



Securities Exchanges
Guarantee Corporation

ANNUAL REPORT

2007

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MESSAGE FROM THE CHAIRMAN

Securities Exchanges Guarantee Corporation Limited (SEGC) is the trustee of the National Guarantee Fund (NGF or the Fund) which is the compensation scheme for the Australian Securities Exchange. The 2006-2007 financial year was SEGC's twentieth year of operation. As at 30 June 2007 the net assets of the NGF were \$99.6 million.

No new claims were received during the year.

The core function of the Fund is to provide investor protection by compensating investors in the circumstances set out Division 4 of Part 7.5 of the Corporations Act 2001 (Cth).

One important development has occurred during the year which will have an impact on the future operations of SEGC and the Fund. The Corporations (National Guarantee Fund Levies) Amendment Act 2007 (the Act) was passed by both Houses of Parliament in September 2007 and will commence on 22 October 2007.

The Act amends the Corporations (National Guarantee Fund Levies) Act 2001 to provide for a cap on the levies imposed by SEGC in a financial year. The Act provides that the total of the levies, in a financial year, cannot exceed 150% of the minimum amount (the minimum amount is currently set at \$76 million) that is in force on 1 July of the financial year. If the imposed levy is insufficient to meet claims or refill the NGF, SEGC has the ability to impose further levies in succeeding financial years provided the levy does not exceed 150% of the minimum amount each year. SEGC previously had the discretion to levy the market operator, ASX, or its participants without any cap on annual payment. These changes do not affect an investor's ability to claim from the Fund. It should be noted that levies have not been imposed since the inception of the NGF.

SEGC continues to make submissions to the Government that payments from the Fund in relation to investor compensation should be capped at \$1million per claimant per event. SEGC has made a number of submissions over the years in relation to this issue. SEGC considers that capping payments would ensure the structural soundness of the Fund without any significant reduction in investor protection.

SEGC believes that the introduction of the cap on levies without there being a cap on claims potentially impacts on the structural soundness of the Fund by limiting SEGC's ability to impose levies to refill the NGF to meet uncapped claims.

A handwritten signature in black ink, appearing to read 'Clive Batrouney'.

Clive Batrouney
Chairman

OVERVIEW OF SEGC AND THE NATIONAL GUARANTEE FUND

SEGC is responsible for administering the NGF and operates in accordance with Part 7.5 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 industry. The sole member of SEGC is ASX Limited (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 ACH (Dealers). It was established by the 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.

Investment earnings are the major source of income for the NGF. The earnings of the NGF are income tax exempt.

In accordance with SEGC's investment strategy for the management and investment of the NGF's assets, the NGF is divided into two portions which are invested with two professional portfolio managers. Fluctuations in interest rates and price movements in markets have affected the NGF's earnings on investments.

At 30 June 2007, the net assets of the NGF were \$99.6 million. This compares with \$96.8 million at the end of the previous financial year. Figure 1 shows NGF net assets in the 1996-2007 period.

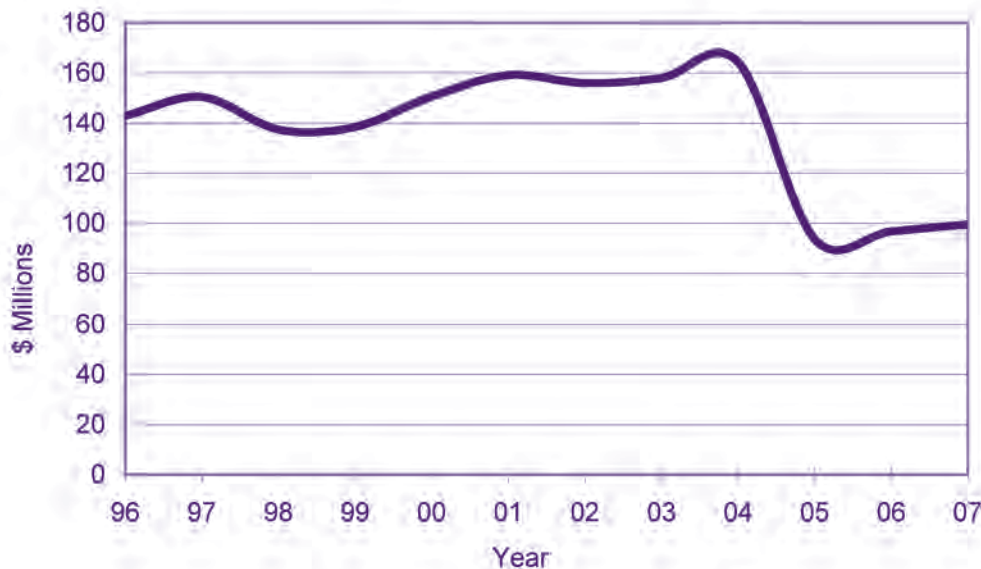


Figure 1: NGF net assets 1996 - 2007

The net assets of the NGF reflect variations in earnings (see Figure 2), the amount paid to ASX’s Financial 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. Figure 2 shows NGF earnings in the 1996-2007 period.

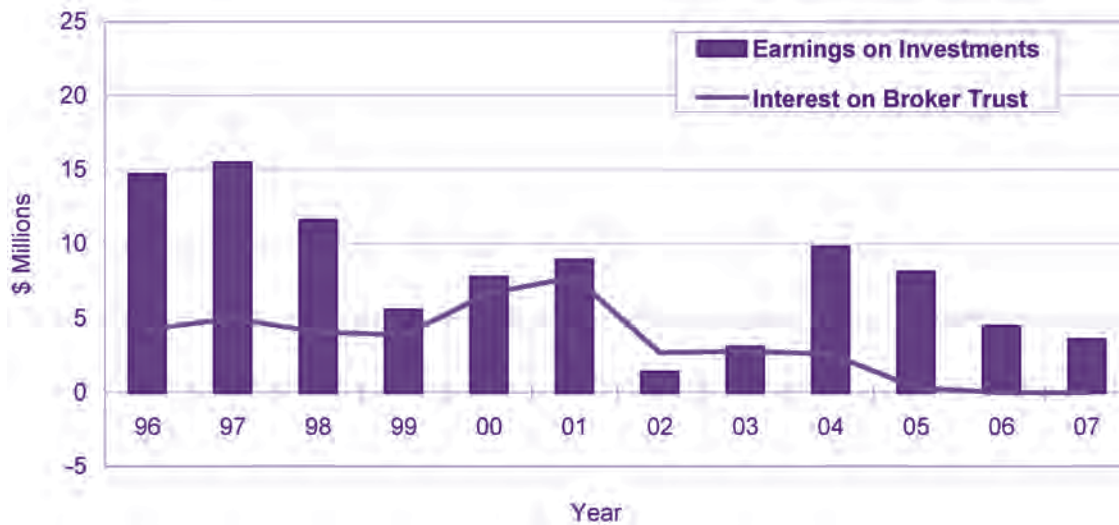


Figure 2: NGF earnings 1996 - 2007

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 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 equities and debt markets where the transaction is required to be reported to ASX (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 been suspended by ASX or by ACH;

- 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 ASTC (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). Currently, the maximum is \$11.4 million (See page 5 for an explanation of the ‘minimum amount’).

Further information about claims made is provided in the Claims Report section on page 10.

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 apply to trading of individual derivatives contracts (other than ASX traded warrants).

However, the NGF does provide the following protection to clients of Dealers who trade on the ASX derivatives market.

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. The ASX Supplemental Compensation Fund covers claims in relation to money or property entrusted to a participant of ASX in respect of actual or proposed dealings in futures.

Reduction of claims

SEGC may reduce the amount of compensation payable to a 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.

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. On 31 March 2005, at the time of the NGF split, the minimum amount was set and still remains at \$76 million.

SEGC liaises with ASX on new products and monitors developments in the regulatory environment so that potential changes to the NGF's risk may be assessed.

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 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 SEGC imposes a levy on ASX, ASX may impose a levy on its participants 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.

Financial Industry Development Account (FIDA)

The Corporations Act also provides the Board with flexibility if the amount in the NGF exceeds the 'minimum amount'. In that circumstance, SEGC may in its discretion pay all or part of the excess to ASX to be kept in a separate account designated as FIDA. A total of \$135.9 million has been distributed out of the NGF to the FIDA account held by ASX since formation of the NGF.

During the financial year \$2,074,000 was distributed to ASX's FIDA account. Figure 3 shows NGF payments to FIDA in the 1988-2007 period.

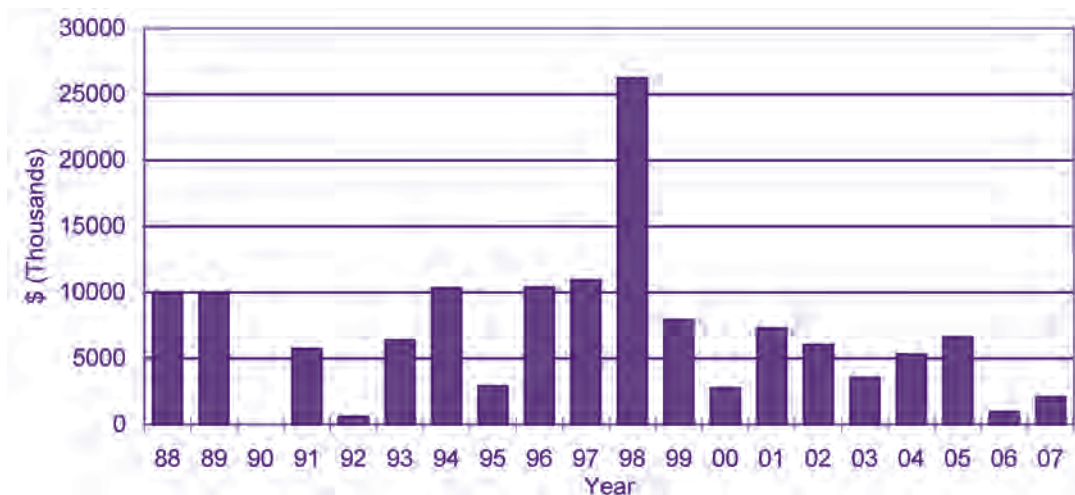


Figure 3: NGF payments to FIDA 1988 - 2007

Money held in the FIDA account can only be used for approved purposes. These are purposes approved by the Minister and must relate to the creation of, or participation in, a program for the development of the financial industry that is conducted primarily for

a public benefit and is not conducted primarily to promote the profitability of the commercial operations of ASX. Figure 4 shows the projects for which FIDA funds have been used over the last nineteen years.

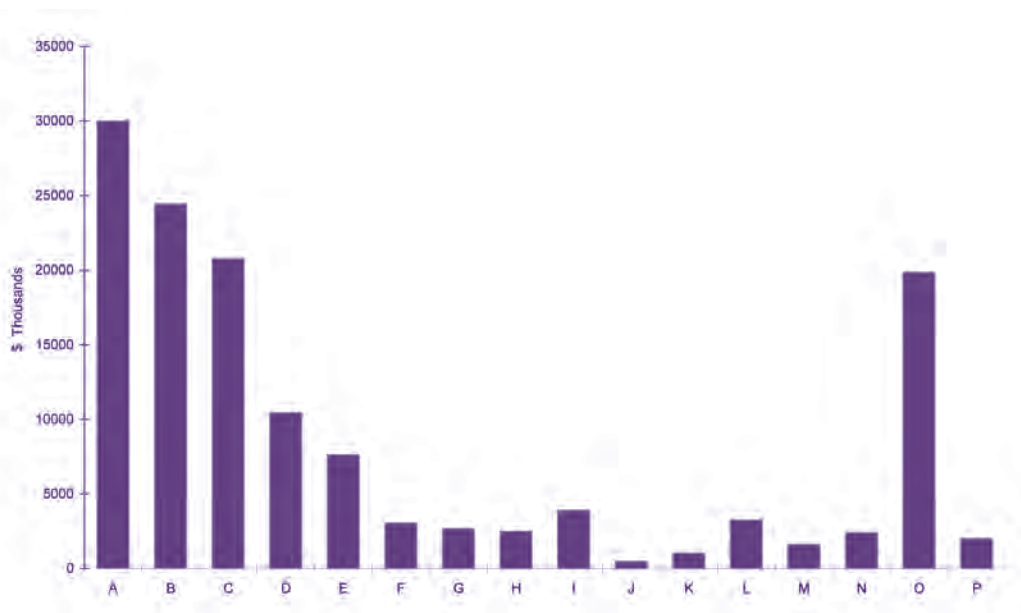


Figure 4: NGF payments to FIDA/SIDA by project 1988 - 2007

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 AsiaPacific
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	Including ASX Share Ownership Study, Global Accreditation Project (Financial Associations Service Centre) and Corporate Governance Council
M Industry Research	Individual research projects commissioned or sponsored by ASX
N SIA	Securities Institute of Australia
O Education	ASX investor education projects
P IAS	International Accounting Standards project

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.

Clive M. Batrouney, FAIM, Independent Non Executive Director. Chairman since July 1998. Director since October 1997.

Director of Hansen Yuncken Pty Limited. Chairman of Telstra Super Pty Limited and Telstra Super Financial Planning Pty Limited. Former Vice Chairman of Australian Stock Exchange Limited (1994-2002). Former Chairman of ANZ McCaughan Securities Limited, Australian Stock Exchange (Melbourne) Limited (1989-1991) and Australian Stock Exchange Limited Melbourne Advisory Board (1991-1994).

Susan Doyle, Independent Non Executive Director. Director since January 2007.

Chairman of Australian Reward Investment Alliance (ARIA) - Commonwealth Government Superannuation Schemes, Deputy Chairman of SA Water Corporation, Director of Aircruising Australia Ltd and Member of Future Fund Board of Guardians.

Hon Keith De Lacy, AM, Independent Non Executive Director. Director since December 1998. Keith retired 31 December 2006.

Chairman of Macarthur Coal Limited, Trinity Consolidated Group, Queensland Sugar Limited and Chairman of Cubbie Group Ltd. Director of Reef Casino Trust. Councillor of AICD, Queensland Division. Former Treasurer of Queensland (1989-1996).

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

Non-Executive Chairman of Multiplex Group, Chairman of Ross Human Directions Limited and Babcock & Brown Japan Property Management Limited. Director of Billabong International Limited. Director of a number of non-listed private companies.

Maurice L. Newman, AC, FSIA, FSDIA Non Executive Director. Director since January 1995. Maurice retired 19 October 2006.

Chairman of ASX Limited, director of Queensland Investment Corporation Limited, Chancellor of Macquarie University, and chairman of the Australian Broadcasting Corporation, Taronga Foundation and the Australian Father's Day Council. He is an advisor to the Marsh group of companies, honorary life member and fellow of the Securities and Derivatives Industry Association (SDIA), member of the Business Council of Australia's Chairmen's Panel, and patron of the Committee for Economic Development of Australia (CEDA).

Michael J. Sharpe AO, BEc, Hon.DScEcon (Sydney), FCA, Non Executive Director. Director since July 1998.

Director of ASX Limited. Chairman of the Audit and Risk Committee and director of ASX Markets Supervision Pty Limited. Also Director of Babcock and Brown Limited, National Australia Trustees Limited. He has served as Chairman of the International Accounting Standards Committee and President of the Institute of Chartered Accountants in Australia, independent auditor of the Australian National Audit Office and a member of the Takeovers Panel.

Peter H. Warne, BA, Non Executive Director. Director since October 2006

Director of ASX Limited, Director of SFE Corporation, Austraclear Limited, SFE Clearing Corporation Pty Limited, Australian Clearing House Pty Limited and ASX Settlement and Transfer Corporation Pty Limited. Member of the Audit and Risk Committee and the Nomination and Remuneration Committee. Currently Chairman of Capital Markets CRC Limited, Next Financial Limited and Australian Leisure and Entertainment Property Management Limited and Director of WHK Group Limited, Securities Industry Research Centre of Asia Pacific and Macquarie Bank Limited. Member of the advisory board of Australian office of Financial Management.

DIRECTORS' ATTENDANCE AT MEETINGS

	Board Proceedings
	Meetings A
CM Batrouney	5(5)
S Doyle	2(2)
K De Lacy	2(3)
FA McDonald	5(5)
ML Newman	1(1)
MJ Sharpe	5(5)
P Warne	3(4)

A = Meetings attended (Meetings held)

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 who:

- are not a partner, director, officer or employee of a participant of ASX;
- are not a director, officer or employee of ASX or a body corporate that operates another financial market, or their related bodies corporate;
- are not professional advisers to ASX or a body corporate that operates another financial market, or their related bodies corporate;
- are not a spouse, parent or child of a person in any of the previous categories; and
- otherwise have 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.

Note that the directors provide details of their current outside interests on appointment and advise of 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 for that item. That decision is minuted.

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. The appointment of the company secretary is approved by the Board.

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 and the same risk management framework and policies. The audit and risk committee of ASX provides the results of its review of the financial report of SEGC to the directors of SEGC. In view of the size of the SEGC, the directors consider it is not necessary for it to have a separate audit and risk committee.

Note that 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 AND STRUCTURE OF SEGC

SEGC has a Manager, who is also legal counsel and company secretary to the Board and who is responsible for operational matters.

Rohan Purdy (BCOM, LLB, LLM), was appointed as the Manager, Legal Counsel and Company Secretary on 27 August 2007. Rohan is a lawyer admitted to practise in NSW.

Lisa Hopkin DipLaw (LPAB), was the Manager, Legal Counsel and Company Secretary for the period from June 2005 to 27 August 2007. Lisa is a lawyer admitted to practise in NSW.

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

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.
- **Investigation:** The facts surrounding the claim are ascertained or confirmed by SEGC from relevant sources. For example, SEGC may obtain information from Dealers, registries, liquidators, ASX and ACH, as well as from the claimant. Under the Corporations Act, 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 Regulations, 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 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 so that loss to the NGF is mitigated.

Current claims environment

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

Previous NGF claim trends suggest that Dealers should focus on measures to reduce their exposure to conduct which may result in an unauthorised transfer of securities. Such measures may relate to identification of the client, checking of holder details and 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

No new claims were received during the year.

SEGC's claims processing activity in the period 1996-2007 is shown in Figure 5.

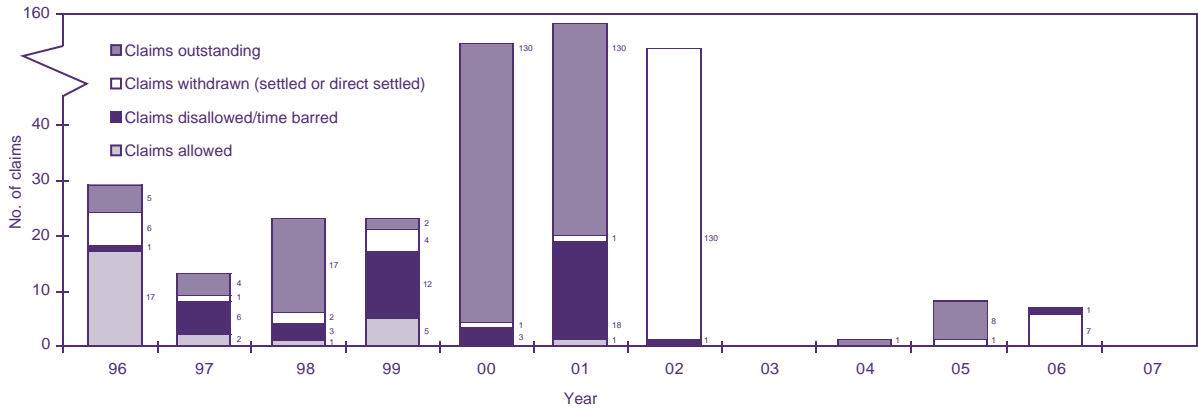


Figure 5: Claims processed 1996 - 2007

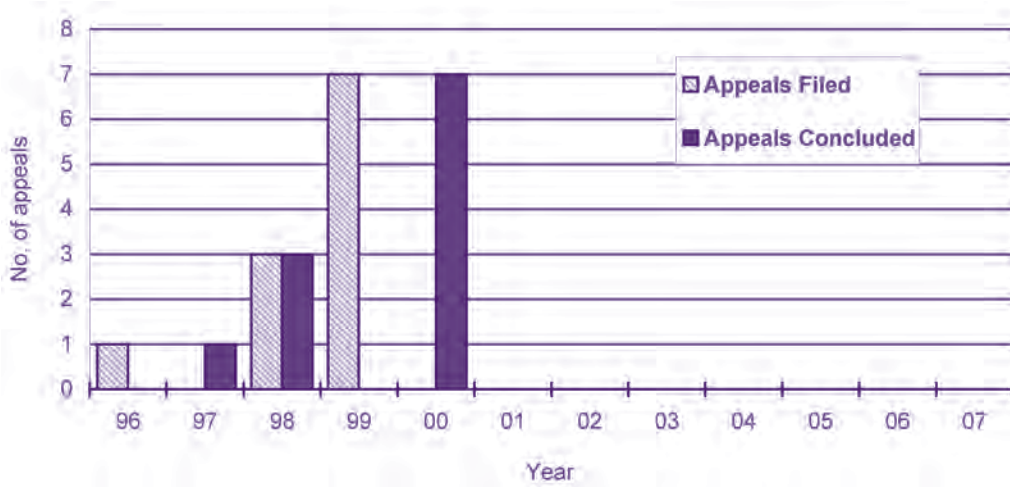


Figure 6: Appeals against disallowance 1996 - 2007

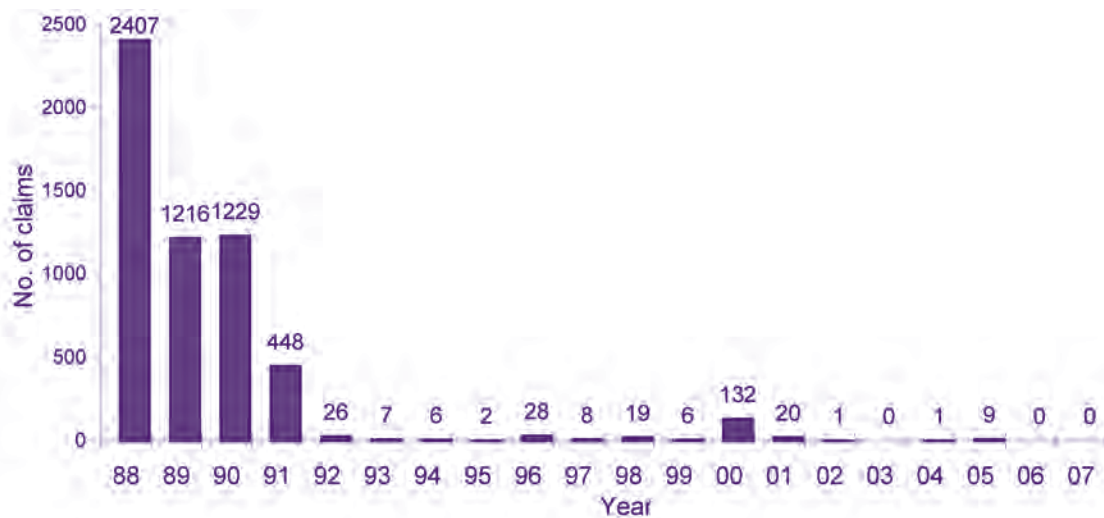


Figure 7: Number of claims received 1988 - 2007

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 proceedings were commenced against SEGC during the financial year in respect of any disallowed claims. Figure 6 shows the number of appeals made and concluded since 1996. All appeals since 1997 have been in respect of disallowed claims in relation to unauthorised transfer of securities (present Subdivision 4.7 of the Corporations Regulations).

Claims history and trends

Since formation of the NGF (1988), SEGC has received a total of 5,576 claims. Most of those claims were received in the first four years. The high number of claims in those early years resulted from seven Dealers 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 Dealer 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 shows the break down per year of the number of claims received by the NGF in the 1988-2007 period.

Claims received since 1988 have been in respect of a total of 42 different Dealers. The number of different Dealers involved in claims received in any one year has ranged from one to nine. Some Dealers have been involved in claims received in more than one year. Figure 8 shows the number of brokers involved in claims received in the 1996-2007 period.

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

1988-1993

During the first six years, eight Dealers 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 Dealers, and were made under the equivalent provisions to the present Subdivisions 4.3 and 4.9 of the Corporations Regulations. 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.

1994-2007

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

In this period, 243 claims have been received. There has been only one Dealer insolvency affecting the NGF, which occurred in May 1995. This was responsible for all but four of the claims received in 1996 and for several of the claims received in subsequent years. Whilst there were fewer insolvencies, there was a significant increase in claims for unauthorised transfer of securities. Although it is possible for an unauthorised transfer to occur without fraud, claims have often involved allegations of fraudulent conduct, whether by a person internal or external to the Dealer which effected the transfer.

Figure 9 shows the categories of claims received in the 1996-2007 period. In the last few years, over 95% of the claims received have related to the unauthorised transfer of securities (present Subdivision 4.7).

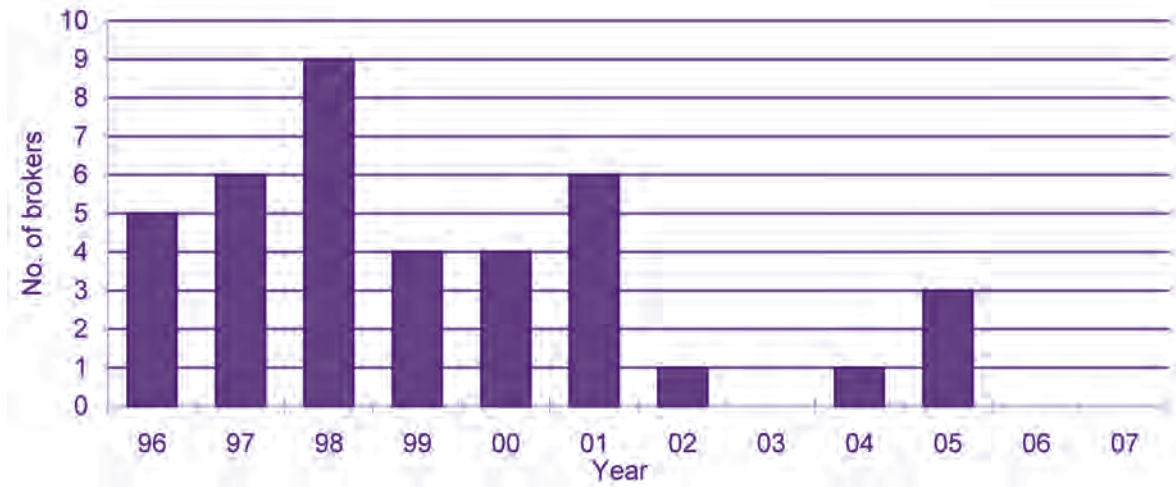


Figure 8: Number of brokers involved in claims received 1996 - 2007

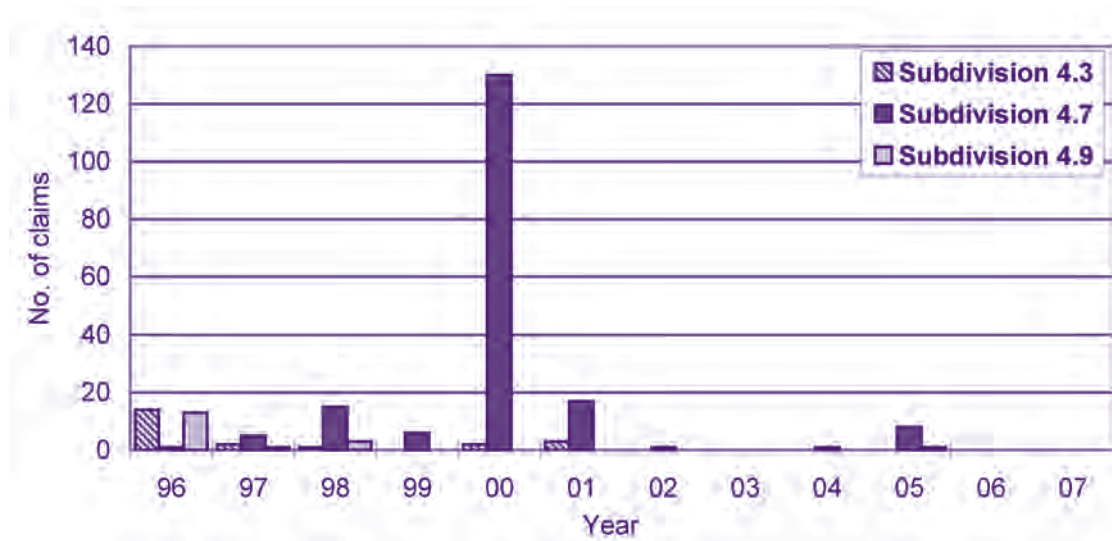


Figure 9: Category of claims received 1996 - 2007

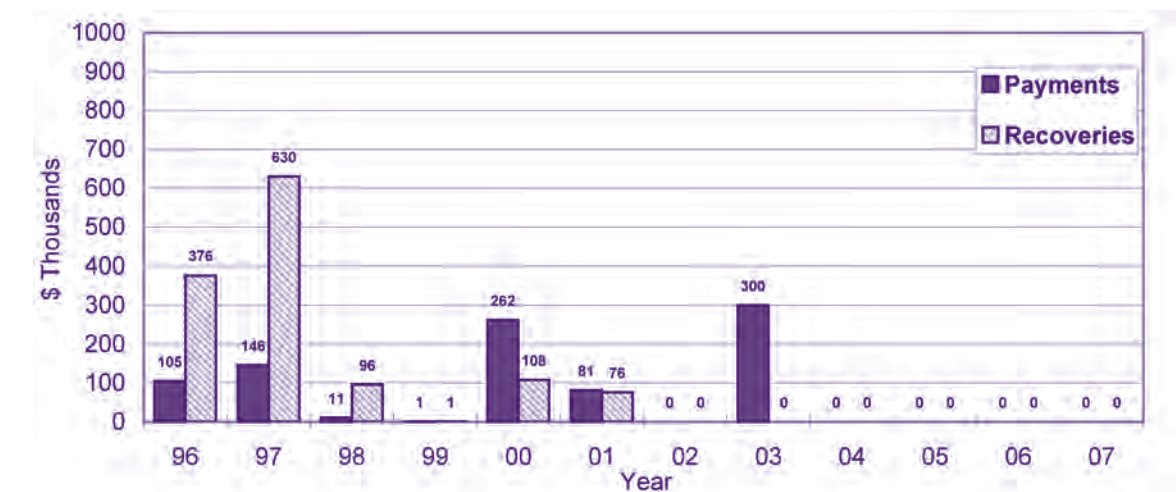


Figure 10: Claim payments and recoveries 1996 - 2007

Claim payments and recoveries

Since the NGF was formed, \$21.65 million has been paid from the NGF in respect of claims, and \$13.43 million of that amount has been recovered. As may be expected, there is a variable lag between payment and recovery. Figure 10 shows claim payments and recoveries in the 1996-2007 period.

In the 1995-2007 period \$948,267 has been paid in respect of 170 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. Four claims, all relating to unauthorised transfer of securities (present Subdivision 4.7), involved payments of \$50,000 or more.

Note that during the 2002-2003 financial year a payment of \$300,000 was made as a global settlement of 129 individual claims. As this payment was not apportioned to the individual claims it has not been included in Figures 11 and 12.

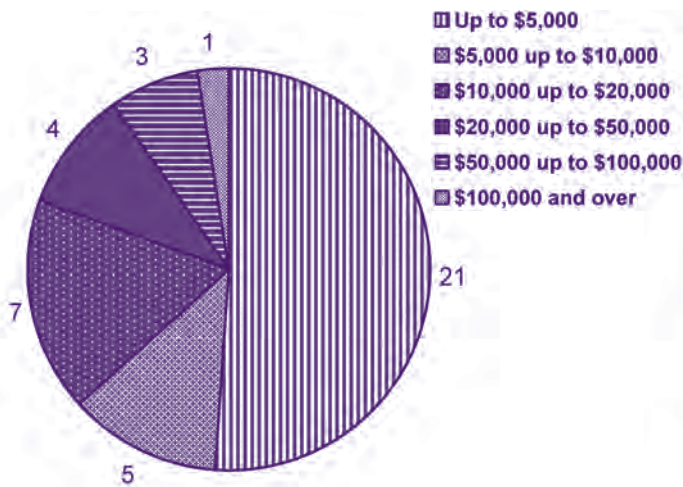


Figure 11: Claim payments 1995 - 2007 by number

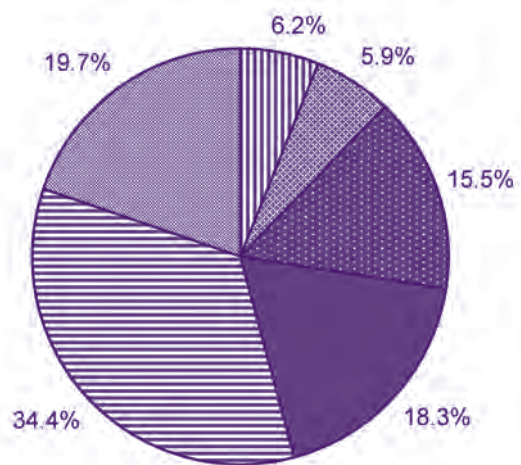


Figure 12: Claim payments 1995 - 2007 by size

Figure 13 shows claim payments in the 1995-2007 period by category of claim. Over three quarters of the total amount paid has been in respect of claims in relation to unauthorised transfer of securities (present Subdivision 4.7).

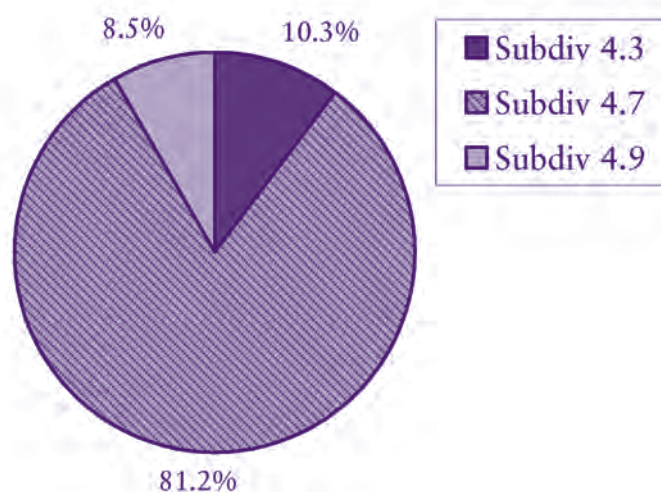


Figure 13: Claim payments 1995 - 2007 by category

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 2007, including the financial report of the National Guarantee Fund ("the NGF" or "the Fund") and the auditor's report thereon.

DIRECTORS

The following persons were directors of SEGC during the financial year and up until the date of this report, unless otherwise stated:

Clive Michael Batrouney (Chairman);

Fergus Allan McDonald;

Michael John Sharpe AO;

Maurice Lionel Newman AC (resigned 19 October 2006);

Hon Keith De Lacy AM (resigned 31 December 2006);

Peter Warne (appointed 19 October 2006);

Susan Doyle (appointed 1 January 2007).

PRINCIPAL ACTIVITY

SEGC is a statutory trustee and holds the assets of the NGF on trust for the purposes set out in the provisions of Part 7.5 of the Corporations Act 2001 and the Corporations Regulations 2001. It administers the NGF in accordance with those provisions.

The NGF's main function is to provide investor compensation in the circumstances set out in Part 7.5 of the Corporations Act 2001.

REVIEW AND RESULTS OF OPERATIONS

SEGC did not trade in its own right during the financial year. The net profit from ordinary activities of the NGF for the year was \$4,953,697 (2006: \$3,983,778), before distributions of \$2,074,000 (2006: \$944,355) to the Financial Industry Development Account ('FIDA') held by ASX Limited ('ASX') under Corporations Regulation 7.5.89.

During the financial year, no claims were made on the NGF. There were no claims brought forward from the prior year. Payments in respect of claims totalled \$Nil (2006: \$Nil). Total recoveries were \$Nil (2006: \$Nil). For further details about claims, refer to the Claims Report section on page 10.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The directors of SEGC are not aware of any significant material environmental incidents arising from the operations of SEGC or the NGF during the financial year.

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 SEGC or the NGF, the results of those operations, or the state of affairs of SEGC or the NGF, in subsequent financial years.

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 company secretary Lisa Hopkin.

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 Act 2001.

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 who:

- are not a partner, director, officer or employee of a participant of ASX;
- are not a director, officer or employee of ASX or a body corporate that operates another financial market, or their related bodies corporate;
- are not professional advisers to ASX or a body corporate that operates another financial market, or their related bodies corporate;
- are not a spouse, parent or child of a person in any of the previous categories; and
- otherwise have 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 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 and Risk Committee of ASX notes the financial report of SEGC and confirms that nothing has come to the attention of the committee that would lead it to believe that the report has been prepared on a basis which is not consistent with the ASX Financial Report for the same period.

Details of the audit and review of amounts paid to the auditor of SEGC and the Fund, KPMG, during the year are set out in Note 13.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included on the following page.

Dated at Sydney this 27th day of August 2007.

Signed in accordance with a resolution of the directors



Clive M Batrouney

Chairman

AUDITOR'S INDEPENDENCE DECLARATION

The directors received the following declaration from the auditor of Securities Exchanges Guarantee Corporation Limited:

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



J F Teer
Partner

Sydney, 27 August 2007

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
Total profit		-	-

BALANCE SHEET AT 30 JUNE 2007

		2007 \$	2006 \$
Net assets		-	-
Total equity	1,2	-	-

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

		2007 \$	2006 \$
Opening balance		-	-
Closing balance		-	-

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

		2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES		-	-
CASH FLOWS FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET INCREASE / (DECREASE) IN CASH HELD		-	-
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		-	-
CASH AT THE END OF THE FINANCIAL YEAR		-	-

The Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement are to be read in conjunction with the notes to the financial statements.

NATIONAL GUARANTEE FUND

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007	2006
		\$	\$
Revenues			
Movements in market valuation of investment units – UBS Cash Plus Fund		489,811	155,117
Movements in market valuation of investment units – Schroder Fixed Income Fund		-	399,625
Distributions – UBS Cash Plus Fund		2,598,658	2,572,476
Distributions – Schroder Enhanced Cash Management Fund		-	1,432,451
Distributions – Schroder Fixed Income Fund		3,530,522	1,201,697
Interest revenue – other		774	291
Refund of imputation credits		54,037	51,779
Total revenues		6,673,802	5,813,436
Expenses			
Movements in market valuation of investment units			
– Schroder Fixed Income Fund		1,143,751	-
– Schroder Enhanced Cash Management Fund		-	1,234,204
Audit fees		20,800	17,000
Management fees – Schroder Enhanced Cash Management Fund		-	2,921
Support staff and administration		555,554	575,533
Total expenses		1,720,105	1,829,658
Net profit before distributions		4,953,697	3,983,778
Distributions to Financial Industry Development Account (FIDA) held by Australian Stock Exchange Limited	4	2,074,000	944,355
Net profit after distributions		2,879,697	3,039,423

The Income Statement is to be read in conjunction with the notes to the financial statements.

NATIONAL GUARANTEE FUND

BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007 \$	2006 \$
CURRENT ASSETS			
Cash		53,360	653
Receivables	5	56,163	55,053
Other financial assets – investments	6	99,684,069	96,868,940
Total current assets		99,793,592	96,924,646
TOTAL ASSETS		99,793,592	96,924,646
CURRENT LIABILITIES			
Payables		20,000	16,201
Related party payable	11	91,679	106,229
Total current liabilities		111,679	122,430
TOTAL LIABILITIES		111,679	122,430
Net assets		99,681,913	96,802,216
Funds			
Retained funds		99,681,913	96,802,216
Total funds		99,681,913	96,802,216

The Balance Sheet is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED 30 JUNE 2007

		2007 \$	2006 \$
Opening balance		96,802,216	93,762,793
Profit for the year		2,869,697	3,039,423
Closing balance		99,681,913	96,802,216

The Statement of Changes in Funds is to be read in conjunction with the notes to the financial statements.

NATIONAL GUARANTEE FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from the disposal of investments		2,660,110	48,648,382
Payments for the purchase of investments		-	(47,101,102)
Imputation credits/BAS refunds		52,926	-
Interest received – other		774	291
Payments to suppliers		(587,103)	(603,098)
Payments to FIDA	4	(2,074,000)	(944,355)
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	10	52,707	118
CASH FLOWS FROM INVESTING ACTIVITIES			
		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
NET INCREASE IN CASH HELD		52,707	118
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		653	535
CASH AT THE END OF THE FINANCIAL YEAR		53,360	653
RECONCILIATION OF CASH			
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 assets		53,360	653
CLOSING CASH BALANCE		53,360	653

DEFINITION OF CASH

For the purposes of the statement of cash flows, cash includes cash at bank. The cash balance at year-end reflects the balance in the day to day bank account. However, both the UBS Cash Plus Fund and Schroder Fixed Income Fund are used to fund working capital requirements as required.

NON-CASH TRANSACTIONS

Distributions received from investments are normally automatically reinvested in additional investment units. Therefore, they are considered as non-cash transactions for cash flow purposes.

The Cash Flow Statement is to be read in conjunction with the notes to the financial statements.

NOTES TO 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.

The financial report was authorised for issue by the directors on 27 August 2007.

ASX 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.

On 31 March 2005 the NGF clearing support arrangements were restructured. As a result, from 31 March 2005 onwards SEGC's main responsibility is to provide investor compensation, while Australian Clearing House Pty Limited ("ACH") is responsible for clearing support.

2. LIABILITIES OF SEGC AND RIGHT OF INDEMNITY

The liabilities of the Fund at 30 June 2007 of \$111,679 (2006: \$122,430) are liabilities of SEGC. As set out in section 889C(2) of the Corporations Act 2001, the assets of the Fund are the property of SEGC but are held on trust for the purposes set out in Part 7.5 of the Corporations Act 2001 and the Corporations Regulations 2001. 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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

The financial report, including the financial statements of SEGC and the Fund, is a general purpose financial report and complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

The financial report has been prepared in Australian dollars on the basis of historical costs except for investments, which are stated at their fair value. The accounting policies have been consistently applied and are consistent with those of the previous year.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation

SEGC and the Fund have elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

- Revised AASB 101 Presentation of Financial Statements (October 2006).
- AASB 2007-4 Amendments to Australian Accounting Standards (April 2007).

The following standards, amendments to standards and interpretations applicable to SEGC and the Fund were available for early adoption but have not been applied in these financial statements:

- AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132;
- AASB 7 is applicable to SEGC and the Fund for the annual reporting period beginning 1 July 2007 and is expected to only impact disclosures within the financial report;
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosures and Presentation, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, arising from the release of AASB 7;
- AASB 2005-10 is applicable to SEGC and the Fund for the annual reporting period beginning 1 July 2007 and is expected to only impact disclosures within the financial report;
- AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. Also, AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 must be adopted in conjunction with AASB 8;
- Both AASB 8 and AASB 2007-3 are applicable to SEGC and the Fund for the annual reporting period beginning 1 July 2009 and are expected to only impact disclosures within the financial report.

(c) Revenue recognition

Movements in fair value of investment units

Investments in units are classified as held for trading and are stated at fair value in accordance with AASB 139 Financial Instruments: Recognition and Measurement. Movements in the fair value of investment units in managed funds are included as revenue or expenses in the Income Statement as appropriate.

Distributions revenue

Distribution revenue from investments is recognised as it is received.

Interest revenue

Interest revenue is recognised as it is received.

Refund of imputation credits

At year-end imputation credits may be receivable from the Australian Tax Office (ATO).

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Claims

Claims are recognised on an accruals basis.

If SEGC allows a claim, SEGC is subrogated to the claimant's rights and remedies (section 892F of the Corporations Act 2001). Since no claims have been paid, no allowance has been made for potential recoveries by SEGC upon the exercise of its rights of subrogation.

(e) Income tax

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

(f) Units in managed funds

The NGF is divided into two portions which are managed by two professional portfolio managers, UBS Asset Management (Australia) Limited and Schroder Investment Management Australia Limited. During the year the NGF has been invested in the UBS Cash Plus Fund and the Schroder Fixed Income Fund in cash or cash-like products.

(g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Payments to FIDA are not subject to GST.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO 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.

(h) Imputation credits

Imputation credits attaching to distributions from investments are refundable. As a result, imputation credits arising from distributions received during the year have been recognised as revenue.

(i) Distributions to Financial Industry Development Account (FIDA)

Claims in relation to projects approved for FIDA funding are recognised as a liability of the Fund once the claim for payment has been submitted to and approved by the Board of SEGC.

4. FINANCIAL INDUSTRY DEVELOPMENT ACCOUNT (FIDA)

Sub-regulation 7.5.89(1) of the Corporations Regulations 2001 confers on the Board of SEGC a discretion to pay amounts in excess of the minimum amount to ASX to be held in FIDA under sub-regulation 7.5.89(3). Money in FIDA may only be used for purposes approved by the Minister under regulation 7.5.88 of the Corporations Regulations. The amounts paid to FIDA during the financial year and the purposes with which those payments were connected are:

	2007	2006
	\$	\$
Financial Services Institute of Australasia (FINSIA) (development of content management system)	-	254,575
Securities Industry Research Centre – Infrastructure (1 Jan 2003-31 Dec 2005)	-	250,000
Public investor education (leverage equities (warrants) education initiatives)	-	137,639
Interactive web based tools for leverage products	-	87,000
Investor education initiatives (1 Jul 2005 – 30 Jun 2008)	2,000,000	79,484
Industry research (1 Jan 2003 – 31 Dec 2005)	-	75,000
Interest rate securities education project	-	39,940
International share market education	-	14,935
ASX education project fixed interest securities	-	5,782
Share ownership survey	74,000	-
	2,074,000	944,355
	2007	2006
	\$	\$
5. RECEIVABLES		
Imputation credits receivable	54,037	51,779
Other receivables - GST	2,126	3,274
	56,163	55,053
	2007	2006
	\$	\$
6. OTHER FINANCIAL ASSETS - INVESTMENTS		
Units in managed funds		
UBS Cash Plus Fund	50,630,813	48,846,359
Schroder Fixed Income Fund	49,053,256	48,022,581
	99,684,069	96,868,940

7. COMMITMENTS

The following table outlines all projects approved for FIDA funding by the Minister and not yet claimed. Sub-regulation 7.5.89(1) of the Corporations Regulations 2001 confers on the Board of SEGC a discretion to pay amounts in excess of the minimum amount to ASX's FIDA account to be used for purposes approved by the Minister.

	2007	2006
	\$	\$
Investor education initiatives (1 Jul 2005 – 30 Jun 2008)		
2007	-	2,000,000
2008	2,000,000	2,000,000
Total Commitments	2,000,000	4,000,000

8. CONTINGENT LIABILITIES OF THE FUND

At 30 June 2007, there are no contingent liabilities in respect of claims relating to participants of ASX.

9. SEGMENT REPORTING

SEGC and the Fund operate wholly in the Australian securities industry.

10. NOTES TO THE STATEMENTS OF CASH FLOWS OF THE FUND

	2007	2006
	\$	\$
Reconciliation of the net profit / (loss) to the net cash flows from operating activities:		
Net profit after distributions	2,879,697	3,039,423
(Increase) in investments	(2,815,129)	(2,979,882)
Decrease/(increase) in receivables	(1,110)	(51,857)
Increase/(decrease) in payables	3,799	(14,099)
(Decrease)/increase in other liabilities	(14,550)	6,533
Net cash provided by operating activities	52,707	118

11. RELATED PARTY DISCLOSURES

Directors

The directors of SEGC during the financial year were:

Clive Michael Batrouney (Chairman);

Fergus Allan McDonald;

Maurice Lionel Newman AC (resigned 19 October 2006);

Michael John Sharpe AO;

Hon Keith De Lacy AM (resigned 31 December 2006);

Peter Warne (appointed 19 October 2006);

Susan Doyle (appointed 1 January 2007)

All directors were in office for the full financial year unless otherwise stated.

Mr Newman, Mr Sharpe and Mr Warne were each appointed by ASX. They are also directors of ASX.

Mr Batrouney is a former director of ASX (retired 31 July 2002).

Mr Sharpe was, from 1968 to 1998, a partner in Coopers & Lybrand. He receives retirement benefits including an office and secretarial services, negotiated at the time of his retirement, from PricewaterhouseCoopers, which renders consulting services in the ordinary course of business.

Related party transactions

During the year, SEGC incurred management fees of \$325,869 inclusive of GST (2006: \$331,082) in respect of staff, administration and accounting services provided by ASX Operations Pty Limited.

The balance owing to ASX Operations Pty Limited by SEGC at 30 June 2007 was \$91,679 (2006: \$106,229). No interest is charged by ASX Operations Pty Limited on the outstanding balance.

12. KEY MANAGEMENT PERSONNEL COMPENSATION

The Key Management Personnel compensation included in Support staff and administration in the Income Statement are as follows:

	2007	2006
	\$	\$
Short-term employee benefits	148,711	150,000
Post-employment benefits (Superannuation)	11,999	11,294
Total	160,710	161,294

Key management personnel compensation set out above include directors' fees and superannuation paid to the five directors of SEGC.

The manager of SEGC, Lisa Hopkin, is an employee of ASX and is seconded to SEGC. The manager's remuneration is incurred by ASX.

Details of the remuneration of the directors of SEGC are set out in the table below:

Name		Short-term employee	Post-employment	Total
		benefits	benefits	
		Fees	Superannuation	\$
		\$	\$	
C M Batrouney	2007	50,000	4,500	54,500
	2006	50,000	4,500	54,500
F A McDonald	2007	25,000	2,250	27,250
	2006	25,000	2,250	27,250
M L Newman	2007	7,541	183	7,724
	2006	25,000	802	25,802
M J Sharpe	2007	25,000	1,271	26,271
	2006	25,000	1,492	26,492
K De Lacy	2007	12,500	1,125	13,625
	2006	25,000	2,250	27,250
P H Warne	2007	16,170	1,545	17,715
	2006	-	-	-
S M Doyle	2007	12,500	1,125	13,625
	2006	-	-	-
Total	2007	148,711	11,999	160,710
	2006	150,000	11,294	161,294

In accordance with section 889H of the Corporations Act 2001, directors' fees have been paid out of the NGF.

13. AUDITOR'S REMUNERATION

Audit services:

Auditors of the company – KPMG

Audit and review of the financial reports

2007	2006
\$	\$
20,800	17,000

All the amounts shown above are exclusive of GST.

In accordance with section 889H of the Corporations Act 2001, auditor's remuneration has been paid out of the NGF.

14. 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 units in managed funds is managed by segregating the Fund into two portions in accordance with an investment strategy approved by the Board. One portion is invested in the UBS Cash Plus Fund in cash or cash-like products. The other portion is invested in the Schroder Fixed Income Fund. Refer note 3(f) for further details.

(b) Interest rate risk

The Fund has exposure to interest rate risk. Interest rate risk arises in relation to trading securities comprising short-term deposits, and cash at bank. The Fund'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. 'Other financial assets - investments' comprise investment units in cash based managed funds. Although they have significant exposure to interest rate risk, they are classified as non-interest bearing since the investments derive distribution income and not interest income. The interest rate risk translates to market risk as it affects the investment valuations of these financial assets, as discussed below at note 15(c).

	Interest bearing		Non-interest bearing		Total	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash	53,360	653	-	-	53,360	635
Receivables	-	-	56,163	55,053	56,163	55,053
Other financial assets – investments	-	-	99,684,069	96,868,940	99,984,069	96,868,940
	53,360	653	99,740,232	96,923,993	99,793,592	96,924,646
Financial liabilities						
Payables	-	-	20,000	16,201	20,000	16,201
Other	-	-	91,679	106,229	91,679	106,229
	-	-	111,679	122,430	111,679	122,430
Net financial assets	53,360	653	99,628,553	96,801,563	99,681,913	96,802,216

The weighted average interest rate for cash assets at year end was 5.65% (2006: 5.0%).

(c) Market risk

The Fund is exposed, particularly through its managed fund portfolio, to market risks influencing investment valuations. In general, market risks are minimised through segregating the Fund into two portions in accordance with an investment strategy approved by the Board. Each portion is managed by a professional portfolio manager. One portion is invested in the UBS Cash Plus Fund in cash or cash-like products. The other portion is invested in the Schroder Fixed Income Fund. Refer note 3(f) for further details.

(d) Liquidity risk

The liquidity risks associated with the need to pay any claims, as determined by SEGC, are mitigated by investing in cash based funds.

(e) Net fair values of financial assets and liabilities

The Fund's financial assets and liabilities carried in the statement of financial position are carried at amounts that approximate net fair value. Units in managed funds are valued at market value.

(f) Financial futures contract

There were no futures contracts entered into at 30 June 2007 (2006: \$nil).

(g) Foreign currency risk

The Fund has no significant exposure to foreign currency risk for the year ended 30 June 2007 (2006 : \$nil).

15. SUBSEQUENT EVENTS

No matter or circumstance has arisen since the end of the financial year to the date of this report which has significantly affected the operations of SEGC or the Fund, the results of those operations or the state of affairs of SEGC or the Fund.

DIRECTORS' DECLARATION

In the opinion of the directors of Securities Exchanges Guarantee Corporation Limited ("SEGC"):

- (a) the financial statements and notes of SEGC and the National Guarantee Fund ("the Fund") are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of SEGC and the Fund as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that SEGC and the Fund will be able to pay their debts as and when they become due and payable.

Dated at Sydney this 27th day of August 2007.

Signed in accordance with a resolution of the directors:



Clive M Batrouney
Chairman

INDEPENDENT AUDIT REPORT TO THE MEMBER OF SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Securities Exchanges Guarantee Corporation Limited (the Company) and the National Guarantee Fund (the Fund), which comprises the balance sheets as at 30 June 2007, and the income statements, statement of changes in equity/funds, and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 20 to 33.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position, and of its performance.

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

Auditor's opinion

In our opinion:

(a) the financial report of Securities Exchanges Guarantee Corporation Limited, including the financial report of the National Guarantee Fund, is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and the Fund's financial positions as at 30 June 2007 and of their performances for the financial year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



KPMG



JF Teer

Partner

Sydney, 27 August 2007

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.

Securities Exchanges Guarantee Corporation Limited

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