



*SECURITIES
EXCHANGES
GUARANTEE
CORPORATION*

*ANNUAL
REPORT
2000*

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MESSAGE FROM THE CHAIRMAN

Securities Exchanges Guarantee Corporation Ltd (SEGC) is the trustee of the National Guarantee Fund (NGF). The NGF protects stock market investors in certain situations. The 1999-2000 financial year was SEGC's thirteenth year of operation.

As part of SEGC's continuing efforts to increase awareness of the role of SEGC and the purposes of the NGF, during the year SEGC established an internet website at www.segc.com.au. Information about SEGC and its role is now readily accessible to the general public. The site includes information about claims that can be made on the NGF, as well as the latest annual report.

After a review of the risks to the NGF, the Board raised the minimum amount for the purposes of Part 7.10 of the Corporations Law from \$70 million to \$80 million. The Board's aim in raising the minimum amount was to ensure as far as possible that the NGF will be able to meet all potential claims.

During the year, SEGC prepared for the introduction on 1 July 2000 of a goods and services tax. SEGC's unique role means that the application of that legislation to transactions in respect of the NGF is unclear and SEGC sought a number of private rulings from the Australian Taxation Office. No rulings had been received at the time of printing this annual report, and SEGC is continuing to liaise with the Australian Taxation Office in this regard.

In February 2000, the Commonwealth Government released its exposure draft Financial Services Reform Bill for public comment. The Bill rewrites Chapter 7 of the Corporations Law and may have a significant impact on SEGC and the functions of the NGF in future years. SEGC was represented at an industry forum and made a detailed submission to Treasury on the draft Bill. SEGC looks forward to continuing involvement in shaping the future of the NGF and investor protection in Australia.



Clive Batrouney
Chairman

OVERVIEW OF SEGC AND THE NATIONAL GUARANTEE FUND

SEGC is responsible for administering the NGF and operates in accordance with Part 7.10 of the Corporations Law. The assets of the NGF are the property of SEGC but are held in trust for the purposes set out in the legislation.

The SEGC Board is made up of six directors experienced in matters involving the securities industry. The sole member of SEGC is ASX.

What is the NGF?

The NGF is a compensation fund available to meet certain types of claims arising from dealings with Participating Organisations of ASX. It 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. At the time of its formation, the amount in the NGF was \$60.4 million.

The value of the NGF has more than doubled since it was formed. Investment earnings have been the major contributor to the increase. In addition, the NGF has received interest earned from the investment by ASX of trust account deposits lodged by Participating Organisations with ASX under Part 7.8 of the Corporations Law. The earnings of the NGF are income tax exempt.

SEGC has appointed two fund managers for the NGF. The investment mandates under which they operate authorise them to invest in money market and fixed interest securities. The trust account deposits lodged by Participating Organisations with ASX are invested by ASX in short term securities. Fluctuations in interest rates have therefore affected the NGF's earnings from both these sources.

At 30 June 2000, the net assets of the NGF were \$150.6 million. This compares with \$138.4 million at the end of the previous financial year.

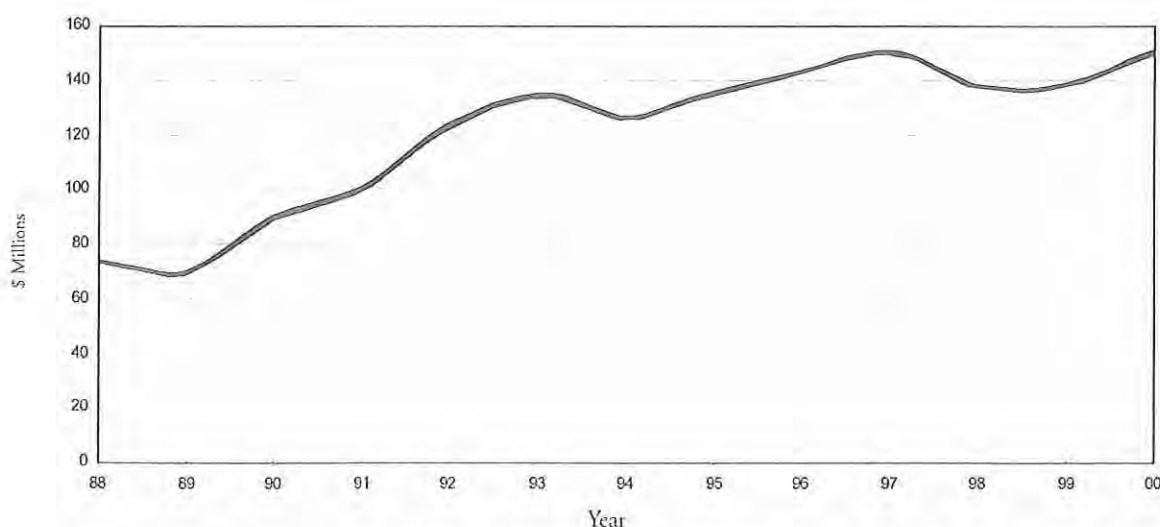


Figure 1: NGF net assets 1988-2000

The net assets of the NGF reflect variations in earnings (see Figure 2), the amount paid to ASX's Securities Industry Development Account (see Figure 3), the net amount paid in respect of claims (after recoveries) (see Figure 10) and changes in provisions for claims.

The draft Financial Services Reform Bill proposes removing from the Corporations Law the provisions relating to the deposit with ASX of a portion of brokers' trust accounts. If implemented, this proposal is likely to result in the loss for the NGF of the interest earnings from the investment of those deposits.

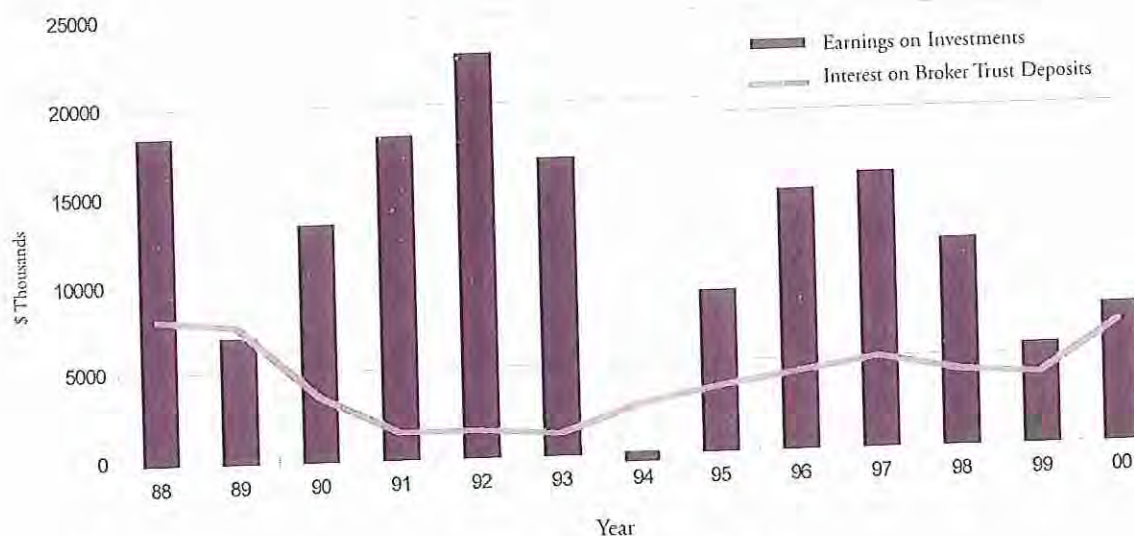


Figure 2: NGF earnings 1988-2000

What claims can be made on the NGF?

The protection provided by the NGF is only available in relation to the activities of dealers in the markets operated by participating exchanges of SEGC. ASX is currently the only participating exchange.

Under Part 7.10 of the Corporations Law, clients of Participating Organisations of ASX may make claims on the NGF in certain circumstances for:

- completion of sales and purchases of quoted securities entered into by a Participating Organisation on ASX's equities and debt markets where the transaction is required to be reported to ASX (Division 6). The Participating Organisation may have failed to provide to the client, after settlement, the securities purchased or the proceeds of sale, or may have been suspended by ASX or by the Securities Clearing House;
- loss that results if a Participating Organisation transfers marketable or certain other securities without authority (Division 7);
- loss that results if a Participating Organisation cancels or fails to cancel a certificate of title to quoted securities contrary to the provisions of the business rules of the Securities Clearing House (Division 7A);
- loss that results if a Participating Organisation 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 Participating Organisation of 14% of the 'minimum amount' of the NGF (Division 8). Currently, the maximum is \$11.2 million. (See below for an explanation of the 'minimum amount').

No claims have been made under Division 7A. In addition to the above categories of claims, the following claims may be made on the NGF:

- a Participating Organisation may make a claim for completion of certain sales and purchases of quoted securities entered into on ASX's equities and debt markets where the transaction is required to be reported to ASX and is not novated to an ASX-related clearing house (Division 6);
- a Participating Organisation or an ASX related clearing house to which a net payment obligation or a net delivery obligation is owed by the other may make a claim if that obligation is not met (Division 6B);
- ASX may make a claim if an obligation of a Participating Organisation under a guaranteed securities loan is not met (Division 6A).

No claims have been made under Divisions 6A or 6B.

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 Participating Organisation;
- for loss if a Participating Organisation fails to act on instructions to buy or to sell;
- for money lent to a Participating Organisation which has not been repaid;
- in respect of conduct by an entity other than the specific entity which is the Participating Organisation;

- in respect of alleged unauthorised withdrawal or misappropriation by the Participating Organisation 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 Division 7 or Division 8. These include the Participating Organisation concerned, its officers and their spouses and relatives.

The 'minimum amount' of the NGF

Under the Corporations Law, the SEGC Board may, with the approval of the Government Minister responsible for the Corporations Law, 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.

In 1987 when the NGF was formed, the initial 'minimum amount' under the legislation was \$15 million. Because changes occur in the securities industry and new products and services are developed, the SEGC Board has periodically reviewed the 'minimum amount' which has been increased over time and is currently set at \$80 million.

SEGC maintains liaison with ASX on new products and monitors developments in the regulatory environment so that potential changes to the NGF's risk may be assessed. During the year the Board considered an external assessment of the risks to the NGF and determined that the 'minimum amount' should be raised from \$70 million to \$80 million.

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

- It may determine (with the Minister's approval) to reduce 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 the NGF.
- It may raise funds for the NGF over a period of time by imposing a levy on

"leviable transactions" (certain sales or purchases of securities that are required to be reported to ASX under its business rules, or certain guaranteed securities loans), or more quickly by imposing a levy on a participating exchange. Both types of levy may be imposed at the same time.

If SEGC imposes a levy on ASX, ASX may impose a levy on its Participating Organisations to go towards the levy payable to SEGC.

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.

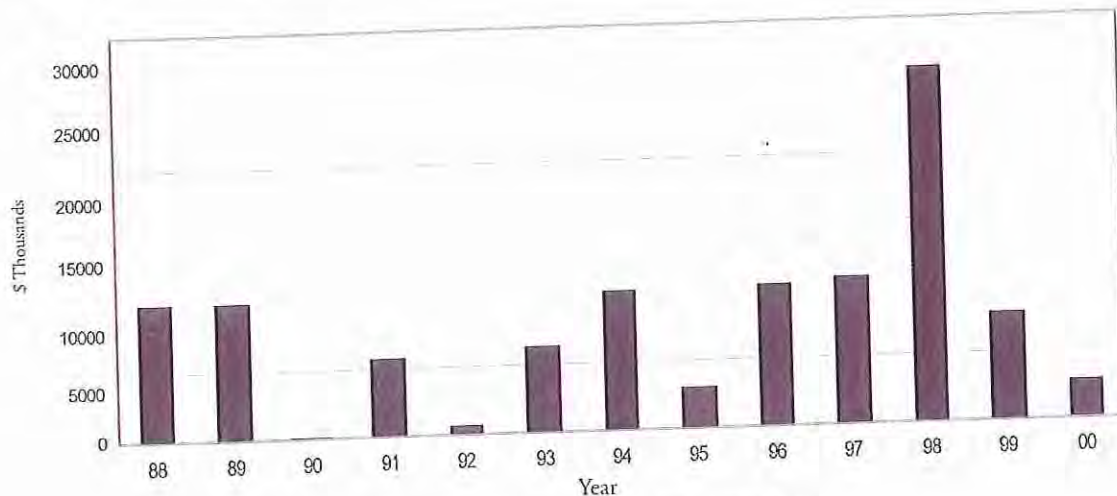


Figure 3: NGF payments to SIDA 1988-2000

Securities Industry Development Account (SIDA)

The Corporations Law also provides the Board with flexibility if the amount in the NGF exceeds the 'minimum amount'. In that circumstance, and while ASX is the only participating exchange of SEGC, SEGC may in its discretion pay all or part of the excess to ASX. Any money received by

ASX out of NGF funds must be kept in a separate account designated as SIDA. A total of \$104.1 million has been paid out of the NGF to the SIDA account held by ASX since formation of the NGE.

During the financial year, \$2.7 million was paid to ASX's SIDA account.

Money held in the SIDA account can only be used by ASX for purposes relating to the development of the securities industry in Australia, and which have been approved by the responsible Government Minister. In the past, approval has been given for the use of SIDA funds for significant technology-based projects such as the development of ASX's trading and settlement systems. Figure 4 shows the projects for which SIDA funds have been used over the last thirteen years.

The Minister has indicated that, as a result of ASX's demutualisation and listing in 1998, future payments out of the SIDA account will only be approved for securities industry development initiatives which are consistent with public interest purposes, rather than for profit-related activities or commercial operations of ASX. This may affect the amount paid out of the NGF to SIDA.

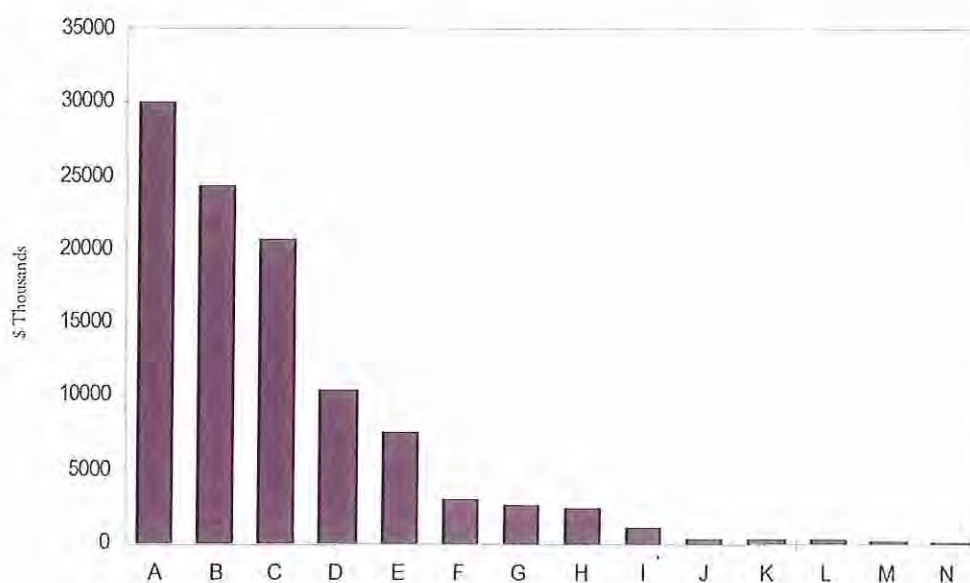


Figure 4: NGF payments to SIDA by project 1988-2000

Key to projects

| | | |
|---|----------------------|---|
| A | CHES | ASX's Clearing House Electronic Sub-register System for electronic shareholdings and automated electronic clearing and settlement of equities |
| B | SEATS 97 | Upgrading of SEATS |
| C | DTF | ASX's automated Derivatives Trading Facility for screen-based options trading |
| D | SEATS | ASX's Stock Exchange Automated Trading System for screen-based trading of equities |
| E | CORE | ASX's central electronic repository for market and trading data |
| F | DATS | ASX's Derivatives Automated Trading System (forerunner to DTF) |
| G | National Data Centre | ASX's Data Centre at Bondi, NSW |
| H | CENSAS | ASX's Centralised Scrip & Accounting System (forerunner to CHES) |
| I | SIRCA | Infrastructure support for the Securities Industry Research Centre of Asia-Pacific |
| J | AGSM | Development of a securities markets teaching laboratory at the Australian Graduate School of Management |
| K | Internet | ASX's Interactive Internet Site |
| L | Others | ASX Share Ownership Study and ASX Market Multiples Research |
| M | Industry Research | Individual research projects commissioned or sponsored by ASX |
| N | SIA | Securities Institute of Australia |

BOARD OF DIRECTORS



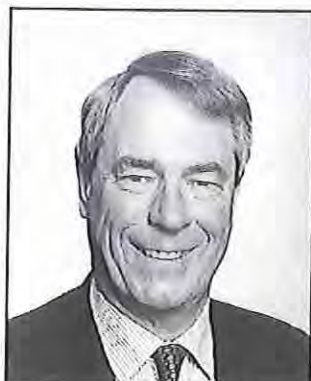
Clive M. Batrouney, ASIA, FAIM, age 59. Non Executive Director. Chairman since July 1998. Director since October 1997.

Vice Chairman of Australian Stock Exchange Ltd. Director of Victorian Funds Management Corporation, Hansen Yuncken Pty Ltd, Horizon Private Equity Pty Ltd, Austymca Nominees Pty Ltd and Committee for Melbourne. Former Chairman of ANZ McCaughan Securities Ltd, Australian Stock Exchange (Melbourne) Ltd (1989-1991) and Australian Stock Exchange Ltd Melbourne Advisory Board (1991-1994).



Geoffrey W. Hone, LLB(Hons), age 56. Independent Non Executive Director. Director since May 1991.

Solicitor and partner with the national law firm, Blake Dawson Waldron, practising in the area of securities regulation and corporate law. Director of The Foundation for Young Australians and Melbourne University Law School Foundation. Member of the Legal Committee of the Companies and Securities Advisory Committee.



F. Allan McDonald, BEc, FCPA, FCIS, FAIM, age 60. Independent Non Executive Director. Director since May 1993.

Director of General and Cologne Life Reinsurance Australasia Ltd, General and Cologne Reinsurance Australasia Ltd, Brambles Industries Ltd, Development Capital of Australia Ltd, Delfin Ltd and TAB Ltd. Director of a number of private companies.



Maurice L. Newman, AM, FSIA, age 62. Non Executive Director. Director since January 1995.

Chairman of Australian Stock Exchange Ltd, Deutsche Bank Asia Pacific Advisory Board, Deutsche Asset Management (Australia) Ltd, Acrux Ltd, Financial Sector Advisory Council, Australia Taiwan Business Council and Sydney Legacy Citizens Committee. Co-Chair of the Singapore-Australia Business Alliance Forum. Former Executive Chairman of Deutsche Bank group in Australia (1985-1999).



Michael J. Sharpe AO, BEc, Hon.DScEcon, FCA, age 62. Non Executive Director. Director since July 1998.

Director of Australian Stock Exchange Ltd and ASX Settlement and Transfer Corporation Ltd. Chairman of State Super Financial Services Ltd, Pacific International Ltd, Cards Etc Inc and e.com Global Ltd. Director of Military Superannuation Benefits Board and National Australia Trustees Ltd. Past President of The Institute of Chartered Accountants in Australia. Former Chairman of International Accounting Standards Committee. Former Partner of Coopers & Lybrand (1968-1998).



Hon. Keith De Lacy, BA, Hon.DLitt, QDA, FAIM, age 59. Independent Non Executive Director. Director since December 1998.

Chairman of Ergon Energy Corporation Ltd and Trinity Funds Management. Director of Queensland Investment Corporation, Reef Casino Trust, Ergon Energy Pty Ltd and Cairns International University. Chairman of Red Shield Appeal, Cairns. Strategic Adviser, Thiess Contractors Pty Ltd. Former Treasurer of Queensland (1989-1996).

DIRECTORS' ATTENDANCE AT MEETINGS

| | Board Proceedings | | Sub-Committee Proceedings | | |
|--------------|-------------------|---------------------------------|---------------------------|-----------------|----------|
| | Meetings A | Circulating Resolutions B | Insurance B | Investment A | GST A |
| CM Batrouney | 6(6) | 7(7) | 1(1) | 3(3) | |
| GW Hone | 4(4) ¹ | 3(3) ² | | | |
| FA McDonald | 6(6) | 7(7) | 1(1) | 2(3) | 2(2) |
| ML Newman | 5(6) | 6(7) | | | |
| MJ Sharpe | 6(6) | 7(7) | | | 2(2) |
| K De Lacy | 6(6) | 6(6) ² | | 2(3) | |

¹ Granted leave of absence from two meetings

² Not eligible to receive all resolutions

A = Meetings attended (Meetings held)

B = Resolutions responded to (Resolutions circulated)

ADMINISTRATION OF SEGC

The chief executive of SEGC is the Manager, who is also company secretary and legal counsel to the Board.



Sue Hansen, LLB(Hons), BA, DipEd, LdeLM, SIA(Aff). Manager since January 1998.

Previously Corporate Lawyer, SEGC (1996-1997), Corporate Lawyer, ASX Derivatives (1995-1996) and Company Secretary, Options Clearing House Pty Ltd (1995-1996).

Associate Member, Insolvency Practitioners Association of Australia since 1989; Member, Fidelity Fund Management Committee of The Law Society of New South Wales 1998-1999.

The Manager is assisted by a corporate lawyer, an administrative assistant and an accounts clerk. The organisational structure is shown below.



SEGC's staff, premises and equipment are provided by ASX Operations Pty Ltd, which also provides accounting and other administrative services to SEGC on a commercial basis.

Goods and services tax

SEGC is still awaiting private rulings from the Australian Taxation Office in respect of the GST classification of the five main classes of transactions which SEGC may engage in on behalf of the NGF. The effect on the NGF of the introduction on 1 July 2000 of a goods and services tax is therefore unclear, but it is likely that the administration costs of the NGF will increase.

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 Participating Organisations of ASX in the following way:

- **Notification:** The Participating Organisation 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 Participating Organisation.
- **Investigation:** The facts surrounding the claim are ascertained or confirmed by SEGC from relevant sources. For example, SEGC may obtain information from Participating Organisations, registries, liquidators, ASX, the Securities Clearing House and Options Clearing House Pty Ltd, as well as from the claimant. Under the Corporations Law, SEGC has power to require the production of documents and other information relevant to a claim.
- **Consideration of time limit:** If the claim has been made outside the time limit specified in the Corporations Law, the Board determines whether the circumstances are such that the time period for making the claim should be extended. If the Board does not extend the time for making the claim, the claim is barred. 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.
- **Determination:** The Board determines whether to allow or disallow claims made within the time limit and claims for which the Board has extended the time limit. If a claim is allowed, the claimant is provided with replacement securities and/or money.
- **Recovery:** The Corporations Law 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 Participating Organisation, and in appropriate cases other parties. Potential recoveries are pursued so that loss to the NGF is mitigated.

The Corporations Law also provides that if a claim is allowed, SEGC may serve a notice on the Participating Organisation's insurer to inform the insurer of the claimant's right or remedy and that SEGC is subrogated to the right or remedy.

Current claims environment

Over recent years, there has been a significant increase in the level of share ownership in Australia, in trading activity on ASX's markets, and in new products. On-line trading and electronic communication generally have become prevalent.

Recent NGF claim trends suggest that Participating Organisations may need to increase their focus on measures to reduce their exposure to fraudulent conduct which may result in an unauthorised transfer of securities. Such measures may include better identification of the client, stricter checking of holder details, and more rigorous verification and recording of instructions, particularly where instructions are received from new clients or from referring intermediaries and other agents.

Claims processed in the current year

Three claims were closed during the year. A total of 132 new claims were received, of which 129 had been previously notified to SEGC as potential claims.

All but two of the new claims received during the financial year were made under Division 7 of Part 7.10 of the Corporations Law (unauthorised transfer of securities). Many of these claims are of significant value. Because of the nature of the allegations involved, Division 7 claims require a substantial amount of SEGC management time in investigation and analysis.

SEGC's claims processing activity in the period 1994-2000 is shown in Figure 5.

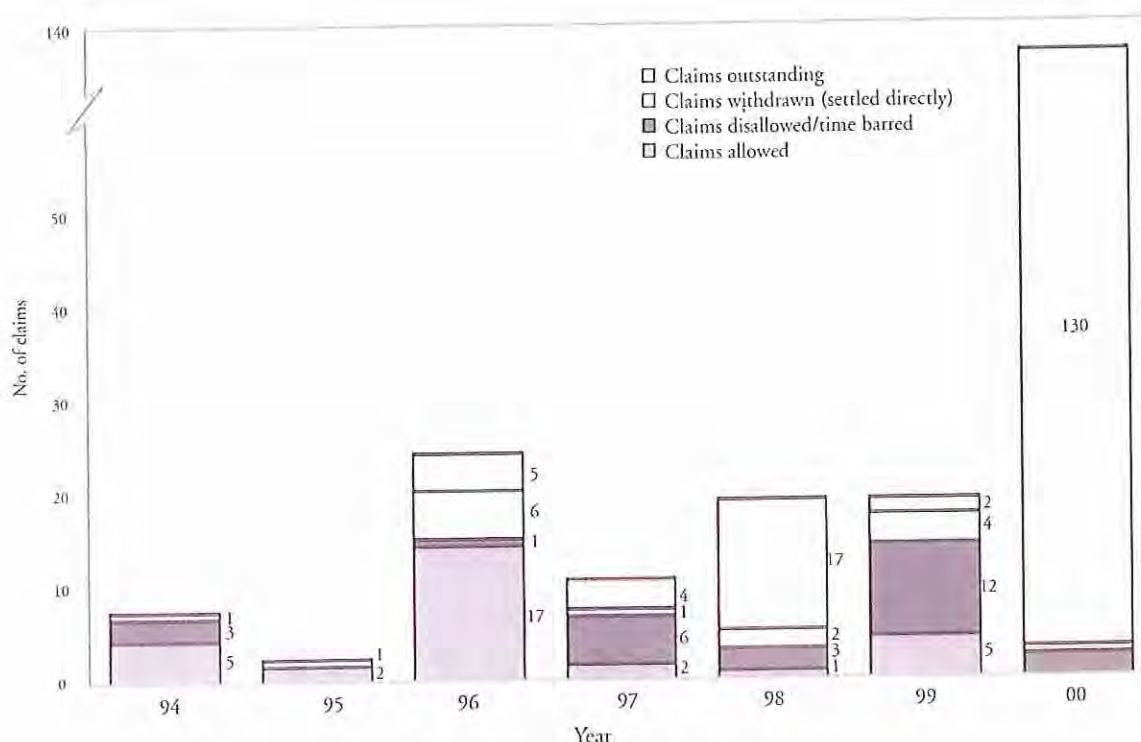


Figure 5: Claims processed 1994-2000

Appeals against disallowed claims

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

Two proceedings commenced against SEGC in the previous financial year in respect of a number of disallowed claims made under Division 7 of Part 7.10 were concluded during the financial year. Figure 6 shows the number of appeals made and concluded since 1988. All appeals since 1997 have been in respect of disallowed Division 7 claims.

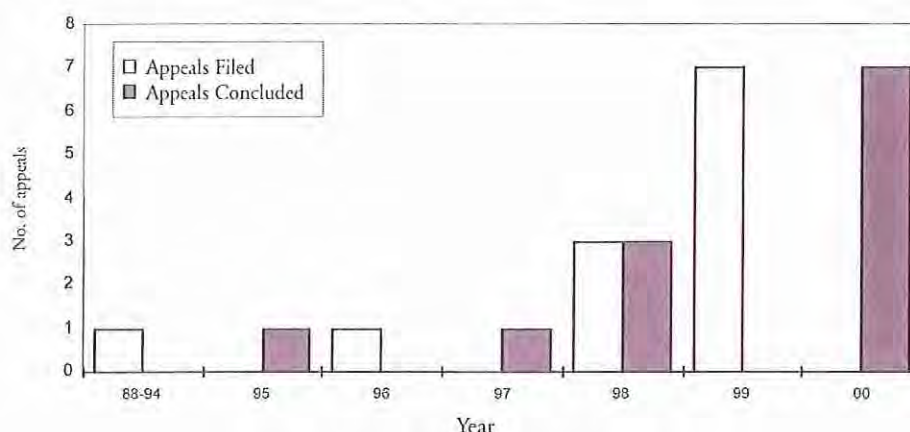


Figure 6: Appeals against disallowance 1988-2000

Claims history and trends

Since formation of the NGF, SEGC has received a total of 5,534 claims. As shown in Figure 7, most claims were received in the first four years. The high number of claims in those years resulted from seven stockbrokers becoming insolvent during the first three years of the NGF's operation.

Information in this annual report about claims received refers to formal claims. It does not include potential claims notified to SEGC which do not result in a formal claim. In relation to the stockbroker insolvencies which have occurred, a large number of potential claims were notified to SEGC, some of which were later satisfied by the relevant liquidator without the need for a formal claim on the NGF.

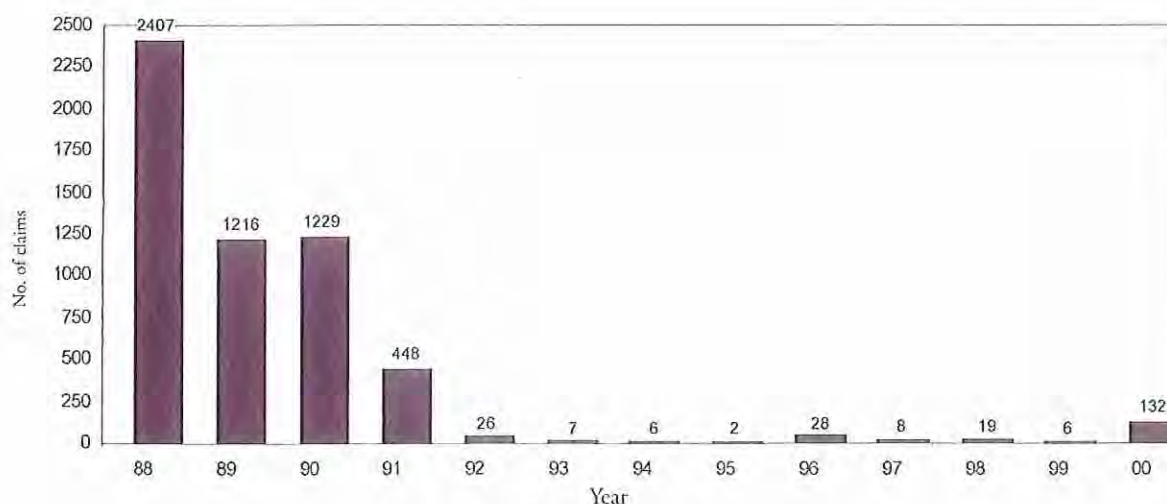


Figure 7: Number of claims received 1988-2000

Claims received since 1988 have been in respect of a total of 34 different brokers. The number of different brokers involved in claims received in any one year has ranged from two to nine. Some brokers have been involved in claims received in more than one year. By way of comparison, as at 30 June 2000 there were 90 active Participating Organisations of ASX.

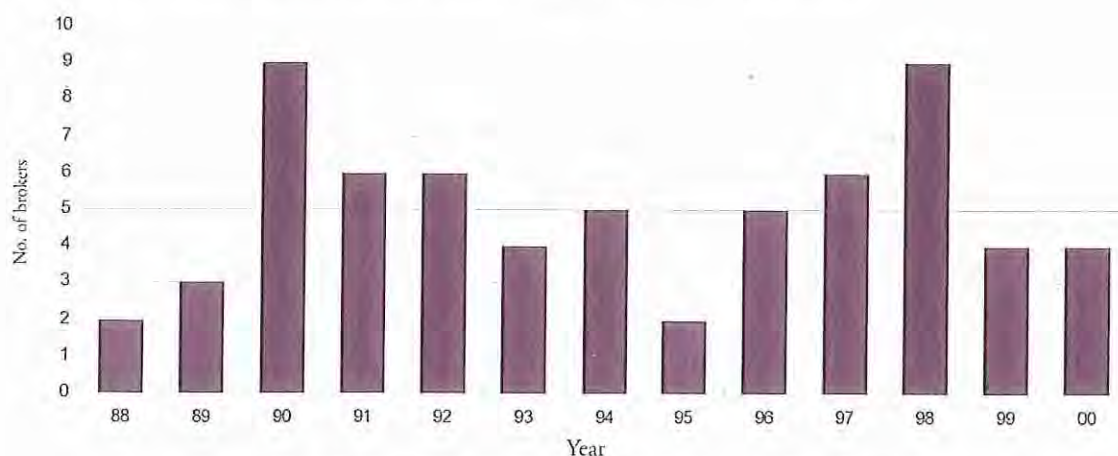


Figure 8: Number of brokers involved in claims received 1988-2000

The NGF claims history may be conveniently divided into two periods.

1988-1993

During the first six years, eight stockbrokers became insolvent: two in the 1987-1988 financial year; three in 1988-1989; two in 1989-1990; and one in 1992-1993. A total of 5,333 claims were received. Almost all the claims in this period arose out of the insolvency of one of those brokers, and were made under Division 6 or the equivalent of the current Division 8. Those insolvencies were largely attributable to poor management practices, back office and other inefficiencies, and losses from principal trading. The failures occurred in the aftermath of the October 1987 stockmarket fall. Very few claims were made for unauthorised transfer of securities.

1994-2000

Since 1993, a number of significant improvements have occurred in ASX's settlement and transfer systems and in brokers' practices. There has also been improved monitoring and reporting by brokers of their capital adequacy, and more sophisticated risk management techniques have been adopted by brokers and ASX clearing houses.

In this period, 201 claims have been received. There has been only one broker insolvency affecting the NGF, which occurred in May 1995 and was responsible for all but four of the claims received in 1996 and for several of the claims received in subsequent years. Whilst there have been fewer insolvencies, there has been a significant increase in claims for unauthorised transfer of securities (Division 7). Although it is possible for an unauthorised transfer to occur without fraud, Division 7 claims typically have involved allegations of fraudulent conduct, whether by a person internal or external to the broker which effected the transfer.

Figure 9 shows the categories of claims received in the 1994-2000 period. In the last four years, 95% of the claims received have been made under Division 7 (unauthorised transfer of securities).

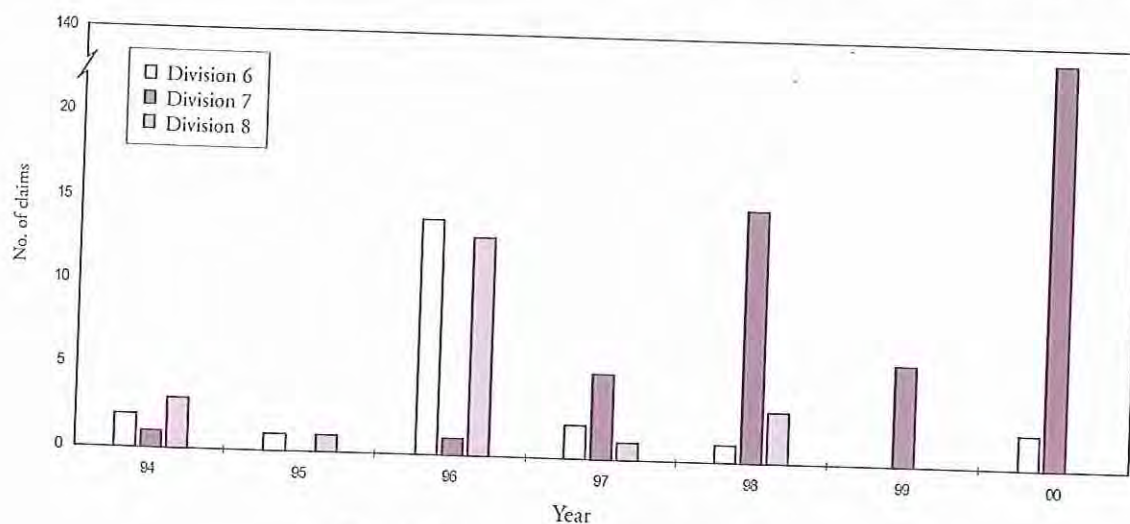


Figure 9: Category of claims received 1994-2000

Claim payments and recoveries

Since the NGF was formed, \$21.3 million has been paid from the NGF in respect of claims, and \$13.3 million of that amount has been recovered. As may be expected, there is a variable lag between payment and recovery (see Figure 10).

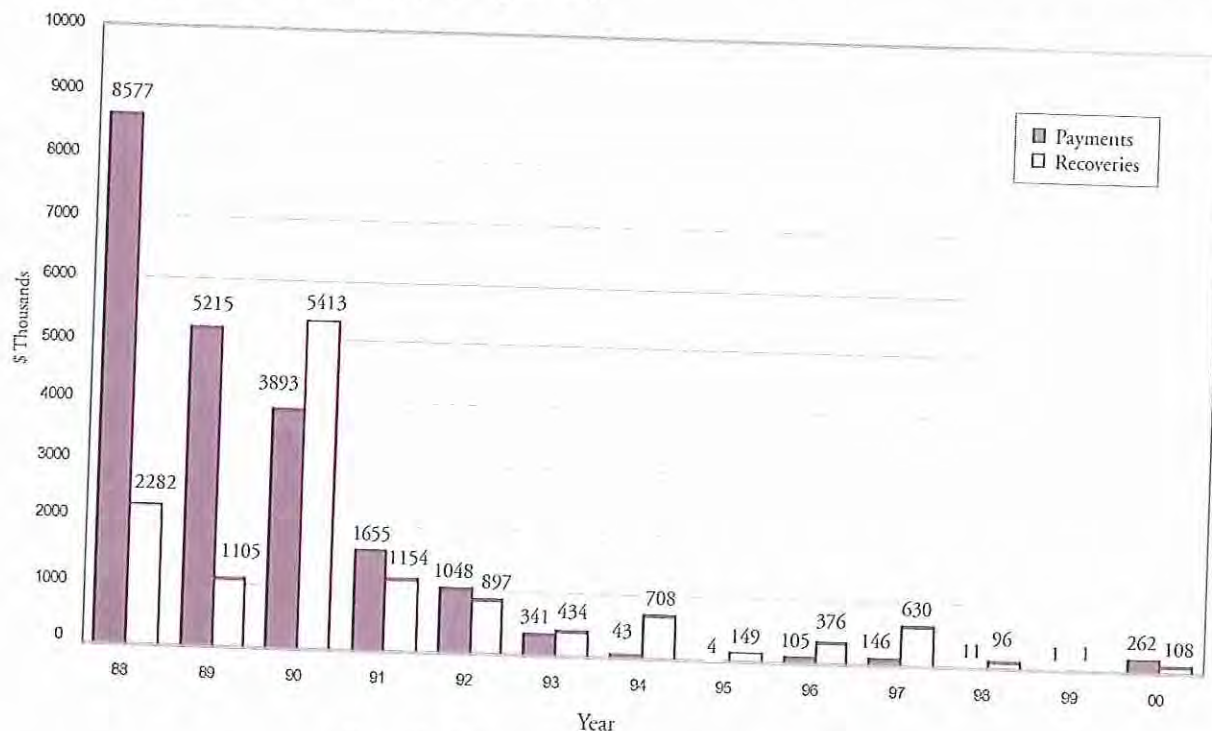


Figure 10: Claim payments and recoveries 1988-2000

In the 1994-2000 period, \$572,451 has been paid in respect of 40 claims. As Figures 11 and 12 show, although more than three quarters of the total number of claims paid involved amounts of less than \$20,000, payments of greater than \$20,000 per claim accounted for almost three quarters of the total amount paid in this period. Three claims, all made under Division 7 (unauthorised transfer of securities), involved payments of \$50,000 or more.

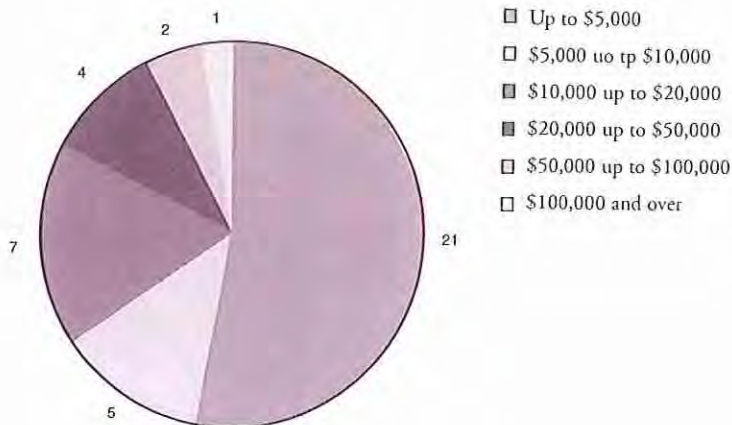


Figure 11: Claim payments 1994-2000 by number

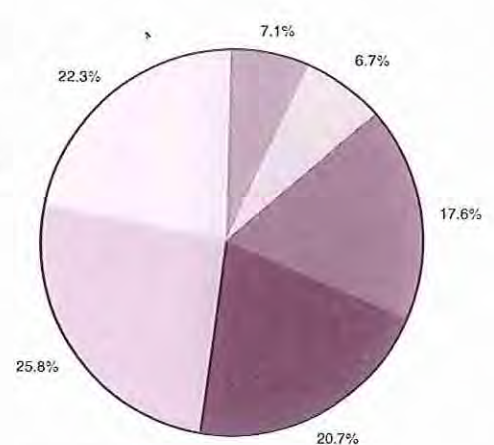


Figure 12: Claim payments 1994-2000 by size

Figure 13 shows claim payments in the 1994-2000 period by category of claim. Almost three quarters of the total amount paid has been paid in respect of claims for unauthorised transfer of securities (Division 7).

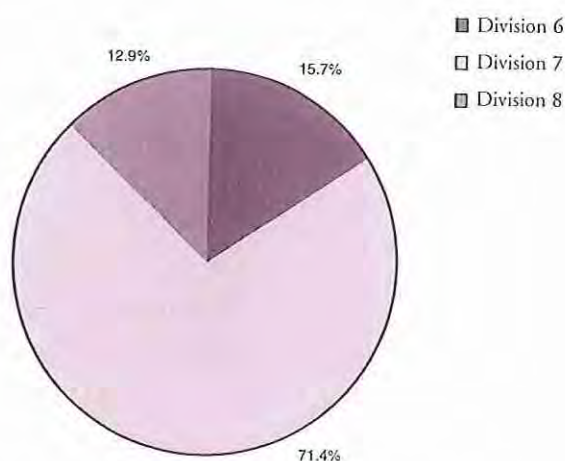


Figure 13: Claim payments 1994-2000 by category

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors present their report together with the financial report of Securities Exchanges Guarantee Corporation Limited ("SEGC") for the year ended 30 June 2000, including the separate financial report of the National Guarantee Fund ("the Fund") and the independent auditors' report thereon.

DIRECTORS

The directors of SEGC in office at the date of this report are:-

Clive Michael Batrouney (Chairman)

Geoffrey William Hone

Fergus Allan McDonald

Maurice Lionel Newman AM

Michael John Sharpe AO

Hon Keith De Lacy

Mr Hone and Mr McDonald were reappointed at the end of the 1999 annual general meeting, when their previous term of office expired.

For details of the directors' qualifications, experience and special responsibilities, refer to pages 7-8. Directors' meetings and their attendance at those meetings are also detailed on page 8. Those details are to be read as part of this report.

PRINCIPAL ACTIVITY

SEGC is a statutory trustee and holds the assets of the Fund in trust for the purposes set out in the provisions of Part 7.10 of the Corporations Law. It administers the Fund in accordance with those provisions. There were no changes in the nature of the company's activities during the year.

RESULT

SEGC did not trade in its own right during the financial year. The movement in the Fund for the year was a surplus of \$14,945,959 (1999: \$8,895,512) before payment of \$2,748,369 (1999: \$7,929,227) to the securities industry development account held by Australian Stock Exchange Ltd ("ASX") under section 945(1) of the Corporations Law ("SIDA").

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

During the financial year, three new claims were made on SEGC, and SEGC was advised that a large number of previously notified potential claims were to be pursued. Two legal proceedings commenced in the previous financial year against SEGC in respect of a number of disallowed claims were concluded. Payments in respect of claims totalled \$262,470 (1999: \$1,278). Total recoveries were \$107,536 (1999: \$1,278) of which \$47,536 was received from the liquidators of stockbrokers which became insolvent more than five years ago. For further details about claims, refer to pages 11-15.

Following completion of a risk assessment by external consultants, the board increased the minimum amount of the Fund under section 936(1) of the Corporations Law from \$70 million to \$80 million.

During the financial year, the Fund earned a return of 5.54% on managed funds (1999: 3.99%). The board conducted a review of its investment strategy for the Fund and in June 2000 adopted a new investment strategy which will be implemented in stages, with implementation expected to be completed by December 2000. As part of the new strategy, an unsecured standby facility established in the previous financial year will terminate in September 2000.

In preparation for the introduction of the goods and services tax, an Australian Business Number was obtained for each of SEGC and the Fund, the Fund was registered for GST purposes, and SEGC sought endorsement as an income tax exempt charity. That endorsement was given in July 2000. Due to the special nature of SEGC's transactions on behalf of the Fund, private rulings were sought from the Australian Taxation Office. At the end of the financial year those rulings had not been received, but are expected to be received by October 2000.

A submission was made to Commonwealth Treasury and to the Parliamentary Joint Statutory Committee on Corporations and Securities in relation to the exposure draft Financial Services Reform Bill, some provisions of which, if enacted, could significantly affect SEGC and the Fund in the future.

During the year, SEGC moved into its current premises, established a website (at www.segc.com.au) and developed a logo. No year 2000 issues arose for SEGC.

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Investment of the Fund exposes it to changes in interest rates and to credit and liquidity risks. The Board manages these exposures through the investment mandates under which the Fund's two external fund managers operate. Compliance by the fund managers with the investment mandates is closely monitored.

The investment mandates permit the fund managers to use derivative financial instruments to hedge cash flows subject to interest rate risk. Derivative financial instruments are not held for speculative purposes.

STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of SEGC or the Fund during the financial year under review.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of SEGC, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in subsequent financial years.

DIRECTORS' INTERESTS AND BENEFITS

Since the end of the previous financial year, no director of SEGC has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements) by reason of a contract made by SEGC with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial interest. Directors' benefits are set out in note 5.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Since the end of the previous financial year, the entity has paid an insurance premium in respect of directors' and officers' liability insurance for current and former officers of SEGC.

The officers of SEGC covered by the insurance include the directors referred to earlier in this report and the secretary, S Hansen.

In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

The constitution of SEGC provides that, to the extent permitted by law, the officers of SEGC are indemnified against

any liability incurred in that capacity being a liability:

- to a person other than SEGC or a related body corporate, unless the liability involves a lack of good faith or is contrary to SEGC's express instructions; or
- for costs or expenses incurred in defending any proceedings, whether civil or criminal, in which judgment is given in favour of the person or the person is acquitted, or in connection with an application in relation to such proceedings in which the court grants relief to the person under the Corporations Law.

CORPORATE GOVERNANCE

The board of SEGC consists of six non-executive directors. ASX as the sole member of SEGC appoints three directors and those directors appoint three independent directors who:-

- are not an affiliate of ASX or a professional adviser to ASX or a related body corporate;
- are not a partner, director, officer or employee of a Participating Organisation of ASX;
- are not a director, officer or employee of ASX or a related body corporate;
- are not a spouse, parent or child of a person in any of the previous categories; and
- otherwise have no interest in a Participating Organisation of ASX or a related body corporate which would enable the person to influence the management and policies of the Participating Organisation's stockbroking business.

SEGC's constitution provides that the term of office of:

- Mr Batrouney and Mr Newman expires at the end of the annual general meeting in 2000; and
- each other 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.

Staff of ASX are seconded to SEGC and are responsible to the board of SEGC in the performance of their duties for 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.

Administration and accounting services are provided by ASX Operations Pty Limited. The performance of these duties is subject to the same internal and external audit reviews as are performed within ASX. The audit committee of ASX provides the results of its review of the financial statements of SEGC to the directors of SEGC.

Dated at Sydney this 24th day of August 2000

Signed in accordance with a resolution of the directors



Clive M Batrouney
Chairman

SECURITIES EXCHANGES GUARANTEE CORPORATION LTD

| | Note | 2000 \$ | 1999 \$ |
|--|------|----------------|------------------|
| PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 30 JUNE 2000 | | | |
| OPERATING PROFIT | 1 | - | - |
| BALANCE SHEET AS AT 30 JUNE 2000 | | | |
| CURRENT ASSET | | | |
| Right of indemnity for liabilities incurred by SEGC, as trustee of the National Guarantee Fund | 3 | 487,253 | 2,390,665 |
| Total Current Asset | | 487,253 | 2,390,665 |
| CURRENT LIABILITIES | | | |
| Liabilities of the National Guarantee Fund | | 487,253 | 2,390,665 |
| Total Current Liabilities | | 487,253 | 2,390,665 |
| NET ASSETS | | | |
| ACCUMULATED FUNDS | 1 | - | - |

NATIONAL GUARANTEE FUND

| | Note | 2000 | 1999 |
|--|-------------|--------------------|--------------------|
| | \$ | \$ | |
| MOVEMENT IN THE FUND | | | |
| FOR THE YEAR ENDED 30 JUNE 2000 | | | |
| NET ASSETS AT THE BEGINNING OF THE FINANCIAL YEAR | | 138,396,844 | 137,430,559 |
| Interest income - managed funds | | 9,416,481 | 10,023,135 |
| - Part 7.8 deposits | 2(b) | 6,779,861 | 3,900,785 |
| Realised gains on sale of investments | | 185,900 | 1,694,231 |
| Unrealised gain on valuation of investments | | 1,466,096 | - |
| Moneys recovered from Participating Organisations | | 107,536 | 1,278 |
| Total Income | | 17,955,874 | 15,619,429 |
| Realised losses on sale of investments | | 3,267,060 | 2,105,120 |
| Unrealised deficit on valuation of investments | | - | 3,999,660 |
| Operating expenses | | 936,601 | 1,011,417 |
| Management fees - fund managers | | 366,762 | 387,899 |
| Claims paid | | 262,470 | 1,278 |
| Reversal in claims accrued and provided in prior years | 2(c) | (1,856,000) | (812,000) |
| Auditors' remuneration - audit fees | | 18,500 | 18,500 |
| Fund managers' expenses | | 14,522 | 12,043 |
| Total Expenditure | | 3,009,915 | 6,723,917 |
| Surplus | | 14,945,959 | 8,895,512 |
| Payments to Securities Industry Development Account held by Australian Stock Exchange Limited | 7 | 2,748,369 | 7,929,227 |
| Surplus after payments to SIDA | | 12,197,590 | 966,285 |
| NET ASSETS AT THE END OF THE FINANCIAL YEAR | | 150,594,434 | 138,396,844 |
| BALANCE SHEET AS AT 30 JUNE 2000 | | | |
| CURRENT ASSETS | | | |
| Cash at bank | | 9,799 | 6,578 |
| Interest receivable | | 1,577,208 | 634,232 |
| Short term investments - less than three months to maturity | 2(e),(f), 4 | 33,558,324 | 23,930,398 |
| Other investments - greater than three months to maturity | 2(e),(f), 4 | 115,936,356 | 116,216,301 |
| Total Current Assets | | 151,081,687 | 140,787,509 |
| CURRENT LIABILITIES | | | |
| Creditors and accrued expenses | | 82,773 | 51,987 |
| Provisions for - claims | 2(c) | 150,000 | 2,006,000 |
| - legal and professional fees | | 180,000 | 205,000 |
| Amount owing to ASX Operations Pty Limited | 9 | 74,480 | 127,678 |
| Total Current Liabilities | | 487,253 | 2,390,665 |
| NET ASSETS | | 150,594,434 | 138,396,844 |
| FUND ACCOUNT | | 150,594,434 | 138,396,844 |

NATIONAL GUARANTEE FUND (CONTINUED)

| | Note | 2000 \$ | 1999 \$ |
|--|------|-----------------------|-----------------------|
| | | Inflows (Outflows) | Inflows (Outflows) |
| STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2000 | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net payments for the purchase of Other investments | | (1,335,119) | (48,315,900) |
| Interest income - managed funds | | 9,416,481 | 10,023,135 |
| - Part 7.8 deposits | 2(b) | 5,836,885 | 3,515,628 |
| | | 107,536 | 1,278 |
| Moneys recovered from Participating Organisations | | (1,383,797) | (1,356,893) |
| Cash paid to fund managers and creditors | | (262,470) | (1,278) |
| Claims paid | | | |
| Net Cash Provided/(used in) by Operating Activities | 10 | 12,379,516 | (36,134,030) |
| CASH FLOWS FROM OTHER ACTIVITIES | | | |
| Payments to SIDA | | (2,748,369) | (7,929,227) |
| Net Increase/(decrease) Incash Held | | 9,631,147 | (44,063,257) |
| CASH AT THE BEGINNING OF THE FINANCIAL YEAR | | 23,936,976 | 68,000,233 |
| CASH AT THE END OF THE FINANCIAL YEAR | | 33,568,123 | 23,936,976 |

RECONCILIATION OF CASH

For the purposes of the Statement of Cash Flows, cash includes cash at bank, short term deposits and investments in bank bills with a term to maturity less than three months. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:-

| | | | |
|---|------------|-------------------|-------------------|
| Cash at bank | | 9,799 | 6,578 |
| Short term investments | 2(e),(f),4 | 33,558,324 | 23,930,398 |
| TOTAL CASH, SHORT TERM INVESTMENTS | | 33,568,123 | 23,936,976 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

Securities Exchanges Guarantee Corporation Limited ("SEGC") is incorporated in the Australian Capital Territory as a company limited by guarantee with the sole purpose of administering the National Guarantee Fund ("the Fund"). SEGC does not trade in its own right.

Australian Stock Exchange Limited ("ASX"), as the only member of SEGC, undertakes to contribute an amount not exceeding \$1,000 to the assets of SEGC in the event of SEGC being wound up while ASX is a member or within one year after it ceases to be a member, for payment of the debts and liabilities of SEGC contracted before it ceases to be a member, for payment of the costs, charges and expenses of winding up and for the adjustment of the rights of contributories among themselves.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies that have been adopted by SEGC and the Fund in the preparation of these financial statements are:

(a) Basis of Preparation

The financial report has been drawn up in accordance with Accounting Standards, other mandatory pronouncements of the Australian Accounting Standards Board and the Corporations Law. In addition, disclosures required by International Accounting Standards and Australian exposure drafts are included to the extent they do not conflict with Australian Accounting Standards and where such disclosures enhance the usefulness and relevance of the financial statements.

The financial report has been prepared on the basis of historical costs and except for investments, which have been recorded at their current market values as advised by the investment managers, does not take into account changing money values. The accounting policies have been consistently applied and are consistent with those of the previous year.

(b) Interest Income

Interest income includes the Fund's entitlement to receive as income the interest from the deposits of Participating Organisations of ASX lodged and invested in accordance with section 891 of the Corporations Law.

(c) Claims

Claims and appeals against disallowed claims are recorded on an accruals basis.

If SEGC allows a claim, SEGC is subrogated to the claimant's rights and remedies (section 980 of the Corporations Law). No allowance has been made for potential recoveries by SEGC upon the exercise of its rights of subrogation.

(d) Income Tax

No provision is made for income tax as SEGC has received a ruling from the Australian Taxation Office that the income from the Fund is exempt from income tax.

(e) Investments

SEGC's investments are units in two private unit trusts. As sole unit holder, SEGC holds the beneficial interest in all the underlying investments of the unit trusts and information about SEGC's investments is therefore provided as if the underlying investments of the unit trusts were held by SEGC directly.

Investments at balance date are stated at market value. Increases or decreases in the market value are recognised in the Movement in the Fund.

Investments comprise short-term deposits, bank bills, financial derivatives contracts, government bonds and other fixed interest securities. Details of interest and credit rate risk are contained in Note 11.

(f) Derivatives and other Financial Instruments

Derivative financial instruments are valued at market rates. Gains and losses are recognised in the Movement in the Fund.

Derivative financial instruments are used to hedge cash flows subject to interest rate risk. Such instruments are not held for speculative purposes.

(g) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. RIGHT OF INDEMNITY

As set out in section 929(2) of the Corporations Law, the assets of the Fund are the property of SEGC but are held in trust for the purposes set out in of Part 7.10 of the Corporations Law. SEGC has a right of indemnity from the assets of the Fund in respect of liabilities properly incurred by SEGC on behalf of the Fund.

| | 2000 | 1999 |
|--|--------------------|--------------------|
| | \$ | \$ |
| 4. INVESTMENTS | | |
| Short term - less than 3 months maturity | | |
| Cash investments | 2,010,606 | 8,163,444 |
| Bank bills, non certificated deposits | 31,547,718 | 15,766,954 |
| | <u>33,558,324</u> | <u>23,930,398</u> |
| Other - greater than 3 months maturity | | |
| Bonds | 115,540,295 | 115,856,342 |
| Margin on futures contracts | 396,061 | 359,959 |
| | <u>115,936,356</u> | <u>116,216,301</u> |
| Total Investments | <u>149,494,680</u> | <u>140,146,699</u> |

5. REMUNERATION OF DIRECTORS

The number of directors who were paid income or in respect of whom income is payable or otherwise made available by SEGC within the following bands is:

| | 2000 | 1999 |
|---|----------------|----------------|
| | \$ | \$ |
| \$0 - \$ 9,999 | - | 1 |
| \$10,000 - \$19,999 | - | 1 |
| \$20,000 - \$29,999 | 5 | 5 |
| \$30,000 - \$39,999 | 1 | - |
| Total income paid or payable or otherwise made available by SEGC to directors | <u>137,305</u> | <u>128,710</u> |

No amount has been paid by any related party of SEGC to directors in respect of their duties as directors of SEGC.

6. CONTINGENT LIABILITIES OF THE FUND

As at 30 June 2000, a contingent liability exists in respect of 129 claims made for alleged losses suffered by clients of a large financial planning organisation in connection with dealings involving a former Participating Organisation of ASX. A related company of the financial planning organisation has made the claims under power of attorney on behalf of those clients. The total value claimed is approximately \$20 million, however SEGC considers that all the claims are invalid in the particular circumstances and commenced legal proceedings during the financial year seeking declarations to that effect. SEGC also considers that the total value claimed includes losses which cannot be claimed on the Fund under Part 7.10 of the Corporations Law.

Contingent liabilities as at 30 June 1999 were \$195,000.

7. SECURITIES INDUSTRY DEVELOPMENT ACCOUNT

Section 944(1) of the Corporations Law confers on the board of SEGC a discretion to pay amounts in excess of the minimum amount into the securities industry development account held by ASX under section 945(1) ("SIDA"). Money in SIDA may only be used for purposes approved by the Minister under section 945 of the Corporations Law. The amounts paid to SIDA during the financial year and the purposes with which those payments were connected are:

| | 2000 | 1999 |
|---|------------------|------------------|
| | \$ | \$ |
| ASX equities trading system (SEATS 97) | 1,701,764 | 4,492,733 |
| ASX Derivatives Trading Facility | - | 2,932,635 |
| ASX Shareownership study | 161,397 | - |
| ASX Market Multiples research | 176,964 | - |
| Australian Graduate School of Management | - | 470,000 |
| Securities Institute of Australia | 82,344 | - |
| Securities Industry Research Centre of Asia-Pacific | 550,000 | - |
| Other industry research | 75,900 | 33,859 |
| | <u>2,748,369</u> | <u>7,929,227</u> |

8. SEGMENT REPORTING

SEGC operates wholly in the Australian securities industry.

9. RELATED PARTY DISCLOSURES

Inter-Entity Transactions

During the year, SEGC incurred management fees of \$478,426 (1999: \$555,226) in respect of staff, administration and accounting services provided by ASX Operations Pty Limited to SEGC.

The balance owing to ASX Operations Pty Limited by SEGC at 30 June 2000 was \$74,480 (1999: \$127,678). No interest is charged by ASX Operations Pty Limited on the outstanding balance.

Directors

The names of each person who has been a director of SEGC during the financial year are Clive Michael Batrouney, Geoffrey William Hone, Fergus Allan McDonald, Maurice Lionel Newman, Michael John Sharpe and Keith De Lacy. Mr Batrouney, Mr Newman and Mr Sharpe were each appointed by ASX and are also directors of ASX.

10. NOTE TO AND FORMING PART OF THE STATEMENT OF CASH FLOWS OF THE FUND

| Reconciliation Net Cash (used in)/provided by Operating Activities to the Movement in the Fund | 2000 | 1999 |
|---|-------------------|---------------------|
| | \$ | \$ |
| Surplus movement in the Fund | 12,197,590 | 966,285 |
| Decrease/(Increase) in unrealised gains and losses | 5,465,756 | (1,746,245) |
| (Increase) in investments at cost | (5,185,811) | (42,197,647) |
| (Increase) in interest receivable | (942,976) | (385,157) |
| (Decrease) in provision for claims | (1,856,000) | (812,000) |
| (Decrease)/Increase in other liabilities | (47,412) | 111,507 |
| Payments to SIDA | 2,748,369 | 7,929,227 |
| Net cash provided by/(used in) operating activities | <u>12,379,516</u> | <u>(36,134,030)</u> |

11. FINANCIAL INSTRUMENTS

(a) Credit Risk

The credit risk on financial assets of the Fund, which has been recognised on the balance sheet, is generally the carrying amount.

Credit risk relating to investments is managed by placing funds in approximately equal amounts with two professional fund managers who invest the portfolio in accordance with Investment Management Agreements approved by the Board. The Investment Management Agreements contain guidelines which limit the exposure of the portfolio to a specified level of liquidity in investments with a range of counterparties. The guidelines restrict the maximum value of the portfolio which can be invested with a counterparty by reference to published credit ratings. Commonwealth Government issued or guaranteed investments attract no maximum limit.

(b) Interest Rate Risk

Interest rate risk arises in relation to investments comprising short-term deposits, bank bills and fixed interest securities. The entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out below.

| | Weighted Average Interest Rate | | Floating Interest Rate | | Fixed Interest Rate* | | Non-Interest Bearing | | Total | |
|---------------------------------------|-----------------------------------|------|---------------------------|-------------------|-------------------------|--------------------|-------------------------|------------------|--------------------|--------------------|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| | % | % | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | | | | | | |
| Cash at Bank | - | - | - | - | - | - | 9,799 | 6,578 | 9,799 | 6,578 |
| Short term | | | | | | | | | | |
| Investments | 5.19 | 4.93 | 2,010,606 | 8,163,443 | - | - | - | - | 2,010,606 | 8,163,443 |
| Receivables | - | - | - | - | - | - | 1,577,208 | 634,232 | 1,577,208 | 634,232 |
| Other investments | 5.54 | 3.93 | 31,547,718 | 15,766,955 | 115,540,295 | 115,856,342 | 396,061 | 359,959 | 147,484,074 | 131,983,256 |
| | | | <u>33,558,324</u> | <u>23,930,398</u> | <u>115,540,295</u> | <u>115,856,342</u> | <u>1,983,068</u> | <u>1,000,769</u> | <u>151,081,687</u> | <u>140,787,509</u> |
| Financial Liabilities | | | | | | | | | | |
| Creditors and accrued expenditure | - | - | - | - | - | - | 82,773 | 51,987 | 82,773 | 51,987 |
| Other | - | - | - | - | - | - | 74,480 | 127,679 | 74,480 | 127,678 |
| | | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>157,253</u> | <u>179,666</u> | <u>157,253</u> | <u>179,665</u> |
| Net financial assets | | | <u>33,558,324</u> | <u>23,930,398</u> | <u>115,540,295</u> | <u>115,856,342</u> | <u>1,825,815</u> | <u>821,103</u> | <u>150,924,434</u> | <u>140,607,844</u> |
| Less: provisions | | | | | | | | | 330,000 | 2,211,000 |
| Net Assets per balance sheet | | | | | | | | | <u>150,594,434</u> | <u>138,396,844</u> |
| Fixed interest rate maturing in: | | | | | | | | | | |
| Less than 1 year | | | | | - | 275,291 | | | | |
| Greater than 1 year less than 5 years | | | | | 83,174,084 | 43,240,451 | | | | |
| Greater than 5 years | | | | | <u>32,366,211</u> | <u>72,340,600</u> | | | | |
| | | | | | <u>115,540,295</u> | <u>115,856,342</u> | | | | |

* The majority of the fixed interest rate securities have maturities beyond one year. They are actively traded and are therefore classified as current assets.

11. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial Derivatives Contracts

The Fund's fund managers have entered into financial futures to hedge cash flows subject to interest rate risk.

(d) Net Fair Values of Financial Assets and Liabilities

The economic entity's financial assets and liabilities carried in the balance sheet are carried at amounts that approximate net fair value. Trading securities are valued at market value.

12. FINANCIAL ARRANGEMENTS

SEGC has access to \$30 million (1999: \$30 million) under an unsecured standby overdraft/bank bill facility. The facility was not drawn on during the financial year and will terminate in September 2000. Interest is only payable on drawn amounts and is linked to publicly quoted variable interest rates.

DIRECTORS' DECLARATION

In the opinion of the directors of Securities Exchanges Guarantee Corporation Limited:

- (a) the financial statements and notes set out on pages 19-26:
 - (i) are in accordance with the Corporations Law;
 - (ii) comply with Accounting Standards and the Corporations Regulations; and
 - (iii) give a true and fair view of the financial position of the entity and of the National Guarantee Fund as at 30 June 2000, and the performance of the National Guarantee Fund as represented by the movement in the Fund and the Fund's cashflows for the financial year ended 30 June 2000; and
- (b) there are reasonable grounds to believe that the entity and the National Guarantee Fund will be able to pay their debts as and when they become due and payable.

Dated at Sydney this 24th day of August 2000

Signed in accordance with a resolution of the directors



Clive M Batrouney
Chairman

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

Scope

We have audited the financial report of Securities Exchanges Guarantee Corporation Limited for the financial year ended 30 June 2000, consisting of the profit and loss statement, balance sheet, accompanying notes (1 to 12), and directors' declaration including the separate financial statements of the National Guarantee Fund. The entity's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the member of the entity.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view that is consistent with our understanding of the entity's financial position, and the financial position and performance of the National Guarantee Fund as represented by the movement in the Fund and the Fund's cash flows.

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

Audit Opinion

In our opinion, the financial report of Securities Exchanges Guarantee Corporation Limited, including the separate financial statements of the National Guarantee Fund, is in accordance with:

- (a) the Corporations Law, including:
 - i) giving a true and fair view of the entity's financial position as at 30 June 2000; and
 - ii) giving a true and fair view of the National Guarantee Fund's financial position as at 30 June 2000 and of its performance for the year ended on that date; and
 - iii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



Mark S Epper
Partner, KPMG



Sydney, 24 August 2000

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 and from ASX's offices in each State.

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

Securities Exchanges Guarantee Corporation Ltd



Level 9
20 Bridge Street
Sydney NSW 2000



PO Box H224
Australia Square
Sydney NSW 1215



61 2 9227 0424



61 2 9227 0436



segc@asx.com.au

Internet

www.segc.com.au