

A N N U A L R E P O R T

1999



AUSTRALIAN PAYMENTS CLEARING ASSOCIATION

APCA's mission

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

APCA's objectives

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.

Contents

Chairman's Report	1
Highlights of 1998 – 1999	2
Payments System Statistics	3
Board of Directors.....	4
Overview of APCA	6
The Company	6
Structure.....	6
Widening Membership.....	6
Operations Review	7
Australian Paper Clearing System	7
Bulk Electronic Clearing System.....	8
Consumer Electronic Clearing System.....	9
High Value Clearing System	10
Public Key Infrastructure	10
Year 2000 Inter-Organisational Testing Program.....	11
Internal Year 2000 Review	11
Management, Communications and Governance	12
Share Members	14
Financial Statements.....	15

Glossary of Terms

APCS Australian Paper Clearing System. A system for the exchange, clearing and settlement of paper items.

BECS Bulk Electronic Clearing System. A system for the exchange, clearing and settlement of direct entry transactions.

BIC Bank Identification Code. An alpha numeric code used to identify financial institutions within a SWIFT message.

BSB A number used as a code to identify financial institutions in the clearing and exchange of items.

CECS Consumer Electronic Clearing System. A system, for the exchange, clearing and settlement of ATM and EFTPOS transactions.

CHESS The Australian Stock Exchange's 'Clearing House Electronic Sub register System.'

HVCS High-Value Clearing System. A system for the electronic exchange, clearing and settlement of high-value payments.

RTGS Real Time Gross Settlement. A system for the immediate settlement of high value payment transactions.

SPC Special Purpose Committee. A committee created by the Board to bring a particular clearing system to the point of formal establishment under APCA rules; operating as the forerunner of a management committee for that clearing system.

SWIFT/PDS SWIFT Payment Delivery System. The delivery system used to relay payments from one financial institution to another in the HVCS.

I am pleased to report that APCA's year in 1998-99 was a mixture of achievement and forward-looking measures to widen membership. At the same time, an unexpected delay in finalising one important initiative reminded us that APCA's role is complex and difficult at times.

The most significant achievement and the one I would like to mention in particular was the implementation of electronic presentment and dishonour of cheques, on schedule, on 30 April 1999.

Cheque Clearing...

APCA has been working on speeding up the cheque clearing cycle since establishing its paper clearing system in December 1993. We now have in Australia best practice in cheque clearing. No other country that we can find clears cheques more quickly. In fact, it would be difficult to do better without sacrificing some of the desirable features of the current system – in particular the discretionary leeway and time given to a drawer's bank to determine whether to pay or dishonour cheques which, if paid, would result in overdrawing.

It is important to understand that our work in this area predated the Wallis Inquiry, and the regulatory interest it generated in cheque clearing, by a good number of years. APCA provides a focus for industry self-regulation that works. It worked, for example, in bringing resources to bear in the formative work in managing settlement risk in the area of high value payments, which found later expression in the partnership APCA had with the Reserve Bank in developing real time gross settlement. It has worked across a number of less prominent but nevertheless important initiatives.

Direct Debit...

One of the initiatives which is now close to implementation is a revamping of the direct debit system, in part to make it compatible with electronic billing. We had expected this would have been completed in 1998-99. As it turned out, the project, which involves both APCA members and billing organisations making changes, proved difficult to get right. However we finalised the new arrangements and obtained a favourable draft

determination from the Australian Competition and Consumer Commission (ACCC) by the end of the year. Subsequently, the ACCC confirmed its draft determination and the new arrangements will be introduced on 31 March 2000.

Digital Certification...

Another important initiative where significant progress was made is the establishment of APCA as a root certification authority. We expect to be in a position to be able to issue certificates to APCA's members by around the middle of 2000.

ATM & EFTPOS...

During the year we also extensively amended and extended APCA's Consumer Electronic Clearing System (CECS) rules governing the exchange of ATM and EFTPOS payments, and reapplied to the ACCC for authorisation. We expect to be in position to establish CECS in 1999-2000.

It is important that this clearing system is finally established: to complete the task of building APCA as it was set out in 1992, and to introduce more inclusive membership rules.

Wider Membership...

Currently APCA's membership encompasses banks, building societies and credit unions. This was appropriate when APCA was established but it is becoming out of sync with the growing role being played in the payments business by a wider set of organisations.

Accordingly, we looked hard at APCA's membership rules in extensive consultation with numbers of organisations that play a role in the payments system. As a result of this process we have decided to open APCA's voting membership and representation rights on the Board

and on management committees to all corporates which are payments clearers, without regard to their institutional status.

We have used CECS rules as the vanguard for these changes that, subsequently, will be extended right across the Company. We are also establishing advisory councils of organisations which have a strong involvement in the payments system but which are not clearers. Combined, these changes will produce a more inclusive, more informed, and more forward-looking APCA for the years ahead.

Board Matters...

Only one change to Board representation occurred during the year. Reg Fowler, an inaugural director of APCA, left in November 1998 due to his retirement from Credit Union Services Corporation (Australia) Limited. John Hall joined the Board in his place.

On behalf of the Board I would like to thank Reg for his great service to APCA and his unstinting efforts to enhance APCA's role and contribution.

All directors, and members of APCA's committees, contributed to APCA's successful year and I would like to thank them all for their support.

I would also like to thank APCA's CEO, Peter Smith, and his staff for their continuing contribution to APCA's work.

Finally, I would like to especially thank those organisations, and their people, who gave their valuable time and insights during the wider membership consultation process.

Leslie E Martin

Leslie E Martin
Acting CHAIRMAN

Highlights

HIGHLIGHTS OF 1998-99

Australian Paper Clearing System

Cheque Clearing

- ▲ Procedures for the electronic transmission of cheque particulars and electronic dishonours came into effect on 30 April 1999.

Publications

- ▲ A new edition (version 11.5) of Design Specifications for Cheques and Deposit Forms was released in August 1998.
- ▲ A new edition (version 3), of the MICR Book was approved for release on 5 May 1999.

Bulk Electronic Clearing System

Direct Debit Request Arrangements

- ▲ Revised rules were drafted and submitted to the ACCC for authorisation. The rules subsequently received authorisation and the new arrangements will be implemented on 31 March 2000.

Direct Entry System Database (BUDS)

- ▲ Direct entry system database (BUDS) was rewritten in order to be Y2K ready and to provide enhanced functionality and efficiency for APCA members.

Consumer Electronic Clearing System

Implementation of the Consumer Electronic Clearing System

- ▲ The CECS Regulations and Manuals were extensively amended and expanded.
- ▲ Application for authorisation of the CECS Regulations and Manual was lodged with the ACCC in December 1998.
- ▲ Further amendments to CECS Regulations extending Participating Membership to organisations termed "Merchant Principals". (Additional application for authorisation of the amendments was lodged with the ACCC in July 1999).

High Value Clearing System

BIC/BSB Directory

- ▲ A BIC/BSB directory was produced.

Wider APCA Membership

- ▲ Wider membership consultation process was commenced in August 1998.
- ▲ Regulations were put in place providing for the establishment of Advisory Councils within each payments clearing system.

Year 2000

- ▲ Industry testing for all participants across all of APCA's clearing streams was successfully completed on schedule on 30 June 1999.
- ▲ A Year 2000 Industry Contingency Program was developed.

Public Key Infrastructure

- ▲ Significant progress was made towards establishing APCA as a root certification authority.

Payments

PAYMENTS SYSTEM STATISTICS



The table below provides updated payment statistics to 1999.

	Source	1994	1995	1996	1997	1998	1999
1. Number of payments transactions & ATM withdrawals							
<i>(Millions of items per day)</i>							
Cheques	APCA	3.7	3.9	3.7	3.7	3.7	3.2
Direct entry credits	APCA	1.6	1.9	1.6	1.8	1.9	2.1
Direct entry debits	APCA	0.3	0.4	0.4	0.4	0.6	0.8
<i>(Millions of items per month)</i>							
ATM withdrawals(a)	APCA	40.7	38.8	41.6	39.2	42.9	41.9
EFTPOS(b)	RBA	20.7	29.1	35.5	39.2	44.5	48.6
Credit card(b)	RBA	19.9	22.6	24.6	25.9	32.8	42.9
2. Value of payments transactions & ATM withdrawals							
<i>(\$ billions per day)</i>							
Cheques	APCA	24.8	23.4	23.2	24.9	14.6	12.3
Direct entry credits	APCA	1.9	2.6	4.0	3.4	3.6	5.3
Direct entry debits	APCA	1.3	1.2	1.6	1.6	2.4	4.0
HVCS transactions (c)	APCA					64.1	65.7
<i>(\$ billions per month)</i>							
ATM withdrawals (a)	APCA	4.4	4.9	5.6	5.4	6.2	6.8
EFTPOS (b)	RBA	1.1	1.5	1.9	2.1	2.4	2.8
Credit card (b)	RBA	1.8	2.0	2.3	2.5	3.6	4.3
3. Number of accounts / cards							
<i>(Millions)</i>							
Customer							
payment accounts	APCA	34.4	34.9	30.8	31.6	29.7	26.9
Debit cards	APCA	13.2	13.6	15.1	15.3	16.4	15.7
Credit & multifunction cards	APCA	9.1	9.9	9.8	9.7	10.3	12.1
4. Number of ATM and EFTPOS terminals							
<i>(as at December, except for 1999 where figures shown are for June)</i>							
ATMs	APCA	6,008	6,775	7,718	8,567	9,014	9,387
EFTPOS	APCA	43,950	85,234	136,645	189,161	243,253	265,391

Notes to the figures

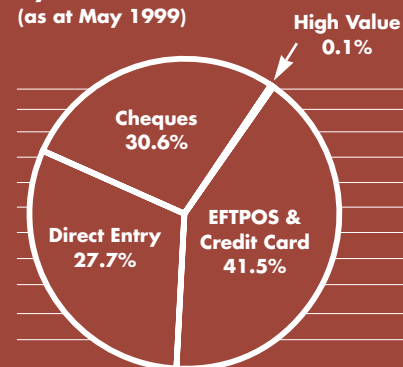
Figures for 1994–1996 in sections 1 and 2 are for November (except for ATM withdrawals which are August figures), in section 3 they are for August.

Figures from 1997 onwards in sections 1, 2 and 3 are for May.

- The ATM withdrawals figures for 1995 may have been affected by devices that were out of service due to the security guards strike in August.
- The Reserve Bank publishes in its *Bulletin* figures showing credit card and EFTPOS transactions acquired from merchants each month (see Table B.16 of the *Bulletin*).
- These figures are values exchanged and do not include "own items". Note also that a full picture of RTGS transactions would require HVCS transactions to be supplemented by Austraclear and RITS transactions which are not captured by APCA.

Payment Transactions by Volume

(as at May 1999)



Directors

BOARD OF DIRECTORS

Deputy (currently Acting) Chairman Ms Leslie Martin

Appointed by Westpac Banking Corporation; Chairman of the Remuneration Committee

[General Manager, Global Transactions & Treasury Solutions, Westpac Banking Corporation]



Mr John Hall

Appointed by the 'D' Class shareholders (credit unions)

[General Manager Payment Systems, Credit Union Services Corporation (Australia) Limited]



Mr Wes Hooper

Appointed by the 'A' Class shareholders (state & regional banks); Chairman of the Management Committee of APCS

[Senior Manager, Payments Services, Colonial State Bank]



Mr Paul Inglis

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

[Head, Payments Policy & Industry Liaison, Technology, E-Commerce and Payments, Australia and New Zealand Banking Group Limited]



Appointment of Directors

Shareholders have the right to appoint directors. Rights of appointment attach according to shareholder class.

The *ordinary shareholder class* (comprising the Reserve Bank and the four nationally operating banks) has individual rights of appointment. Each such shareholder may appoint one director.

The four *redeemable preference shareholder classes* ('A' – 'D'), have collective rights attaching. Each such class may, through the collective appointment by its members, appoint one director.



Mr Brian Mecklem

Appointed by National Australia Bank Limited; Chairman of the Management Committee of BECS, Acting Chairman of SPC3

[General Manager, Global Payment Systems, National Australia Bank Limited]



Mr Chris Moore

Appointed by the 'B' Class shareholders (other licensed banks); member of the Finance & Audit Committee, member of the Remuneration Committee

[Vice President, Financial Institutions Group, Citibank Limited]



Mr Bruce Munro

Appointed by the Commonwealth Bank of Australia; Chairman of the Finance & Audit Committee, member of the Remuneration Committee

[Head of Transaction Services, Institutional Banking, Commonwealth Bank of Australia]



Mr John Toms

Appointed by the 'C' Class shareholders (building societies)

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



Dr John Veale

Appointed by the Reserve Bank of Australia; member of the Finance & Audit Committee, member of the Remuneration Committee

[Head of Payments Policy Department, Reserve Bank of Australia]



Chief Executive Officer Dr Peter Smith

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



Overview

OVERVIEW OF APCA

The Company

APCA develops and manages rules governing Australian payments clearing and settling. It has a central role in ensuring the smooth functioning of payments clearing.

The predominant part of non cash payment transactions in Australia pass through inter-institutional payments clearing taking place under APCA's rules.

Structure

Under APCA, payments clearing is structured into four clearing systems. Each system has a set of regulations and procedures setting out rules of participation. Each is managed by a committee of management reporting to the Board. The four clearing systems are as follows:

- ▲ the Australian Paper Clearing Systems (APCS)
- ▲ the Bulk Electronic Clearing Systems (BECS)
- ▲ the Consumer Electronic Clearing Systems (CECS)
- ▲ the High Value Clearing System (HVCS)

APCS was established in December 1993; BECS in December 1994; and HVCS in 1997. An application for the establishment of CECS is currently being considered by the Australian Competition and Consumer Commission.

Widening Membership

New players and new technologies are bringing substantial changes to the payments environment. In response to these changes APCA sought to develop appropriate mechanisms for broadening involvement in its decision-making.

A wider membership taskforce comprising representatives of organisations with an interest in the Australian payments system, including major retailers, card issuers, telcos and payments processing companies, as well as APCA itself, reviewed a range of options, and presented its recommendations to the APCA Board in November 1998. These recommendations were subsequently endorsed by the Board.

A key recommendation was that provision for Advisory Councils be established for each of APCA's clearing systems. Advisory councils will provide the opportunity for a wider range of organisations to be involved in APCA's affairs, producing better-informed decision-making, more attuned to the interests of all stakeholders.

Advisory councils for APCS, BECS and CECS were in process of establishment by year end.

APCA now has four categories of membership (following the introduction of Regulations which provide for the establishment of Advisory Councils within each clearing system):

Share membership

Share members are responsible, through the board of directors, for the governance of APCA.

Participating Membership

Institutions which are engaged on a day to day operational basis in the activities covered by a clearing system, and which meet criteria for participation in the relevant clearing system, may be participating members of that clearing system. They have rights to appoint members of the committee of management for the clearing system. They may be, but are not obliged to be, share members.

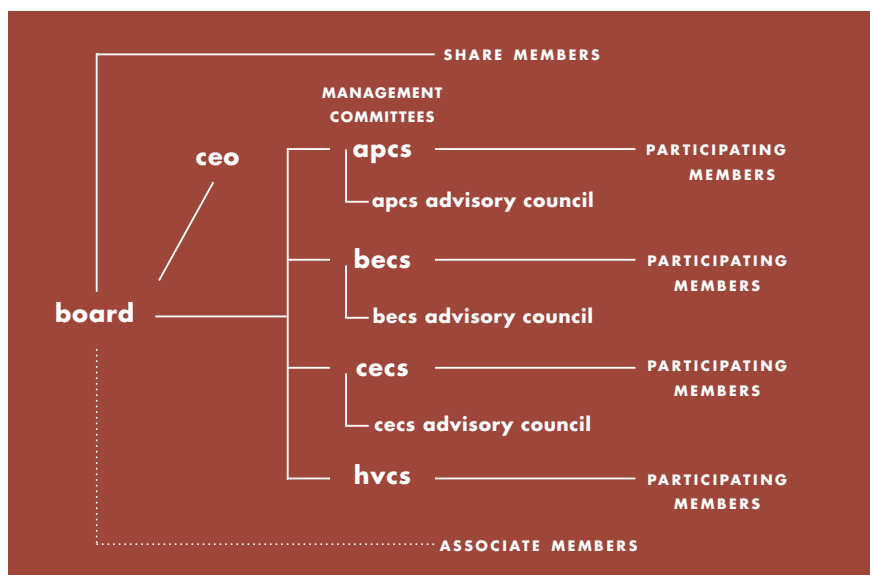
Advisory Council Membership

Advisory council membership is available to interested parties who are not eligible to be participating members of a clearing system, but which have a relevant interest in payments clearing within a particular system.

Initial members of an advisory council will be appointed by the Board. Each advisory council will consist of between 6 and 12 members.

Associate Membership

Associate members are not required to meet any participation criteria for associate membership. They can be people (or organisations) with an interest in payments who wish to keep abreast of developments.





Australian Paper Clearing System

The Australian Paper Clearing System provides a framework for the clearance and settlement of cheques and other paper instruments.

Cheques have traditionally been the predominant means of making non-cash payments in Australia. In recent years there has been a switch away from cheques for small value payments towards card based payments and towards the use of automated arrangements (direct entry), and for the migration of large value payments to SWIFT/PDS. This trend will undoubtedly continue.

Shorter Cheque Clearing

Procedures providing for the electronic transmission of cheque particulars and electronic dishonours came into effect on 30 April 1999.

The new procedures reduce the time taken to clear cheques by at least two days in the great majority of cases.

The Australian cheque system is now at best practice level, and ahead of the systems of many developed countries where clearing times of around five days are the norm as used to be the case in Australia.

Cheques Act Reform

APCA's rules provide for only a limited number of reasons for the dishonour of cheques drawn by banks on themselves. These provisions have now been extended to cover building society and credit union cheques. The term "bank cheque" in APCA's rules has been replaced with "financial institution cheque".

The amended dishonour rules are consistent with Section 5 of the Cheques Act, as amended in 1998, which places cheques that the Reserve Bank of Australia, banks, building societies and credit unions draw on themselves on an equal footing.

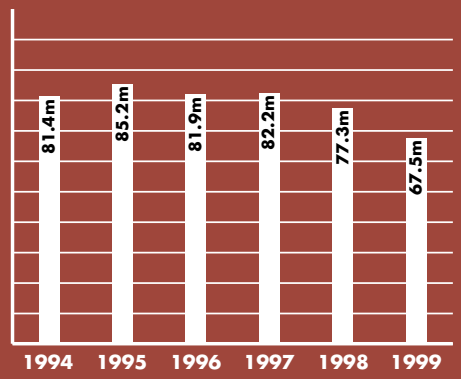
Publications

A new edition of "Design Specifications for Cheques and Deposit Forms" was released in August 1998. The publication now includes additional features designed to reduce the possibility of forgery.

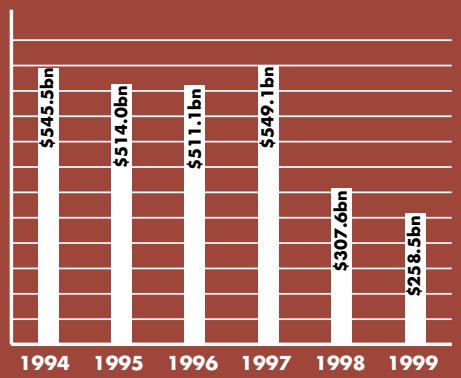
An updated edition of the Magnetic Ink Character Recognition (MICR) book, to take account of new technology, was also prepared. The MICR book contains specifications for the encoding of MICR characters on cheques and other forms.

Both publications are used extensively by printers and financial institutions.

Volume of cheque transactions



Value of cheque transactions



Figures for 1994, 1995, 1996 were collected over the month of November
 Figures for 1997, 1998, 1999 were collected over the month of May

Bulk Electronic Clearing System

The Bulk Electronic Clearing System provides a framework for the clearance and settlement of direct entry transactions.

The system allows approved organisations, currently numbering over 100,000, to make arrangements with their financial institution to automatically debit and/or credit customer accounts on a regular basis. Organisations can be credit users in the system, making payments (direct credits), or debit users receiving payments (direct debits).

Use of the direct entry system is growing strongly as evidenced by the number and value of transactions and the number of credit and debit users.

Direct Debit Requests (DDR)

In 1997 APCA initiated a project to improve the administration of direct debit arrangements, with the aim of encouraging increased use of this efficient form of payment. The centrepiece of the proposed changes was the replacement of the existing Form PDC authority to draw with a more flexible authority called a direct debit request (DDR).

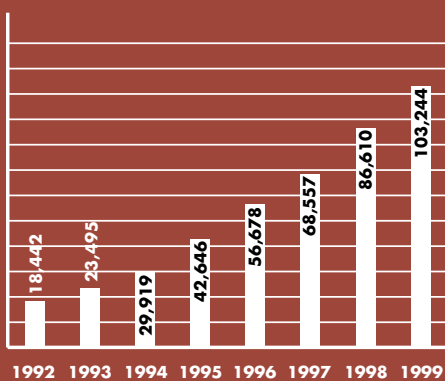
The DDR project has moved significantly towards completion. During February and March 1999, APCA road tested the new arrangements with a sample of billing organisations. The response was very positive. An implementation date of 30 September 1999, based on obtaining authorisation from the Australian Competition and Consumer Commission (ACCC) by end June, was initially set. However, though the ACCC issued a favourable draft determination on the DDR arrangements at end June, it did not, at that stage authorise the arrangements. Because of the resulting uncertainty and the tightness of the timeframe the decision was taken to postpone DDR implementation.

In late July, the ACCC granted full authorisation for the DDR arrangements, effective 12 August 1999 for a period of five years. To avoid change during the Y2K moratorium period, 31 March 2000 has now been set, and publicly advertised, as the DDR implementation date.

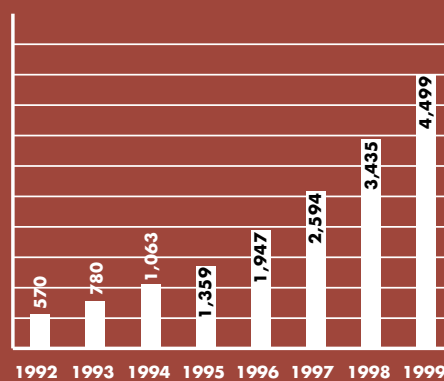
BECS UserID Database System ('BUDS')

A new BECS UserID Database System ('BUDS') was implemented during the year. BUDS enables the electronic transfer and direct file import of User ID information (DE advices). This eliminates much data entry work, enhances the integrity of the DE system, and provides operational gains for APCA and its members.

Number of Direct Entry Credit Users
(as at 30 June 1999)



Number of Direct Entry Debit Users
(as at 30 June 1999)





C onsumer Electronic Clearing System

In CECS the management of clearing will primarily involve setting minimum interchange standards to protect and enhance the security, integrity and efficiency of exchanges of consumer electronic payment messages. Initially, CECS will cover ATM and EFTPOS interchanges.

There are a number of proprietary ATM and EFTPOS networks in Australia, however because of the linkages between each of these networks, there is effectively one EFTPOS and one ATM network from a cardholder's perspective.

The number and value of EFTPOS and credit card transactions continued to grow strongly in 1999.

CECS Regulations and Manual

APCA lodged a further application with the Australian Competition and Consumer Commission (ACCC) under the Trade Practices Act on 16 December 1998, for authorisation of the Consumer Electronic Clearing System. The amended CECS Regulations and Manual establish a system for the secure, effective and efficient clearing of transactions generated within the ATM and EFTPOS networks.

Since the ACCC made its draft determination in August 1997, in which it rejected APCA's initial application and requested that certain additional material be included, APCA has been carefully reviewing and re-drafting the CECS Regulations and Manual.

As a result of this process, the membership criteria for the re-submitted CECS Regulations have been broadened. Membership criteria are now purely functionally rather than institutionally based. Representation on the CECS management committee has been adjusted to cater for a potentially wider membership. The establishment of a CECS advisory council has been included.

The CECS Manual which details mandatory technical, security and operational standards has been expanded and now includes detailed sections on EFTPOS Acquirer Standards, EFTPOS Interchange Operations Procedures, ATM Acquirer Standards, ATM Interchange Operations Procedures, and associated Security Standards.

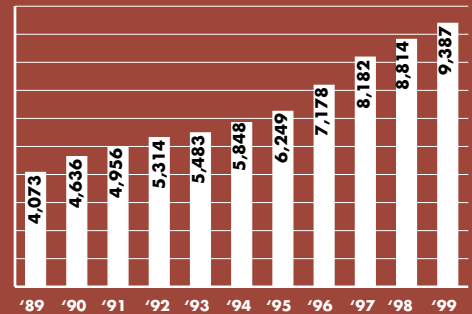
In July APCA lodged further amendments to its CECS rules with the ACCC providing for still wider membership of the clearing system.

As now amended, membership will include organisations termed "merchant principals". Merchant principals are organisations which

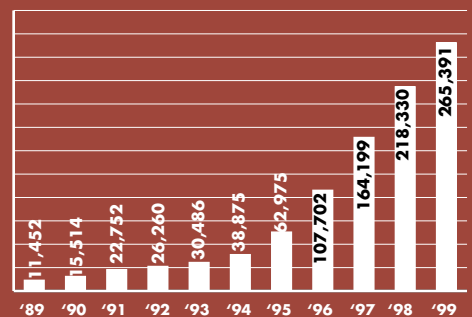
- ▲ capture and switch transactions direct to multiple issuers;
- ▲ receive value in exchange from issuers as principal; and
- ▲ accept substantially the same level of risk and obligations as do acquirers.

CECS will be established once ACCC authorisation is obtained.

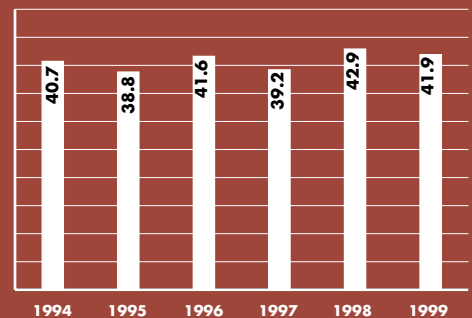
Number of ATM terminals
(as at 30 June 1999)



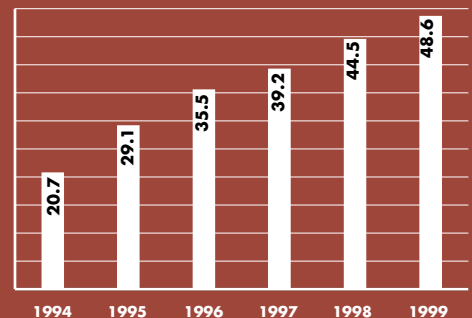
Number of EFTPOS terminals
(as at 30 June 1999)



Number of ATM withdrawals



Number of EFTPOS transactions



Figures for 1994, 1995, 1996 were collected over the month of August
Figures for 1997, 1998, 1999 were collected over the month of May

High Value Clearing System

Following its establishment in August 1997, and the move to full RTGS in June 1998, the 1998-99 year was one of consolidation for the HVCS. With the focus off implementation, emphasis shifted to process improvement and a number of other initiatives.

The daily average number (and value) of payments exchanged over the SWIFT/PDS in 1998-99 was 12,500 (\$67 billion). The average value of each payment was \$5.4 million.

Work was begun to prepare a set of Inter-Organisation Compensation Rules that will be used by all in the RTGS environment, and in other APCA clearing streams.

A joint APCA/SWIFT working group has been established to progress straight-through processing initiatives for the HVCS.

APCA participated also on the Reserve Bank's ongoing RTGS Consultative Group, charged with considering the business needs and direction of the RTGS system.

APCA has been actively involved in the global Continuous Linked Settlement (C.L.S.) initiative; holding discussions with CLS Services Limited regarding participation of the CLS Bank in the HVCS, and participating in a special purpose group chaired by the Reserve Bank. The group is addressing operational requirements, including changes to the Australian "RTGS day", to accommodate the Australian Dollar as a CLS Bank currency.

Members of the HVCS CHESS sub-committee met with the ASX through the year to consider ASX proposals for CHESS to become a feeder system to RTGS, and the admission of additional classes of transactions to the CHESS batch settlement; discussions are continuing.

Public Key Infrastructure

APCA's project to establish itself as a certification authority is running broadly to schedule.

Baltimore Technologies Pty Limited has been selected as the preferred vendor to produce certificates on APCA's behalf. Under this arrangement, APCA will also negotiate a common outsourced facility with Baltimore which APCA's members can use to produce certificates on their behalf, if they so choose.

It is planned that APCA will be in position to issue certificates by the middle of 2000.

It is intended that APCA's role in issuing certificates will be an extension of APCA's role in managing and developing payments clearing systems, and will be provided as a service to its participating members.

APCA will ensure consistency of standards in the issuance of certificates by APCA's members, and will provide the regulatory framework within which these certificates will be issued.

What is a Public Key Infrastructure

Public Key Infrastructure uses public key cryptography to achieve its aims.

Public key cryptography involves the use of specially generated key pairs, that are used together to encrypt and decrypt electronic messages. One of these keys is kept secret to its owner and is known as the private key, while the other key is made freely available and is known as the public key.

One of the elements of a public key infrastructure is a digital certificate.

A digital certificate contains a set of information about the certificate holder.

It contains information such as the certificate holder's name, possibly their address, and perhaps a customer number, depending on the use to which the certificate may be put. Where the certificate holder is a company, the certificate could contain the certificate holder's ACN, for example.

A certificate is "digitally signed" by a trusted certificate issuing authority, called a "Certification Authority". By digitally signing the certificate, the Certification Authority is vouching for the authenticity of the contents of the certificate.

The Certification Authority uses its own private key to sign the certificates it issues.

By attaching their certificates to messages they send, different parties, can correspond and transact with one another with a high level of assurance of each other's identity.



Year 2000 Inter-Organisational Testing Program

APCA oversaw a program to test Year 2000 readiness of financial institutions' payments clearing processes.

Industry Testing

Industry testing for the four APCA payment clearing systems was successfully completed on schedule on 30 June 1999. The testing program, managed by APCA and undertaken by the banks, building societies and credit unions which make up its membership involved seventy seven organisations. Testing commenced in October 1998. It covered the clearing of cheques, direct debits and credits, debit and credit cards in ATM and EFTPOS systems, and the exchange of payments between financial institutions in APCA's high value system.

The successful completion of testing, by 30 June, adds to the confidence that APCA's payments clearing systems should continue to work as expected through the change of year.

Preservation

With industry testing completed, it is important that payment systems are not adversely affected by subsequent system changes.

APCA therefore put in place a preservation strategy which will remain in force until 15 March 2000. Under this strategy, members of APCA are required to provide periodic preservation reports and, as applicable, undertake preservation tests monitored by APCA.

Industry Change Implementation Moratorium

A payments industry-wide moratorium on payment system changes was set during the year. The moratorium applies during the critical periods, identified as being from 1 November this year to 17 January 2000, covering the lead up and changeover to the year 2000, and 21 February to 3 March 2000 which spans the leap year day (29 February) in year 2000.

Contingency Planning

Industry contingency planning commenced during the year, directed towards situations which could potentially disrupt payments clearing arrangements.

This plan covers the four payment clearing systems and specifically addresses the critical dates (e.g. transition from 1999 to the Year 2000).

Communications

Communication between APCA, its members and the regulators will be important during the critical Y2K periods (e.g. transition from 1999 to the Year 2000).

A Year 2000 communications strategy was developed and it is expected that APCA will be operating a communication & co-ordination centre during critical Y2K periods. APCA is working closely with its members and the Reserve Bank in order to establish efficient communication channels.

Internal Year 2000 Review

APCA has taken steps to limit the risk of disruption to its internal operations as a result of the year 2000 date change.

A project was undertaken based on a model developed by PricewaterhouseCoopers, that reviewed our internal business processes, determined the potential consequences of any failure, and then took steps to test (and, if necessary, modify) all relevant equipment.

The work has been performed by an external consultancy, Martin Ridge and Associates. The process and documentation was then reviewed by PricewaterhouseCoopers.

"This statement is a Year 2000 disclosure statement authorised by the Australian Payments Clearing Association for the purposes of the Year 2000 Information Disclosure Act 1999. A person may be protected by that Act from liability for this statement in certain circumstances."

Management

Project Management and Operations

This area of management is responsible for managing projects covering improvements to the existing operation of clearing systems and to the introduction of new initiatives within the payments industry.

It is also responsible for clearing system related operations, such as statistical and direct entry database management, and publications support and maintenance.

Industry Relations

The Industry Relations unit manages and supports the Board and management committees, as well as providing the interface with APCA's members, government and industry regulators, potential new entrants to the payments system and the public in general.

The work of the Industry Relations unit clearly reflects the increased level of interest in payment system matters generally, and more specifically the recognition by APCA of the need for increased emphasis on public affairs, including liaison with other bodies with particular interest in payment arrangements.

Strategic Research and Policy Development

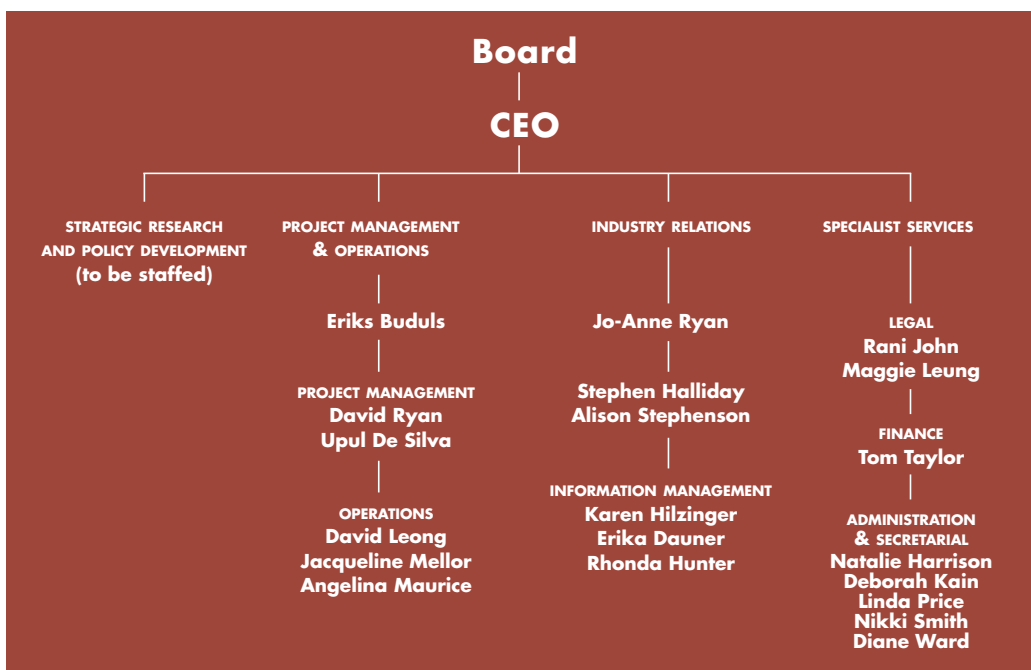
APCA is establishing a strategic research and policy development area. The new area will provide knowledge and insight about the likely potential direction of payments system developments; assist APCA, and APCA members individually, to be appropriately positioned; and place APCA in a better informed position in interacting with external parties and in dealing with external events.

Information Management

Information Management is responsible for APCA's corporate information resource system, which includes the company's website, extranet, research library, central records, archives, information research services and knowledge management processes.

Specialist Services

Legal Service provides legal input to the preparation and maintenance of clearing system rules and procedures, and provides general legal support to the Company. General Counsel is also Company Secretary.



Financial Services provides the Company's accounting function, as well as overseeing the Company's information technology needs.

Administration and Secretarial Services provides secretarial assistance to staff, reception services, catering support for committees and supports the smooth running of the office.

Communications

As interest in payments clearing, and the role of APCA continues to develop, effective communication on payments system matters is of growing importance.

For example, recent developments of particular interest to the media and the community in general, have been APCA's wider membership process, faster cheque clearing, Year 2000 preparations, planned direct debit arrangements, the PKI project, and the establishment of CECS.

To assist in the community's understanding of these and other developments APCA publishes a quarterly report, The Payments Monitor, has upgraded its website, and provided briefings and issued press releases to the media. APCA staff have also regularly participated in industry and public forums.

Website

APCA's website was re-launched in December 1998. The site provides information about APCA and the Australian payments clearing system, as well as providing extensive links to Australian and overseas organisations involved in payments clearing. The site has proven popular with members and the public, with over 150,000 hits made to the site in the past year.

Extranet

The extranet was launched in June 1999, and contains a series of electronic databases accessible by members. The databases available include a member contacts database, management committee communications database and operational database.

Governance

The Board is responsible for the overall corporate governance of APCA.

A Finance and Audit committee, chaired by a non-executive director, is responsible for oversight of financial practices, and advice to the Board on the adequacy of accounting procedures, systems, controls and financial reporting. It comprises three non-executive directors and the Chief Executive Officer.

The Remuneration Committee comprises members of the Finance and Audit Committee and is chaired by the company's Chairman. It advises the Board on corporate remuneration policies and the remuneration of the Chief Executive Officer.

Operational plans based on the company's strategic objectives, are developed each financial year. These plans are reviewed and endorsed by the Board, with progress monitored throughout the year.

Company policies on employment related matters have been made available to staff on-line through an intranet site. These include policies on harassment, equal employment opportunity and discrimination, employee performance counselling and occupational health and safety.



Project Management & Operations



Specialist Services



Information Management

Share Members (as at 30 June 1999)

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
 Bank of Queensland Limited
 Bank of Western Australia Limited
 Bendigo Bank Limited
 Colonial State Bank
 St. George Bank Limited
 Suncorp – Metway Limited
 Trust Bank

'B' class voting redeemable preference share members

ABN AMRO Bank, NV
 AMP Bank 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

Citibank Limited
 Deutsche Bank AG
 HSBC Bank Australia Limited
 IBJ Australia Bank Limited
 ING Mercantile Mutual Bank Limited
 Macquarie Bank Limited
 Midland Bank plc
 Morgan Guaranty Trust Company of New York
 NM Rothschild & Sons (Australia) Limited
 Oversea-Chinese Banking Corporation Limited
 Overseas Union Bank Limited
 Royal Bank of Canada
 Standard Chartered Bank Australia Limited
 State Street Bank & Trust Company
 The Asahi Bank, Ltd.
 The Chase Manhattan Bank
 The Dai-ichi Kangyo Bank, Limited
 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

Financial

FINANCIAL STATEMENTS CONTENTS

Australian Payments Clearing Association Limited
ACN 055 136 519

Directors' Report	16
Profit and Loss Statement	20
Balance Sheet	21
Statement of Cash Flows	22
Notes to and Forming Part of the Financial Statements	23
Note 1 Summary of Significant Accounting Policies	23
Note 2 Operating Revenue	24
Note 3 Operating Profit	24
Note 4 Income Tax	24
Note 5 Current Assets - Cash	25
Note 6 Current Assets - Receivables	25
Note 7 Current Assets - Inventories	25
Note 8 Current Assets - Other	25
Note 9 Non-Current Assets - Office Equipment	25
Note 10 Non-Current Assets - Other	25
Note 11 Current Liabilities - Creditors and Borrowings	25
Note 12 Current Liabilities - Provisions	26
Note 13 Non-Current Liabilities - Provisions	26
Note 14 Share Capital	26
Note 15 Remuneration of Directors	27
Note 16 Remuneration of Executives	27
Note 17 Retirement Benefits	27
Note 18 Remuneration of Auditors	27
Note 19 Contingent Liabilities	27
Note 20 Commitments for Expenditure	28
Note 21 Related Parties	28
Note 22 Segment Information	28
Note 23 Reconciliation of Net Cash Inflow from Operating Activities to Operating Profit after Income Tax	28
Note 24 Financial Instruments	29
Directors' Declaration	31
Independent Audit Report to the Members	32

Directors'

DIRECTORS' REPORT

For the year ended 30 June 1999

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.

Ms L E Martin AB, MBA

Deputy Chairman

(Non-executive director)

General Manager, Global Transactions and Treasury Solutions, Westpac Banking Corporation. Over 17 years' experience in banking in the U.S., Hong Kong and Australia. Appointed as a director in March 1995. *Chairman of the Remuneration Committee.*

Mr J Hall

(Non-executive director)

General Manager, Payment Systems, Credit Union Services Corporation (Australia) Limited. Over 25 years' banking experience in the UK and Australia. Chief Executive Officer and Director Fusion Cards Limited. Appointed as a director in November 1998.

Mr W J Hooper

(Non-executive director)

Senior Manager, Payments Services, Colonial State Bank. Over thirty years' banking experience, mostly in areas of information technology, computer auditing, electronic banking & payments systems. Certified Information Systems Auditor. Appointed as a director in October 1997. *Chairman, Management Committee of the Australian Paper Clearing System (CS1).*

Mr P A Inglis B.Ec(Hons)

(Non-executive director)

Head, Payments Policy & Industry Liaison, Technology, E-Commerce & Payments, Australia and New Zealand Banking Group Limited. Over 12 years' experience in the banking industry in payments and economics; five years in government service, including Federal Treasury. Director of Austraclear Limited. Appointed as a director in July 1998. *Chairman, Management Committee of the High-Value Clearing System (CS4).*

Mr B J Mecklem

(Non-executive director)

General Manager, Global Payment Systems, National Australia Bank Limited. Over thirty-five years' experience in the Australian banking industry gained in a broad spectrum of appointments. Director, Mondex Australia Pty Limited. Alternate director, Mondex Australasia Pty Limited. Chairman, Australia Risk & Origination Committee, Mondex Australia. Member, Exposure & Supervisory Committee, Mondex International, London. Alternate Director, Charge Card Services Pty Limited. Alternate Director, BPAY Pty Limited. Alternate Director, Cardlink Services Limited. Member, World Automated Transaction Clearing House Working Group, NACHA, USA. Appointed as a director in October 1993. *Chairman, Management Committee of the Bulk Electronic Clearing System (CS2), Acting Chairman, Special Purpose Committee 3.*

Mr C S Moore

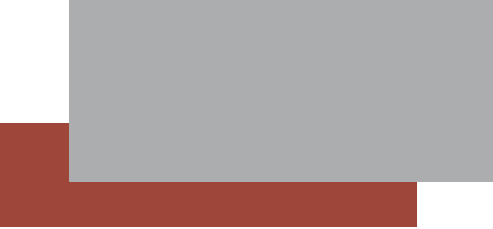
(Non-executive director)

Vice President, Financial Institutions Group, Citibank Limited. Over twenty years' experience in the banking industry in Australia. Appointed as a director in March 1997. *Member of the Finance and Audit Committee and the Remuneration Committee.*

Mr B F Munro B.Bus

(Non-executive director)

Head of Transaction Services, Institutional Banking, Commonwealth Bank of Australia. Fellow of the Australian Institute of Bankers. Responsible for the transaction banking, payments and cash management needs of the Commonwealth Bank's corporate, government and financial institution client base and for wholesale payments strategy. Over twenty years' experience in banking, including financial and capital markets, wholesale payments and related areas. Appointed as a director in May 1998. *Chairman of the Finance and Audit Committee and Member of the Remuneration Committee.*



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

Chief Executive Officer

(Executive director)

Twelve 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 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 fifteen years' experience in areas of industry policy, particularly payments systems. Director of National Custodian Limited. Appointed as a director in December 1992.

Dr J M Veale Dip Ed., BA (Hons), M.Ec, PhD

(Non-executive director)

Head of Payments Policy Department, Reserve Bank of Australia. Ten years in academic positions in Australia and the United Kingdom, and over fifteen years' experience in Australian central banking. Appointed as a director in January 1998. *Member of the Finance and Audit Committee and the Remuneration Committee.*

Alternate Directors

Mr P J Apolony

Ms M Bullock

Mr D J Dunne

Mr R B Ham

Mr D A Magin

Mr J D McFadden

Mr B Thorsby

Mr P A Timms

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 loss after income tax for the year ended 30 June 1999 was \$ (2,171) (1998 profit \$49,357).

Dividends

No dividends were proposed or paid in respect of the period since incorporation to 30 June 1999.

Review of operations

Procedures for the electronic transmission of cheque particulars and electronic dishonours came into effect on 30 April 1999.

A new edition of the MICR Book was approved for release on 5 May 1999.

Revised Procedures for new direct debit arrangements were submitted to the Australian Competition and Consumer Commission (ACCC) for authorisation. In August 1999 the ACCC approved the Procedures. An implementation date of 31 March 2000 has been set.

An application for authorisation of the Consumer Electronic Clearing System (CECS) Regulations and Manual was lodged with the ACCC on 16 December 1998. An additional application, comprising further amendments to the CECS Regulations extending Participating Membership to organisations termed "Merchant Principals" was lodged with the ACCC in July 1999.

An expanded BIC/BSB directory for use in the High Value Clearing System has been completed.

Regulations providing for the establishment of Advisory Councils within clearing streams were approved in April 1999. The inaugural meeting of the first Advisory Council to be established, the CECS Advisory Council, was held on 13 August 1999.

Year 2000 readiness industry testing for all participants across all of APCA's clearing streams was successfully completed, on schedule, by 30 June 1999.

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 Consumer Electronic Clearing System is expected to be established during 1999 - 2000. Further progress will be made towards enhancing APCA's operations, including:

- ▲ Implementation of new Direct Debit arrangements
- ▲ Development of Inter-Organisation Compensation Rules
- ▲ Establishment of failure-to-settle Regulations and Procedures within each clearing system
- ▲ Establishing APCA as a root certification authority
- ▲ Oversight of contingency planning arrangements and an industry preservation strategy designed to support Year 2000 readiness of financial institutions' payments clearing processes.

It is intended that the Company will earn sufficient revenue primarily through charges on its members to cover operating expenses.

Matters subsequent to the end of the financial year

Since 30 June 1999, no matters or circumstances have arisen that have significantly affected or may significantly affect:

1. the operations in the financial year ended 30 June 1999; or
2. the results of those operations; or
3. the state of affairs as at 30 June 1999.

Directors' meetings

Twelve 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	5	5	3	3		
J Hall	5	7(b)				
W J Hooper	12	12	3	3		
P A Inglis	12	12				
L E Martin	12	12	2	3	4	4
B J Mecklem	10	12(b)				
C S Moore	12	12	5	5	4	4
B F Munro	12	12	5	5	4	4
P R Smith	12	12	8	8	4	4
J N Toms	10	12(a)				
J M Veale	10	12(b)	4	5	3	4

Notes:

- * Reflects the number of meetings held while the director held office (or was a member of the relevant committee(s)) 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:

1. normal benefits as a full-time employee of the company included in notes 15 and 16 of the financial statements, *and*
2. 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 General Counsel and Company Secretary, Ms R S John (appointment effective from 6 September 1999); Director, Industry Relations, Ms J C Ryan; Director Project Management and Operations, Mr E Buduls; and Financial Controller, Mr T J Taylor.

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.



L E Martin
Deputy Chairman
22 September 1999



P R Smith
Chief Executive Officer
22 September 1999

Profit

PROFIT AND LOSS ACCOUNT

For the year ended 30 June 1999

	Notes	1999 \$	1998 \$
Operating profit before abnormal items and income tax	3(a)	1,898	97,681
Abnormal items before income tax	3(b)	(1,898)	(16,999)
Operating profit before income tax		-	80,682
Income tax attributable to operating profit	4	2,171	31,325
Operating (loss) / profit after income tax		(2,171)	49,357
Retained profits at the beginning of the financial year		210,755	161,398
Retained profits at the end of the financial year		208,584	210,755

The above profit and loss account should be read in conjunction with the accompanying notes.

BALANCE SHEET

Balance

As at 30 June 1999

	Notes	1999 \$	1998 \$
Current Assets			
Cash	5	300	300
Receivables	6	589,958	428,765
Inventories	7	26,809	3,717
Other	8	141,640	90,368
Total Current Assets		758,707	523,150
Non-Current Assets			
Office equipment	9	277,783	256,909
Other	10	70,052	50,753
Total Non-Current Assets		347,835	307,662
Total Assets		1,106,542	830,812
Current Liabilities			
Creditors and borrowings	11	602,895	398,512
Provisions	12	155,327	133,794
Total Current Liabilities		758,222	532,306
Non-Current Liabilities			
Provisions	13	138,872	86,886
Total Non-Current Liabilities		138,872	86,886
Total Liabilities		897,094	619,192
Net Assets		209,448	211,620
Shareholders' Equity			
Share capital	14	864	865
Retained profits		208,584	210,755
Total Shareholders' Equity		209,448	211,620

*The above balance sheet should be read
in conjunction with the accompanying notes.*

Statement

STATEMENT OF CASH FLOWS

For the year ended 30 June 1999

Notes

Cash Flows from Operating Activities

Contributions towards expenses by members

Other operating income

Payments to suppliers and employees

Interest and other costs of finance paid

Income tax paid

Proceeds from sale of inventories

Net cash inflow from operating activities

Cash Flows from Investing Activities

Payments for office equipment

Net cash outflow from investing activities

Cash Flows from Financing Activities

Proceeds from issue of shares

Payments for redemption of shares

Repayment of borrowings

Repayment of finance lease liabilities

Net cash outflow from financing activities

Net Increase in Cash Held

Cash at the beginning of the financial year

Cash at the End of the Financial Year

Notes

23

5

1999

1998

\$

\$

Inflows/
(Outflows)

Inflows/
(Outflows)

5,030,898

3,478,864

321,146

221,148

(5,164,067)

(3,459,286)

(7,840)

(4,757)

(66,435)

(73,626)

10,549

7,231

124,251

169,574

(111,380)

(70,135)

(111,380)

(70,135)

5

13

(6)

(18)

-

(50,000)

-

(12,890)

(1)

(62,895)

12,870

36,544

(155,680)

(192,224)

(142,810)

(155,680)

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 June 1999

1 Summary of Significant Accounting Policies

The 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. Income tax on net cumulative timing differences is set aside to the deferred income tax or the 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 office equipment over its expected useful life of the company. Estimates of remaining useful lives are made on a regular basis for all assets.

(c) Employee Entitlements

(i) *Wages and Salaries and 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 flows.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

30 June 1999

	1999	1998
	\$	\$
2 Operating Revenue		
Contributions towards expenses by members	5,186,530	3,112,364
Other revenue		
Membership fees	75,900	34,950
Representation change fees	202,350	163,300
Sundry	29,623	2,201
Proceeds from sale of publications and gauges	10,549	7,231
	5,504,952	3,320,046
3 Operating Profit		
(a) Operating profit before income tax is arrived at after charging the following specific items:		
Office equipment depreciation	88,608	83,726
Interest paid/payable	8,307	4,757
Leasing costs	-	362
Employee entitlement provisions	231,346	193,775
Rental expense relating to operating leases	252,783	328,047
(b) Operating profit after income tax is also arrived at after crediting and charging the following abnormal items:		
Charge		
Loss on writedown and disposals of fixed assets	1,898	16,999
Credit		
Applicable income tax credit on abnormal charge	683	6,120
Abnormal items after income tax	1,215	10,879
4 Income Tax		
Operating profit before income tax	-	80,682
Income tax calculated @ 36 %	-	29,046
Tax effect of permanent differences:		
Entertainment expenditure	2,171	2,279
Income tax attributable to operating profit	2,171	31,325

	1999	1998
	\$	\$
5 Current Assets - Cash		
Cash on hand	300	300
The above figures are reconciled to cash at the end of the financial period as shown in the statement of cash flows as follows:		
Balance as above	300	300
Less: Bank overdraft (note 11)	(143,110)	(155,980)
Balance per statement of cash flows	(142,810)	(155,680)
6 Current Assets - Receivables		
Contributions receivable from shareholders	581,597	425,965
Sundry debtors	8,361	2,800
	589,958	428,765
7 Current Assets - Inventories		
Publications and gauge stocks	26,809	3,717
8 Current Assets - Other		
Tax refund due	19,086	-
Prepayments	122,554	90,368
	141,640	90,368
9 Non-Current Assets - Office Equipment		
Office equipment - at cost	598,504	506,886
Less: Accumulated depreciation	320,721	249,977
	277,783	256,909
Total office equipment	277,783	256,909
10 Non-Current Assets - Other		
Future income tax benefit	70,052	50,753
11 Current Liabilities - Creditors and Borrowings		
Bank overdraft	143,110	155,980
Other creditors and accruals	459,785	242,532
	602,895	398,512

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

30 June 1999

	1999	1998
	\$	\$
12 Current Liabilities - Provisions		
Taxation provision	-	25,879
Employee entitlements	155,327	107,915
	155,327	133,794
13 Non-Current Liabilities - Provisions		
Long service leave	138,872	86,886
14 Share Capital		
Issued and paid up		
5 ordinary shares of \$100 each (1998: 5)	500	500
40 "A" class voting redeemable preference shares of \$1 each (1998: 40)	40	40
126 "B" class voting redeemable preference shares of \$1 each (1998: 127)	126	127
100 "C" class voting redeemable preference shares of \$1 each (1998: 100)	100	100
98 "D" class voting redeemable preference shares of \$1 each (1998: 98)	98	98
	864	865
(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 1999 do not carry a fixed rate of dividend.		
(iv) During the year the company issued a further 5 "B" 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) During the year the company redeemed 6 "B" class redeemable preference shares in accordance with Article 3.6 of the Articles of Association. The purpose of the redemption was to cancel all shares on issue to shareholders who have ceased to be members of the company. Loss of members have resulted from take overs and trade operations ceasing of particular interests.		
(vi) The company is limited by shares and guarantee.		

15 Remuneration of Directors

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

1999	1998
\$	\$
233,587	211,266

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

\$Nil

10 13

\$220,000 - \$229,999

- 1

\$230,000 - \$239,999

1 -

16 Remuneration of Executives

Income received, or due and receivable by executives from the company and related bodies which was at least \$100,000

243,059 **269,605**

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

\$100,000 - \$109,999

1 -

\$130,000 - \$139,999

1 2

17 Retirement Benefits

Amounts payable to the superannuation fund in connection with the retirement of the Chief Executive Officer

17,468 **17,234**

18 Remuneration of Auditors

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

Audit of accounts of the company

13,550 11,350

Other services

61,277 19,773

74,827 **31,123**

19 Contingent Liabilities

A bank guarantee exists for \$119,850 (1998: \$117,960) in respect of the lease arrangements for the office premises. This guarantee is repayable on demand by the bank and has not been utilised during the period.

Bank guarantees totalling \$ 40,000 (1998: \$90,000) are held with the bank which are necessary for payroll and direct debit payments. These guarantees, if utilised, are repayable on demand. The guarantees have not been utilised during the period.

30 June 1999

20 Commitments for Expenditure

Lease commitments

Total lease expenditure contracted for at balance date but not provided for in the accounts payable:

	1999 \$	1998 \$
Not later than one year	266,984	238,797
Later than one year but not later than 2 years	248,193	238,797
Later than 2 years but not later than 5 years	218,897	457,694
Later than 5 years	-	-
	734,074	935,288

Representing:

Non-cancellable operating leases

	734,074	935,288
--	----------------	----------------

21 Related Parties

Directors

The names of persons who were directors of Australian Payments Clearing Association Limited at any time during the financial year are as follows: PR Smith, RJ Fowler, LE Martin, BJ Mecklem, CS Moore, JN Toms, JM Veale, BF Munro, WJ Hooper, J Hall and PA Inglis; and alternate directors P Apolony, M Bullock, DJ Dunne, D Magin, JD McFadden, B Thorsby, RB Ham and P Timms.

The company shareholders are both the creditors and debtors of the company. During the financial year the company sold assets to the shareholders totalling \$10,549 (1998: \$7,231). All transactions have been performed on an arm's length basis.

22 Segment Information

The company operates predominantly in the financial services industry. The company operates predominantly in one geographical area, being Australia.

23 Reconciliation of Net Cash Inflow from Operating Activities to Operating Profit after Income Tax

Net cash inflow from operating activities	124,251	169,574
Depreciation	(88,608)	(83,726)
Loss on sale of assets	(1,898)	(16,999)
Change in operating assets and liabilities		
(Decrease)/increase in debtors	161,193	(379,966)
Increase/(decrease) in inventories	23,092	1,649
Increase/(decrease) in prepayments	32,186	9,001
(Increase)/decrease in other creditors	(217,253)	342,391
Decrease/(increase) in provision for income taxes payable	44,965	11,237
Increase in provision for future income tax benefit	19,299	31,064
Increase in other provisions	(99,398)	(34,868)
	(2,171)	49,357

24 Financial Instruments

(a) Credit Risk Exposure

The credit risk on financial assets of the economic entity which have been recognised on the balance sheet other than cash on hand, is the carrying amount of those financial assets.

A concentration of credit risk arises from contributions receivable from shareholders of the company. At balance date, the total credit risk to this concentration was \$581,597 (1998: \$425,965) (Note 6).

(b) Interest Rate Risk Exposure

	Notes	Floating Interest Rate \$	Non-interest Bearing \$	Total
1999				
Financial assets				
Cash on hand	5	-	300	300
Receivables	6	-	589,958	589,958
Other	8	-	141,640	141,640
		-	731,898	731,898
Weighted average interest rate		-		
Financial liabilities				
Bank overdrafts and loans	11	143,110	-	143,110
Trade and other creditors	11	-	459,785	459,785
		143,110	459,785	602,895
Weighted average interest rate	7.5%			
Net financial (liabilities)/assets		(143,110)	272,113	129,003
1998				
Financial assets				
Cash on hand	5	-	300	300
Receivables	6	-	428,765	428,765
Other	8	-	90,368	90,368
		-	519,433	519,433
Weighted average interest rate		-		
Financial liabilities				
Bank overdrafts and loans	11	155,980	-	155,980
Trade and other creditors	11	-	242,532	242,532
		155,980	242,532	398,512
Weighted average interest rate		8.75%		
Net financial (liabilities)/assets		(155,980)	276,901	120,921

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

30 June 1999

Reconciliation of Net Financial Assets to Net Assets

	1999	1998
	\$	\$
Net financial assets as above	129,003	120,921
Inventories (Note 7)	26,809	3,717
Property, plant and equipment (Note 9)	277,783	256,909
Provisions (Notes 12 and 13)	(294,199)	(220,680)
Other non-financial assets and liabilities	70,052	50,753
Net assets per balance sheet	209,448	211,620

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and financial liabilities of the company approximates their carrying value.

Australian Payments Clearing Association does not hold any off balance sheet financial instruments.

Directors'

DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements set out on pages 20 to 30 are drawn up in accordance with Divisions 4 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 1999 and the results 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 applicable Accounting Standards and other mandatory professional reporting requirements.

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

Leslie Martin

LE Martin
Director

P.R. Smith

PR Smith
Director

Sydney
22 September 1999

Scope

We have audited the financial report of Australian Payments Clearing Association Limited (the Company) for the financial period ended 30 June 1999 as set out on pages 20 to 31. The Company's directors are responsible for the financial statements. We have conducted an independent audit of the 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 as to 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, other mandatory professional reporting requirements and the Corporations Law so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by 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 1999 and the results and cash flows for the financial year ended on that date; 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.

PricewaterhouseCoopers

Chartered Accountants



Mark Haberlin
Partner

Sydney
24 September 1999

Corporate Information

Board

Leslie Martin (Acting Chairman)
Peter Smith (Chief Executive Officer)
John Hall
Wes Hooper
Paul Inglis
Brian Mecklem
Chris Moore
Bruce Munro
John Toms
John Veale

Chief Executive Officer Peter Smith

General Counsel, Company Secretary Rani John

Director Industry Relations Jo-Anne Ryan

Director Project Management & Operations Eriks Buduls

Financial Controller Tom Taylor

Solicitors

Mallesons Stephen Jacques, Sydney

Auditors

PricewaterhouseCoopers, Sydney

Registered Office

Level 24
25 Bligh Street
Sydney NSW 2000
Telephone: (02) 9221-8944
Facsimile: (02) 9221-8057
Web Page: <http://www.apca.com.au>

Company Meetings

The Annual General Meeting will be held on
Thursday, 21 October 1999 at 9.30am.

The Annual Meeting of the APCS will be held on
Wednesday, 10 November 1999 at 9.30am.

The Annual Meeting of BECS will be held on
Tuesday, 23 November 1999 at 9.30am.

The Annual Meeting of the HVCS will be held on
Thursday, 18 November 1999 at 9.30am.

APCA Publications

▲ BSB Numbers in Australia
Issued quarterly and available in either book form or on computer diskette. Can be purchased directly from Craftsman Press Publishing Pty Ltd (prices on application)

Craftsman Press Publishing Pty Ltd
Address: 125 Highbury Road,
Burwood. Vic 3125
Telephone: (03) 9926 1200
Fax: (03) 9926 1291

Available directly from APCA:

- ▲ Design Specifications for Cheques and Deposit Forms (Publication 11-5)
- ▲ Magnetic Ink Character Recognition (MICR) (Publication 3.3)
- ▲ Payments Monitor
A quarterly publication for members which provides an update on APCA related activities.

Also Available:

- ▲ Glardon Gauges (hand held device for verifying positioning of MICR encoding)

