

NOTE PRINTING AUSTRALIA AND SECURENCY

NOTE PRINTING AUSTRALIA

Note Printing Australia Limited (NPA), based at Craigieburn in Victoria, is a wholly owned subsidiary of the RBA that produces currency notes and other security documents for Australia and for export. It has been the world pioneer in employing polymer in the manufacture of currency notes and now prints predominantly on Guardian® polymer substrate manufactured by Securency Pty Ltd (see below).

The Board of NPA, operating under a broad charter from the Reserve Bank Board, comprises chairman Graeme Thompson (a former Deputy Governor of

the RBA and now Chief Executive Officer of the Australian Prudential Regulation Authority), Richard Warburton (a non-executive member of the Reserve Bank Board), Les Austin (formerly an Assistant Governor of the RBA) and Mark Bethwaite (Chief Executive of Australian Business Ltd). John Leckenby has been NPA's chief executive since 1998.

A major activity for NPA in the past year was fulfilling an important export contract for notes for the Bank of Mexico due for issue in late 2002. This involved both design and production of the 20 peso note. The Bank of Mexico started manufacture of the

NPA Polymer Notes Export Orders

Year of first issue	Customer	Denomination	Issue
1990	Singapore	50 Dollar	Commemorative
1991	Western Samoa	2 Tala	Circulating
1991	Papua New Guinea	2 Kina	Special Issue Circulating
1993	Kuwait	1 Dinar	Commemorative
1994	Indonesia	50 000 Rupiah	Special Issue Circulating
1995	Papua New Guinea	2 Kina	Special Issue Circulating
1996	Papua New Guinea	2 Kina	Circulating
1996	Brunei Darussalam	1, 5, 10 Dollar	Circulating
1996	Thailand	50 Baht	Commemorative
		500 Baht	Special Issue Circulating
1997	Thailand	50 Baht	Circulating
1997	Western Samoa	2 Tala	Circulating
1998	Sri Lanka	200 Rupee	Circulating
1998	Malaysia	50 Ringgit	Commemorative
1999	New Zealand	5, 10, 20, 50 & 100 Dollar	Circulating
		10 Dollar Millennium Note	Commemorative
1999	Papua New Guinea	50 Kina	Circulating
1999	Romania	2 000 Lei	Commemorative/circulating
1999	Indonesia	100 000 Rupiah	Circulating
2000	Romania	10 000 Lei	Circulating
2000	Romania	500 000 Lei	Circulating
2000	Papua New Guinea	2, 10, 50 Kina	Special Issue Circulating
2000	Papua New Guinea	10 Kina	Circulating
2000	Bangladesh	10 Taka	Circulating
2001	Kuwait	1 Dinar	Commemorative
2001	Solomon Islands	2 Dollar	Special Issue Circulating
2002	Mexico	20 Peso	Circulating
2002	Nepal	10 Rupee	Circulating

same note in parallel with NPA's production, with NPA and Securency supplying staff to assist in this start-up process.

In all, 176 million export notes were produced in the year. For the year ahead orders are on hand from Nepal, New Zealand, Papua New Guinea and Brunei. Significantly, several of these are repeat orders.

The RBA placed orders for Australian \$20 notes and, by year's end, 93 million of these had been supplied. A revised commercial arrangement was entered into with the RBA to provide more predictable demand on the production facility.

During the year NPA won the right to print and assemble the new Australian passport for the Department of Foreign Affairs and Trade, with production to commence in early 2003. As a result NPA will have the exclusive right to produce the Australian passport for ten years. The production equipment to be installed will also provide spare capacity that can be used for export sales. The new passport will have a number of new security features, which will provide increased protection from counterfeiting and reduce the risk of identity fraud.

NPA continues to work closely with Securency on research and development to improve security and handling of currency notes. Ink production has become more sophisticated and NPA has formed a closer working relationship with an ink manufacturer to improve efficiencies and guarantee access to the latest technology. This arrangement is expected to lead to royalty income for NPA in the next few years.

Productivity in the National Note Processing Centre, operated by NPA under contract from the RBA, was improved through the year with increasing throughput levels per operator being achieved.

Although the international note printing market remains very competitive, NPA's commercial outlook has strengthened considerably over the past year. It can expect a steady income from the RBA's annual order coupled with the contribution from the National Note Processing Centre and the start of passport production in 2003.

SECURENCY

Securency Pty Ltd was formed in 1996 as a joint venture between the RBA and UCB Films PLC, a manufacturer of polypropylene films. Securency supplies its press-ready polymer substrate, Guardian®, to NPA and to overseas printers for currency notes and Sentinel® for other high-security documents such as land titles. These products are produced by applying unique coatings and security features to specialised films manufactured by UCB Films.

Securency's Board comprises three directors appointed by the RBA, three appointed by UCB and the company's Managing Director, a non-voting member. Its offices and plant are at Craigieburn, close to NPA's operations and to a UCB films plant that was commissioned in 1999. Myles Curtis has been Securency's chief executive since 1996.

Securency's main customers for security products using polymer substrate – other than those supplied with finished currency notes through NPA – are shown in the table on the next page.

Securency's main project in the past year was the production and supply of polymer substrate to NPA for the Mexican order mentioned above and to the Bank of Mexico for printing in Mexico. In total, substrate for some 425 million notes was delivered.

Securency has also secured an additional order for the supply of substrate to the Bank of Mexico over the next year. This follows the public success of the Brazilian 10 Reais polymer banknote in 2000, the first polymer note to be issued in the Americas.

The printing of three more polymer denominations at the National Bank of Romania's Printing Works in Bucharest completed its entire series on Guardian® polymer substrate. This represents the first full series of circulating polymer notes in Europe.

Securency's marketing efforts of the past year have seen a significant increase in international interest in polymer notes. Orders are being pursued with a number of encouraging prospects in Asia, Africa, Europe and South America. The Bank of Zambia has also announced it will issue two polymer denominations in early 2003.

Securrency Export Customers

Year of order	Customer	Product
1998	Bank of Thailand	50 Baht
1999	Bank of Thailand	50 Baht
1999	Central Bank of China, Taiwan	50 NT Dollar
1999	China Engraving & Printing Works, Taiwan	Land title
1999	National Bank of Belgium	UCB Share Certificate
1999	National Bank of Belgium	Financier Share Certificate
1999 & 2000	Central Bank of Brazil	10 Reais
1999	Canadian Bank Note Company	Northern Bank 5 Pound
2000	People's Bank of China	100 Yuan
2001	State Bank of Vietnam	50 Dong
2001	National Bank of Romania	10 000 Lei
2001	Central Bank of Austria Banknote Printing Works	Romania 100 000 Lei
2001 & 2002	National Bank of Romania	50 000 Lei
2001 & 2002	Bank of Mexico	20 Peso
2002	National Bank of Romania	100 000 Lei

Securrency recorded a disappointing financial result for 2001 (it reports on a calendar year basis). The future for the joint venture, however, holds considerable promise. Hence, the joint venture partners remain committed to providing Securrency with the resources it needs to achieve long-term success.

Due to the increasing global concern for personal security there has also been a considerable interest in innovative polymer-based security documents. This has led to the development of a range of substrates for government-issued documents, which should become commercially available during the latter half of 2002.

Following an intensive company-wide continuous improvement program, Securrency achieved the ISO 9001: 2000 Quality Certification to the latest quality systems standard. The systems and processes developed through this program will help to ensure that Securrency can meet its customers' increasingly sophisticated requirements.

NPA/Securrency restructure

The interdependence of NPA and Securrency was recognised in a new agreement on marketing and

technical support. The main marketing of currency notes to potential customers is now being carried out by Securrency, while NPA continues to service existing customers. This has reduced the duplication of marketing effort overseas and promises to provide NPA with "start-up" orders for those countries converting from paper to polymer notes in their own print works. Such start-up volumes will be produced by NPA as part of a formal technology transfer program.

PolyTeQ Services, a newly created unit of NPA, will supply the extensive technical support required. This unit, jointly funded by Securrency and NPA, uses NPA technical staff and other consultants to assist overseas issuers plan and implement the transition to polymer.

Following the restructure, research and development for Securrency will be managed by NPA staff and controlled through a Joint Technical Committee reporting to the Boards of both companies. This should ensure the necessary co-ordination of research. With this research base, NPA and Securrency are well placed to offer new solutions for document security to a variety of users around the world.