	-
Interest Receivable		34,133	30,399
GST Refundable		86,557	80,811
Total current trade and other receivables		217,326	177,251

A retrospective reallocation of cash and cash equivalents has been applied to the Group's prior period comparative information to reclassify interest receivable to Trade and Other Receivables.

(a) Financial assets at amortised cost classified as trade and other receivables			
Trade and other receivables			
— Total Current		217,326	177,251
— Total Non-Current		-	-
		217,326	177,251
Financial assets as trade and other receivables	17	217,326	177,251

Note 8: Property, Plant and Equipment

	Consolidated Group	
	2020	2019
	\$	\$
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	184,739	109,164
Accumulated depreciation	(82,102)	(57,996)
Total plant and equipment	102,637	51,168
Total property, plant and equipment	102,637	51,168

Note 9: Right-of-use Assets

The Group's lease portfolio only consists of a non-cancellable property lease with a 5 year term, with rent payable monthly in advance. There were no extension or termination options exercisable by the Company. Rental provisions within the lease agreement require that the minimum lease payments shall be increased by 4% per annum at each anniversary date.

	Consolidated Group	
	2020	2019
	\$	\$
RIGHT-OF-USE ASSETS		
Leased building	753,148	-
Accumulated depreciation	(530,907)	-
Total right-of-use asset	222,241	-

Financial report continued

Note 10: Intangible Assets

	Consolidated Group	
	2020	2019
	\$	\$
NPP Software and Infrastructure at Cost	82,340,510	82,340,510
Accumulated Depreciation on NPP Software Asset	(18,520,975)	(10,286,924)
Debit Enhancement Initiative Infrastructure at Cost	7,478,888	3,564,195
Total intangible assets	71,298,423	75,617,781

Note 11: Other Assets

	Consolidated Group	
	2020	2019
	\$	\$
CURRENT		
Prepaid Expenses	11,752,514	11,742,713
Accrued Revenue	-	320,236
Total Current Other Assets	11,752,514	12,062,949

Note 12: Interest in Subsidiaries

The subsidiary listed below has share capital consisting solely of ordinary shares, which are held directly by the Parent. The proportion of ownership interests held equals the voting rights held by the Parent.

Name of subsidiary	Ownership interest held by the Group		Proportion of non-controlling interests	
	2020 (%)	2019 (%)	2020 (%)	2019 (%)
Industry Committee Administration Pty Ltd	100	-	0	-

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

Note 13: Trade and Other Payables

	Note	Consolidated Group	
		2020	2019
		\$	\$
CURRENT			
Unsecured liabilities			
Trade payables		41,557	341,149
Sundry payables and accrued expenses		2,166,489	1,134,620
Employee Entitlements		272,778	255,890
Deferred Revenue		1,291,950	1,408,000
		3,772,774	3,139,659
NON-CURRENT			
Unsecured liabilities			
Sundry payables and accrued expenses		11,679	-
Employee Entitlements		196,368	136,374
		208,047	136,374
	Note	2020	2019
		\$	\$
(a) Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables			
- Total Current		44,400	375,811
- Total Non-Current		-	-
		44,400	375,811
Financial liabilities as trade and other payables	17	44,400	375,811

Financial report continued

Note 14: Borrowings

	Note	Consolidated Group	
		2020 \$	2019 \$
CURRENT			
Unsecured liabilities at amortised cost:			
Lease Liabilities		178,229	-
Total Current Borrowings		178,229	-
NON-CURRENT			
Unsecured liabilities at amortised cost:			
Lease Liabilities		84,927	-
Total non-current borrowings		84,927	-
Total Borrowings		263,156	-

Note 15: Issued Capital

	Consolidated Group	
	2020 \$	2019 \$
134,800 (2019: 134,800) fully paid redeemable preference shares	134,800,000	134,800,000
	134,800,000	134,800,000
	2020	2019
(b) Redeemable Preference Shares	No.	No.
At the beginning of the reporting period	134,800	134,800
Shares Issued	-	-
At the end of the reporting period	134,800	134,800

Note 16: Events After the Reporting Period

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

Note 17: Financial Risk Management

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

a. Interest rate risk exposures

The Group'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 Group is only subject to the risk of fluctuations in the prevailing market interest rates.

		Floating interest rate	Consolidated Group Non- interest bearing	
	Note	\$	\$	Total \$
2020				
Financial Assets				
Cash and cash equivalents	6	28,957,203	2,652,450	31,609,653
Trade and other receivables	7	-	217,326	217,326
		28,957,203	2,869,776	31,826,979
Financial Liabilities				
Trade and other payables	13	-	(44,400)	(44,400)
Borrowings	14	(263,156)	-	(263,156)
		(263,156)	(44,400)	(307,556)
Net financial assets		28,694,047	2,825,376	31,519,423
2019				
Financial Assets				
Cash and cash equivalents	6	19,820,350	2,566,703	22,387,053
Trade and other receivables	7	-	177,251	177,251
		19,820,350	2,743,954	22,564,304
Financial Liabilities				
Trade and other payables	13	-	(375,811)	(375,811)
Borrowings	14	-	-	-
		-	(375,811)	(375,811)
Net financial assets		19,820,350	2,368,143	22,188,493

Financial report continued

b. Credit risk

Credit risk is managed under the Group's treasury policy as approved by the Board of Directors, including investing surplus funds in financial institutions that maintain a high credit rating. The Group was exposed to concentration risk toward Westpac Bank and Commonwealth Bank of Australia since the Group kept the bulk of its interest bearing funds at the respective institutions totalling \$28,957,203. Westpac and Commonwealth Bank of Australia are both credit institutions with risk rating A+ and directors do not consider this risk to be material.

c. Liquidity risk

The Group manages liquidity risk through the annual budgeting process. Parent's main source of funding in the 2020 financial year is revenue raised from transaction fees. No funds were sourced in the 2020 financial year for the Subsidiary.

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 Group approximates their carrying amounts as they are short term in nature and the interest rate is in line with prevailing market rates.

Note 18: Reconciliation of profit/(loss) after income tax to net cash flow from operating activities

	2020 \$	2019 \$
Post Tax (loss)/income for the period	4,001,437	5,577,776
Depreciation and amortisation	8,406,324	8,260,005
Non-Operating Cash Flows	99,526	-
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(36,340)	38,626
(Increase)/Decrease in prepayments	(125,850)	1,300,388
(Increase)/Decrease in current and deferred tax assets	(3,613,617)	(4,734,330)
Increase/(Decrease) in trade and other payables	(419,787)	156,563
Increase/(Decrease) in accruals & sundry payables	1,350,607	(956,769)
Increase/(Decrease) in provisions	166,013	75,052
Increase/(Decrease) in deferred tax liabilities	3,613,617	4,734,330
Net cash generated (used in) operating activities	13,441,930	14,451,641

Note 19: Lease Commitments

	2020	2019
	\$	\$
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
Between 12 months and five years	-	275,510
	-	455,995

Direct decla tors, aration

**NPP AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITY
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 2020 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: 9 September 2020
Sydney

Audit report Director's report



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Independent Auditor's Report

To the Members of NPP Australia Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of NPP Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability 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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

A stylized, handwritten signature of Grant Thornton in black ink.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A stylized, handwritten signature of M R Leivesley in black ink.

M R Leivesley
Partner – Audit & Assurance
Sydney, 9 September 2020

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NPP AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITY
ABN: 68 601 428 737
Financial Report For The Year Ended
30 June 2020