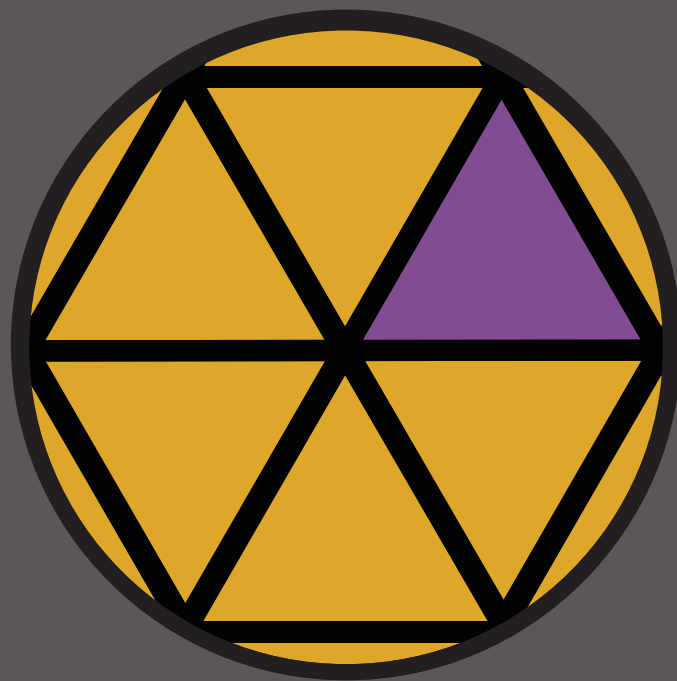


1997

AUSTRALIAN PAYMENTS CLEARING ASSOCIATION

annual REPORT



A P C A ' S M I S S I O N

To achieve and maintain international best practice in the operation of the Australian payments clearing system.

A P C A ' S O B J E C T I V E S

APCA's role is to manage and develop the Australian payments clearing system, so as to:

- preserve the integrity of the system;
- identify and control settlement risk;
- improve the effectiveness and efficiency of the system;
- ensure principles of equity and competitive neutrality are applied in determining participation in the system;
- facilitate the co-ordination of payments clearing arrangements among providers of payment services; and
- assist the community's understanding of the system and ensure that public debate is well informed.

G L O S S A R Y O F T E R M S

APCS	Australian Paper Clearing System. A clearing system for the exchange and settlement of paper items.	HVCS	High Value Clearing System. A clearing system, for the electronic exchange and settlement of high-value payments.
Austraclear	Austraclear is a public company providing a central depository and registry for money market securities, (both private sector and semi-government securities).	RITS	Reserve Bank Information and Transfer System. An electronic system owned by the Reserve Bank through which the settlement of transactions in government securities is effected.
BECS	Bulk Electronic Clearing System. A clearing system for the exchange and settlement of direct entry transactions.	SPC	Special Purpose Committee. A committee established by the Board to bring a particular clearing system to the point of formal establishment.
BITS	Bank Interchange and Transfer System. A domestic interbank electronic payments system, owned by five banks, designed for irrevocable, large-value transactions.	SSP	Special Services Provider. An industry body supervised by the Australian Financial Institutions Commission providing products and services to its member non-bank financial institutions.
BSB	A number used as a code to identify financial institutions in the clearing and exchange of items.	SWIFT	Society for Worldwide Interbank Financial Telecommunication.
CECS	Consumer Electronic Clearing System. A clearing system, yet to be established, for various electronic payment systems used by consumers, such as ATMs and EFTPOS.	FIN-Copy	A service built on SWIFT's worldwide financial application network to allow financial institutions to exchange domestic payment messages in a closed user group.
CHESS	The Australian Stock Exchange's 'Clearing House Electronic Subregister System.'		

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1992

- APCA incorporated in February as an unlisted public company.
- APCA assumes responsibility for the Bank-State-Branch (BSB) numbering system and the direct entry database of users.

1993

- The Australian Paper Clearing System (APCS) is established in December, providing for the first time a framework within which all providers of payment services can participate in cheque clearing on an equal footing.
- BSB institutional identifier numbering system extended to building societies and credit unions.

1994

- Integration of banks', building societies', and credit unions' (credits only) direct entry systems under APCA's administration.
- The Bulk Electronic Clearing System (BECS) is established in December.

1995

- Revisions to the design standards and specifications for the printing of cheques, payment orders and deposit forms to facilitate image capture processing of paper items.
- Implementation of electronic links in BECS for the exchange of direct entry items, to replace magnetic tape.

1996

- Regulations and Procedures for the Consumer Electronic Clearing System (CECS) lodged with the Australian Competition and Consumer Commission for authorisation.
- Introduction of Tier1B membership in the APCS to allow indirect clearers of cheques to settle directly to the system for their obligations.
- Introduction of electronic returns in BECS to allow items unable to be applied to customers' accounts to be returned electronically.

1997

- Delivery and acceptance of SWIFT's FIN-Copy service for RTGS.
- Credit Unions commence participation in direct debits in BECS producing a wholly integrated direct entry system.
- The High Value Clearing System commenced operations on 1 August 1997.

Australian Payments Clearing Association (APCA) was established in February 1992 to oversee and manage the development and operation of Australian payments clearing. The establishment of APCA was indicative of the growing recognition of the importance of payments clearing to the operation of the Australian financial system.

Payments clearing is the exchange of payment instructions for value between providers of payment services. Clearing is at the core of the payments system. Clearers provide the means for individuals and businesses to transfer value, one to the other, regardless of where particular accounts are held. Clearers accept throughout each day open-ended obligations drawn on like institutions, as a matter of course. Only institutions of high prudential standing, with an attendant ability to settle directly or indirectly through a Reserve Bank settlement account, can participate in the payment system as clearers.

Institutions would be unwilling to accept open-ended obligations drawn on institutions in which they did not have a very high degree of confidence. Without this mutual confidence between clearers the payments system could not operate effectively.

Under APCA, payments clearing arrangements are currently structured into four clearing systems, three of which have been formally established. Each system, when established, has rules of participation. Each is managed by a committee of management reporting to APCA's Board.

The four clearing systems are as follows:

- the Australian Paper Clearing System (APCS) for cheques and payment orders;
- the Bulk Electronic Clearing System (BECS) for recurring electronic debit and credit payments;
- the Consumer Electronic Clearing System (CECS) for ATM and EFTPOS transactions; and
- the High Value Clearing System (HVCS).

APCS was established in December 1993; BECS in December 1994; and HVCS in August 1997.



PCA became five years old in February 1997. As it has done progressively over that period, APCA put in place during 1996-97 a number of building blocks for a more efficient and secure payments system in Australia.

Systemic Risk

Of major importance was APCA's work on the development of real-time gross settlement (RTGS) for high value payments.

Payments will be delivered to the RTGS platform through three channels, one of which SWIFT FIN-Copy will provide a general purpose payments delivery system for all holders of Reserve Bank settlement accounts.

APCA has managed the implementation of FIN-Copy and constructed the regulations and procedures which will govern participation in the system. These complex tasks were completed within budget and within timetable.

The first payment over FIN-Copy is scheduled for the end of August 1997, in keeping with the overall objective, set jointly by APCA and the Reserve Bank, of full implementation of RTGS in April 1998.

fully electronic basis. This brought the credit union movement into the debit side of the system so that, for the first time, we have a wholly integrated direct entry system in Australia.

Integrity

Enhancing the integrity of clearing arrangements is one of APCA's central objectives. In a nutshell, integrity means that payment messages arrive where they are supposed to, with all relevant information intact.

Much of our work in the area of consumer electronic payments has this aim. That work will be carried on through the Consumer Electronic Clearing System (CECS) when it is established. Considerable progress has been made on this new system in the past year, rules were drafted and application made for trade practices authorisation.

APCA also began investigating what role it can usefully play in developing and administering a public key authentication framework for Australia. Such a framework will lay the foundation for the greater use of open communication networks in delivering payment messages.

APCA's Role

The APCA Board has begun a process of reviewing how the Company's role and membership might be broadened. This was against the background of the Wallis Committee's call for more open access to the payments system, and prospective changes in the way payment services will be delivered – for example, via greater use of the internet and telecommunications networks. I expect the result of this important review to unfold during the current year.

Board Matters

I would like to thank Bob Manning, who left the Board during the year, for his contribution and support and to welcome Chris Moore to the Board. Chris was elected by 'B' class shareholders of the Company as their nominee to replace Bob.

Finally, I would like to thank all directors for their support during the year and the chief executive officer, Peter Smith, and his staff for their unflagging efforts in taking APCA forward.

Graeme Thompson
Chairman

The RTGS system – catering for both general purpose payments and those underpinned by security transactions – will put Australia at the forefront of international practice in managing payments system risks.

APCA made a further contribution to reducing systemic risk by establishing a new category of membership in paper clearings. This new category diffuses settlement risk by allowing an institution whose paper is cleared by another to settle directly for its own obligations.

Efficiency

The length of the cheque clearing cycle has attracted considerable public criticism. APCA has been working for some time on procedures for reducing the time it takes to clear cheques. That work was completed during the year, and we took the decision that all members must be capable technically of adopting the new procedures by July 1998. Industry wide implementation will follow a period of testing and phased migration.

Less newsworthy, but also important, was APCA's achievement of putting direct entry clearings on a

APCS

Implementation of Tier 1B Membership on 20 September 1996.

Finalisation of procedures for the electronic presentment and dishonour of cheques.

BECS

Implementation of Electronic Returns of direct entry transactions in October 1996.

Credit Unions commence exchanging direct debit transactions with other BECS members on 3 March 1997 resulting in a wholly integrated direct entry system.

CECS

Lodgement of CS3 Regulations & companion documentation with the ACCC.

HVCS

Delivery & acceptance of SWIFT's FIN-Copy service for the RTGS.

Regulations and Procedures to govern the operation of the High Value Clearing System adopted by the APCA Board in June 1997.

Australian Competition and Consumer Commission provides interim authorisation for the High Value Clearing System Regulations and Procedures.

Commencement of the High Value Clearing System set for 1 August 1997.



L-R: Peter Thomson (APCA); Ian Johnstone (S.W.I.F.T.); Peter Smith (APCA); Bill Hands (RBA); Neil Mackrell (RBA). The execution of the FIN-Copy Service Agreements between APCA, the Reserve Bank of Australia and S.W.I.F.T. during the year was an important milestone in the development of RTGS.



L-R: Mr Reg Fowler; Deputy Chairman, Mr John Morgan; Ms Leslie Martin; Mr John Toms; Chief Executive Officer, Dr Peter Smith; Chairman, Mr Graeme Thompson; Mr Richard Ham; Mr Brian Whitbread; Mr Brian Mecklem; Mr Neil Mackrell; Mr Chris Moore.

Mr Reg Fowler

Appointed by credit union shareholders; Chairman of the Finance & Audit Committee, member of the Remuneration Committee

[General Manager, Subsidiary Operations and Third Party Relationships, Credit Union Services Corporation (Australia) Limited]

Deputy Chairman

Mr John Morgan

Appointed by the Commonwealth Bank of Australia; appointed by the Board as Deputy Chairman; member of the Finance & Audit Committee

[Senior Executive, Technology & Support, Institutional Banking, Commonwealth Bank of Australia]

Ms Leslie Martin

Appointed by Westpac Banking Corporation; Chairman of SPC4 (MC4 from 1/8/97), member of the Finance & Audit Committee and Remuneration Committee

[Chief Operations Officer, Institutional & International Banking Group, Westpac Banking Corporation]

Mr John Toms

Appointed by the building society shareholder members

[Assistant Executive Director, Australian Association of Permanent Building Societies Incorporated]

Chief Executive Officer

Dr Peter Smith

Appointed by the Board as a Director; member of the Finance & Audit Committee and Remuneration Committee

Chairman

Mr Graeme Thompson

Appointed by the Board as a Director and as Chairman; Chairman of the Remuneration Committee

[Deputy Governor of the Reserve Bank of Australia]



Mr Richard Ham

Appointed by Australia and New Zealand Banking Group Limited; Chairman of the Management Committee of the APCS

[General Manager, Strategy & International Payments, Australian Operations & Payments Division, Australia and New Zealand Banking Group Limited]

Mr Brian Whitbread

Appointed by the 'A' Class shareholders (state and regional banks); Chairman of SPC3

[Head of Project Office, BankSA, A Division of Advance Bank Australia Limited]

Mr Brian Mecklem

Appointed by National Australia Bank Limited; Chairman of the Management Committee of BECS

[Head of Payment Systems, National Australia Bank Limited]

Mr Neil Mackrell

Appointed by the Reserve Bank of Australia

[Head of Financial System, Reserve Bank of Australia]

Mr Chris Moore

Appointed by the 'B' Class shareholders ("other banks")

[Vice President, Financial Institutions Group, Citibank Limited]

Appointment of Directors

The right to appoint directors is given to share members, according to share member class.

The ordinary share members (the Reserve Bank and the four nationally operating banks) may each appoint one director.

The four classes of redeemable preference shareholders, may each, as shareholding groups appoint one director. The following groups comprise the redeemable preference shareholding classes:

- state and regional banks ('A' class);
- other licensed banks ('B' class);
- building societies' SSPs, and building societies not affiliated with a share member SSP ('C' class); and
- credit unions' SSPs, and credit unions not affiliated with a share member SSP ('D' class).



management of a single organisation, particularly during a period of change can be complex and difficult. When several organisations are involved in a common activity, each depending on the other, there is an added layer of complexity introduced. Payments clearing is this kind of activity.

Payments clearing is inherently bilateral and multilateral in nature. Its management requires a high degree of co-operation and co-ordination to ensure that all participants do the same thing at the same time.

APCA's methodology to handle the management and ongoing development and reform of payments clearing is based on a relatively small professional management team working closely with industry committees each of which has focus on particular parts of the clearing process.

Industry committees bring contemporary expertise and knowledge, and, importantly, a sense of what is practical, feasible and cost-effective for all participants in managing and changing clearing rules, procedures and systems. Management provides an administrative framework and project management input, and both management and the Board bring overall perspective to the Company's affairs.

Membership

APCA has three categories of membership:

- Share Membership
- Participating Membership
- Associate Membership

Share Membership

Share membership is divided into five classes. Share members are responsible (through the Board of Directors) for the governance of APCA and the oversight/control of the clearing systems. All banks, building societies and credit unions are presently contemplated as shareholder members, either singly or through representative bodies. Almost all institutions in Australia entitled to shares have taken them up.

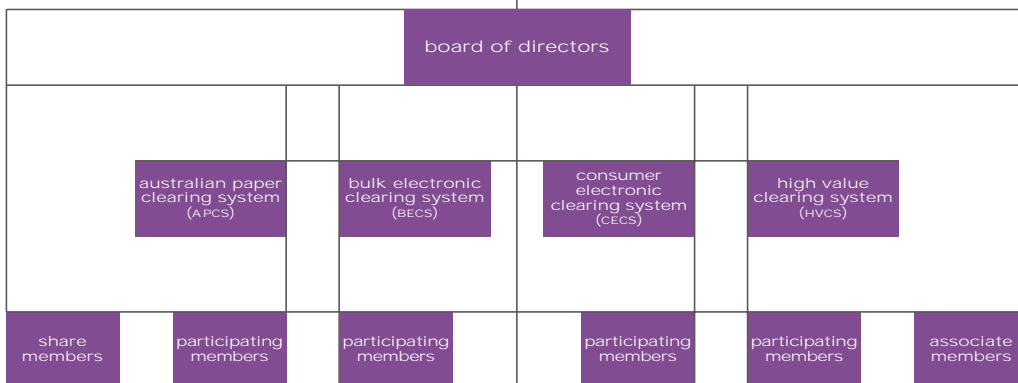
Participating Membership

Participating members are institutions which participate on a day-to-day operational basis in one or more of APCA's clearing systems. Eligibility for membership is based on meeting a set of objective criteria. It is not based on institutional status.

Participating members need not be share members, but are encouraged to become share members if they are entitled. Participating membership confers rights relating to the governance of the clearing system concerned, including the right to appoint a representative to the committee of management.

Associate Membership

Associate membership provides a means for individuals or organisations interested in payments system matters to register that interest, and to be kept abreast of the Company's activities.



AUSTRALIAN PAPER CLEARING SYSTEM

Shortening the Cheque Clearing Cycle

Procedures for electronic presentment and dishonour of cheques have been finalised. The new procedures will put the collecting institution in position on the morning of business day three, to know whether a cheque deposited on day one is paid, dishonoured or that the paying institution wants to view the cheque itself. It is expected that most cheques will represent clear funds on the morning of business day three.

The new procedures involve the replacement of the physical presentment of a cheque with presentment in the form of an electronic message. Cheques will still travel to the paying institution for clearing, storage and retrieval purposes but action will be taken on the electronic message.

All participating members of the APCS will be required to be ready for testing of the new procedures, requiring the exchange of electronic messages containing the details of the physical cheques, by 1 July 1998. A Migration Plan and Testing Guidelines will be provided to all members to reduce the risk and complexity of moving to the new procedures. A planned industry-wide implementation schedule will be set once the testing and migration plans have been prepared.

Special Answers

Improvements have been made to the arrangements for processing special answers. The changes include the introduction of a generic form to be used by collecting institutions when making special answer requests by facsimile.

A working group has also been established to review the efficiency of all existing options available for requesting and responding to special answers and to consider how cheques drawn by customers of NBFIs can be best included in the arrangement.

Accreditation and Printing Specifications

Measures have been agreed through APCA's liaison with the printing industry to assist both printers and APCA's members in maintaining

the quality of MICR printing and cheque printing generally.

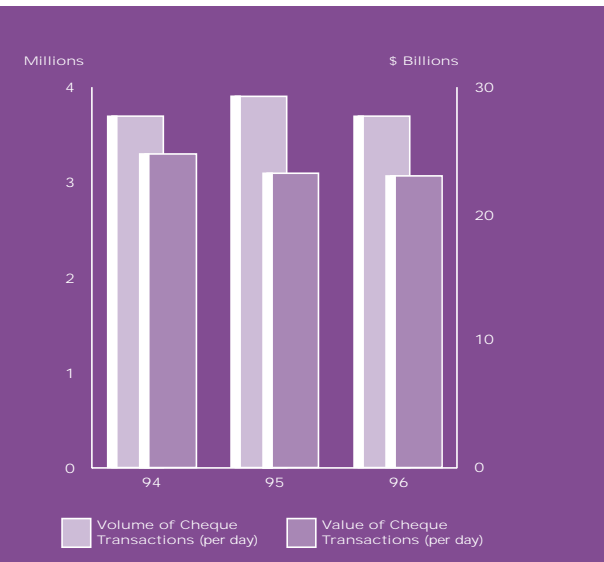
New procedures for a MICR accreditation approval process will become effective from 1 January 1998. All high volume printing technologies in use in Australia will have the opportunity or option of accreditation by APCA, as to their ability to produce MICR encoding of an acceptable quality. Provisions will also be made for the accreditation of the various low volume printing technologies that may be in wide use.

New procedures have also been agreed for Forms Design and Printing Approval Arrangements. As part of the new arrangements, APCA will maintain a Register of Suppliers of Cheques, Payment Orders and Deposit Forms. Printers will be allocated an identifier which will be incorporated in reference numbers to be allocated by Financial Institutions when approving standard or base designs of new forms. These new procedures will also take effect from 1 January 1998.

Publications

New design specifications for cheques, payment orders and deposit forms will take effect from 1 October 1997 following a two year phasing in period. The new specifications, published in *Design Specifications for Cheques, Payment Orders and Deposit Forms* (APCA Publication 11.4.1), will facilitate imaging and improve cheque processing efficiency.

CHEQUE USAGE



BULK ELECTRONIC CLEARING SYSTEM

Developments Completed

Two significant developments occurred during the year in the processing of direct entry payments.

From October 1996, all financial institutions commenced returning unposted direct entry items electronically rather than relying on paper vouchers which are processed manually. This initiative has improved the overall efficiency of direct entry payments. It has put financial institutions in a position to shorten the time it would otherwise take to advise customers expecting to receive credit payments that these could not be processed due to incorrect details or incomplete information. Similarly, corporate users (for example, utilities or insurance companies) can be notified sooner that debit drawings for the payment of accounts could not be met because of incomplete details or insufficient funds in customers' accounts.

The second important development was that, with the implementation of electronic return by all institutions in BECS, credit unions commenced accepting direct debits to their customers' accounts, sent via other participants in BECS. In other words, it is no longer necessary for corporate users to create separate debit files containing items for credit unions customers' accounts, on the one hand, and items for customers of other financial institutions on the other. This offers significant efficiency gains to debit users by eliminating the need to create separate files and making it possible for debit files to be processed through a single financial institution of their choice.

Developments in Prospect

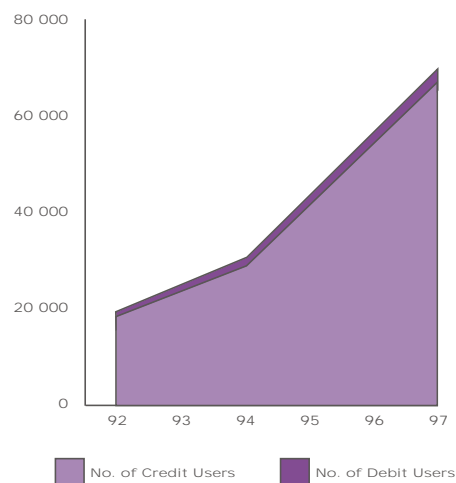
Administrative arrangements regarding the authority from customers to debit funds from their accounts (Form PD-C) are being reassessed with a view to offering better safeguards to customers. Current thinking

is that the Form PD-C is to be superseded by a new Direct Debit Request (DDR) which will provide flexibility for customers to specify the maximum amount of debit drawings, and the frequency with which such drawings could be made.

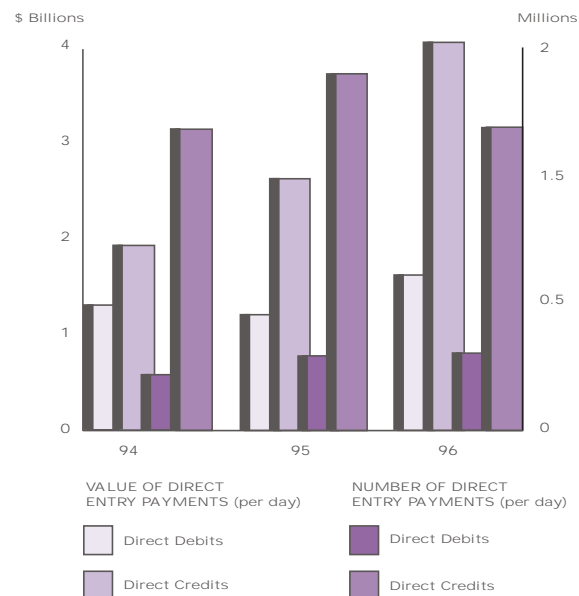
At the same time, procedures for handling DDRs are being reviewed with the aim of streamlining administrative arrangements.

These developments are being progressed in conjunction with the Direct Debit User Liaison Group, a formal liaison mechanism with users of the direct (debit) entry system.

NUMBER OF DIRECT ENTRY USERS



DIRECT ENTRY PAYMENT USAGE



CONSUMER ELECTRONIC CLEARING SYSTEM

CECS Regulations & Procedures

During 1996 the proposed regulations and procedures necessary to support APCA's role in the formal establishment of the Consumer Electronic Clearing System (CECS) were finalised. They are now being reviewed by the Australian Competition and Consumer Commission.

APCA's intention in establishing CECS will be to offer new entrants and existing participants a single, clear body of rules governing the conduct of clearing and settling of consumer electronic payments, and to provide a decision making structure which will facilitate the maintenance and development of technical standards.

Standards

The integrity and efficiency of the consumer electronic payments system is to a large extent dependant upon the adoption of common (minimum) standards in areas such as message transmission, transaction processing and the manufacture of equipment. Continuing rapid growth in the volume of consumer payments and the advent of new delivery channels has further highlighted the need for standardisation and interoperability.

To this end, throughout 1996 the work of APCA's Standards Committee, Technical Security Working Group and Technical Message Formats Working Group has continued, particularly in regard to issues of authentication and message format standards.

Work was also completed during 1996 on an EFTPOS Interchange Operations Procedures (IOP) Manual. Further work will shortly commence on the development of a companion ATM IOP Manual. Work is also underway to determine the feasibility of establishing an industry-based equipment accreditation process.

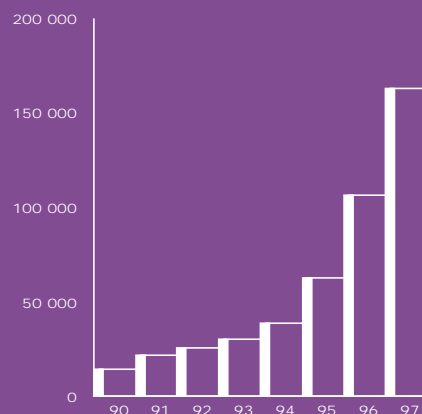
As in previous years, APCA has continued to be represented at both Standards Australia and at the International Organisation for Standardisation.

The process of refining standards and of ensuring structures are in place to consider and set appropriate standards for both old and new delivery channels will continue to be a priority in the coming year.

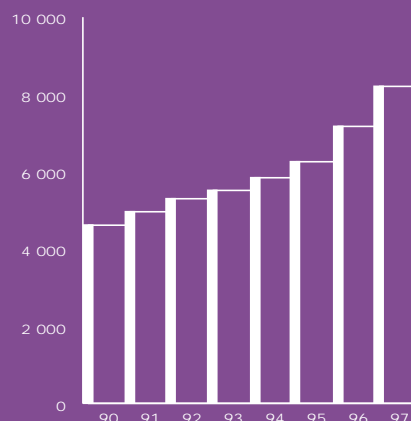
Public Key Authentication Framework

In December 1996 the Board agreed that APCA should undertake a policy setting role on behalf of the financial industry in the emerging framework for public key authentication. A working group has now been established to progress this matter and it is expected that preliminary recommendations will be finalised by the end of 1997.

NUMBER OF EFTPOS TERMINALS (end June)



NUMBER OF ATMs (end June)



HIGH VALUE CLEARING SYSTEM

The High Value Clearing System (HVCS) provides an electronic mechanism for the exchange of high value payments, with settlement occurring on a real-time gross settlement (RTGS) basis via the Reserve Bank Information & Transfer System (RITS). The HVCS provides a secure and efficient mechanism for the exchange of high value payments, utilising the SWIFT network which is already used by the majority of financial institutions in Australia.

Membership of the HVCS will comprise the Reserve Bank and, it is expected, all holders of Reserve Bank exchange settlement accounts; that is all banks and two Special Service Providers – for building societies and credit unions.

The HVCS utilises SWIFT's FIN-Copy product, running in Y Mode, to exchange high value payment messages between participating members. A payment is sent to FIN-Copy where it is queued while a settlement request message is sent via the SWIFT network to the RITS settlement platform. Provided funds are available within the sending participating member's exchange settlement account, RITS will settle the payment and forward a settlement response to FIN-Copy. FIN-Copy matches the settlement response to the queued payment, and then forwards the completed payment to the receiving participating member.

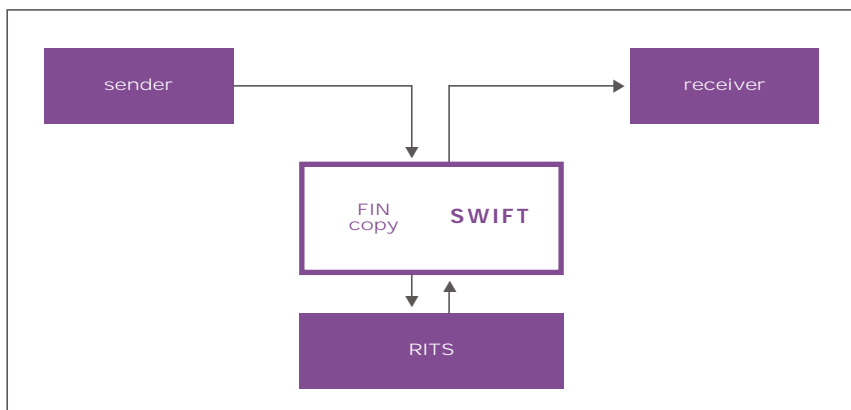
The Australian Competition & Consumer Commission (ACCC) provided interim authorisation for the HVCS in June, pending final authorisation which is scheduled for October 1997. Also in June, the APCA Board formally adopted the HVCS Regulations & Procedures and invitations to join the HVCS were sent to all eligible institutions.

Establishment of the HVCS is set for 1 August 1997. Institutions will begin sending payments over the HVCS in a phased manner. This is scheduled to begin around the end of August with all institutions exchanging payments by February 1998 .

Settlement of payments exchanged over the HVCS during a transitional period is on a net deferred basis. The Reserve Bank plans to introduce limits on "net interbank obligations" within RITS from February 1998, with full RTGS scheduled for April 1998.

It is expected that by early 1998 all financial institutions with an exchange settlement account at the Reserve Bank will have substantially migrated their large value payments, and payments generally which are time critical, to the HVCS. (Those related to security transactions will continue to flow over RITS and Austraclear).

The implementation of the HVCS by APCA has provided the Australian finance industry with a best practice, efficient and highly secure payments mechanism. Settlement of payments on a RTGS basis, via the HVCS, will contribute substantially to the reduction of settlement and systemic risk in the Australian payments system.



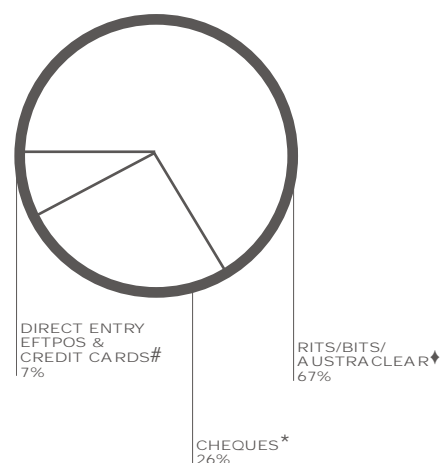
- Over ten million (10.4 million based on 1996 survey figures) non-cash transactions are made in Australia each day, with a total value of approximately \$90 billion.
- Around two thirds of the value of transactions, but very few of the number, is accounted for by transactions over RITS, Austraclear and BITS. The balance of value is accounted for by cheques and retail electronic transactions.
- Cheques are still the most common method of non-cash payment but their share of the number of such payments has declined in recent years in favour of EFTPOS and credit card payments.
- The number and value of cheque transactions in Australia each day appears to be holding fairly steady. (An estimated 3.7 million cheque transactions per day at a value of \$23 billion was recorded in APCA's November 1996 survey.)
- There was almost 36 million EFTPOS transactions in the month of November 1996 valued at \$1.9 billion. In the same month, there was almost 25 million credit card transactions at a value of \$2.3 billion.
- In November 1996, the number and value of EFTPOS transactions was 72% and 73% respectively higher than in the same month in 1994. The number and value of credit card transactions increased by 24% and 28% respectively in the same period.
- There were 9.8 million credit and multifunction cards, and 15.1 million debit cards in Australia as at August 1996.
- The number of EFTPOS terminals in Australia has grown rapidly over the past three years, from 38,875 terminals in December 1994 to 164,200 terminals in June 1997, representing an annual average growth rate of 62% per annum over the

period. A slowing in this growth rate has been evident over recent quarters, suggesting that the market may be maturing.

- At the end of June 1997, there were 8,180 ATMs in Australia. Australians made over 40 million ATM withdrawals in November 1996 valued at \$5.6 billion.
- The number of direct entry credit and debit payments made per day in November 1996 was 1.6 million and 0.4 million respectively; these numbers haven't changed significantly over recent years. The value of direct credit and direct debit payments made per day in 1996 was \$4 billion and \$1.6 billion respectively.
- There are more than 71,000 approved Users in the direct entry system; 68,500 credit users and 2,600 debit users.

Sources: APCA surveys, Reserve Bank Bulletin and APSC 1995-96 Annual Report.

PAYMENT TRANSACTIONS BY VALUE



- * Based on 1996 survey figures
- # Based on 1996 survey figures and figures published by RBA
- ◆ Based on 1995 survey data of items exchanged adjusted by an estimate of own items

Management Structure

Management is structured by function rather than by clearing stream division. This assists in co-ordinating the development and management of the Company in a consistent manner across all clearing streams.

Project Development and Management develops and manages discrete projects relating to the establishment of new clearing systems and improvements to existing systems.

The Policy and Operations area manages and supports the ongoing operation of clearing systems.

Specialist Services

Legal counsel provides support by way of drafting and interpreting Regulations, reviewing and drafting commercial documentation and reviewing legislative changes bearing on payments matters.

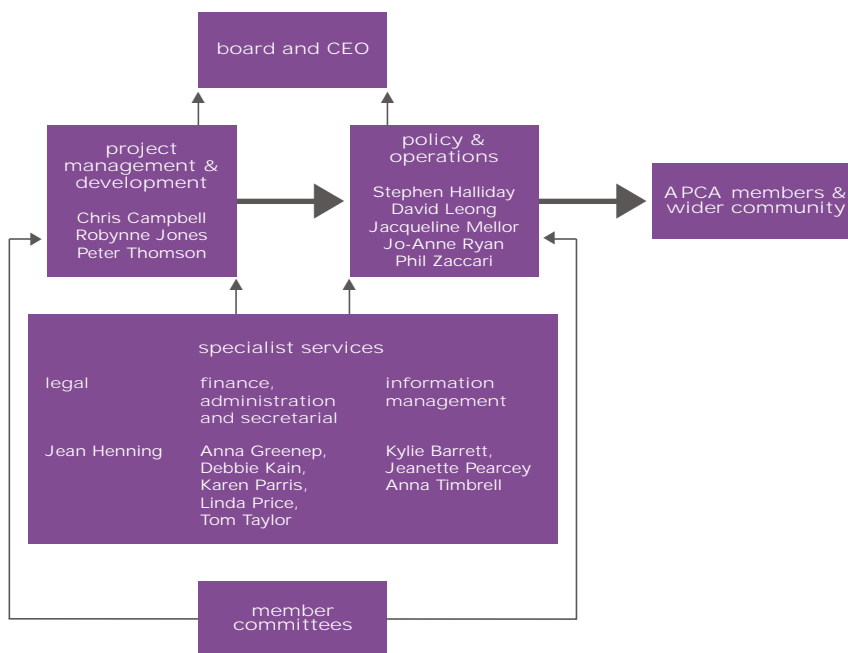
Accounting, computer support, and communication systems are provided by Finance and Administration.

Information Management develops and maintains corporate records and a technical library, and administers data bases.

Working Smarter

APCA has held staffing levels constant since June 1994 in spite of a progressively increasing administrative and project-related workload. Introducing computer-based systems to facilitate accounting, records management, and communications has helped in the administrative area. Prioritisation has helped in providing a basis for resource allocation in the project management area.

Electronic mail (e-mail) is being used increasingly to bring about faster and cheaper communications. APCA has adopted an encryption standard for its members that allows secure transmission of information over the Internet. Telephone conferencing has been used throughout the year to cut meeting costs while maintaining member input. Video conferencing is under consideration as a means to reduce costs further.



Communication to Members

Communication to members is an essential component of APCA's work. A number of communication mediums are in place to provide different levels of information to members. These include reports to members on clearing system issues decided and under consideration at Board level, and advices to clearing system members of operational decisions made by management committees.

A quarterly report, the *Payments Monitor*, is provided to members, and to external organisations interested in payments issues.

Industry seminars were conducted in State capitals during the year on the prospective new procedures for the electronic presentment and dishonour of cheques. Seminars were also conducted in Melbourne and Sydney on the various requirements of members in joining and participating in the HVCS.

Government and Community Input

A submission describing the payments system and APCA's role in payments clearing was provided to the Financial System Inquiry (Wallis Inquiry). Subsequently, APCA provided a response to the Treasurer on the Wallis Inquiry's payments-related recommendations.

APCA lent its support to a submission by a number of industry organisations to State offices of revenue, which favoured the proposal to replace current financial transaction taxes with a uniform debits tax.

Regular updates on APCA's activities were provided to the Australian Payments System Council.

Corporate Governance

A strategic/operational plan for the coming year is provided to the Board in June of each year. Progress against this plan is then reviewed in December. An operational plan is also developed for each clearing system, with

this plan reviewed quarterly by the relevant management committee.

A finance and audit committee oversees financial practices, reviews financial statements, and oversees accounting and budgetary policies of the Company. It also monitors statutory compliance and ensures that adequate reporting systems are in place.

A process of bi-annual appraisals of management's performance is undertaken by Directors. This appraisal process is important in ensuring the ongoing effectiveness of the management of the company.

Appraisals are also conducted by Directors of the Board's own performance, which provides important feed-back for the Board about its effectiveness.

A Remuneration Committee comprising the Chairman of the Company and the Finance and Audit Committee advises the Board on the Company's remuneration policies.

Year 2000

Work is underway to ensure that APCA's internal systems are Year 2000 compliant. Management is also working with its members to ensure that all clearing system interfaces will be compliant.

- **Ordinary share members**
Australia and New Zealand Banking Group Limited
Commonwealth Bank of Australia
National Australia Bank Limited
Reserve Bank of Australia
Westpac Banking Corporation

- **"A" class voting redeemable preference share members**
Adelaide Bank Limited
Advance Bank Australia Limited
Bank of Melbourne Limited
Bank of Queensland Limited
Bank of Western Australia Limited
Colonial State Bank
St. George Bank Limited
Trust Bank

- **"B" class voting redeemable preference share members**
ABN AMRO Finance (Aust.) Limited
Arab Bank Australia Limited
Bank of America National Trust & Savings Association
Bank of China
Bank of Tokyo-Mitsubishi (Australia) Limited
Bankers Trust Australia Limited
Banque Nationale de Paris
Barclays Bank PLC
Bendigo Bank Limited
Citibank Limited
Deutsche Bank Aktiengesellschaft
HongkongBank of Australia Limited
IBJ Australia Bank Limited
ING Mercantile Mutual Bank Limited
Macquarie Bank Limited
Midland Bank plc
Morgan Guaranty Trust Company of New York
NatWest Markets Australia Limited
Overseas-Chinese Banking Corporation Limited
Overseas Union Bank Limited
Queensland Industry Development Corporation
Royal Bank of Canada
Standard Chartered Bank Australia Limited
State Street Bank & Trust Company
Suncorp-Metway Limited
The Asahi Bank, Ltd.
The Chase Manhattan Bank
The Dai-Ichi Kangyo Bank, Ltd.
The First National Bank of Chicago
United Overseas Bank Limited

- **"C" class voting redeemable preference share members**
Australian Association of Permanent Building Societies Incorporated
- **"D" class voting redeemable preference share members**
Credit Union Services Corporation (Australia) Limited
Credit Union Settlement Services Limited

Share Membership

Share membership is divided into five classes. Each of the following groups of institutions comprises one class of member:

- the Reserve Bank and the four nationally operating banks (one ordinary share each);
- state and regional banks ("A" class shares);
- other licensed banks ("B" class shares);
- building societies' Special Services Providers (SSPs), and building societies not affiliated with a share member SSP ("C" class shares); and
- credit unions' Special Services Providers (SSPs) and credit unions not affiliated with a share member SSP ("D" class shares).

associate members listing

American Express International Incorporated
Australian Financial Markets Association
Australian Financial Review
BancTec (Australia) Pty Ltd
Cashcard Australia Limited
Diners Club International
Gas & Fuel Corporation
Hohne, Alan
International Banks & Securities Association
Knight Strategic Advisory Services Pty Ltd
Leigh-Mardon Security Products
MasterCard Australia Limited
Mayne Nickless Express
Media Technology (Australia) Pty Ltd
Permanent Trustee Company Limited
Price Waterhouse Urwick
Prismac Systems Australasia Pty Ltd
Recall Total Information Management
Retail Traders Association of NSW
Spring, Ralph F
Unisys Australia Limited

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Your directors present their report on the financial statements for the year ended 30 June 1997.

DIRECTORS

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.

Mr G J Thompson B.Ec (Hons)

Chairman

(Non-executive director)

Deputy Governor, Reserve Bank of Australia. Over twenty five years' experience in central banking in Australia. Appointed by the Board as a director and Chairman in February 1995. *Chairman of the Remuneration Committee.*

Mr J E Morgan

Deputy Chairman

(Non-executive director)

Senior Executive, Technology and Support, Institutional Banking, Commonwealth Bank of Australia. Over thirty years' banking experience in Australia. Director of S.W.I.F.T. s.c. (Belgium) and S.W.I.F.T. Terminal Services Pte Limited (Singapore). Member of BOLERO Project Board (London). Alternate director of Austraclear Limited. Member of the Australian Institute of Management. Appointed as a director in July 1994. *Member of the Finance and Audit Committee.*

Dr P R Smith B.Ec(Hons), PhD

Chief Executive Officer

(Executive director)

Eleven years' experience in the banking industry, two years in government service in Papua New Guinea, and academic appointments in the Universities of Western Australia and Adelaide. Appointed as Chief Executive Officer since commencement of the company and as executive director in April 1992. *Member of the Finance and Audit Committee and the Remuneration Committee.*

Mr R J Fowler Grad. Cert. of Management

(Non-executive director)

General Manager - Subsidiary Operations and Third Party Relationships, Credit Union Services Corporation (Australia) Limited. Over twenty years' experience with the credit union movement. Fellow of the Institute of Company Directors. Member of the National Institute of Accountants. Member of the Australian Institute of Management. Executive Chairman of Questor Financial Services Group Pty Limited and its subsidiary companies. Chairman of Bridges Financial Services Pty Limited, Bridges Nominee Pty Limited, Cigar Pty Limited, Crestwell Pty Limited, CU Insurance Pty Ltd, Members Mortgage (Australia) Ltd, CU Commercial IT Pty Ltd, and CU Leasing Pty Ltd. Inaugural director. *Chairman of the Finance and Audit Committee and member of the Remuneration Committee.*

Mr R B Ham B.Comm

(Non-executive director)

General Manager, Strategy and International Payments, Australian Operations & Payments Division, Australia & New Zealand Banking Group Limited. Associate of the Australian Society of Certified Practising Accountants and the Australian Institute of Bankers. Over thirty years' banking experience in Australia, New Zealand and the United Kingdom. Director of Austraclear Limited. Alternate director of Mondex Australia Pty Limited and of Mondex Australasia Pty Limited. Inaugural director. *Chairman, Management Committee of the Australian Paper Clearing System (CS1).*

Mr N C Mackrell B.Ec, M.Sc, FAIB

(Non-executive director)

Head of Financial System, Reserve Bank of Australia. Over thirty-six year's experience in Australian central banking, including assignment to Singapore representing the International Monetary Fund. Director of Tradegate ECA and RBA representative on the board of the Australian Banking Industry Ombudsman. Appointed as a director in February 1995.

Ms L E Martin AB, MBA

(Non-executive director)

Chief Operations Officer, Institutional and International Banking Group, Westpac Banking Corporation. Over 15 years' experience in banking in the U.S., Hong Kong and Australia. Director of Austraclear Limited. Appointed as a director in March 1995. *Member of the Finance and Audit Committee and the Remuneration Committee; Chairman, Management Committee of the High-Value Clearing System (CS4)*

Mr B J Mecklem

(Non-executive director)

Head of Payment Systems, National Australia Bank Limited. Over thirty years' experience in the Australian banking industry gained in a wide spectrum of appointments up to general management level. Director Mondex Australia Pty Limited. Appointed as a director in October 1993. *Chairman, Management Committee of the Bulk Electronic Clearing System (CS2).*

Mr C S Moore

(Non-executive director)

Vice President, Financial Institutions Group, Citibank Limited. Over twenty years' experience in the banking industry in Australia. Appointed as director on 6 March 1997.

Mr J N Toms B. Comm

(Non-executive director)

Assistant Executive Director, Australian Association of Permanent Building Societies Incorporated and Chief Executive Officer, AAPBS Settlements Limited. Over fourteen years' experience in areas of industry policy, particularly payments systems. Director of National Custodian Limited. Appointed as a director in December 1992.

Mr B R Whitbread FAIB

(Non-executive director)

Head of Project Office, BankSA, a division of Advance Bank Australia Limited. Over thirty-seven years' experience in the banking industry in Australia and New Zealand. Appointed as a director in July 1994. *Chairman, Special Purpose Committee 3.*

ALTERNATE DIRECTORS

Mr P Apolony

Mr J Hall

Mr W J Hooper

Mr P A Inglis

Mr J D McFadden

Mr B F Munro

Mr P J C Smith

Dr J M Veale

PRINCIPAL ACTIVITIES

The principal activities of the company are the development and implementation of policies, regulations and procedures to manage the Australian payments clearing system.

RESULTS

The operating profit after income tax for the year ended 30 June 1997 was \$45,059 (1996 profit \$35,026).

DIVIDENDS

No dividends were proposed or paid in respect of the period since incorporation to 30 June 1997.

REVIEW OF OPERATIONS

Tier 1B membership provisions of the Australian Paper Clearing System took effect from 20 September 1996. Procedures for electronic presentment and dishonour of cheques have been finalised. Electronic return of direct debit transactions commenced in October 1996. Credit Unions commenced exchanging direct debit transaction with other Bulk Electronic Clearing System members on 3 March 1997. Regulations and Procedures for the Consumer Electronic Clearing System were lodged with the Australian Competition and Consumer Commission (ACCC). Regulations and Procedures for the High Value Clearing System were adopted by the APCA Board and lodged with the ACCC in June 1997.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the company's state of affairs during the past year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

APCA's High Value Clearing System (CS4) is expected to become fully operational during 1997-1998. It is also expected that the Consumer Electronic Clearing System (CS3) will be established. Further progress will be made towards enhancing clearing system operations, including in the area of shortening the cheque clearing cycle. It is intended that the company will earn sufficient revenue primarily through charges on its members to cover its operating expenses.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since 30 June 1997, no matters or circumstances have arisen that have significantly affected or may significantly affect:

- (a) the operations in the financial year ended 30 June 1997; or
- (b) the results of those operations; or
- (c) the state of affairs in financial years subsequent to 30 June 1997.

DIRECTORS' MEETINGS

Nine directors' meetings were held during the financial year. The number of directors' meetings attended by each director and the number of meetings held while that director held office during the financial year were:

DIRECTORS (Other than Alternate Directors)	Directors' meetings		Finance and audit committee meetings		Remuneration committee meetings	
	No. of Meetings Attended	No. of Meetings held *	No. of Meetings Attended	No. of Meetings held *	No. of Meetings Attended	No. of Meetings held *
R J Fowler	8	9(a)	6	6	2	
R B Ham	7	9(b)				
N C Mackrell	9	9				
R L Manning	4	4	2	3	1	2
L E Martin	8	9(a)	6	6	2	2
B J Mecklem	9	9				
C S Moore	3	4(a)				
J E Morgan	8	9(a)	2	2		
P R Smith	9	9	6	6	2	2
G J Thompson	8	9			2	2
J N Toms	9	9				
B R Whitbread	8	9(a)				

Notes:

* Reflects the number of meetings held while the director held office during the financial year

- (a) One meeting which the director did not attend was attended instead by the alternate director appointed under Article 14.5
- (b) Two meetings which the director did not attend were attended instead by the alternate director appointed under Article 14.5

DIRECTORS' BENEFITS

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

- (a) normal benefits as a full-time employee of the company included in note 17 of the financial statements, and
- (b) the benefit of the indemnity described below.

DIRECTORS' AND OFFICERS' INDEMNITY

The Corporations Law 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 defending proceedings in which the officer or auditor is successful. An indemnity for officers or employees, who are not directors, secretaries or executive officers, is not expressly restricted by the Corporations Law.

Article 23.1 provides that to the maximum extent permitted by law every officer (as defined in the Corporations Law) every Auditor and Agent of the Company is indemnified by the Company against any liabilities and expenses incurred by that person in certain specific circumstances relating to that person's position with the Company.

The directors of the Company and alternate directors named earlier have the benefit of the indemnity in Article 23.1, as do the executive officers of the company. Those executive officers are the Director Policy and Operations (and Company Secretary), Ms J C Ryan; General Counsel and Assistant Company Secretary, Ms J E Henning; Director Project Development and Management, Mr P Thomson; Financial Controller, Mr T J Taylor, and Operations Manager and Assistant Company Secretary, Mr P Zaccari.

INSURANCE

During the financial year the company paid a premium under a contract insuring each of the directors and alternate directors of the company named earlier and each of the executive officers to whom an indemnity has been provided referred to above. 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.

This report is made in accordance with a resolution of the directors.



G J Thompson
Chairman



P R Smith
Chief Executive Office

Signed at Sydney this 18th day of September, 1997

SCOPE

We have audited the financial statements of Australian Payments Clearing Association Limited for the financial year ended 30 June 1997 as set out on pages 20 to 28. The company's directors are responsible for the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial statements of Australian Payments Clearing Association Limited are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the state of affairs as at 30 June 1997 and the profit and cash flows for the financial year ended on that date of the company; and
 - (ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law; and
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

COOPERS & LYBRAND
Chartered Accountants



M Haberlin
Partner

Signed at Sydney this 18th day of September 1997

In the opinion of the directors:

- (a) the financial statements set out on pages 21 to 28 are drawn up in accordance with Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law and so as to give a true and fair view of:
 - (i) the state of affairs as at 30 June 1997 and the profit for the financial year ended on that date of the company; and
 - (ii) the other matters with which they deal;
- (b) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The financial statements are drawn up in accordance with Accounting Standards and other mandatory professional reporting requirements.

This statement is made in accordance with a resolution of the directors.



G J Thompson
Director

Signed at Sydney this 18th day of September 1997



P R Smith
Director

profit and loss account

FOR THE YEAR ENDED 30 JUNE 1997

	Notes	1997 \$	1996 \$
Operating profit before abnormal items and income tax	3(a)	80,346	55,382
Abnormal items before income tax	3(b)	(22,726)	-
Operating profit before income tax		57,620	55,382
Income tax attributable to operating profit	4	12,561	20,356
Operating profit after income tax		45,059	35,026
Retained profits at the beginning of the financial year		116,339	81,313
Retained profits at the end of the financial year		161,398	116,339

The above profit and loss account should be read in conjunction with the accompanying notes as set out on pages 24 to 28

AS AT 30 JUNE 1997

	Notes	1997 \$	1996 \$
CURRENT ASSETS			
Cash	5	300	300
Receivables	6	808,731	592,625
Inventories	7	2,068	4,143
Other	8	81,367	81,710
Total Current Assets		892,466	678,778
NON-CURRENT ASSETS			
Property, plant and equipment	9	287,417	255,867
Other	10	19,689	-
Total Non-Current Assets		307,106	255,867
TOTAL ASSETS		1,199,572	934,645
CURRENT LIABILITIES			
Accounts Payable	11	584,923	137,772
Borrowings	12	255,332	484,340
Provisions	13	153,603	118,629
Total Current Liabilities		993,858	740,741
NON-CURRENT LIABILITIES			
Borrowings	14	-	63,387
Provisions	15	43,446	13,304
Total Non-Current Liabilities		43,446	76,691
TOTAL LIABILITIES		1,037,304	817,432
NET ASSETS		162,268	117,213
SHAREHOLDERS' EQUITY			
Share capital	16	870	874
Retained profits		161,398	116,339
Shareholders' Equity		162,268	117,213

The above balance sheet should be read in conjunction with the accompanying notes as set out on pages 24 to 28

FOR THE YEAR ENDED 30 JUNE 1997

	Notes	1997 \$ Inflows/ (Outflows)	1996 \$ Inflows/ (Outflows)
Cash flows from operating activities			
Contributions towards expenses by members		2,521,365	1,789,300
Other operating income receipts		129,516	463,104
Payments to suppliers and employees		(2,157,891)	(2,330,645)
Interest and other costs of finance paid		(30,849)	(24,132)
Income tax paid		(31,035)	(18,564)
Net cash inflow/(outflow) from operating activities	22	431,106	(120,937)
Cash flows from investing activities			
Payments for property, plant and equipment		(140,302)	(81,717)
Proceeds from sale of property, plant and equipment		1,595	-
Net cash outflow from investing activities		(138,707)	(81,717)
Cash flows from financing activities			
Proceeds from issue of shares		-	5
Payments for redemption of shares		(4)	
Repayment of borrowings		(50,000)	(50,000)
Repayment of finance leases liabilities		(16,661)	(14,250)
Net cash outflow from financing activities		(66,665)	(64,245)
Net increase/(decrease) in cash held		225,734	(266,899)
Cash at the beginning of the financial year		(417,958)	(151,059)
Cash at the end of the financial period	5	(192,224)	(417,958)

The above statement of cash flows should be read in conjunction with the accompanying notes as set out on pages 24 to 28

01 Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Law.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. The accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

(a) **Income tax**

Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss account is matched with the accounting profit (after allowing for permanent differences). The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse. The current tax rates have been used for this purpose.

(b) **Depreciation**

Depreciation is calculated on a reducing balance basis so as to write off the net cost of each item of property, plant and equipment over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets.

(c) **Employee entitlements**

(i) *Wages and salaries, Annual Leave*

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) *Long Service Leave*

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided to employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(d) **Cash**

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

02 Operating revenue

Contributions towards expenses by members
 Other revenue
 Membership fees
 Representation change fees
 Sundry
 Proceeds from sale of publications and gauges

	1997 \$	1996 \$
Contributions towards expenses by members	2,728,805	2,091,533
Other revenue		
Membership fees	28,300	33,510
Representation change fees	96,400	420,000
Sundry	6,822	-
Proceeds from sale of publications and gauges	17,480	12,609
	2,877,807	2,557,652

	1997 \$	1996 \$
03 Operating profit		
(a) Operating profit before abnormal items and income tax is arrived at after charging the following specific items:		
Office equipment depreciation	84,431	61,892
Interest expenses	28,020	24,132
Leasing costs	2,829	4,374
Provisions (for Employee entitlements)	137,243	96,067
Rental expense relating to operating leases	349,102	426,635
(b) Operating profit after income tax is also arrived at after crediting and charging the following abnormal items:		
Charge		
Loss on disposal of fixed assets	22,726	-
Credit		
Applicable income tax credit on abnormal charge	8,181	-
Abnormal items after income tax	14,545	-
04 Income tax		
Operating profit before income tax	57,620	55,382
Income tax calculated @ 36%	20,743	19,938
Under/over provision in prior period	(9,782)	(770)
Tax effect of permanent differences:		
Entertainment expenditure	1,600	1,188
Income tax attributable to operating profit	12,561	20,356
05 Current assets – cash		
Cash on hand	300	300
	300	300
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows		
Balance as above	300	300
Less: Bank overdraft (note 12)	(192,524)	(418,258)
Balance per statement of cashflows	(192,224)	(417,958)
06 Current assets – receivables		
Contributions receivable from members	792,465	585,025
Sundry debtors	16,266	7,600
	808,731	592,625

Contributions are invoiced and received on a monthly basis. All of the amount receivable at balance date was received by 31 August 1997. Expenses related to the development of the HVCS largely accounted for the increase in receivables.

FOR THE YEAR ENDED 30 JUNE 1997

	1997	1996
	\$	\$
07 Current assets – inventories		
Publication and gauge stocks	2,068	4,143
08 Current assets – other		
Prepayments	81,367	81,710
09 Non-current assets – property, plant & equipment		
Office equipment - at cost	505,439	471,883
Less: Accumulated depreciation	230,912	244,523
	274,527	227,360
Office equipment under finance lease	46,053	59,730
Less: Accumulated amortisation	33,163	31,223
	12,890	28,507
Total office equipment	287,417	255,867
10 Non-current assets – other		
Future income tax benefit	19,689	-
11 Current liabilities – accounts payable		
Other creditors and accruals	584,923	137,772
Expenses related to the development of the HVCS largely accounted for the increase in accounts payable.		
12 Current liabilities – borrowings		
Unsecured bank loans	50,000	50,000
Bank overdraft	192,524	418,258
Lease liabilities	12,808	16,082
	255,332	484,340
13 Current liabilities – provisions		
Taxation - current year	37,116	22,598
Employee entitlements	116,487	96,031
	153,603	118,629
14 Non-current liabilities – borrowings		
Unsecured bank loans	-	50,000
Lease liabilities	-	13,387
	-	63,387
15 Non-current liabilities – provisions		
Deferred income tax	-	13,304
Long service leave	43,446	-
	43,446	13,304

16 Share capital

Issued and paid up

	1997 \$	1996 \$
5 Ordinary shares of \$100 each (1996: 5)	500	500
31 "A" class voting redeemable preference shares of \$1 each (1996: 26)	31	26
145 "B" class voting redeemable preference shares of \$1 each (1996: 155)	145	155
100 "C" class voting redeemable preference shares of \$1 each (1996: 99)	100	99
94 "D" class voting redeemable preference shares of \$1 each (1996: 94)	94	94
	870	874

- (i) Unclassified shares may be divided into one or more classes and such classes will have the rights and obligations determined by the Articles of Association.
- (ii) "A", "B", "C", and "D" class voting redeemable preference shares may be redeemed by the company by notice in writing if the holder no longer satisfies the eligibility criteria as specified in the Articles of Association. The balance payable on redemption is the amount paid up with respect to the preference shares.
- (iii) The preference shares on issue at 30 June 1997 do not carry a fixed rate of dividend.
- (iv) During the year, the company issued a further 5 "A" class redeemable preference shares, 21 "B" class redeemable preference shares, 1 "C" class redeemable preference shares in accordance with Article 3.1 of the Articles of Association. The purpose of the issue was to provide new and existing shareholders equity in the company. All shares were issued at their par value.
- (v) The company is limited by shares and guarantee.

1997 \$	1996 \$
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17 Remuneration of directors

Income received, or due and receivable by directors from the company and related bodies corporate

224,215	195,290
---------	---------

The number of directors whose income from the company or related bodies corporate was within the specified bands are as follows:

\$	1997	1996
Nil	14	14
190,000 - 199,999	-	1
220,000 - 229,999	1	-

18 Remuneration of auditors

Amounts received, or due and receivable by the auditors for:

Audit of accounts of the company	9,950	9,500
Other services	14,646	11,774
	24,596	21,274

FOR THE YEAR ENDED 30 JUNE 1997

	1997 \$	1996 \$
19 Commitments for expenditure		
Lease Commitments		
Total lease expenditure contracted for at balance date but not recognised as liabilities:		
Not later than one year	288,550	351,248
Later than one year but not later than 2 years	-	316,134
Later than 2 years but not later than 5 years	-	-
Later than 5 years	-	-
	288,550	667,382
Representing:		
Non-cancellable operating leases	288,550	667,382
20 Related parties		
Directors		
The names of persons who were directors of Australian Payments Clearing Association Ltd at any time during the financial year are as follows: R B Ham, R J Fowler, N C Mackrell , R L Manning, L E Martin, B J Mecklem, C S Moore, J E Morgan, P R Smith, J N Toms, G J Thompson and B R Whitbread; and alternate directors A L Abela, P Apolony, P J Dutfield, J Hall, W J Hooper, P A Inglis, J D McFadden, B F Munro, P Smith, J M Veale.		
21 Segment information		
The company operates predominantly in the financial services industry. The company operates predominantly in one geographical area, being Australia.		
	1997 \$	1996 \$
22 Reconciliation of net cash inflow from operating activities to operating profit after income tax		
Net cash inflow/(outflow) from operating activities	431,106	(120,937)
Depreciation	(84,431)	(61,892)
Loss on sale of assets	(22,726)	-
Change in operating assets and liabilities		
Increase in debtors	216,106	306,327
Increase/(decrease) in inventories	(2,075)	1,604
Decrease in prepayments	(343)	(16,774)
Increase in other creditors	(447,151)	(45,897)
Increase in provision for income taxes payable	(14,518)	(3,263)
Decrease in provision for deferred income tax	13,304	1,471
Increase in provision for future income tax benefit	19,689	-
Increase in other provisions	(63,902)	(25,613)
Operating profit after income tax	45,059	35,026
23 Non-cash financing and investment activities		
Acquisition of office equipment by means of finance leases	-	59,730

