



Securities Exchanges Guarantee Corporation

ANNUAL REPORT

2016

*Securities Exchanges Guarantee Corporation Limited ABN 19 008 626 793
(a company limited by guarantee)
Trustee of the National Guarantee Fund ABN 69 546 559 493*

CONTENTS

Message from the Chairman	1
Overview of SEGC & The National Guarantee Fund	3
What is the NGF?	3
What claims can be made on the NGF?	3
Claims which cannot be made on the NGF	4
Claims in relation to exchange traded derivatives.....	4
Reduction of claims.....	4
The minimum amount of the NGF	5
Financial Industry Development Account (FIDA)	6
Multi-market environment	6
BOARD OF DIRECTORS	7
Directors' Attendance at Meetings.....	8
CORPORATE GOVERNANCE	9
ADMINISTRATION OF SEGC	9
CLAIMS REPORT	10
Claims processing procedure	10
Claims processed in the current year	10
Appeals against disallowed claims.....	12
FINANCIAL STATEMENTS	13
Securities Exchanges Guarantee Corporation Limited Financial Statements for the Year Ended 30 June 2016	13
National Guarantee Fund Financial Statements for the Year Ended 30 June 2016.....	27
FURTHER INFORMATION	47
Registered Office	47

MESSAGE FROM THE CHAIRMAN

The 2015/2016 financial year was a busy and productive one for Securities Exchanges Guarantee Corporation Limited (SEGC).

SEGC is the trustee of the National Guarantee Fund (NGF), which is a compensation scheme available to the operators of licensed financial markets who are members of SEGC (currently only ASX Limited (ASX)).

The core purpose of the NGF is to provide compensation to meet certain types of claims arising from dealings with participants of ASX and, in limited circumstances, participants of ASX Clear Pty Limited (ASX Clear), in the circumstances set out in Division 4 of Part 7.5 of the Corporations Act 2001 (Cth).

SEGC has received over 300 claims as a result of the collapse of the BBY Group (BBY) in May 2015. SEGC also allowed and paid, and disallowed, a number of claims during the financial year. The SEGC Board established a Claims Committee to deal with the expanded workload arising out of the increased number of claims.

Further commentary in relation to claims is included later in the report.

In addition to assessing and determining claims, SEGC is a non-representative defendant in proceedings instigated by the liquidators of BBY under which they have applied for various orders and directions in relation to the distribution of the funds in BBY's client segregated accounts (CSAs). These broadly relate to pooling of the CSA's. The outcome will affect the amount of claims payable by SEGC. If the CSAs are pooled it is more likely that payments in respect of certain claims may need to be pro-rated down than if the CSAs are not pooled. The application is scheduled to be heard in early 2017. Further commentary is included later in the report.

As at 30 June 2016 the net assets of the NGF were \$101.9 million (compared to \$103.5 million as at 30 June 2015). In the event that the amount of the NGF falls below the minimum amount set under s889I of the Corporations Act, SEGC has a number of measures at its disposal including discretion to levy any market operator of a financial market to which the NGF compensation scheme applies, or its market participants. The legislation provides a cap on the amount of any levy. The minimum amount of the NGF is currently set at \$100 million. The SEGC Board continues to review its capital management plan and will monitor the minimum amount, the amount in the fund and its tolerance limits in light of this review.

No levy has been required since the inception of the NGF, however, following expected payments, the amount in the NGF is expected to fall below the minimum amount during 2016-17. In addition, given other circumstances such as increased administrative expenses and the low interest rate environment, a levy may become necessary, including a regular levy.

The Board is mindful of the economic environment and structural changes that are occurring in the financial markets industry alongside regulatory changes, including changes to the supervision of brokers. In this context, the Board continues to pay close regard to the importance of maintaining the adequacy of the funds held in the NGF in order to be in a position to meet claims that may arise. In previous years the SEGC Board has voiced its concerns about payments from the NGF to the Financial Industry Development Account (FIDA) based on Ministerial approvals. More recently given the anticipated depletion of funds as a result of claims on the Fund, the SEGC board resolved not to pay the final Australian Securities and Investment Commission (ASIC) supervision levy of \$1,465,000 for the year ended 30 June 2017. The SEGC board has established a Capital and Investment Committee to make recommendations to the Board with respect to capital management and investments.

How SEGC manages financial risk and capital management is explained in more detail later in the report.

Currently, the sole member of the SEGC is ASX. However the Board has conditionally approved the admission of an operator of another financial market, Chi-X Australia Pty Ltd (Chi-X). SEGC continues to work with Chi-X to fulfil the applicable conditions.

SEGC has undergone a physical separation from ASX where it has been since inception and is in the process of an administrative separation. This will result in an increase in operating costs.

The SEGC Board would like to thank ASX staff for their support and service over the years.

For many years the board has been seeking reform of the NGF. The principal concern is for capping of all claims to avoid a potential exhaustion of the fund. The Board has also continued to express to Government and Treasury policy advisors its strong view that a full review of the compensation arrangements for financial markets needs to be conducted. A number of recent events have emphasised the need for change. These include the 2015 actuarial reviews of the minimum amount of the NGF, the proposed admission of Chi-X and the insolvency of BBY Limited which has led to an influx of claims, testing the regulatory provisions. It remains the Board's opinion that ideally, any such review should encompass the heads of claim which have not been changed in a number of years, to ensure that they reflect modern financial markets structure and practice, and capping of claims, to ensure that the NGF provides compensation for retail investors and remains on a strong financial footing.

The Board is engaged in ongoing discussions with Treasury and regulatory agencies to inform and assist the development of future policy in relation to securities industry compensation funds.

It has been a pleasure to serve as Chairman of the SEGC Board throughout the year. I thank my fellow directors for all their efforts and support over this period, and look forward to continuing in this role in the next financial year.

A handwritten signature in dark ink, appearing to read 'N Milne', is positioned above a faint, dotted rectangular box.

Nancy Milne
Chairman

OVERVIEW OF SEGC AND THE NATIONAL GUARANTEE FUND

SEGC is responsible for administering the NGF and operates in accordance with Part 7.5 of the Corporations Act 2001 and the Corporations Regulations 2001. The assets of the NGF are the property of SEGC but are held on trust for the purposes set out in the legislation. The SEGC Board is made up of directors experienced in matters involving the securities and financial services industries. During the course of the year covered by this report, the sole member of SEGC was ASX.

What is the NGF?

The NGF is a compensation fund available to meet certain types of claims arising from dealings with participants of ASX and, in limited circumstances, participants of ASX Clear. These participants are referred to in the legislation as “dealers”. The NGF was established by the *Australian Stock Exchange and National Guarantee Fund Act 1987*, which also created ASX as a national stock exchange. When the six state stock exchanges were merged under that Act, the assets of the fidelity funds of those state exchanges were merged to form the NGF.

Portfolio earnings have been the only source of income for the NGF. The earnings of the NGF are income tax exempt.

At 30 June 2016, the net assets of the NGF were \$101.9 million. This compares with \$103.5 million at the end of the previous financial year.

The net assets of the NGF reflect variations in earnings, the amount paid to ASX’s Financial Industry Development Account, the net amount paid in respect of claims (after recoveries) as well as changes in provisions for claims and administration costs.

What claims can be made on the NGF?

The claims provisions are set out in Division 4 of Part 7.5 of the Corporations Regulations. The protection provided by the NGF is only available in relation to the activities of dealers (as defined above).

The NGF covers only certain investor protection claims.

There are four subdivisions of Division 4 of Part 7.5 of the Corporations Regulations which set out the types of investor protection claims that clients of dealers may make on the NGF in certain circumstances. They are for:

- completion of sales and purchases of quoted securities entered into by a dealer on ASX’s or, in some circumstances, Chi-X’s equities and debt markets, where the transaction is required to be reported to ASX (or would have been required to be reported to ASX had it occurred on ASX’s market) (Subdivision 4.3). The dealer may have failed to provide to the client, after settlement, the securities purchased or the proceeds of sale, or may have failed to complete a transaction because the dealer was suspended by ASX or by ASX Clear;
- loss that results if a dealer transfers marketable or certain other securities without authority (Subdivision 4.7);
- loss that results if a dealer cancels or fails to cancel a certificate of title to quoted securities contrary to the provisions of the operating rules of ASX Settlement Pty Limited (Subdivision 4.8);
- loss that results if a dealer becomes insolvent and fails to meet its obligations in respect of property (usually money or securities) that had been entrusted to it in the course of, or in connection with, its

business of dealing in securities, up to a statutory maximum per dealer of 15% of the minimum amount of the NGF (Subdivision 4.9). Based on the current minimum amount, this cap would be \$15 million. (See below for an explanation of the minimum amount.)

Further information about claims made is provided in the Claims Report section.

Claims which cannot be made on the NGF

Claims cannot be made on the NGF unless they fall within one of the categories referred to earlier. Examples of claims which cannot be made are claims:

- for loss arising from investment decisions, or from relying on investment advice given by a dealer;
- for loss if a dealer fails to act on instructions to buy or to sell;
- for money lent to a dealer which has not been repaid;
- in respect of conduct by an entity other than the specific entity which is the dealer; and
- in respect of alleged unauthorised withdrawal or misappropriation by the dealer of money in a client's account or held on a client's behalf, unless the circumstances are such that the loss may be claimed under one of the specific categories in the legislation.

Some people are not entitled to make certain claims under Subdivision 4.7 or Subdivision 4.9. These include the dealer concerned, its officers and their spouses and relatives.

Claims in relation to exchange traded derivatives

The contract completion provisions of Subdivision 4.3 referred to above in relation to ASX's securities markets do not generally apply to trading of individual derivatives contracts.

However, the NGF does provide the following protection to clients of dealers who trade derivatives on ASX:

- Firstly, if an exchange traded option over quoted securities is exercised, the resulting purchase and sale will generally be covered by the contract completion provisions of Subdivision 4.3 discussed above.
- Secondly, if a client has entrusted property to a dealer in the course of dealing in exchange traded options, the NGF provides protection against loss of that property in accordance with the provisions of Subdivision 4.9, also discussed above.

The NGF does not provide protection in relation to futures (other than warrants that are traded on the ASX). The ASX Supplemental Compensation Fund applies to claims in relation to money or property entrusted to a participant of ASX in respect of actual or proposed dealings in futures on the ASX market.

Reduction of claims

SEGC may reduce the amount of compensation payable to a claimant:

- by reference to a right of set-off available to the claimant;
- by reference to the extent to which the claimant was responsible for causing the loss; and

- if a claimant has, without the written consent of SEGC, adversely affected SEGC's right to be subrogated to any of the claimant's rights and remedies and the claimant received a benefit for assigning its rights or remedies.

The minimum amount of the NGF

Under the Corporations Act the SEGC Board may, with the approval of the Government Minister responsible for the Corporations Act, determine that a particular amount (referred to in the legislation as the "minimum amount") is the amount needed to maintain the NGF at a viable level to meet claims and administration costs of SEGC and the NGF.

The SEGC Board periodically reviews the minimum amount based on actuarial advice. On 31 March 2005 the minimum amount was set at \$76 million. In 2010 an actuarial review was conducted as part of the SEGC Board's regular review of the minimum amount. Following that review, the SEGC Board concluded that the current minimum amount of \$76 million remained appropriate at that time and decided that for the purposes of prudential risk management a buffer of \$20 million should be maintained above the recommended minimum amount. In 2014 the SEGC Board undertook a full review of the minimum amount with the assistance of external actuarial advice. As a result of the review the SEGC Board determined a new minimum amount of \$100 million which became effective as the minimum amount on approval by the Minister on 3 November 2015. The SEGC Board continues to review its capital management plan and will monitor the minimum amount, the amount in the NGF and its tolerance limits in light of this review.

If the amount in the NGF falls below the minimum amount, the Board has flexibility to manage the financial position of SEGC and the NGF as appropriate in the circumstances. For example:

- it may determine (with the Minister's approval) to adjust the minimum amount of the NGF;
- it may take out insurance against liability in respect of claims on the NGF;
- it may pay claims in instalments and in the priority set out in the legislation;
- it may borrow (including from ASX) for the purpose of meeting a payment due out of the NGF; or
- it may raise funds for the NGF by imposing a levy on ASX or on all or a class of participants of ASX.

If the amount in the NGF falls below the minimum amount, SEGC may determine in writing that the operators of all, or a class, of the financial markets to which the NGF compensation scheme applies or all, or a class, of the participants in any of those markets must pay a levy. If a levy is imposed on a market operator, then the market operator may determine in writing that participants in that market must pay a levy. Since the NGF was created in 1987 ASX has been the only operator of a financial market to which the NGF compensation scheme applies.

If SEGC does impose a levy, the total of all levies must not exceed 150% of the minimum amount in any financial year.

A levy is imposed under the Corporations (National Guarantee Fund) Levies Act.

The amount in the NGF has not fallen below the applicable minimum amount since the NGF was formed and SEGC has not imposed any levies. SEGC has not needed to borrow to pay claims and has not taken out insurance against its liability to meet claims. However, based on claims received in relation to the insolvency of

BBY Ltd, it is likely that the amount in the NGF will fall below the minimum amount and the SEGC Board will consider what action must be taken in accordance with the SEGC capital management plan.

The SEGC Board has established a Capital and Investment Committee to make recommendations to it on capital management and investments.

Financial Industry Development Account (FIDA)

The legislation includes a mechanism allowing the Minister to approve a matter as an approved purpose for which excess funds in the NGF (that is, funds in excess of the minimum amount) may be used by ASX.

During the financial year \$1,465,000 was paid to the FIDA. These funds were for the approved purpose of cost recovery for transfer of market supervision responsibilities to ASIC.

Multi-market environment

The Corporations Amendment (Compensation Arrangements) Regulation 2013 commenced in 2013. That Regulation was introduced to provide certain clarifications with respect to the operation of the compensation arrangements prescribed in Part 7.5 of the Corporations Act 2001 (which includes the NGF).

Licensed market operators are required to comply with one of two compensation regimes prescribed in Divisions 3 and 4 respectively of Part 7.5 of the Act. Division 4 sets out the regulatory framework that applies to the NGF, whereas Division 3 applies to all other compensation arrangements.

There are circumstances where a loss incurred by an investor may be connected with both types of compensation arrangements. As a consequence of the Regulation made on 27 July 2013, if a claim for a loss meets the requirements for a Division 3 loss but the loss is also connected to the ASX market for the purposes of the NGF, then the loss is taken not to be a Division 3 loss. However, if the claimant cannot claim on the NGF or their claim on the NGF is disallowed, the loss is deemed back to being a Division 3 loss.

The SEGC Board has conditionally approved an application for membership by Chi-X. SEGC continues to work with Chi-X to fulfil the conditions.

BOARD OF DIRECTORS

The SEGC Board is responsible for overseeing the general operation of SEGC including determining claims and deciding upon the investment strategy for the management and investment of the NGF's assets. The experience and qualifications of each director is set out below.

Nancy Milne LLB, OAM Non-Executive Director. Director since October 2011, Chairman since December 2011.

Director of Superannuation Administration Corporation Board, Director of ALE Property Group Limited, NSW Division Councillor of NSW Council of the Australian Institute of Company Directors and Deputy Chair of State Insurance Regulatory Authority.

Previously Ms Milne has been a Director of Australand Holdings Limited, Novion Property Group, Crowe Horwath Australia and various other public, private and not for profit organisations.

Susan Doyle, BA, Non-Executive Director. Director since 1 January 2007.

Susan has had an extensive executive career in funds management, working with Commonwealth Superannuation Corporation, Suncorp Insurance and Finance and Insurance Australia Group.

She served as Chairman of Commonwealth Superannuation Corporation for six years and was a founding member of the Future Fund Board of Guardians, on which she served for nine years.

Susan is currently a Director of Lawcover Insurance Pty Ltd and Lawcover Pty Ltd, Deputy Chair of Taronga Conservation Society, a Member of NSW Treasury Corporation Board Investment Committee and a Member of Anindilyakwa Mining Council Trust.

Ian McGaw, Non-Executive Director. Director since July 2010.

Chairman of ASX Clear Pty Limited and ASX Settlement Pty Limited. Director of ASX Clear (Futures) Pty Limited, ASX Clearing Corporation Limited, ASX Settlement Corporation Limited and Austraclear Limited.

Previously, Mr McGaw was the Group Managing Director at the London Clearing House (now known as LCH Clearnet Group).

Lynn Ralph, BA, MBA, FAICD, SF(Life) Fin, Non-Executive Director. Director since December 2011.

During the financial year, Lynn was a director of Sydney Institute Ltd. Former Director of BT Funds Management Ltd, BT Funds Management No 2 Ltd and Westpac Securities Administration Ltd. Director of Sydney Swans Ltd. Co-founder of CameronRalph Pty Ltd; Former Chief Executive Officer, Investment and Financial Services Association. Former Deputy Chairman of Australian Securities Commission. Former Commissioner of Private Health Insurance Administration Council.

Peter Warne, BA, FAICD Non-Executive Director. Director since October 2006.

Appointed Director of ASX Limited in July 2006. Prior to this he was a Director of SFE Corporation Limited from 2000.

Chairman of ASX Clear (Futures) Pty Limited, Director of ASX Clearing Corporation Limited, Austraclear Limited and ASX Settlement Corporation Limited. Member of the ASX Audit and Risk Committee and the Nomination and Remuneration Committee.

Chairman of Australian Leisure and Entertainment Property Management Limited. Former chairman of OzForex Group Limited. Chairman of Macquarie Group Limited, Director of Macquarie Bank Limited, and New South Wales Treasury Corporation. Chairman of St. Andrews Cathedral School Foundation. Member of the advisory

boards of the Australian Office of Financial Management and Macquarie University Faculty of Business and Economics. Former adjunct Professor of University of Sydney Business School. Patron of Macquarie University Foundation. Former Member of the Compliance Committee of Wilson HTM. Previously, Mr Warne was a director of Macquarie Capital Alliance Group and an Executive Vice-President of Bankers Trust Australia Limited.

Directors' Attendance at Meetings

Director	Meetings attended
Nancy Milne	8/8
Susan Doyle	8/8
Ian McGaw	8/8
Lynn Ralph	8/8
Peter Warne	8/8

CORPORATE GOVERNANCE

The Board of SEGC consists of five non-executive directors. ASX, as the sole member of SEGC, appoints two directors and those directors appoint three independent directors each of whom:

- is not a director, officer or employee of or a partner in a participant of ASX;
- is not a director, officer or employee of ASX or a body corporate that operates another financial market, or their related bodies corporate;
- is not a professional adviser to ASX or a body corporate that operates another financial market, or their related bodies corporate;
- is not a spouse, parent or child of a person in any of the previous categories; and
- otherwise has no interest in a participant of ASX or another financial market, or their related bodies corporate, which would enable the person to influence the management and policies of the participant's business.

SEGC's constitution provides that the term of office of each director expires three years after the date the director's appointment takes effect. A retiring director is eligible to be reappointed to the Board. Directors' remuneration is determined by ASX as the sole member of SEGC.

The directors provide details of their current outside interests on appointment and advise any change to those interests at each Board meeting. Where it is considered that a director has a material personal interest it is noted and where appropriate the director absents himself or herself for that item. That decision is minuted.

In view of the small size of the SEGC Board, and the critical importance to the organisation of its investments and finances, the Board has resolved that it will not have a separate audit and risk committee, but that the entire Board will oversee these aspects of the Company's operations.

As SEGC is not a listed entity, the above statement is not intended to be a disclosure of corporate governance practices in accordance with the recommendations of the ASX Corporate Governance Council.

ADMINISTRATION OF SEGC

During the financial year, SEGC's staff (other than the Company Secretary and Legal Counsel), premises and equipment were provided by ASX Operations Pty Ltd, which also provided accounting and other administrative services to SEGC on a commercial basis. The costs were incurred by ASX Operations Pty Ltd and reimbursed by SEGC.

ASX staff on secondment acknowledge that it is their duty to act at all times in the best interests of SEGC even in the event of a conflict between the interests of ASX and SEGC.

SEGC has undergone a physical separation from ASX and is in the process of an administrative separation. This will result in an increase in operating costs.

The Company Secretary and Legal Counsel is independently contracted to SEGC.

Gabby Hart (LLB) is the Company Secretary and Legal Counsel of SEGC.

The appointment of the Company Secretary is approved by the SEGC Board.

SEGC engages other independent contractors as required.

CLAIMS REPORT

Claims processing procedure

The types of claims which can be made on the NGF are set out in the Overview section.

In general, SEGC processes claims by clients of dealers in the following way:

- **Notification:** The dealer whose alleged conduct or default has prompted the claim is notified of the claim, so that it may consider action to settle the claim (either directly with the claimant or via SEGC) and where appropriate, notify its insurer. During the processing of the claim, SEGC attempts as far as possible to facilitate settlement between the claimant and the dealer.
- **Further information:** The claimant must establish their claim. SEGC will check that the claim meets the relevant criteria. This may involve SEGC seeking information from the claimant or from other relevant persons such as dealers, registries, liquidators, ASX and ASX Clear. Under the Corporations Act, SEGC has power to require the production of documents and other information relevant to a claim.
- **Consideration of time limit:** Claims on the NGF are subject to time limits under the Corporations Regulations. In general, the time limit for claims is six months commencing from the time of the relevant event or from the time the claimant became aware of the loss, depending on the category of claim. In some cases, SEGC may publish a notice specifying another time limit. A claim made outside the relevant time limit is barred unless the Board otherwise determines.
- **Determination:** If the claim is not time barred, the Board will determine whether to allow or disallow the claim. Claims may be allowed or disallowed in whole or in part. If a claim is allowed, the claimant is provided with an amount of compensation determined in accordance with the legislation and consisting of securities and/or money.
- **Recovery:** The Corporations Act provides that if a claim is allowed, SEGC is subrogated to all the claimant's rights and remedies in relation to the conduct the subject of the claim. SEGC stands in the claimant's shoes and can seek recovery from the dealer, and in appropriate cases other parties. Potential recoveries are pursued where appropriate to mitigate loss to the NGF.

Claims processed in the current year

SEGC has received over 300 claims as a result of the collapse of the BBY Group, a financial services and stockbroking group, of which BBY Ltd (BBY) was the main trading entity. The SEGC Board has established a Claims Committee to deal with the expanded workload arising out of this large number of claims.

Voluntary administrators and receivers were appointed to BBY on 17 May and 18 May 2015 respectively. As a consequence, ASX Limited and ASX Clear Pty Limited suspended the participation of BBY with effect from 18 May 2015.

BBY was placed into liquidation on 22 June 2015. ASX Settlement Pty Ltd suspended the participation of BBY on 3 July 2015.

In the liquidators Annual Report for BBY published in September 2016, the liquidators indicated that their initial investigations indicate a shortfall in the BBY client segregated accounts (CSAs) of \$23 million against potential claims totalling \$61 million.

The liquidators have applied to the court for various orders and directions that will affect the amount of the overall shortfall and the amount of the shortfall in the CSAs that may be covered by the NGF. These broadly relate to pooling of CSAs prior to distribution and indemnification of both the representative defendants and the liquidators fees from the CMAs. SEGC is a non- representative defendant in the proceedings. The application is scheduled to be heard in early 2017. If the CSAs are pooled it is more likely that allowable claims (plus interest and costs) under subdivision 4.9 (described below) will exceed the cap \$11.4 million that the legislation allows SEGC to pay in respect of those claims. If the cap is exceeded, payments in respect of subdivision 4.9 claims will need to be pro rated down.

To date, most of the claims received by SEGC in connection with BBY have been made under:

- subdivision 4.3 of Part 7.5 of the Corporations Regulations - where it is alleged that BBY, as the dealer, has failed to provide to the claimants the quoted securities purchased or the proceeds of sale, or has otherwise failed to complete a transaction because of BBY's suspension; or
- subdivision 4.9 of Part 7.5 of the Corporations Regulations - where losses are alleged to have resulted from BBY's insolvency and its failure to meet its obligations in respect of property (usually money or securities) that had been entrusted to or received by it in the course of, or in connection with, its business of dealing in securities.

In relation to the claims received to date, there are specific criteria contained in the Corporations Regulations which must be met before a claim can be allowed by SEGC.

The following table summarises the number of compensation claims carried forward from the prior year, received, disallowed, and paid in current and prior years.

Number of	FY16	FY15
Claims carried forward	16	2
Claims received	268	16
Claims disallowed	(6)	(2)
Claims paid	(21)	-
Claims as at 30 June 2016	257	16
Claims received	32	21
Claims disallowed	(10)	-
Claims paid	(12)	-
Claims as at 26 September 2016	267	37

SEGC paid or accrued claims totalling \$1,310,021 in FY16. As at 26 September 2016 SEGC has paid BBY claims totalling \$1,350,734.

To ensure that all claims are fairly dealt with, SEGC will not be determining the amounts of any claims made in respect of BBY under subdivision 4.9 until all the affected clients of BBY have been afforded the opportunity to make a claim once the outcome of the liquidators proceedings are known. This is because, in the case of subdivision 4.9 claims, the legislation places a cap on total payments of \$11.4 million. If the amount of allowed claims (plus interest and costs) exceeds the cap, payments in respect of subdivision 4.9 claims may need to be pro rated down.

Since 30 June 2016, SEGC has also reached a confidential settlement with a claimant with respect to a dealer other than BBY.

Appeals against disallowed claims

The Corporations Act provides that if the Board disallows a claim, the claimant may appeal by bringing legal proceedings within 3 months of notice of the disallowance of the claim, seeking an order directing the Board to allow the claim.

No appeals against disallowed claims are outstanding.

FINANCIAL STATEMENTS

*Securities Exchanges Guarantee Corporation Limited Financial Statements
for the Year Ended 30 June 2016*

**SECURITIES EXCHANGES GUARANTEE
CORPORATION LIMITED**

ABN 19 008 626 793

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2016**

Contents

Directors' report.....	3
Auditor's independence declaration.....	5
Statement of comprehensive income	6
Balance sheet.....	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
1. Summary of significant accounting policies.....	10
2. Related party transactions.....	10
3. Key Management Personnel compensation.....	10
4. Auditor's remuneration	11
5. Commitments and contingent liabilities	11
6. Subsequent events	11
Directors' declaration.....	12
Independent auditor's report.....	13

Securities Exchanges Guarantee Corporation Limited's registered office and principal place of business:

Exchange Centre
20 Bridge Street
Sydney NSW Australia

Directors' report

The directors present their report, together with the financial statements of Securities Exchanges Guarantee Corporation Limited (SEGC), for the year ended 30 June 2016 and the auditor's report thereon.

Directors

The directors of SEGC in office during the financial year and at the date of this report were as follows:

Ms Nancy J Milne (Chairperson)
Ms Susan M Doyle
Mr Ian W T McGaw
Ms Lynn S Ralph
Mr Peter H Warne

Mr Ian W T McGaw and Mr Peter H Warne were appointed by ASX Limited (ASX). Mr Warne was a director of ASX during the financial year ended 30 June 2016. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX during the financial year ended 30 June 2016.

Principal activities

SEGC administers the National Guarantee Fund (the NGF or the Fund) and holds the Fund's assets on trust in accordance with Division 4 of Part 7.5 of the *Corporations Act 2001*.

Review of operations

SEGC did not trade in its own right during the financial year, other than to undertake its principal activity noted above. Separate Financial Statements for the NGF detail the Fund's operations and financial position.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of SEGC during the financial year.

Events subsequent to balance date

From the end of the reporting period to the date of this report, no matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of SEGC, the results of those operations, or the state of affairs of the SEGC.

Likely developments

SEGC has conditionally approved the application by a licensed market operator, to become a member of SEGC. SEGC continues to work with the market operator to fulfil the conditions. The admission of a new member would require a review of the operations and management of the SEGC and the NGF.

Environmental regulation

The operations of SEGC are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Indemnification and insurance of directors and officers

SEGC has paid insurance premiums out of the NGF in respect of directors' and officers' liability for current and former directors and officers of SEGC and related entities. The insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums.

The constitution of SEGC provides that every person who is or has been a director, secretary or executive officer of the SEGC, and each other officer or former officer of the SEGC or of its related bodies corporate as the directors in each case determine, is indemnified by the SEGC to the maximum extent permitted by law. The indemnity covers losses or liabilities incurred by the person as a director or officer, including but not limited to liability for negligence and for legal costs on a full indemnity basis.

Proceedings on behalf of the Company

No application has been made under section 237 of the *Corporations Act 2001* in respect of SEGC and no proceedings have been brought or intervened in on behalf of the SEGC under that section.

Directors' report - continued

Corporate governance

The Board of SEGC consists of five non-executive directors. ASX, as the sole member of SEGC, appoints two directors and those directors appoint three independent directors each of whom:

- is not a director, officer or employee of, or a partner in a participant of ASX;
- is not a director, officer or employee of ASX or a body corporate that operates another financial market, or their related bodies corporate;
- is not a professional adviser to ASX or a body corporate that operates another financial market, or their related bodies corporate;
- is not a spouse, parent or child of a person in any of the previous categories; and
- otherwise has no interest in a participant of ASX or another financial market, or their related bodies corporate, which would enable the person to influence the management and policies of the participant's stockbroking business.

SEGC's constitution provides that the term of office of each director expires three years after the date the director's appointment takes effect. A retiring director is eligible to be reappointed to the Board. Directors' remuneration is determined from time to time by the ASX as the sole member of SEGC.

An executive, independent of ASX, performs the management and secretarial functions for SEGC. Certain employees of ASX Operations Pty Limited (ASXO), a wholly owned subsidiary of ASX, are seconded to SEGC as required. Both the independent executive and ASX seconded staff are responsible to the Board of SEGC in the performance of their duties for SEGC. Seconded staff acknowledge that it is their duty to act at all times in the course of their secondment in the best interests of SEGC even in the event of a conflict between the interests of the members and SEGC.

Administrator and accounting services are provided by ASXO and associated costs are reimbursed by the Fund to ASXO. The performance of these services is subject to the same internal audits that are performed within ASX and its controlled entities.

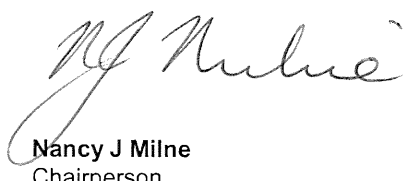
Non-audit services

The auditor, PricewaterhouseCoopers, did not provide any non-audit services to SEGC during the year (2015: nil).

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is included on page 5.

Signed in accordance with a resolution of the directors:



Nancy J Milne
Chairperson

Sydney, 23 August 2016



Auditor's Independence Declaration

As lead auditor for the audit of Securities Exchanges Guarantee Corporation for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in blue ink, appearing to read 'M Lunn', with a long horizontal flourish extending to the right.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
23 August 2016

Statement of comprehensive income

For the year ended 30 June	2016 \$	2015 \$
Revenue	-	-
Expenses	-	-
Profit before income tax expense	-	-
Income tax expense	-	-
Net profit for the period attributable to the Company	-	-
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period attributable to the Company	-	-

Balance sheet

As at 30 June	2016 \$	2015 \$
Total assets	-	-
Total liabilities	-	-
Net assets	-	-
Total equity	-	-

The Constitution of SEGC allows it to call up to \$1,000 of capital from members. No amounts have been called.

Statement of changes in equity

	2016	2015
For the year ended 30 June	\$	\$
Opening balance of equity at 1 July	-	-
Profit for the period	-	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period, net of tax	-	-
Closing balance of equity at 30 June	-	-

Statement of cash flows

	2016	2015
For the year ended 30 June	\$	\$
Net cash flows from operating activities	-	-
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	-
Net movement in cash	-	-
Cash at the beginning of the financial period	-	-
Cash at the end of the financial period	-	-

Notes to the financial statements

1. Summary of significant accounting policies

Securities Exchanges Guarantee Corporation Limited (SEGC) is a not-for-profit entity domiciled and incorporated in Australia. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The financial statements for the year ended 30 June 2016 were authorised for issue by the directors on 23 August 2016. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

The financial statements are general purpose financial statements that:

- have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)
- have been prepared on a historical cost basis
- are measured and presented in Australian dollars (being the SEGC's functional and presentation currency).

New and amended and interpretations standards adopted by SEGC

The new standards and amendments to standards that are mandatory for the first time in the annual reporting period commenced on 1 July 2015 do not affect any amounts recognised in the current or prior periods, and are not likely to materially affect amounts in future periods. The Company has not elected to apply any pronouncements before their operative date in the annual reporting period ended 30 June 2016.

New and amended standards interpretations not yet adopted by SEGC

There are no new or amended accounting standards and interpretations issued by the AASB that have been identified as those which may have a material impact on SEGC in the period of initial application.

2. Related party transactions

(a) Directors

The directors of SEGC in office during the financial year and at the date of this report were as follows:

Ms Nancy J Milne (Chairperson)
Ms Susan Doyle
Mr Ian W T McGaw
Ms Lynn S Ralph
Mr Peter H Warne

Mr Ian W T McGaw and Mr Peter H Warne were appointed by ASX Limited (ASX). Mr Warne was a director of ASX during the financial year ended 30 June 2016. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX during the financial year ended 30 June 2016.

(b) Transactions with related parties

ASX Operations Pty Limited (ASXO), a related entity, provides operational services to SEGC and the National Guarantee Fund (the Fund) in the form of legal and accounting staff, administration activities, occupancy and accounting services. In addition, ASXO facilitates the payment of all other direct operating expenses. The cost of these expenses and services is reimbursed by ASXO from the assets held by the Fund in accordance with section 889H of the *Corporations Act 2001*. The total operating costs incurred in the current financial year and subsequently reimbursed to ASXO were \$2,724,652 (2015: \$757,038).

3. Key Management Personnel compensation

Key Management Personnel (KMP) compensation provided during the financial years ended 30 June 2016 and 2015 is as follows:

	2016 \$	2015 \$
Short-term benefits	193,500	180,000
Post-employment benefits	17,441	14,250
Total Key Management Personnel compensation	210,941	194,250

These amounts were paid by ASXO and in accordance with section 889H of the *Corporations Act 2001* are reimbursed from the Fund to ASXO.

Notes to the financial statements - continued

4. Auditor's remuneration

The auditor provided the following services to the Company during the year.

	2016	2015
PricewaterhouseCoopers Australia	\$	\$
Statutory audit services:		
Audit of the financial statements under the <i>Corporations Act 2001</i>	2,781	2,700
Total remuneration to PricewaterhouseCoopers Australia	2,781	2,700

In accordance with section 889H of the *Corporations Act 2001*, audit services provided to SEGC are paid by the Fund.

The auditor did not provide any non-audit services to SEGC during the year (2015: nil).

5. Commitments and contingent liabilities

SEGC has no commitments or contingent liabilities as at 30 June 2016 (2015: nil).

6. Subsequent events

From the end of the reporting period to the date of this report, no matter or circumstance has arisen which has significantly affected the operations of SEGC, the results of those operations or the state of affairs of the SEGC.

Directors' declaration

In the directors' opinion:

- a) the financial statements and notes set out on pages 6 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c) the financial statements also comply with International Financial Reporting Standards as disclosed in note 1.

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



Nancy J Milne
Chairperson

Sydney, 23 August 2016



Independent auditor's report to the members of Securities Exchanges Guarantee Corporation

Report on the financial report

We have audited the accompanying financial report of Securities Exchanges Guarantee Corporation (the company), which comprises the balance sheet as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's opinion

In our opinion:

- (a) the financial report of the company is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001*.
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'M Lunn', written over a faint, larger blue signature.

Matthew Lunn
Partner

Sydney
23 August 2016

FINANCIAL STATEMENTS

*National Guarantee Fund Financial Statements
for the Year Ended 30 June 2016*

NATIONAL GUARANTEE FUND

ABN 69 546 559 493

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2016**

Contents

Trustees' report	3
Auditor's independence declaration.....	6
Statement of comprehensive income	7
Balance sheet.....	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11
1. Summary of significant accounting policies.....	11
2. Financial risk management	13
3. Net gain/(loss) on financial instruments held at fair value	16
4. Distribution income.....	16
5. Expense accruals.....	16
6. Payments to FIDA.....	16
7. Related party transactions.....	16
8. Key Management Personnel compensation.....	17
9. Auditor's remuneration	17
10. Commitments and contingent liabilities	17
11. Subsequent events	17
Directors' declaration.....	18
Independent auditor's report.....	19

Securities Exchange Guarantee Corporation Limited's registered office and principal place of business:

Exchange Centre
20 Bridge Street
Sydney NSW Australia

Trustees' report

The directors of Securities Exchanges Guarantee Corporation Limited (SEGC), the trustee of the National Guarantee Fund (the Fund), present their report, together with the financial statements of the Fund for the year ended 30 June 2016 and the auditor's report thereon.

Trustee and Board of Directors

The directors of SEGC, the trustee of the Fund, in office during the financial year and at the date of this report were as follows:

Ms Nancy J Milne (Chairperson)
Ms Susan M Doyle
Mr Ian W T McGaw
Mr Lynn S Ralph
Mr Peter H Warne

Mr Ian W T McGaw and Mr Peter H Warne were appointed by ASX Limited (ASX). Mr Warne was a director of ASX during the financial year ended 30 June 2016. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX during the financial year ended 30 June 2016.

Principal activities

The Fund's primary function is to provide investor compensation in the circumstances set out in Part 7.5 of the *Corporations Act 2001* and the *Corporations Regulations 2001*.

SEGC administers the Fund and holds the Fund's assets on trust in accordance with Division 4 of Part 7.5 of the *Corporations Act 2001*.

In accordance with sections 7.5.89 of the *Corporations Regulations 2001*, funds in excess of the minimum amount can be paid from the Fund for certain purposes approved by the Minister. As the date of this report, the minimum amount was \$100.0 million. This minimum amount became effective on 3 November 2015, following approval by the Minister.

Review of operations

The loss for the period was \$70,318 (2015: \$2,932,119 profit). Payment of \$1,465,000 was made to the Financial Industry Development Account (FIDA) (2015: \$3,204,748).

In the current financial year, revenue increased by \$38,428 from \$3,953,352 in the prior financial year to \$3,991,780 primarily due to an increase in the fair value of the Schroders Fixed Income Fund that was partially offset by a decrease in the distributions from both the Schroders Fixed Income Fund and the UBS Cash Plus Fund. Expenses increased from \$757,038 in the prior financial year to \$4,062,098. While administration costs have remained stable, the increase in expenses is primarily due to additional legal expenses incurred in relation to compensation claims received as a result of the default of BBY Limited (Receivers and Managers Appointed) (In Liquidation) in May 2015 and the compensation claims paid and accrued as at 30 June 2016 following the Board's determination.

Net assets decreased by \$1,535,317 to \$101,931,053 (2015: \$103,466,370). This was primarily due to the compensation claims either paid or determined by the Board at balance date in relation to the BBY default in May 2015.

The following table summarises the number of compensation claims carried forward from prior year, received, disallowed, and paid in current and prior years.

Number of	FY16	FY15
Claims carried forward	16	2
Claims received	268	16
Claims disallowed	(6)	(2)
Claims paid	(21)	-
Claims as at 30 June 2016	257	16
Claims received	27	21
Claims disallowed	(2)	-
Claims paid	(10)	-
Claims as at 23 August 2016	272	37

Trustees' report - continued

The 21 claims totalling \$1,310,021 were paid during FY16. At the date of this report, there are 272 outstanding compensation claims on the Fund of which 7 have been determined by the Claims Committee of the SEGC Board but yet to be paid prior to the date of this report. As the SEGC Board has yet to form a view on the validity of the remaining 265 claims, no liability has been recognised in respect of any of these claims. However, if these claims are approved and paid, given the current total net assets of \$101,931,053, the Fund will fall below the minimum amount. In the event this occurs, the Board will consider options to meet the minimum amount.

Financial Industry Development Account

FIDA is administered by ASX under section 7.5.89 of the *Corporations Regulations 2001*. During the year, the Fund made distribution of \$1,465,000 (2015: \$3,204,748), as shown in the table below:

	2016 \$	2015 \$
Transfer of market supervision responsibilities (cost recovery)	1,465,000	1,465,000
ASX Investor Education Program	-	1,376,226
Share Ownership Research Program	-	210,022
Industry Markets Research Centre	-	153,500
	1,465,000	3,204,748

All payments made to FIDA in the current and prior financial year were for purposes approved by the Minister.

Significant changes in the state of affairs

On 3 November 2015, the new minimum amount of \$100 million became effective following approval from the Minister. The previous minimum amount was \$76 million.

There were no other significant changes in the state of affairs of the Fund during the financial year.

Events subsequent to balance date

From the end of the reporting period to the date of this report, the Board has approved additional claims totalling \$776,744. In addition interest and legal costs are payable on those claims.

On 19 July 2016, the Board resolved not to pay the final ASIC supervision levy of \$1,465,000 for the year ended 30 June 2017 having regard to the current level of funds in the NGF in relation to the minimum amount.

No other matters or circumstances other than those noted in the review of operations have significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund.

Likely developments

SEGC has conditionally approved the application by a licensed market operator, to become a member of SEGC. SEGC continues to work with the market operator to fulfil the conditions. If the market operator is admitted as a member, this would require a review of the operations and management of the SEGC and the NGF. The admission of a new member would also affect the recommended minimum amount.

The board is considering changing the finance and administration function within the SEGC and NGF. Currently these services are provided by ASX Limited. A change will likely result in increased operating costs in future periods for the fund.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Indemnification and insurance of directors and officers

SEGC has paid insurance premiums out of NGF in respect of directors' and officers' liability for current and former directors and officers of SEGC and related entities. The insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums.

The constitution of the SEGC provides that every person who is or has been a director, secretary or executive officer of SEGC, and each other officer or former officer of SEGC or of its related bodies corporate as the directors in each case determine, is indemnified by SEGC to the maximum extent permitted by law. The indemnity covers losses or liabilities incurred by the person as a director or officer, including but not limited to liability for negligence and for legal costs on a full indemnity basis.

Trustees' report - continued

Corporate governance

The Board of SEGC consists of five non-executive directors. ASX as the sole member of SEGC, appoints two directors and those directors appoint three independent directors while each of them:

- is not a director, officer or employee of or a partner in a participant of ASX;
- is not a director, officer or employee of ASX or a body corporate that operates another financial market, or their related bodies corporate;
- is not a professional adviser to ASX or a body corporate that operates another financial market, or their related bodies corporate;
- is not a spouse, parent or child of a person in any of the previous categories; and
- otherwise has no interest in a participant of ASX or another financial market, or their related bodies corporate, which would enable the person to influence the management and policies of the participant's stockbroking business.

SEGC's constitution provides that the term of office of each director expires three years after the date the director's appointment takes effect. A retiring director is eligible to be reappointed to the Board. Directors' remuneration is determined from time to time by ASX as the sole member of SEGC.

An executive, independent of ASX, performs the management and secretarial functions for SEGC. Certain employees of ASX Operations Pty Limited (ASXO), a wholly owned subsidiary of ASX, are seconded to SEGC as required to assist in the administration of claims. Both the independent executive and ASX seconded staff are responsible to the Board of SEGC in the performance of their duties for SEGC. Seconded staff acknowledge that it is their duty to act at all times in the course of their secondment in the best interests of SEGC even in the event of a conflict between the interests of ASX and SEGC.

Administration and accounting services are currently provided by ASXO and associated costs are reimbursed by the Fund to ASXO. The performance of these services is subject to the same internal audits that are performed within ASX and its controlled entities. In the event other members are admitted, the administration arrangements will change.

Non-audit services

The auditor, PricewaterhouseCoopers, did not provide any non-audit services to the Fund during the year (2015: nil).

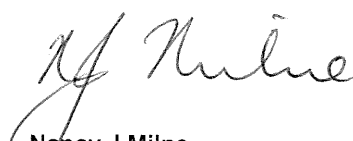
Rounding of amounts

The Fund is of the kind referred to in ASIC Class Order 2016/191. In accordance with that class order, amounts in the directors' report and financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is included on page 6.

Signed in accordance with a resolution of the directors:



Nancy J Milne
Chairperson

Sydney, 23 August 2016



Auditor's Independence Declaration

As lead auditor for the audit of National Guarantee Fund for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in blue ink, appearing to read 'M Lunn', with a long horizontal flourish extending to the right.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
23 August 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Statement of comprehensive income

For the year ended 30 June	Note	2016 \$'000	2015 \$'000
Revenue			
Net gain/(loss) on financial instruments held at fair value	3	286	(264)
Distribution income	4	3,706	3,952
Interest income		-	1
		3,992	3,689
Expenses			
Staff		(90)	(83)
Legal		(1,826)	(82)
Administration		(811)	(569)
Occupancy		(25)	(25)
Claims		(1,310)	2
		(4,062)	(757)
(Loss)/profit before income tax expense		(70)	2,932
Income tax expense		-	-
Net (loss)/profit for the period attributable to members of the Fund		(70)	2,932
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss)/income for the period attributable to members of the Fund		(70)	2,932

Balance sheet

As at 30 June	Note	2016 \$'000	2015 \$'000
Current assets			
Cash	2	11	1
GST receivable		10	5
Prepayments		44	45
Investments	2	103,298	103,549
Total current assets		103,363	103,600
Total assets		103,363	103,600
Current liabilities			
Expense accruals	5	637	-
Related party payables	7	795	134
Total current liabilities		1,432	134
Total liabilities		1,432	134
Net assets		101,931	103,466
Equity			
Retained earnings		101,931	103,466
Total equity		101,931	103,466

Statement of changes in equity

For the year ended 30 June	Note	2016 \$'000	2015 \$'000
Opening balance of retained earnings at 1 July		103,466	103,739
(Loss)/profit for the period		(70)	2,932
Other comprehensive income for the period		-	-
Total comprehensive (loss)/income for the period, net of tax		(70)	2,932
Payments to FIDA	6	(1,465)	(3,205)
Closing balance of retained earnings at 30 June		101,931	103,466

Statement of cash flows

For the year ended 30 June	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Proceeds from the redemption of investments		4,243	3,962
Investment distribution income received		3,706	3,952
Reinvestment of distribution income		(3,706)	(3,952)
Payments to suppliers (inclusive of GST)		(2,095)	(760)
Claims		(673)	2
Interest received		-	1
Net cash inflow from operating activities		1,475	3,205
Cash flows from investing activities			
Payments to FIDA	6	(1,465)	(3,205)
Net cash (outflow) from investing activities		(1,465)	(3,205)
Net cash flows from financing activities		-	-
Net increase in cash		10	-
Cash at the beginning of the financial period		1	1
Cash at the end of the financial period		11	1
Reconciliation of the operating (loss)/profit after income tax to the net cash flows from operating activities			
Net (loss)/profit after tax		(70)	2,932
Changes in operating assets and liabilities:			
Decrease in investments		251	275
(Increase)/decrease in GST receivable		(5)	74
Decrease in prepayments		1	2
Increase in expense accruals		637	-
Increase/(decrease) in related party payables		661	(78)
Net cash inflow from operating activities		1,475	3,205

Notes to the financial statements

1. Summary of significant accounting policies

National Guarantee Fund (the Fund) is a not-for-profit trust and is domiciled and incorporated in Australia. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The financial statements for the year ended 30 June 2016 were authorised for issue by the directors of the trustee, Securities Exchanges Guarantee Corporation (SEGC) on 23 August 2016. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

The financial statements are general purpose financial statements that:

- have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)
- have been prepared on a historical cost basis, except for investments, which have been measured at fair value
- are measured and presented in Australian dollars (being the Fund's functional and presentation currency) with all values rounded to the nearest thousand dollars unless otherwise stated, in accordance with ASIC Class Order 2016/191.

New and amended standards adopted by the Fund

The new standards and amendments to standards that are mandatory for the first time in the annual reporting period commenced on 1 July 2015 do not affect any amounts recognised in the current or prior periods, and are not likely to materially affect amounts in future periods. The Fund has not elected to apply any pronouncements before their operative date in the annual reporting period ended 30 June 2016.

New accounting standards and interpretations not yet adopted by the Fund

The following new or amended accounting standards and interpretations have been issued by the AASB but are not mandatory for the annual reporting period ended 30 June 2016, and have not been early adopted by the Fund. The Fund's assessment of the impact of these standards and interpretations is set out below:

Title	Nature of change and impact on Fund	Mandatory and anticipated date of application
AASB 9 <i>Financial Instruments</i>	<p>The new standard simplifies the model for classifying and recognising financial instruments and introduces a new expected credit loss model for calculating impairment. It also aligns hedge accounting more closely with common risk management practices.</p> <p>Under the new standard, the Fund's investments will continue to be measured at fair value through profit or loss.</p> <p>There will be no impact on the accounting of the Fund's financial liabilities as the new standard only impacts financial liabilities designated at fair value through profit or loss and the Fund does not have any such liabilities.</p>	1 January 2018

There are no other standards that are not yet effective that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

(b) Revenue recognition

Movements in the fair value of investment units

Investments in units of managed funds are classified as financial assets at fair value through profit or loss and are stated at fair value in accordance with AASB 13 *Fair Value Measurement*. Net gains and losses that result from fair value movements in investment units are included in revenue.

Distributions

Distribution revenue from investments in managed funds is recognised when the right to receive the distribution has been established.

Interest

Interest revenue on cash at bank is recognised using the effective interest method.

Notes to the financial statements - continued

Refund of imputation credits

The Australian Taxation Office (ATO) endorsed the Fund as an income tax exempt charitable entity. As a result, imputation credits arising from distributions received during the year are recognised as revenue. Imputation credits not received by the end of the financial year are recognised as receivables.

(c) Claims

Claims are recognised on an accruals basis when they are considered by the Board as valid. Provisions for claims are recognised when the following conditions are met:

- (i) the Fund has a present legal or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources will be required to settle the obligation; and
- (iii) the amount can be reliably estimated.

If compensation is paid in respect of a claim, SEGC is subrogated to the extent of that payment to the claimant's rights and remedies in relation to the loss to which the claim relates (section 892F of the *Corporations Act 2001*).

(d) Income tax

No provision is made for income tax as the Fund has received notification from the ATO of endorsement as an income tax exempt charitable entity.

(e) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense to which it relates.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(f) Cash

Cash as presented on the statement of cash flows comprises cash balances held with financial institutions.

(g) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

(h) Prepayments

Prepayments represent insurance premiums paid in advance for directors and officers liability insurance and investment managers insurance. Prepayments are amortised over the period that the service is provided.

(i) Investments

The investments of the Fund are unit trust investments currently managed by two professional investment portfolio managers, UBS Global Asset Management (Australia) Limited (UBS) and Schroder Investment Management Australia Limited (Schroders). During the year, the Fund held investments in the UBS Cash Plus Fund in cash or cash-like products and in the Schroders Fixed Income Fund in a diversified range of fixed income securities. They are initially recognised at fair value including any transaction costs that are directly attributable to the acquisition of the asset. Subsequent to initial recognition, they are measured at fair value through profit and loss with changes in their fair value recognised in the statement of comprehensive income.

The fair value of the investments is established by referring to redemption prices quoted by both fund managers. The fund managers are responsible for using the relevant market bid prices of underlying instruments in the portfolios at balance date to calculate the redemption prices for the funds.

(j) Payables

Payables are initially measured at fair value and represent liabilities for goods and services provided to the Fund prior to the end of the reporting period which are unpaid. The amounts, which are stated at amortised cost, are unsecured and are usually paid within 30 days of the end of each quarter to which they relate.

Notes to the financial statements - continued

(k) Payments to Financial Industry Development Account (FIDA)

Requests for payment in relation to purposes approved for FIDA funding are recognised as a liability of the Fund once the request for payment has been submitted to and approved by the Board of Directors of SEGC.

2. Financial risk management

The Fund's activities expose it to a variety of financial risks including market risk (comprising interest rate and foreign currency risk), credit risk and liquidity risk. The Fund's overall risk management strategy seeks to manage potential adverse effects on the financial performance of the Fund. Risk management is carried out under policies approved by the Board of SEGC, as trustee of the Fund. The Board has endorsed an Investment Policy Statement which is varied from time to time to meet the needs of the Fund. In developing the investment policy and investment strategy contained in the statement, the Board had regard to a number of matters, including but not limited to, the purpose of the Fund as set out in the Division 4 or Part 7.5 of the *Corporations Act 2001*. The Fund's risks are managed in accordance with this statement.

The Fund holds the following financial assets and liabilities by category.

	Fair value through profit or loss \$'000	Amortised cost \$'000	Total \$'000
As at 30 June 2016			
Financial assets			
Cash	-	11	11
Investments	103,298	-	103,298
Total financial assets	103,298	11	103,309
Financial liabilities			
Expense accruals	-	637	637
Related party payables	-	795	795
Total financial liabilities	-	1,432	1,432
As at 30 June 2015			
Financial assets			
Cash	-	1	1
Investments	103,549	-	103,549
Total financial assets	103,549	1	103,550
Financial liabilities			
Related party payables	-	134	134
Total financial liabilities	-	134	134

(a) Market risk

Market risk is the risk of loss arising from movements in observable market variables such as interest rates and other market prices. The Fund is exposed to market risks, predominantly through the investment of Fund balances. For the years ended 30 June 2016 and 30 June 2015, the Fund balances were invested with UBS and Schroders within mandates approved by the Board.

(i) Interest rate risk

The Fund has exposure to interest rate risk, which arises in relation to cash at bank and indirectly from investments. Cash at bank includes a small amount of cash held for operational purposes and interest rate risk on this balance is considered to be low. Investments, as represented by the investments held with UBS and Schroders, have significant exposure to interest rate risk, but are classified as non-interest bearing as revenue on these investments is derived from variations in unit prices rather than directly from movements in interest rates. The unit prices, which are used to value the investments however, may be impacted by interest rate variations.

This interest rate risk is managed through diversifying the total investment between two professional investment portfolio managers as shown above and the regular performance monitoring of both investments by the Board of SEGC. The UBS Cash Plus Fund includes investments in cash or cash-like products. The Schroders Fixed Income Fund includes a diversified range of fixed income securities.

The Fund's receivables and payables are non-interest bearing and not subject to interest rate risk since neither the carrying amount nor the future cash flows will fluctuate due to a change in market interest rates.

Notes to the financial statements - continued

The maximum direct and indirect exposure to interest rate risk is represented by the below financial assets:

	Interest bearing \$'000	Non- interest bearing \$'000	Total \$'000
As at 30 June 2016			
Interest bearing financial assets			
Cash	11	-	11
Investments	-	103,298	103,298
Total interest bearing financial assets	11	103,298	103,309
Weighted average earning rate for the year	1.43%	3.81%	
As at 30 June 2015			
Interest bearing financial assets			
Cash	1	-	1
Investments	-	103,549	103,549
Total interest bearing financial assets	1	103,549	103,550
Weighted average earning rate for the year	1.86%	4.08%	

Sensitivity analysis

Fair value sensitivity analysis of interest bearing financial assets:

At 30 June 2016, an increase/decrease of 25 basis points in interest rates from year end rates would have resulted in an immaterial change in profit or loss.

Variations in interest rates may also affect the unit prices of the Fund's non-interest bearing financial assets (Investments), however the amount cannot be readily quantified.

Fair value sensitivity analysis of non-interest bearing financial assets:

At 30 June 2016, if investment redemption prices increased/decreased by 25 basis points from year end prices, profit would have been \$258,246 (2015: \$258,873) higher/lower due to a change in the fair value of the investments.

(ii) Foreign currency risk

The Fund has indirect exposure to foreign currency risk from its investments. Where the managed funds have investments in underlying securities that are denominated in foreign currencies, the unit prices, which are used to value the investments, may be impacted by variations in exchange rates. The Board of SEGC manages this risk by regular review of the composition of both funds and the proportion of the total funds invested in securities denominated in foreign currencies.

(b) Credit risk

The Fund is exposed to credit risk which represents the potential loss that may arise from the failure of a counterparty to meet its obligation or commitments to the Fund or its administrator, SEGC.

The carrying amount of the Fund's financial assets represents the maximum exposure to credit risk.

Credit risk relating to investments is managed by investing in two separate funds which have a diversified range of investments with different counterparties. Counterparty exposure and credit quality is managed by the individual portfolio managers of each fund.

There were no receivables past due or impaired at 30 June 2016 (2015: nil).

(c) Liquidity risk

Liquidity risk associated with the need to pay claims or other expenses, as determined by SEGC, is mitigated by investing in cash based funds. Both the UBS Cash Plus Fund and Schroders Fixed Income Fund can be called upon at short notice to fund liquidity requirements.

Notes to the financial statements - continued

The maturities of the Fund's financial assets and liabilities at 30 June are shown below.

	> Up to 1 mth \$'000	> 1 mth to 3 mths \$'000	Total \$'000
At 30 June 2016			
Financial assets			
Cash	11	-	11
Investments	103,298	-	103,298
Total financial assets	103,309	-	103,309
Financial liabilities			
Expense accruals	-	637	637
Related party payables	-	795	795
Total financial liabilities	-	1,432	1,432
At 30 June 2015			
Financial assets			
Cash	1	-	1
Investments	103,549	-	103,549
Total financial assets	103,550	-	103,550
Financial liabilities			
Related party payables	-	134	134
Total financial liabilities	-	134	134

(d) Capital management

The SEGC Board's policy is to maintain the assets of the Fund at a level at or above the minimum amount to meet claims and administration costs of SEGC and the Fund. The minimum amount may be determined by the Board from time to time with the approval of the Minister in accordance with the *Corporations Act 2001*. The minimum amount of the Fund is currently \$100 million that was approved by the Minister on 3 November 2015. The minimum amount is subject to regular review by independent professional advisers appointed by the Board of SEGC.

The Board has an investment strategy in place to invest available financial assets, totalling \$103,298,453 at 30 June 2016 (30 June 2015: \$103,549,110), into two cash and fixed income funds managed by two professional investment portfolio managers in order to preserve the value of the financial assets.

The Board monitors the Fund by receiving and reviewing quarterly investment reports from the fund managers and a report on outstanding claims at least at each Board meeting.

If the total fair value amount of the Fund falls below the minimum amount, the Board is able to undertake certain measures to manage the financial position, including taking insurance against claim liability, paying claims in instalments, external borrowings or imposing levies on ASX or ASX participants. The Board has not undertaken any of these measures in the current or prior financial years. The Board periodically reviews the need for these measures to be undertaken in accordance with the SEGC capital management plan.

If the amount in the Fund exceeds the minimum amount, the Board has discretion to pay the excess or part of the excess to the FIDA, for purposes approved by the Minister or his delegate. FIDA is administered by ASX.

(e) Fair value measurements

(i) Fair value hierarchy

The Fund uses the following hierarchy to categorise its financial instruments measured and carried at fair value:

- quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2)
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

All of the Fund's assets measured and recognised at fair value at 30 June 2016 are categorised as 'level 2' in the fair value hierarchy. The Fund did not have any financial liabilities measured at fair value in either year.

Notes to the financial statements - continued

ii) Valuation techniques used to determine fair values

Fair values of investments are established by referring to redemption prices, as quoted by the two fund managers, which are based on the relevant market prices of underlying instruments in the portfolios at balance sheet date. As the fair values of the investments are not determined directly by reference to quoted prices in active markets, they are designated in level 2 of the fair value hierarchy.

There are no financial instruments designated within level 1 or 3 of the fair value hierarchy as at 30 June 2016 or 30 June 2015. The carrying amount of receivables and related party payables approximates their fair value as the impact of discounting is not significant.

The Fund did not measure any assets or liabilities at fair value on a non-recurring basis as at 30 June 2016.

3. Net gain/(loss) on financial instruments held at fair value

	2016 \$'000	2015 \$'000
UBS Cash Plus Fund	(98)	18
Schroder Fixed Income Fund	384	(282)
Total net gain/(loss) financial instruments held at fair value	286	(264)

4. Distribution income

UBS Cash Plus Fund	1,428	1,572
Schroder Fixed Income Fund	2,278	2,380
Total distribution income	3,706	3,952

5. Expense accruals

Claims (including interest)	634	-
Legal fees	3	-
Total expense accruals	637	-

6. Payments to FIDA

Section 7.5.89(1) of the *Corporations Regulations 2001* confers on the Board of SEGC, being the administrator of the Fund, discretion to pay amounts from the excess above the minimum amount, currently \$100.0 million, for purposes approved by the Minister or his delegate under regulation 7.5.88 of the *Corporations Regulations 2001*. Excess money paid from the Fund must be paid into FIDA and may only be used for approved purposes.

The payments made to FIDA for approved purposes are shown below.

Transfer of market supervision responsibilities from ASX to ASIC	1,465	1,465
Investor Education Program	-	1,376
Share Ownership Research Program	-	210
Financial Markets Research Centre	-	154
Total payments to FIDA	1,465	3,205

7. Related party transactions

(a) Directors

The directors of SEGC in office during the financial year and at the date of this report were as follows:

Ms Nancy J Milne (Chairperson)
 Ms Susan Doyle
 Mr Ian W T McGaw
 Ms Lynn S Ralph
 Mr Peter H Warne

Mr Ian W T McGaw and Mr Peter H Warne were appointed by ASX Limited (ASX). Mr Warne was a director of ASX during the financial year ended 30 June 2016. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX during the financial year ended 30 June 2016.

Notes to the financial statements - continued

(b) Transactions with related parties

During the year, SEGC incurred operational expenses on behalf of the Fund of \$376,372 exclusive of GST (2015: \$285,304) in respect of staff, administration, occupancy and accounting services provided by ASX Operations Pty Limited (ASXO) for the administration of SEGC and the Fund. ASXO also paid other direct operating expenses during the financial year relating to services provided to the Fund by external suppliers. All expenses paid by ASXO are reimbursed by the Fund in accordance with section 889H of the *Corporations Act 2001*.

The balance owing to ASXO by SEGC at 30 June 2016 was \$795,385 (2015: \$134,370) and is expected to be paid from the Fund. This balance represents operating expenses for the quarter ended 30 June 2016. No interest is charged by ASXO on the outstanding balance owing from SEGC or the Fund.

8. Key Management Personnel compensation

Key Management Personnel (KMP) compensation provided during the financial years ended 30 June 2016 and 2015 is as follows:

	2016 \$	2015 \$
Short-term benefits	193,500	180,000
Post-employment benefits	21,695	14,250
Total Key Management Personnel compensation	215,195	194,250

KMP compensation set out above comprises directors' fees and superannuation paid to the directors of SEGC. The amounts were paid by ASXO and in accordance with section 889H of the *Corporations Act 2001* are reimbursed from the Fund to ASXO.

9. Auditor's remuneration

The auditor provided the following services to the Fund during the year.

PricewaterhouseCoopers Australia		
Statutory audit services:		
Audit of the financial statements under the <i>Corporations Act 2001</i>	12,875	12,500
Total remuneration to PricewaterhouseCoopers Australia	12,875	12,500

In accordance with section 889H of the *Corporations Act 2001*, auditor's remuneration has been paid by the Fund. The Fund has also paid the auditor \$2,781 for the audit of the SEGC financial statements (2015: \$2,700).

The auditor did not provide any non-audit services to the Fund during the year (2015: nil).

10. Commitments and contingent liabilities

As at 30 June 2016, there are 257 compensation claims that are outstanding on the Fund. The Fund has not recognised a liability in respect of any of the outstanding claims as they are still being assessed and the SEGC Board has yet to form a view as to whether these claims are valid. Based on the amounts claimed, which are yet to be assessed, should some of these claims be paid, the net asset of the Fund would likely fall below the minimum amount. Refer to note 11 below for claims approved after balance date and before the date of this report.

There are no other contingent liabilities or commitments.

11. Subsequent events

On 26 July, the Claims Committee of the Board approved compensation claims amounting to \$776,744.49 plus interest and legal costs.

On 19 July 2016, the board resolved not to pay the final ASIC supervision levy of \$1,465,000, approved by the Minister, having regard to the level of funds in the NGF in relation to the minimum amount.

No other matters or circumstances have arisen which have significantly affected the operations of the Fund, the results of those operations or the state of affairs of the Fund.

Directors' declaration

In the directors' opinion:

- a) the financial statements and notes set out on pages 7 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- c) the financial statements also comply with International Financial Reporting Standards as disclosed in note 1.

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



Nancy J Milne
Chairperson

Sydney, 23 August 2016



Independent auditor's report to the trustee of National Guarantee Fund

Report on the financial report

We have audited the accompanying financial report of National Guarantee Fund (the Fund), which comprises the balance sheet as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of Securities Exchanges Guarantee Corporation Limited (SEGC), the trustee of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors of SEGC also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's opinion

In our opinion:

- (a) the financial report of the Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001*.
- (b) the Fund's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'M Lunn', with a stylized flourish at the end.

Matthew Lunn
Partner

Sydney
23 August 2016

FURTHER INFORMATION

Further information about making claims on the NGF is contained in the NGF Information Booklet for clients which is available on SEGC's website at www.segc.com.au. A hard copy of the booklet is available from SEGC on request.

This annual report can also be found on SEGC's website.

Registered Office

Level 21
264 George Street
SYDNEY NSW 2000
Telephone: +61 2 8216 0231
Fax: +61 2 8216 0239
Email: segc@segc.com.au