



Securities Exchanges
Guarantee Corporation

ANNUAL REPORT

2009

CONTENTS

	Page
Message from the Chairman	1
Overview of SEGC and the National Guarantee Fund	2
What is the NGF?	2
What claims can be made on the NGF?	2
Claims which cannot be made on the NGF	3
Claims in relation to exchange traded derivatives	3
Reduction of claims	4
The 'Minimum Amount' of the NGF	4
Financial Industry Development Account (FIDA)	5
Board of Directors	6
Directors' Attendance at Meetings	7
Corporate Governance	8
Administration of SEGC	8
Claims Report	9
Claims processing procedure	9
Claims processed in the current year	9
Appeals against disallowed claims	10
Financial Statements	11
Securities Exchanges Guarantee Corporation Limited Financial Report for the Year Ended 30 June 2009	11
National Guarantee Fund Financial Report for the Year Ended 30 June 2009	22
Further information	44

MESSAGE FROM THE CHAIRMAN

Securities Exchanges Guarantee Corporation Limited (SEGC) is the trustee of the National Guarantee Fund (NGF) which is a compensation scheme available to the operators of licensed financial markets who apply to be members of the SEGC. The Corporations Act requires ASX Limited (ASX) to be a member of the SEGC and ASX has been the only member since the NGF was created in 1987. As at 30 June 2009 the net assets of the NGF were \$104.9 million (compared to \$101.5 million as at 30 June 2008).


The core function of the NGF is to provide compensation to meet certain types of claims arising from dealings with Participants of ASX and, in limited circumstances, Participants of Australian Clearing House Pty Ltd (ACH) in the circumstances set out in Division 4 of Part 7.5 of the Corporations Act 2001 (Cth).

In the event that the amount of the NGF falls below the "Minimum Amount" set under s889I of the Corporations Act (the Minimum Amount is currently set at \$76 million) SEGC has a number of measures at its disposal including discretion to levy the market operator, ASX, or its Market Participants. The legislation provides a cap on the amount of any levy.

It should be noted that levies have not been imposed since the inception of the NGF.

The Minimum Amount and other measures available to SEGC to manage financial risk are explained in detail in the report.

The Board is closely monitoring developments regarding the collapse of the Opes Prime Stockbroking group in March 2008.



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 *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.

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

Fluctuations in interest rates and price movements in markets have affected the NGF's earnings on investments.

At 30 June 2009, the net assets of the NGF were \$104.9 million. This compares with \$101.5 million at the end of the previous financial year.

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

What claims can be made on the NGF?

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

The NGF covers only 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 failed to complete a transaction because the Dealer was 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). Based on the current Minimum Amount, this cap would be \$11.4 million. (See later for an explanation of the 'Minimum Amount'.)

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

Claims which cannot be made on the NGF

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

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

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

Claims in relation to exchange traded derivatives

The contract completion provisions of Subdivision 4.3 referred to above in relation to ASX's securities markets do not 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 on actuarial advice. On 31 March 2005 the Minimum Amount was set at \$76 million and still remains at that amount.

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 adjust the 'Minimum Amount' of the NGF;
- it may take out insurance against liability in respect of claims on the NGF;
- it may pay claims in instalments and in the priority set out in the legislation;
- it may borrow (including from ASX) for the purpose of meeting a payment due out of the NGF; or
- it may raise funds for the NGF by imposing a levy on ASX or on all or a class of Participants of ASX.

If the NGF falls below the Minimum Amount, SEGC may determine in writing that ASX or all or a class of Participants of ASX must pay a levy. If a levy is imposed on the ASX then the ASX may determine in writing that Participants must pay a levy.

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

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

The amount in the NGF has not fallen below the applicable Minimum Amount' since the NGF was formed and SEGC has not imposed any levies. SEGC has not needed to borrow to pay claims and has not taken out insurance against its liability to meet claims.

Financial Industry Development Account (FIDA)

The FIDA is a mechanism under the Corporations Act allowing the Minister to approve the use of excess funds in the NGF (funds in excess of the Minimum Amount') for the development of the financial industry. The Minister may approve in writing purposes which are primarily for the public benefit and not primarily to promote the profitability of the commercial operations of the market.

The FIDA is an account maintained by the market operator into which must be placed the approved funds. Funds in the FIDA can only be used by the market operator for the purposes approved under the Corporations Regulations by the Minister and SEGC.

During the financial year \$1,865,352 was distributed to ASX's FIDA account. These funds were used by ASX for:

- (i) Share Ownership Survey
- (ii) Investor Education Program
- (iii) Securities & Derivatives Industry Association Training and Education Program.

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 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 Joint 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, BA, Independent Non-Executive Director. Director since 1 January 2007. Chairman of Australian Reward Investment Alliance (ARIA). Director of Aircruising Australia Ltd. Member of the Future Fund Board of Guardians.

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

Non-Executive Chairman of Brookfield Multiplex Funds Management Limited (RE of the Multiplex Property Trust and the Multiplex SITES trust). Chairman of Ross Human Directions Limited. Chairman of Babcock & Brown Japan Property Management Limited (RE of the Astro Japan Property Trust). Director of Billabong International Limited. Chairman of General Reinsurance Australia Limited.

Michael Sharpe, AO, BEc, Hon.DSc Econ (Sydney), FCA, Non-Executive Director. Director since July 1998.

Former Director of ASX Limited and former Chairman of the ASX Audit and Risk Committee.

Director of National Australia Trustees Limited. He is also in the position of trusteeship for the International Valuation Council. Mr Sharpe's 40-year career in the accounting profession culminated in his retirement as a partner of Coopers and Lybrand (now PricewaterhouseCoopers) in 1998. He has served as Chairman of the International Accounting Standards Committee, President of the Institute of Chartered Accountants in Australia, independent auditor of the Australian National Audit Office and as a member of the Takeovers Panel.

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

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

Director of Australian Clearing House Pty Limited, SFE Clearing Corporation Pty Limited, ASX Clearing Corporation Limited, Austraclear Limited and ASX Settlement and Transfer Corporation Pty Limited. Member of the ASX Audit and Risk Committee and the Nomination and Remuneration Committee.

Chairman of Australian Leisure and Entertainment Property Management Limited. Deputy Chairman of Capital Markets CRC Limited. Director of Macquarie Group Limited, Macquarie Bank Limited, Next Financial Limited (owned by Wilson HTM Investment Group Limited), WHK Group Limited, Securities Industry Research Centre of Asia Pacific (SIRCA) and GESB Mutual Limited. Director of St. Andrews Cathedral School Foundation. Member of the advisory board of the Australian Office of Financial Management.

Previously, Mr Warne was a director of Macquarie Capital Alliance group and an Executive Vice-President of Bankers Trust Australia Limited.

Directors' Attendance at Meetings

Director	Meetings attended
CM Batrouney	6/6
S Doyle	6/6
FA McDonald	6/6
MJ Sharpe	5/6
P Warne	6/6

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.

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.

In view of the size of the SEGC, the directors consider it is not necessary for it to have an audit and risk committee.

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

ADMINISTRATION OF SEGC

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. The costs are borne by ASX Operations Pty Ltd and are reimbursed by SEGC.

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

Paul Baranov (LLB, Grad Dip Fin Mgt, FCIS) is the Company Secretary and Legal Counsel.

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

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.

Claims processed in the current year

A number of claims were received during the year. As at the reporting date it is not possible to estimate whether any claims will be substantiated and the Directors do not believe that any provision needs to be made in relation to them at this time.

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.

FINANCIAL STATEMENTS

*Securities Exchanges Guarantee Corporation Limited Financial Report
for the Year Ended 30 June 2009*

**SECURITIES EXCHANGES GUARANTEE
CORPORATION LIMITED**

ABN 19 008 626 793

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2009

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

Directors' report

The directors present their report together with the financial report of Securities Exchanges Guarantee Corporation Limited ("SEGC" or the "Company") for the year ended 30 June 2009 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:

Clive Michael Batrouney (Chairman);
 Susan Doyle;
 Fergus Allan McDonald;
 Michael John Sharpe AO;
 Peter Hastings Warne

Principal activity

SEGC is a statutory trustee and holds the assets of the National Guarantee Fund (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.

Review and results of operations

SEGC did not trade in its own right during the financial year.

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 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 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, the results of those operations, or the state of affairs of SEGC, 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 company secretaries Kristy Chambers and Paul Baranov.

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*.

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

Corporate governance

The Board of SEGC consists of five non-executive directors. ASX Limited (ASXL), 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 ASXL;
- are not a director, officer or employee of ASXL or a body corporate that operates another financial market, or their related bodies corporate;
- are not professional advisers to ASXL 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 ASXL 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 ASXL as the sole member of SEGC.

Staff of ASX Operations Pty Limited, a controlled entity of ASXL, are seconded to SEGC and are responsible to the Board of SEGC in the performance of their duties for SEGC. Seconded staff acknowledge that it is their duty to act at all times in the best interests of SEGC even in the event of a conflict between the interests of ASXL 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 ASXL and its controlled entities.

The amounts paid to the auditor of SEGC and the Fund, PricewaterhouseCoopers, for audit and review of the financial reports during the year are set out in Note 5.

Auditor Independence

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

Dated at Sydney this 2nd of September 2009.

Signed in accordance with a resolution of the directors:



C M Batrouney
Chairman

PricewaterhouseCoopers
ABN 52 780 433 757

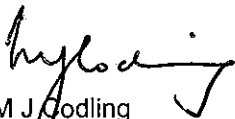
Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of Securities Exchanges Guarantee Corporation Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Securities Exchanges Guarantee Corporation Limited.



M J Godling
Partner
PricewaterhouseCoopers

Sydney
2 September 2009

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

	2009 \$	2008 \$
Income Statement		
for the year ended 30 June 2009		

Total profit	-	-
--------------	---	---

Balance Sheet **as at 30 June 2009**

Net assets	-	-
Total equity	-	-

Statement of Changes in Equity **for the year ended 30 June 2009**

Opening balance	-	-
Closing balance	-	-

Cash Flow Statement **for the year ended 30 June 2009**

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 should be read in conjunction with the notes to the financial statements.

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

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 2 September 2009.

ASXL, 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 ASXL 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.

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*.

2. Statement of significant accounting policies

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

(a) Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Standards Board (AASB) pronouncements including Australian Interpretations, and the *Corporations Act 2001*. The financial reports of SEGC comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report has been prepared in Australian dollars on the basis of historical costs. The accounting policies have been consistently applied and are consistent with those of the previous year.

(b) Basis of preparation

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

- 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 for the annual reporting period beginning 1 July 2009 and would not have affected SEGC if the standard was adopted in the current financial year.
- Revised AASB 101 *Presentation of Financial Statements* introduces "statement of comprehensive income". It is applicable to SEGC's 30 June 2010 financial statements and would not impact disclosures within financial report.
- Revised AASB 123 *Borrowing Costs* become applicable for 30 June 2010 financial statements. This would not have affected SEGC if the standard was adopted in the current financial year.
- AASB 2008-6 and 2008-5 *Amendments arising from the first annual improvements project* will apply to the SEGC's 30 June 2010 financial statements and would not impact the financial report.
- AASB 2009-2 *Improving Disclosures about Financial Instruments: Disclosures* requires the disclosure of valuation techniques used to determine the carrying values of financial instruments held at fair value in the Balance Sheet, with additional disclosures required for valuations with significant unobservable inputs. It is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to impact SEGC. There are no valuation in SEGC with unobservable inputs.

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

Notes to the Financial Statements

3. Related party disclosures

Directors

The directors of SEGC during the financial year were:

Clive Michael Batrouney (Chairman);
 Susan Doyle;
 Fergus Allan McDonald;
 Michael John Sharpe AO;
 Peter Hastings Warne

All directors were in office for the full financial year.

Mr Sharpe and Mr Warne were appointed by ASXL. They were also directors of ASXL during the full year. Mr Sharpe retired as a director from ASXL on 1 July 2009. Mr Warne remains a director of ASXL at the date of this report.

Related party transactions

During the year, SEGC incurred management fees of \$310,730 inclusive of GST (2008: \$317,234) in respect of staff, administration and accounting services provided by ASX Operations Pty Limited. As SEGC is the administrator of the NGF, the fees were paid out of the NGF.

The balance owing to ASX Operations Pty Limited ("ASXO") at 30 June 2009 was \$335,451 (2008: \$162,666) which will be reimbursed by NGF. No interest is charged by ASX Operations Pty Limited on the outstanding balance to either SEGC or NGF.

4. Key Management Personnel compensation

The Key Management Personnel comprise the five Directors.

The Key Management Personnel compensation included in administration costs in the NGF's Income Statement are as follows:

	2009	2008
	\$	\$
Short-term employee benefits	150,000	150,000
Post-employment benefits (Superannuation)	11,848	10,350
Total	161,848	160,350

Key Management Personnel compensation set out above comprise directors' fees and superannuation paid to the five directors of SEGC. The amounts were incurred by ASXO. In accordance with section 889H of the *Corporations Act 2001*, the above have been paid out of the NGF and reimbursed to ASXO.

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

Notes to the Financial Statements

5. Auditor's remuneration

	2009	2008
	\$	\$
Audit services:		
Audit and review of the financial reports for SEGC and NGF	<u>11,000</u>	<u>21,000</u>

All the amounts shown above are exclusive of GST.

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

6. 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, the results of those operations or the state of affairs of SEGC.

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

Directors' declaration

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

- (a) the financial statements and notes of SEGC set out on pages 6 to 9 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of SEGC as at 30 June 2009 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 will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



C M Batrouney
Chairman

Sydney, 2nd day of September 2009

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Independent auditor's report to the members 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), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the company.

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 controls 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. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.



Independent auditor's report to the members of Securities Exchanges Guarantee Corporation Limited (continued)

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

Independence

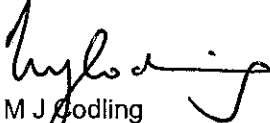
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Securities Exchanges Guarantee Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance 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) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).


PricewaterhouseCoopers


M J Godling
Partner

Sydney
2 September 2009

National Guarantee Fund Financial Report for the Year Ended 30 June 2009

NATIONAL GUARANTEE FUND

ABN 69 546 559 493

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2009

NATIONAL GUARANTEE FUND TRUSTEES' REPORT

Trustee's report

The directors of Securities Exchanges Guarantee Corporation Limited ("SEGC"), being the trustee of National Guarantee Fund ("the NGF" or "the Fund"), present their report together with the financial report for the year end 30 June 2009 of the NGF and the auditor's report thereon.

Directors

The following persons were directors of Securities Exchanges Guarantee Corporation Limited, which administers the NGF, during the financial year and up until the date of this report:

Clive Michael Batrouney (Chairman);
Susan Doyle;
Fergus Allan McDonald;
Michael John Sharpe AO;
Peter Hastings Warne

Principal activity

SEGC is the statutory trustee of the NGF 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

The net profit from ordinary activities of the NGF for the year was \$5,288,048 (2008: \$4,362,883), before distributions of \$1,865,352 (2008: \$2,508,115) to the Financial Industry Development Account ("FIDA") administered by ASX Limited ("ASXL") under Corporations Regulation 7.5.89.

During the financial year, there were claims made on the NGF and further claims were received subsequent to balance date. There were no claims brought forward from the prior year. Payments in respect of claims totalled \$Nil (2008: \$Nil). Total recoveries were \$Nil (2008: \$Nil).

Significant changes in the state of affairs

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

Environmental regulation and performance

The directors are not aware of any significant material environmental incidents arising from the operations of 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, to affect significantly the operations of the NGF, the results of those operations, or the state of affairs of the NGF, in subsequent financial years.

Indemnification and insurance of officers

Since the end of the previous financial year, the Fund 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 company secretaries Kristy Chambers and Paul Baranov.

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.

NATIONAL GUARANTEE FUND TRUSTEES' REPORT

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. ASXL, 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 ASXL;
- are not a director, officer or employee of ASXL or a body corporate that operates another financial market, or their related bodies corporate;
- are not professional advisers to ASXL 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 ASXL 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 ASXL as the sole member of SEGC.

Staff of ASX Operations Pty Limited, a controlled entity of ASXL, are seconded to SEGC and are responsible to the Board of SEGC in the performance of their duties for SEGC. Seconded staff acknowledge that it is their duty to act at all times in the best interests of SEGC even in the event of a conflict between the interests of ASXL 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 ASXL and its controlled entities.

The amounts paid to the auditor of SEGC and the Fund, PricewaterhouseCoopers, for audit and review of the financial reports during the year are set out in Note 12.

Auditor Independence

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

Dated at Sydney this 2nd of September 2009.

Signed in accordance with a resolution of the directors:



C M Batrouney
Chairman

PricewaterhouseCoopers
ABN 52 780 433 757

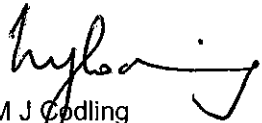
Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of National Guarantee Fund for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of National Guarantee Fund.


M J Codling
Partner
PricewaterhouseCoopers

Sydney
2 September 2009

NATIONAL GUARANTEE FUND
Income Statement
for the year ended 30 June 2009

	Note	2009 \$	2008 \$
Revenues			
Net losses on financial instruments held at fair value through profit or loss	14	(1,649,449)	(2,206,299)
Distributions	14	7,826,872	7,136,697
Interest income		940	1,785
Refund of imputation credits		33,177	24,355
Total revenues		6,211,540	4,956,538
Expenses			
Audit fees		11,000	21,000
Other expenses	15	912,492	572,655
Total expenses		923,492	593,655
Net profit for the period		5,288,048	4,362,883

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

NATIONAL GUARANTEE FUND**Balance sheet****as at 30 June 2009**

	Note	2009 \$	2008 \$
Current assets			
Cash		181,156	752
Receivables	4	35,194	30,145
Other financial assets – investments	5	105,107,078	101,693,950
Total current assets		105,323,428	101,724,847
Total assets		105,323,428	101,724,847
Current liabilities			
Payables		28,600	25,500
Related party payable	10	335,451	162,666
Total current liabilities		364,051	188,166
Total liabilities		364,051	188,166
Net assets		104,959,377	101,536,681
Equity			
Retained earnings		104,959,377	101,536,681
Total funds		104,959,377	101,536,681

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

NATIONAL GUARANTEE FUND
Statement of changes in equity
for the year ended 30 June 2009

	Note	2009 \$	2008 \$
Opening balance		101,536,681	99,681,913
Profit for the year		5,288,048	4,362,883
Distributions to Financial Industry Development Account (FIDA)	3	(1,865,352)	(2,508,115)
Closing balance		104,959,377	101,536,681

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

NATIONAL GUARANTEE FUND
Cash Flow Statement
for the year ended 30 June 2009

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Proceeds from the disposal of investments		2,764,295	2,920,517
Investment distributions income received		7,826,871	7,136,697
Reinvestment of distribution income		(7,826,871)	(7,136,697)
Imputation credits/BAS refunds		28,128	50,373
Interest received – other		940	1,785
Payments to suppliers		(747,607)	(517,168)
Net cash provided by/(used in) operating activities	9	2,045,756	2,455,507
Cash flows from investing activities			
		-	-
Cash flows from financing activities			
		-	-
Distributions to FIDA	3	(1,865,352)	(2,508,115)
		(1,865,352)	(2,508,115)
Net increase/(decrease) in cash held		180,404	(52,608)
Cash at the beginning of the financial year		752	53,360
Cash at the end of the financial year		181,156	752

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	181,156	752
Closing cash balance	181,156	752

Definition of cash

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

Non-cash transactions

Distributions and fee rebates 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 should be read in conjunction with the notes to the financial statements.

NATIONAL GUARANTEE FUND

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 NGF" or "the Fund"). SEGC does not trade in its own right.

The financial report was authorised for issue by the directors on 2 September 2009.

ASXL, 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 ASXL 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.

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*.

2. Statement of significant accounting policies

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

(a) Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Standards Board (AASB) pronouncements including Australian Interpretations, and the *Corporations Act 2001*. The financial report of the Fund complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund is regulated. The Australian dollar is also the Fund's presentation currency.

The financial report has been prepared 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.

(b) Basis of preparation

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

- 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 the Fund for the annual reporting period beginning 1 July 2009 and would not have affected the Fund if the standard was adopted in the current financial year.
- Revised AASB 101 *Presentation of Financial Statements* introduces "statement of comprehensive income". It is applicable to the Fund's 30 June 2010 financial statements and is expected to impact disclosures within financial report.
- Revised AASB 123 *Borrowing Costs* become applicable for 30 June 2010 financial statements. This would not have affected the Fund if the standard was adopted in the current financial year.
- AASB 2008-6 and 2008-5 *Amendments arising from the first annual improvements project* will apply to the Fund's 30 June 2010 financial statements and is not expected to have a significant impact on the financial report.
- AASB 2009-2 *Improving Disclosures about Financial Instruments: Disclosures* requires the disclosure of valuation techniques used to determine the carrying values of financial instruments held at fair value in the Balance Sheet, with additional disclosures required for valuations with significant unobservable inputs. It is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to materially impact the Fund.. There are no valuation in the Fund with unobservable inputs.

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

(c) Revenue recognition

Movements in fair value of investment units

Investments in units are classified as financial asset at fair value through profit and loss and are stated at fair value in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Gain and loss as a result of adjusting the fair value of investment units in managed funds are included as revenue in the Income Statement.

Distributions revenue

Distribution revenue from investments is recognised as it is earned.

Interest revenue

Interest revenue is recognised as it is received.

Refund of imputation credits

ATO endorsed the Fund as an income tax exempt charitable entity. As a result, imputation credits arising from distributions received during the year have been recognised as revenue. Imputation credits to be received at end of financial year are accounted for as receivables

(d) Claims

Claims are recognised on an accruals basis when they are considered by the board as valid claims.

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 from relevant brokers 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 investment funds of NGF are currently managed by two professional portfolio managers, UBS Asset Management (Australia) Limited and Schrodgers Investment Management Australia Limited. During the year the NGF has been invested in the UBS Cash Plus Fund and the Schrodgers Fixed Income Fund in cash or cash-like products. They are held at fair value through profit or loss and are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition of these assets. Subsequent to initial recognition, they are measured at fair value with changes in their fair value recognised in the income statement.

Fair values of these two portfolios are established by referring to unit prices quoted by the two fund managers. The two fund managers are responsible for using the relevant market bid prices of underlying instruments in the portfolios at balance date to calculate the unit prices in both funds.

(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) Cash

For cash flow presentation purposes, cash includes cash deposits held with financial institutions.

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

(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 before payment is made at balance sheet date.

(j) Payables

These amounts represent liabilities for goods and services provided to the Fund prior to the end of the reporting period which are unpaid. The amounts, which are stated at amortised cost, are unsecured and are usually paid within 30 days of recognition.

3. Financial Industry Development Account (FIDA)

Sub-regulation 7.5.89(1) of the *Corporations Regulations 2001* confers on the Board of SEGC, being the administrator of the Fund, a discretion to pay amounts in excess of the minimum amount determined by the Minister (currently \$76 million) to ASXL 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 for Superannuation and Corporate Law (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:

	2009 \$	2008 \$
Investor education initiatives	1,865,352	1,797,735
Share ownership survey	-	117,194
Surplus funds returned to the NGF	-	(6,814)
SDIA Industry training and education program	-	600,000
	<u>1,865,352</u>	<u>2,508,115</u>

	2009 \$	2008 \$
4. Receivables		
Imputation credits receivable	33,177	24,355
Other receivables – GST	2,017	5,790
	<u>35,194</u>	<u>30,145</u>

	2009 \$	2008 \$
5. Other financial assets - investments		
UBS Cash Plus Fund – at quoted unit price	51,643,601	51,919,901
Schroders Fixed Income Fund – at quoted unit price	53,463,477	49,774,049
	<u>105,107,078</u>	<u>101,693,950</u>

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

6. 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, being the administrator of the Fund a discretion to pay amounts in excess of the minimum amount to the FIDA account to be used for purposes approved by the Minister. These amounts are yet to be approved by the Board of SEGC at balance date.

	2009 \$	2008 \$
Due:		
Not later than one year	3,022,324	2,519,167
Later than one year but not later than five years	<u>2,317,324</u>	<u>4,685,833</u>
Total commitments	<u>5,339,648</u>	<u>7,205,000</u>

7. Contingent liabilities of the fund

The fund has received a number of claims which are still being assessed for submission to the Directors of the Trustee for determination. On this basis, as at 30 June 2009 and up to the date of this report, there is not a basis on which the Trustee can conclude that there are material contingent liabilities.

8. Segment reporting

The Fund operates wholly in the Australian securities industry.

9. Notes to the statements of cash flows of the fund

	2009 \$	2008 \$
Reconciliation of the net profit to the net cash flows from operating activities:		
Net profit for the period	5,288,048	4,362,883
(Increase) in investments	(3,413,128)	(2,009,881)
(Increase)/decrease in receivables	(5,049)	26,018
Increase in payables	3,100	5,500
Increase in related party payables	<u>172,785</u>	<u>70,987</u>
Net cash provided by operating activities	<u>2,045,756</u>	<u>2,455,507</u>

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

10. Related party disclosures

Directors

The directors of SEGC, being the administrator of the Fund, during the financial year were:

Clive Michael Batrouney (Chairman);
 Susan Doyle;
 Fergus Allan McDonald;
 Michael John Sharpe AO;
 Peter Hastings Warne

All directors were in office for the full financial year.

Mr Sharpe and Mr Warne were appointed by ASXL. They were also directors of ASXL during the full year. Mr Sharpe retired as a director from ASXL on 1 July 2009. Mr Warne remains a director of ASXL at the date of this report.

Related party transactions

During the year, the Fund incurred expenses of \$310,730 inclusive of GST (2008: \$317,234) in respect of staff, administration, occupancy and accounting services provided by ASX Operations Pty Limited ("ASXO"). The fees were paid by SEGC, being the administrator of the Fund.

The balance owing to ASX Operations Pty Limited by SEGC at 30 June 2009 was \$335,451 (2008: \$162,666) which will be reimbursed by the NGF. No interest is charged by ASX Operations Pty Limited on the outstanding balance to SEGC or the NGF.

11. Key Management Personnel compensation

Key Management Personnel comprise the five Directors

The Key Management Personnel compensation included in administration costs in the Income Statement are as follows:

	2009	2008
	\$	\$
Short-term employee benefits	150,000	150,000
Post-employment benefits (Superannuation)	11,848	10,350
Total	161,848	160,350

Key Management Personnel compensation set out above comprise directors' fees and superannuation paid to the five directors of SEGC. The amounts were incurred by ASXO. In accordance with section 889H of the *Corporations Act 2001*, the above have been paid out of the NGF and reimbursed to ASXO.

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

12. Auditor's remuneration	2009	2008
	\$	\$
Audit services:		
Audit and review of the financial reports for SEGC and the NGF	<u>11,000</u>	<u>21,000</u>

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.

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

13. Financial instruments

Determination of fair values

Fair values of the following financial assets have been determined on the following basis:

Financial Assets	Fair value (FV) determination
Cash	FV of cash equates to the book value
Receivables	FV of receivables is the expected realisable value
Other financial assets – Investment	FV of investment is based on their quoted unit price on reporting date

(a) Market risk is the risk of loss arising from movements in observable market variables such as interest rate, foreign exchange rates and other market prices. Interest rate risk, liquidity risk and foreign currency risk are covered below:

(i) Interest rate risk

The Fund has exposure to interest rate risk. Interest rate risk arises in relation to 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 of 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 based on unit price and not interest income. The interest rate risk is part of the overall market risk as it affects the investment valuations of these financial assets. The risk is managed 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 Schroders Fixed Income Fund.

	Interest bearing		Non-interest bearing		Total	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash	181,156	752	-	-	181,156	752
Receivables	-	-	35,194	30,145	35,194	30,145
Other financial assets – Investments	-	-	105,107,078	101,693,950	105,107,078	101,693,950
	181,156	752	105,142,272	101,724,095	105,323,428	101,724,847
Financial liabilities						
Payables	-	-	28,600	25,500	28,600	25,500
Related party payables	-	-	335,451	162,666	335,451	162,666
	-	-	364,051	188,166	364,051	188,166
Net financial assets	181,156	752	104,778,221	101,535,929	104,959,377	101,536,681

The annual average interest rate for interest bearing assets for the year was 4.23% (2008: 6.33%).

Fair value sensitivity analysis of interest bearing financial assets:

An increase/decrease of 25 basis points in interest rate would have increased/decreased the Fund's annual profit and loss by \$453 (2008: \$2).

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

An increase/decrease of 25 basis points in investment unit prices would have increased/decreased the Fund's profit and loss by \$262,768 (2008: \$254,235).

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

(ii) Liquidity risk

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

The following are the maturities of financial assets and liabilities with relevant maturity periods as at 30 June:

2009	Up to 1 mth \$	>1 mth to 3mths \$	Total \$
Current assets:			
Cash	181,156	-	181,156
Receivables	-	35,194	35,194
Other financial assets - investment	105,107,078	-	105,107,078
Current Liabilities:			
Payables	-	28,600	28,600
Related party payables	-	335,451	335,451
Net assets / (liabilities):	105,288,234	(328,857)	104,959,377

2008	Up to 1 mth \$	>1 mth to 3mths \$	Total \$
Current assets:			
Cash	752	-	752
Receivables	-	30,145	30,145
Other financial assets - investment	101,693,950	-	101,693,950
Current Liabilities:			
Payables	-	25,500	25,500
Related party payables	-	162,666	162,666
Net assets / (liabilities):	101,694,702	(158,021)	101,536,681

(iii) Foreign currency risk

The Fund has no exposure to foreign currency risk for the year ended 30 June 2009 (2008 : \$nil).

(b) Credit risk

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

The carrying amount of the Fund's financial assets represents the maximum credit exposure. The Fund's maximum exposure to credit risk as at 30 June was:

	Note	2009	2008
Cash		181,156	752
Receivables	4	35,194	30,145
Other financial assets - investments	5	105,107,078	101,693,950

Credit risk relating to investments in managed funds is managed by fund managers having credit limits for individual names in diversified portfolios. The Fund is invested in two portfolios in accordance with an investment strategy approved by the Board.

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

(c) Net fair values of financial assets and liabilities

The Fund's financial assets and liabilities on the balance sheet are carried at amounts that approximate net fair value. Units in managed funds are valued at quoted unit prices.

(d) Capital management

The SEGC Board's policy is to maintain the NGF at a level at least equal to the 'minimum amount' needed to maintain the Fund at a viable level, with the approval of the Minister for Superannuation and Corporate Law (the Minister), to meet claims and administration costs of SEGC and the NGF. The current minimum amount, as approved by the Minister, is \$76 million. The Board has an investment strategy in place to invest available financial assets, amounting to \$105.1 million, into two cash and fixed income funds managed by two professional portfolio managers respectively at 30 June 2009 in order to preserve the minimum fund requirement as prescribed above.

The Board monitors NGF by receiving and reviewing quarterly reports on the NGF from the two fund managers and a report on claims from the legal counsel at each board meeting.

If the total fair value amount of the NGF falls below the 'minimum amount', the Board has measures in place to manage the financial position, including taking insurance against claim liability, paying claims in instalment, external borrowing or imposing levies on ASXL or Participants of ASXL.

If the total fair value amount of the NGF exceeds the 'minimum amount', the Board has discretion to pay the excess or part of the excess to ASXL under a separate account designated as Financial Industry Development Account (FIDA).

There were no changes to SEGC's approach in managing the 'minimum amount' of NGF during the year.

14 Revenues

	2009 \$	2008 \$
Net gains/(losses) on financial instruments held at fair value through profit or loss:		
– Schroders Fixed Income Fund	1,044,500	(1,090,608)
– UBS Cash Plus Fund	(2,693,949)	(1,115,691)
	<u>(1,649,449)</u>	<u>(2,206,299)</u>
Distributions:		
– UBS Cash Plus Fund	3,943,508	3,973,139
– Schroders Fixed Income Fund	3,883,364	3,163,558
	<u>7,826,872</u>	<u>7,136,697</u>

15 Expenses

	2009 \$	2008 \$
Other expenses consist of:		
Staff cost	134,107	101,194
Legal cost	355,796	34,995
Administration cost	327,517	327,266
Occupancy cost	95,072	109,200
	<u>912,492</u>	<u>572,655</u>

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

16. 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 the Fund, the results of those operations or the state of affairs of the Fund.

NATIONAL GUARANTEE FUND

Declaration by directors of the trustee company

In the opinion of the directors of Securities Exchanges Guarantee Corporation Limited ("SEGC") as the trustee for the National Guarantee Fund ("the NGF"):

- (a) the financial statements and notes of the National Guarantee Fund ("the Fund") set out on pages 6 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Fund as at 30 June 2009 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 the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



C M Batrouney
Chairman

Sydney, 2nd day of September 2009

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

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

Report on the financial report

We have audited the accompanying financial report of National Guarantee Fund (the Fund), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Fund.

Directors' responsibility for the financial report

The directors of Securities Exchanges Guarantee Corporation Limited as trustee for the Fund 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 controls 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. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

**Independent auditor's report to the trustee of National Guarantee Fund
(continued)**

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

Independence

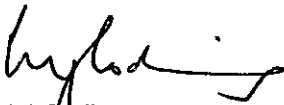
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of National Guarantee Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2009 and of its performance 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) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).


PricewaterhouseCoopers


M J Godling
Partner

Sydney
2 September 2009

FURTHER INFORMATION

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

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

Registered Office

Exchange Centre

Level 7

20 Bridge Street

SYDNEY NSW 2000

Telephone: +61 2 9227 0424

Fax: +61 2 9227 0436

Email: segc@asx.com.au