



Securities Exchanges Guarantee Corporation

ANNUAL REPORT

2011

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

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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 are members of SEGC. ASX Limited (ASX) has been the only member of SEGC since the NGF was created in 1987. As at 30 June 2011 the net assets of the NGF were \$106.1 million (compared to \$111.0 million as at 30 June 2010).

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

In the event that the amount of the NGF falls below the minimum amount set under s889I of the Corporations Act, SEGC has a number of measures at its disposal including discretion to levy any market operator of a financial market to which the NGF compensation scheme applies, or its market participants. The legislation provides a cap on the amount of any levy. The minimum amount of the NGF is currently set at \$76 million.

No levy has been required since the inception of the NGF.


The minimum amount and other measures available to SEGC to manage financial risk are explained in more detail in the report.

A significant number of claims have been considered and determined by SEGC during the financial year. Most of these claims related to the collapse of the Opes Prime Stockbroking group in March 2008. Further commentary in relation to claims is included later in the report.

SEGC is mindful of the challenges for market operators, participants, investors and other stakeholders presented by the introduction of competition between markets for trading in ASX listed securities and a new multi-market structure in Australia. As we've always sought to do, the SEGC Board will keep up-to-date with market developments to ensure that we continue to fulfil our functions with appropriate care, timeliness and purpose.

SEGC is currently undertaking a process of Board renewal to ensure that an orderly process of Board succession can occur over the next year. I have now been a director of SEGC for 14 years and Chairman for 13 years. Allan McDonald has been a director of SEGC for 18 years. The changes in industry structure mean that it is an appropriate point in time to consider the skills, experience and expertise which will best serve the functions which the SEGC is required to perform in this developing environment. Board gender diversity is also a matter that all board succession processes should now take into account.

The current Board deliberations on succession are well advanced and I expect that this will be my last report as Chairman. It has been a great pleasure to have been able to serve in this role and I thank the directors for all their efforts and support over this period.



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.

What is the NGF?

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

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

At 30 June 2011, the net assets of the NGF were \$106.1 million. This compares with \$111.0 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 certain investor protection claims.

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

- completion of sales and purchases of quoted securities entered into by a dealer on ASX's 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 ASX Clear;
- loss that results if a dealer transfers marketable or certain other securities without authority (Subdivision 4.7);
- loss that results if a dealer cancels or fails to cancel a certificate of title to quoted securities contrary to the provisions of the operating rules of ASX Settlement Pty Limited (Subdivision 4.8);
- loss that results if a dealer becomes insolvent and fails to meet its obligations in respect of property (usually money or securities) that had been entrusted to it in the course of, or in connection with, its business of dealing in securities, up to a statutory maximum per dealer of 15% of the minimum amount of the NGF (Subdivision 4.9). Based on the current minimum amount, this cap would be \$11.4 million. (See below for an explanation of the minimum amount.)

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

Claims which cannot be made on the NGF

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

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

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

Claims in relation to exchange traded derivatives

The contract completion provisions of Subdivision 4.3 referred to above in relation to ASX's securities markets do not 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 applies to 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 a right of set-off available to the claimant;
- by reference to the extent to which the claimant was responsible for causing the loss; and
- if a claimant has, without the written consent of SEGC, adversely affected SEGC's right to be subrogated to any of the claimant's rights and remedies and the claimant received a benefit for assigning its rights or remedies.

The minimum amount of the NGF

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

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. During the year an actuarial review was conducted as part of the SEGC Board's regular review of the minimum amount. Following that review, the SEGC Board concluded that the current minimum amount of \$76 million remains appropriate.

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

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

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

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

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

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

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

Financial Industry Development Account (FIDA)

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

The matters that may be an approved purpose are limited by the legislation and include:

- the creation of, or participation in, a program for the development of the financial industry that is conducted primarily for the public benefit and not primarily to promote the profitability of the commercial operations of any market; and
- costs paid and other payments made to ASIC by ASX in relation to ASIC's responsibilities for market supervision.

The FIDA is an account maintained by ASX into which must be placed any funds that are paid to ASX from the NGF for an approved purpose. Funds in the FIDA can only be used by ASX for a purpose approved by the Minister.

During the financial year \$10,941,286 was paid to the FIDA. These funds were for the following approved purposes:

- the ASX Investor Education Program;
- the Australian Share Ownership Survey;
- transfer of market supervision responsibilities to ASIC; and
- the Corporate Governance Research Centre.

Multi-market environment

On 4 May 2011 the Government announced the granting of an Australian market licence to Chi-X Australia Pty Ltd (Chi-X). It is expected that trading on the Chi-X market will commence in the fourth quarter of 2011.

Chi-X will have its own compensation fund separate and distinct from the NGF. However, it is expected that there will be dealers who will be participants of both ASX and Chi-X. It may therefore be necessary to determine which compensation fund may apply, in the particular circumstances of any claim.

There may be circumstances where loss resulting from the actions of a participant of both ASX and Chi-X is not covered by the Chi-X compensation fund, due to the operation of the Corporations Act. In this case, the NGF may apply to the loss, provided the loss is connected to the ASX market and it is covered by the NGF claims provisions set out above.

If a loss relates to a dealer that is a Chi-X participant but not an ASX participant, the NGF will not apply.

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. Former 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.

Member of the Future Fund Board of Guardians. Chair of State Library of NSW Audit Committee. Director of Lawcover Pty Limited and Lawcover Insurance Pty Limited. Director of Barbara May Foundation. Former Chairman of Australian Reward Investment Alliance (ARIA). Former Director of Aircruising Australia Ltd.

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

Non-Executive Chairman of Brookfield Funds Management Limited (RE of the Multiplex Property Trust and the Multiplex SITES trust), Brookfield Capital Management Limited (including its subsidiaries), Multiplex Acumen Vale Syndicate Limited, Brookfield Australia Funds Management Limited, Brookfield Capital Securities Limited, Brookfield Capital Investments Limited. Director of Brookfield Office Properties Inc. Chairman of Astro Japan Property Management Limited (RE of the Astro Japan Property Trust). Director of Billabong International Limited. Chairman of General Reinsurance Australia Limited. Former Chairman of Ross Human Directions Limited.

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 ASX Clear Pty Limited, ASX Clear (Futures) Pty Limited, ASX Clearing Corporation Limited, ASX Settlement Corporation Limited, Austraclear Limited and ASX Settlement 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), Securities Industry Research Centre of Asia Pacific (SIRCA) and Mosaic Risk Management Pty Limited. Deputy Chairman of WHK Group Limited. Chairman of St. Andrews Cathedral School Foundation. Member of the advisory board of the Australian Office of Financial Management. Former Member of the Compliance Committee of Wilson HTM.

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

Ian McGaw, Non-Executive Director. Appointed as a Director on 1 July 2010.

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

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

Directors' Attendance at Meetings

Director	Meetings attended
CM Batrouney	6/6
S Doyle	4/6
FA McDonald	5/6
P Warne	6/6
IWT McGaw	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 each of whom:

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

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

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

In view of the size of 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 Ltd, which also provides accounting and other administrative services to SEGC on a commercial basis. The costs are incurred 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.

Michael Bradwell (LLM, BCom, Grad Dip CSA) and **Paul Baranov (LLB, Grad Dip Fin Mgt, FCIS)** are the Company Secretaries and Legal Counsel of SEGC.

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

Claims processed in the current year

SEGC considered and determined a significant number of claims during the financial year, most of which related to the collapse of Opes Prime Stockbroking Limited. Of the claims that were determined by SEGC during the financial year, one claim was allowed.

The disallowance of claims on the NGF by former clients of Opes Prime relates to the nature of the legal arrangements between Opes Prime and its clients. Opes Prime provided what have been characterised as “non-

standard margin lending facilities”¹ to its clients under a Securities Lending and Borrowing Agreement. Under this agreement, unencumbered title in securities and collateral passed from the original owner to Opes Prime on delivery². The economic effect of these arrangements was similar to a standard margin lending facility, but the important legal difference was that with the Opes Prime facilities, clients transferred all legal and beneficial interest in securities and collateral to Opes Prime.

In these circumstances, it has been difficult for claims by former clients of Opes Prime to meet the criteria of the claims regime, as outlined above.

The number of claims received and the complex factual circumstances have required a substantial amount of time to gather and assess information in order to ensure that each claimant's circumstances were presented to the Board in an appropriate manner.

A number of claims in relation to other dealers are being considered by SEGC. 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.

Two appeals were brought during the financial year pursuant to the appeal provisions in the Corporations Act. One of these appeals was discontinued. The other appeal resulted in a decision in favour of the claimant by the Supreme Court of Queensland. SEGC has appealed this decision to the Queensland Court of Appeal and at the date of this report is awaiting the outcome of the appeal.

¹ See ASIC Consultation Paper 129 *Non-standard margin lending facilities: Improving disclosure for retail clients* December 2009 at p. 7. See also the November 2009 report of the Parliamentary Joint Committee on Corporations and Financial Services *Inquiry into Financial Products and Services in Australia* at pp. 53-54 for a discussion of the Opes Prime business model.

² *Beconwood Securities Pty Limited and Anor v Australia and New Zealand Banking Group Limited and Ors* (2008) 246 ALR 361 at paragraph 50.

FINANCIAL STATEMENTS

*Securities Exchanges Guarantee Corporation Limited Financial Statements
or the Year Ended 30 June 2011*

**SECURITIES EXCHANGES GUARANTEE
CORPORATION LIMITED**

ABN 19 008 626 793

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2011

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

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SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

Directors' Report

The directors present their report together with the financial statements of Securities Exchanges Guarantee Corporation Limited (SEGC) for the year ended 30 June 2011 and the auditor's report thereon.

Directors

The directors of SEGC during the entire financial year and up until the date of this report were as follows:

Mr Clive Michael Batrouney (Chairman)
 Ms Susan Doyle
 Mr Fergus Allan McDonald
 Mr Peter Hastings Warne
 Mr Ian William Thoburn McGaw

Mr Ian William Thoburn McGaw was appointed by ASX Limited (ASX). Mr McGaw was also a director of certain controlled entities of ASX, during the full financial year ending 30 June 2011.

Mr Peter Hastings Warne was appointed by ASX. Mr Warne was also a director of ASX and certain controlled entities of ASX during the full financial year ending 30 June 2011.

Principal activity

SEGC administers the National Guarantee Fund (the Fund) and holds the assets of the Fund on trust for the purposes of Division 4 of 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, other than to undertake its principal activity noted above.

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.

Environmental regulation and performance

No significant environmental regulations apply to SEGC and the directors 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, to significantly affect the operations, the results of those operations, or the state of affairs of SEGC.

Indemnification and insurance of officers

The entity has paid an insurance premium in respect of directors' and officers' liability insurance for current and former directors and officers of SEGC.

The directors and officers of SEGC covered by the insurance include the directors referred to earlier in this report and company secretaries, Michael Ian Bradwell and Paul Leslie 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 arises out of a lack of good faith or conduct contrary to SEGC's express instructions. The constitution also provides that the officers of SEGC are indemnified against any liability for costs or expenses incurred in that capacity 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

Directors' Report

Corporate governance

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

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

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

Employees of ASX Operations Pty Limited (ASXO), a controlled entity of ASX, 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 course of their secondment in the best interests of SEGC even in the event of a conflict between the interests of ASX and SEGC.

Administration and accounting services are provided by ASXO. The performance of these services is subject to the same internal and external audit reviews as are performed within ASX and its controlled entities.

The amounts paid to the auditor of SEGC and the Fund, PricewaterhouseCoopers, for auditing the financial statements 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.

Signed in accordance with a resolution of the directors:



C M Batrouney
Chairman

Sydney, 29 August 2011



Auditor's Independence Declaration

As lead auditor for the audit of Securities Exchanges Guarantee Corporation Limited for the year ended 30 June 2011, 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.

A handwritten signature in black ink, appearing to read 'M J Codling'.

M J Codling
Partner
PricewaterhouseCoopers

Sydney
29 August 2011

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SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

	2011 \$	2010 \$
Statement of Comprehensive Income		
For the year ended 30 June 2011		
Total Comprehensive Income	-	-
Balance Sheet		
As at 30 June 2011		
Net assets	-	-
Total equity	-	-
Statement of Changes in Equity		
For the year ended 30 June 2011		
Opening balance	-	-
Closing balance	-	-
Statement of Cash Flows		
For the year ended 30 June 2011		
Cash flows from operating activities	-	-
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase in cash held	-	-
Cash at the beginning of the financial year	-	-
Cash at the end of the financial year	-	-

The Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Statement of Cash Flows 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 statements were authorised for issue by the directors on 29 August 2011.

ASX Limited (ASX), as the only member of SEGC, undertakes to contribute such amount not exceeding \$1,000 to the property of SEGC as may be required in the event of SEGC being wound up. This undertaking is provided whilst ASX is a member or within one year after it ceases to be a member, for payment of the debts and liabilities of SEGC that are contracted before ASX's membership ceases, for the 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 of Division 4 of Part 7.5 of the Corporations Act 2001.

2. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the Corporations Act 2001. The financial statements of SEGC also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on the basis of historical cost. Items included in SEGC's financial statements are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is SEGC's functional and presentation currency.

The accounting policies have been applied to all periods presented in these financial statements. The following new standards and amendments to standards applicable to SEGC are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* makes a number of minor amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 8 *Operating Segments*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 136 *Impairment of Assets* and AASB 139 *Financial Instruments: Recognition and Measurement*;
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* makes a number of minor amendments to AASB 3 *Business Combinations*, AASB 7 *Financial Instruments: Disclosures*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 128 *Investments in Associates*, AASB 131 *Interests in Joint Ventures*, AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

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 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013) introduces a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The application of the standard is not expected to have any significant effect on SEGC and will be mandatory for the SEGC's 30 June 2014 financial statements.

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

Notes to the Financial Statements

- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]*. The amendments would not have materially affected SEGC if they had been adopted in the current financial year. They will be mandatory for SEGC's 30 June 2012 financial statements.
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets. The amendments would not have materially affected SEGC if they had been adopted in the current financial year. They will be mandatory for SEGC's 30 June 2014 financial statements.
- IFRS 10 *Consolidated Financial Statements* (effective from 1 January 2013) introduces a new definition of control to be applied to all entities in regards to consolidation. The impact of the new standard is yet to be fully assessed however it is not expected to have a material impact on SEGC. The standard will be mandatory for SEGC's 30 June 2014 financial statements.
- IFRS 12 *Disclosure of Interests in Other Entities* (effective from 1 January 2013) addresses the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The impact of the new standard is yet to be fully assessed however it is not expected to have a material impact on SEGC. The standard will be mandatory for SEGC's 30 June 2014 financial statements.
- IFRS 13 *Fair Value Measurement* (effective from 1 January 2013) consolidates the measurement and disclosure requirements in respect of fair values into one standard. The impact of the new standard is yet to be fully assessed however it is not expected to have a material impact on the SEGC. The standard will be mandatory for SEGC's 30 June 2014 financial statements.

3. Related party disclosures

Directors

The directors of SEGC during the entire financial year and up until the date of this report were as follows:

Mr Clive Michael Batrouney (Chairman)
 Ms Susan Doyle
 Mr Fergus Allan McDonald
 Mr Peter Hastings Warne
 Mr Ian William Thoburn McGaw

Mr Ian William Thoburn McGaw was appointed by ASX. Mr McGaw was also a director of certain controlled entities of ASX during the full financial year ending 30 June 2011.

Mr Peter Hastings Warne was appointed by ASX. Mr Warne was also a director of ASX and certain controlled entities of ASX during the full financial year ending 30 June 2011.

Related party transactions

During the year, SEGC incurred expenses of \$426,972 inclusive of GST (2010: \$455,041) in respect of staff, administration, occupancy and accounting services provided by ASX Operations Pty Limited (ASXO). As SEGC is the administrator of the Fund, the expenses were paid from the assets held by the Fund in accordance with section 889H of the Corporations Act 2001.

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

Notes to the Financial Statements

4. Key Management Personnel compensation

The Key Management Personnel comprise the five directors.

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

	2011	2010
	\$	\$
Short-term employee benefits	180,000	150,000
Post-employment benefits (superannuation)	15,072	10,225
Total	195,072	160,225

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 has been paid out of the Fund and reimbursed to ASXO.

5. Auditor's remuneration

Audit services:

Audit of the financial statements of SEGC	2,100	2,000
Total	2,100	2,000

All the amounts shown above are exclusive of GST.

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

There were no non-audit services provided by the auditor to SEGC in the current year (2010: nil).

6. Segment reporting

SEGC consists of one operating segment. The Board of Directors of SEGC assesses the performance of SEGC as a single segment, which operates to administer the Fund as set out in the Corporations Act 2001. As SEGC does not have any assets, liabilities or equity, internal reporting provided to the Board of Directors consists of information related to the Fund. This information is consistent with the Fund's financial statements.

7. 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, 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 2011 and of its performance, as represented by the results of its operations and its 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.
- c) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Signed in accordance with a resolution of the directors:



C M Batrouney

Chairman

Sydney, 29 August 2011



Independent auditor's 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), which comprises the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

PricewaterhouseCoopers, ABN 52 780 433 757

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

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 2011 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 Company's financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

A handwritten signature in cursive script, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, appearing to read 'M J Godling'.

M J Godling
Partner

Sydney
29 August 2011

*National Guarantee Fund Financial Statements
for the Year Ended 30 June 2011*

NATIONAL GUARANTEE FUND

ABN 69 546 559 493

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2011

NATIONAL GUARANTEE FUND

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Directors' Declaration

Independent Auditor's Report

These financial statements are for the National Guarantee Fund (the Fund) as an individual entity. The financial statements are presented in Australian dollars.

The Fund is administered by its trustee, Securities Exchanges Guarantee Corporation Limited (SEGC). SEGC is incorporated in the Australian Capital Territory as a company limited by guarantee with the sole purpose of administering the Fund. SEGC's registered office is:

Level 7
16-20 Bridge Street
Sydney NSW 2000 Australia

A description of the nature of the Fund's operations and its principal activities is included in the Trustee's Report on pages 3-4.

These financial statements were authorised for issue by SEGC on 29 August 2011.

NATIONAL GUARANTEE FUND

Trustee's Report

The directors of Securities Exchanges Guarantee Corporation Limited (SEGC), being the trustee of the National Guarantee Fund (the Fund), present their report together with the financial statements and the auditor's report thereon for the year ended 30 June 2011.

Directors

The directors of SEGC (which administers the Fund) for the entire financial year and up until the date of this report were as follows:

Mr Clive Michael Batrouney (Chairman)
 Ms Susan Doyle
 Mr Fergus Allan McDonald
 Mr Peter Hastings Warne
 Mr Ian William Thoburn McGaw

Principal activity

SEGC administers the Fund and holds the assets of the Fund on trust for the purposes of Division 4 of Part 7.5 of the Corporations Act 2001.

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

Review and results of operations

Net profit from ordinary activities of the Fund for the year was \$6,055,792 (2010: \$7,969,739) before payments of \$10,941,286 (2010: \$1,930,196) to the Financial Industry Development Account (FIDA) administered by ASX Limited (ASX) under Corporations Regulation 7.5.89 (see note 3).

In accordance with the approval of the Parliamentary Secretary to the Treasurer, \$8,612,493 of the above payments to FIDA were in respect of costs incurred by the Australian Securities and Investments Commission (ASIC) and ASX in relation to the transfer of certain market supervision responsibilities from ASX to ASIC.

One compensation claim was allowed by SEGC during the financial year and has been recognised as an expense and provided for in these financial statements.

During the year, two claimants brought proceedings in the Court to establish claims that had been disallowed by SEGC. One of those proceedings was discontinued by the claimant. In the other, the Court found in favour of the claimant. SEGC subsequently appealed the Court's decision and, at the date of this report, is awaiting the outcome of the appeal. As a result of the Court's decision, SEGC paid an amount of \$52,872 to SEGC's lawyers to be held in their trust account pending the outcome of the appeal. The amount represents the claim plus an amount in respect of interest.

There were no claims allowed in the prior 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 the Fund during the financial year in review.

Environmental regulation and performance

No significant environmental regulations apply to the Fund and the directors are not aware of any significant material environmental incidents arising from the operations of the Fund during the financial year.

Events subsequent to balance date

In the opinion of the directors, in the interval between the end of the financial year and the date of this report no item, transaction or event of a material and unusual nature has arisen which is likely to significantly affect the operations, the results of those operations, or the state of affairs of the Fund.

Likely developments and expected results of operations

The directors have not determined to make any material changes to the nature of operations or management of the Fund in any period subsequent to the financial year.

NATIONAL GUARANTEE FUND

Trustee's Report

Indemnification and insurance of officers

The Fund has paid an insurance premium in respect of directors' and officers' liability insurance for current and former directors and officers of SEGC.

The directors and officers of SEGC covered by the insurance include the directors referred to earlier in this report and company secretaries, Michael Ian Bradwell and Paul Leslie 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 arises out of a lack of good faith or conduct contrary to SEGC's express instructions. The constitution also provides that the officers of SEGC are indemnified against any liability for costs or expenses incurred in that capacity 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 each of whom:

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

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

Employees of ASX Operations Pty Limited (ASXO), a wholly owned subsidiary of ASX, 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 course of their secondment in the best interests of SEGC even in the event of a conflict between the interests of ASX and SEGC.


Administration and accounting services are provided by ASXO. The performance of these services is subject to the same internal and external audits as are performed within ASX and its controlled entities.

The amounts paid to the auditor of the Fund, PricewaterhouseCoopers, for auditing the financial statements 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 2001 is included on page 5.

Signed in accordance with a resolution of the directors:


C M Batrouney
Chairman

Sydney, 29 August 2011




Auditor's Independence Declaration

As lead auditor for the audit of the National Guarantee Fund for the year ended 30 June 2011, 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 the National Guarantee Fund.


M J Godling
Partner
PricewaterhouseCoopers

Sydney
29 August 2011

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NATIONAL GUARANTEE FUND
Statement of Comprehensive Income
For the year ended 30 June 2011

		2011	2010
	Note	\$	\$
Revenue			
Net gains on financial instruments held at fair value	15	1,970,454	3,412,132
Distribution income	15	5,546,489	5,414,054
Interest income		679	530
Refund of imputation credits		10,834	20,930
Total revenue		7,528,456	8,847,646
Expenses			
Claims	17	291,759	-
Operating expenses	16	1,180,905	877,907
Total expenses		1,472,664	877,907
Net profit for the year		6,055,792	7,969,739
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		6,055,792	7,969,739

The Statement of Comprehensive Income should be read in conjunction with the notes to the Financial Statements.

NATIONAL GUARANTEE FUND
Balance Sheet
As at 30 June 2011

		2011	2010
	Note	\$	\$
Current assets			
Cash		656	975
Receivables	4	66,572	26,300
Prepayments	5	16,467	16,625
Other financial assets – investments	6	106,642,086	111,259,865
Total current assets		106,725,781	111,303,765
Total assets			
		106,725,781	111,303,765
Current liabilities			
Payables		-	99,600
Related party payables	11	320,596	205,245
Provisions	17	291,759	-
Total current liabilities		612,355	304,845
Total liabilities			
		612,355	304,845
Net assets			
		106,113,426	110,998,920
Equity			
Retained earnings		106,113,426	110,998,920
Total funds		106,113,426	110,998,920

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 2011

		2011	2010
	Note	\$	\$
Opening balance		110,998,920	104,959,377
Profit for the year		6,055,792	7,969,739
Other comprehensive income for the year		-	-
Total comprehensive income for the year (net of tax)		6,055,792	7,969,739
Payments to the Financial Industry Development Account (FIDA)	3	(10,941,286)	(1,930,196)
Closing balance		106,113,426	110,998,920

The Statement of Changes in Equity should be read in conjunction with the notes to the Financial Statements

NATIONAL GUARANTEE FUND
Statement of Cash Flows
For the year ended 30 June 2011

		2011	2010
	Note	\$	\$
Cash flows from operating activities			
Proceeds from the disposal of investments		12,134,722	2,673,398
Investment distribution income received		5,546,489	5,414,054
Reinvestment of distribution income		(5,546,489)	(5,414,054)
Imputation credits/BAS refunds		39,213	29,824
Interest received – other		679	530
Payments to suppliers		(1,180,775)	(953,737)
Claim funds paid to trust account		(52,872)	-
Net cash inflow from operating activities	10	10,940,967	1,750,015
Cash flows from investing activities			
		-	-
Cash flows from financing activities			
Payments to FIDA	3	(10,941,286)	(1,930,196)
Net cash (used in) financing activities		(10,941,286)	(1,930,196)
Net (decrease) in cash held		(319)	(180,181)
Cash at the beginning of the financial year		975	181,156
Cash at the end of the financial year		656	975

The Statement of Cash Flows 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 Fund). SEGC does not trade in its own right.

ASX Limited (ASX), as the only member of SEGC, undertakes to contribute such amount not exceeding \$1,000 to the property of SEGC as may be required in the event of SEGC being wound up. This undertaking is provided whilst ASX is a member or within one year after it ceases to be a member, for payment of the debts and liabilities of SEGC that are contracted before ASX's membership ceases, for the 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 of Division 4 of Part 7.5 of the Corporations Act 2001.

The financial statements were authorised for issuance by the directors on 29 August 2011.

2. Statement of significant accounting policies

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

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the Corporations Act 2001. The financial statements of the Fund also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on the basis of historical costs except for investments, which have been recognised at fair value. 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'). The financial statements are presented in Australian dollars, which is the Fund's functional and presentation currency.

The following new standards and amendments to standards applicable to the Fund are mandatory for the financial year beginning 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Amendments Project* makes a number of minor amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 8 *Operating Segments*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 136 *Impairment of Assets* and AASB 139 *Financial Instruments: Recognition and Measurement*;
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Amendments Project* makes a number of minor amendments to AASB 3 *Business Combinations*, AASB 7 *Financial Instruments: Disclosures*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 128 *Investments in Associates*, AASB 131 *Investments in Joint Ventures*, AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

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 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013) address the classification and measurement requirements for financial assets and financial liabilities. AASB 9 requires that financial assets not held for the purpose of collecting contractual cash flows be measured at fair value. The Fund's other financial assets - investments which currently include UBS Cash Plus Fund and Schroders Fixed Income Fund do not give rise to specified contractual cash flows and as such will continue to be measured at fair value under the new standard.

The new standard and amendment are not expected to impact the Fund's financial liabilities as the new requirements only affect the accounting for financial liabilities measured at fair value through profit or loss and the Fund does not currently have any such liabilities.

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

The standard and amendment will be mandatory for the Fund's 30 June 2014 financial statements, however, the Fund has not yet decided when to adopt AASB 9.

- *AASB 1053 Application of Tiers of Australian Accounting Standards* and *AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013) introduces a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The application of the standard is not expected to have any significant effect on the Fund and will be mandatory for the Fund's 30 June 2014 financial statements.
- *AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134 and Interpretation 13]* (effective from 1 January 2011) introduces a number of amendments to the above accounting standards and interpretations. The amendments would not have materially affected the Fund if they had been adopted in the current financial year and will be mandatory for the Fund's 30 June 2012 financial statements.
- *AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective from 1 July 2011) introduces additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments would not have affected the Fund had they been applied in the current financial year and will be mandatory for the Fund's 30 June 2012 financial statements.
- *IFRS 10 Consolidated Financial Statements* (effective from 1 January 2013) introduces a new definition of control to be applied to all entities in regards to consolidation. The impact of the new standard is yet to be fully assessed however it is not expected to have a material impact on the Fund. The standard will be mandatory for the Fund's 30 June 2014 financial statements.
- *IFRS 12 Disclosure of Interests in Other Entities* (effective from 1 January 2013) addresses the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The impact of the new standard is yet to be fully assessed however it is not expected to have a material impact on the Fund. The standard will be mandatory for the Fund's 30 June 2014 financial statements.
- *IFRS 13 Fair Value Measurement* (effective from 1 January 2013) consolidates the measurement and disclosure requirements in respect of fair values into one standard. The impact of the new standard is yet to be fully assessed however it is not expected to have a material impact on the Fund. The standard will be mandatory for the Fund's 30 June 2014 financial statements.

b) Segment reporting

Information for the single segment, being the Fund, is presented in a manner that is consistent with the internal reporting provided to the chief operating decision maker, who has been identified as the Board of Directors of SEGC (the Board), as trustee of the Fund.

c) Revenue recognition

Movements in fair value of investment units

Investments in units are classified as financial assets at fair value through profit or loss and are stated at fair value in accordance with *AASB 139 Financial Instruments: Recognition and Measurement*. Gains and losses that result from adjusting the fair values of investment units in managed funds are included as revenue in the Statement of Comprehensive Income.

Distribution revenue

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

Interest revenue

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

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

Refund of imputation credits

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

d) Claims

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

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

If compensation is paid in respect of a claim, SEGC is subrogated to the extent of that payment to the claimant's rights and remedies in relation to the loss to which the claim relates (section 892F of the Corporations Act 2001). 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 ATO of endorsement as an income tax exempt charitable entity.

f) Receivables

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

g) Other financial assets – investments

The other financial assets of the Fund are currently managed by two professional portfolio managers, UBS Global Asset Management (Australia) Limited and Schroder Investment Management Australia Limited. During the year the Fund has been invested in the UBS Cash Plus Fund in cash or cash-like products and in the Schroders Fixed Income Fund in a diversified range of fixed income securities. They are 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 Statement of Comprehensive Income.

Fair values of these two portfolios are established by referring to redemption 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 redemption prices in both funds.

h) 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 in the Balance Sheet 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.

i) Cash and cash equivalents

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

j) Payments to Financial Industry Development Account (FIDA)

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

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

k) 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 each quarter in which they are recognised.

3. Payments to 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 from the excess above the minimum amount (currently \$76 million), to ASX for purposes approved by the Minister under regulation 7.5.88 of the Corporations Regulations 2001. Excess money paid from the Fund must be paid into FIDA and may only be used for approved purposes.

On 1 August 2010, certain responsibilities for supervision of financial markets were transferred from ASX to ASIC. On 3 March 2011, the Parliamentary Secretary to the Treasurer approved the use of excess money from the Fund to pay certain costs related to the transfer. The approval is for a maximum amount of \$12.835 million of funds from the Fund over a period ending no later than 30 June 2012.

The payments made to FIDA in relation to the transfer of certain market supervision responsibilities and other approved purposes for the year ended 30 June 2011 are shown below:

	2011 \$	2010 \$
Transfer of market supervision responsibilities from ASX to ASIC	8,612,493	-
Investor education initiatives	1,846,313	1,683,929
Share ownership survey	145,280	246,267
Corporate Governance Research Centre	337,000	-
Total	10,941,286	1,930,196

4. Receivables

Imputation credits receivable	10,834	20,930
Other receivables – GST	2,866	5,370
Claim funds held on trust	52,872	-
Total	66,572	26,300

During the year, SEGC paid an amount of \$52,872 to SEGC's lawyers to be held in their trust account pending the outcome of a claims appeal. The appeal was lodged by SEGC following an initial Court decision in favour of the claimant in respect of a claim that had been disallowed by SEGC. The amount held in the trust account represents the claim plus an amount in respect of interest and is included above as claim funds held on trust. Refer to note 8 for details of the Fund's contingent liabilities with respect to this claim.

5. Prepayments

Prepayments	16,467	16,625
Total	16,467	16,625

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

6. Other financial assets – investments

	2011 \$	2010 \$
UBS Cash Plus Fund – at quoted redemption price	53,217,681	54,141,307
Schroders Fixed Income Fund – at quoted redemption price	53,424,405	57,118,558
Total	106,642,086	111,259,865

7. Commitments

The following table outlines all projects approved by the Minister for funding from excess money in the Fund, but 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 be used for purposes approved by the Minister. These amounts are yet to be approved by the Board of SEGC at balance date.

Not later than one year	6,181,500	3,921,452
Later than one year but not later than five years	175,000	525,000
Total commitments	6,356,500	4,446,452

8. Contingent liabilities

Contingent liabilities	52,872	-
Total	52,872	-

During the year, the Court ruled in favour of a claimant who had brought proceedings in the Court following an earlier decision by SEGC to disallow a claim. SEGC has appealed the decision and at the date of this report is awaiting the outcome of the appeal. An amount of \$52,872 representing the claim amount plus an amount in respect of interest has been transferred to SEGC's lawyers to be held in their trust account pending the outcome of the appeal. If the appeal is unsuccessful, the \$52,872 will be paid to the claimant. In addition, an amount in respect of the claimant's legal costs and further interest calculated up to the date of payment would be payable from the Fund. At the date of this report, these costs cannot be reasonably estimated.

As at the date of this report, there are a number of claims which are still being assessed by SEGC. There are no material contingent liabilities in relation to these claims.

9. Segment reporting

The Fund consists of one operating segment. The Board of Directors of SEGC, as trustee of the Fund and the Chief Operating Decision Maker (CODM), assesses the performance of the Fund as a single segment, which operates to provide compensation to meet certain types of claims arising from dealings with participants of ASX and, in limited circumstances, participants of ASX Clear Pty Limited as set out in the Corporations Act 2001 and Corporations Regulations 2001. Information for the Fund is presented in a manner that is consistent with the internal reporting provided to the Board of Directors of the trustee of the Fund.

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

10. Notes to the Statement of Cash Flows

	2011 \$	2010 \$
Reconciliation of net profit to the net cash flows from operating activities:		
Net profit for the period	6,055,792	7,969,739
Decrease/(increase) in investments	4,617,779	(6,152,787)
(Increase)/decrease in receivables	(40,272)	8,894
Decrease/(increase) in other prepayments	158	(16,625)
(Decrease)/increase in payables	(99,600)	71,000
Increase in provisions	291,759	-
Increase/(decrease) in related party payables	115,351	(130,206)
Net cash provided by operating activities	10,940,967	1,750,015

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 bank account. In addition, both the UBS Cash Plus Fund and Schroders Fixed Income Fund (Other financial assets – investments) can be redeemed to fund working capital requirements as required.

11. Related party disclosures

Directors

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

Mr Clive Michael Batrouney (Chairman)
 Ms Susan Doyle
 Mr Fergus Allan McDonald
 Mr Peter Hastings Warne
 Mr Ian William Thoburn McGaw

Related party transactions

During the year, SEGC incurred expenses on behalf of the Fund of \$426,972 inclusive of GST (2010: \$455,041) in respect of staff, administration, occupancy and accounting services provided by ASX Operations Pty Limited (ASXO). These were reimbursed by the Fund in accordance with section 889H of the Corporations Act 2001.

The balance owing to ASXO by SEGC at 30 June 2011 was \$320,596 (2010: \$205,245) and is expected to be paid from the Fund. No interest is charged by ASXO on the outstanding balance owing from SEGC or the Fund.

12. Key Management Personnel compensation

Key Management Personnel compensation included in administration costs in the Statement of Comprehensive Income is as follows:

Short-term employee benefits	180,000	150,000
Post-employment benefits (superannuation)	15,072	10,225
Total	195,072	160,225

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

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

13. Auditor's remuneration

	2011	2010
	\$	\$
Audit services:		
Audit of the financial statements for the Fund	9,500	9,000
Total	9,500	9,000

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 by the Fund.

There were no non-audit services provided by the auditor to the Fund (2010: nil).

14. Financial instruments & risk management

a) Market risk

Market risk is the risk of loss arising from movements in observable market variables such as interest rates, 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, which arises in relation to cash at bank and indirectly from other financial assets - investments. 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 and fixed-income securities 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. 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 in a diversified range of fixed income securities.

	Interest bearing		Non-interest bearing		Total	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Financial assets						
Cash	656	975	-	-	656	975
Receivables	-	-	66,572	26,300	66,572	26,300
Prepayments	-	-	16,467	16,625	16,467	16,625
Other financial assets - investments	-	-	106,672,086	111,259,865	106,672,086	111,259,865
	656	975	106,755,125	111,302,790	106,755,781	111,303,765
Financial liabilities						
Payables	-	-	-	99,600	-	99,600
Provision for claims	-	-	291,759	-	291,759	-
Related party payables	-	-	320,596	205,245	320,596	205,245
			612,355	304,845	612,355	304,845
Net financial assets	656	975	106,142,770	110,997,945	106,143,426	110,998,920

The annual average interest rate for interest bearing assets for the year was 4.16% (2010: 3.17%).

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

The average return of distributions from non-interest bearing financial assets - investments for the year was 7.14% (2010: 8.73%).

Fair value sensitivity analysis of interest bearing financial assets:

An increase/decrease of 25 basis points in interest rates would increase/decrease the Fund's annual profit and loss by \$41 (2010: \$2). Variations in interest rates may also affect the unit prices of the Fund's other financial assets – investments, however the amount of the effect is unknown.

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

An increase/decrease of 25 basis points in investment redemption prices would increase/decrease the Fund's profit and loss by \$266,605 (2010: \$278,150).

(ii) Liquidity risk

Liquidity risk associated with the need to pay any claims, as determined by SEGC, is mitigated by investing in cash based funds. Both the UBS Cash Plus Fund and Schroders Fixed Income Fund (Other financial assets – investments) can be called upon to fund working capital requirements as required.

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

2011	Up to 1 mth	> 1 mth to 3 mths	Total
Assets			
Cash	656	-	656
Receivables	-	66,572	66,572
Other financial assets - investments	106,642,086	-	106,642,086
Total assets	106,642,742	66,572	106,709,314
Liabilities			
Provision for claims	-	291,759	291,759
Related party payables	-	320,596	320,596
Total liabilities	-	612,355	612,355
Net assets /(liabilities):	106,642,742	(545,783)	106,096,959
2010	Up to 1 mth	> 1 mth to 3 mths	Total
Assets			
Cash	975	-	975
Receivables	-	26,300	26,300
Other financial assets - investments	111,259,865	-	111,259,865
Total assets	111,260,840	26,300	111,287,140
Liabilities			
Payables	-	99,600	99,600
Related party payables	-	205,345	205,345
Total liabilities	-	304,945	304,945
Net assets /(liabilities):	111,260,840	(278,645)	110,982,195

(iii) Foreign currency risk

The Fund did not have any significant exposure to foreign currency risk during the year ended 30 June 2011 (2010: \$nil).

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

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 2011 is shown below:

	Note	2011 \$	2010 \$
Cash		656	975
Receivables	4	66,572	26,300
Prepayments	5	16,467	16,625
Other financial assets – investments	6	106,642,086	111,259,865
Total		106,725,781	111,303,765

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.

c) Capital management

The SEGC Board's policy is to maintain the assets of the Fund at a level above the minimum amount prescribed in the Corporations Act 2001 to meet claims and administration costs of SEGC and the Fund. During the year an actuarial review was conducted as part of the SEGC Board's regular review of the minimum amount. Following that review, the Board of SEGC concluded that the current minimum amount of \$76 million remains appropriate.

The Board has an investment strategy in place to invest available financial assets, amounting to \$106,642,086 (2010: \$111,259,865), into two cash and fixed income funds managed by two professional portfolio managers respectively at 30 June 2011 in order to preserve the minimum fund requirement as prescribed above.

The Board monitors the Fund by receiving and reviewing quarterly reports on the Fund 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 Fund falls below the minimum amount, the Board is able to take measures to manage the financial position, including taking insurance against claim liability, paying claims in instalments, external borrowing or imposing levies on ASX or participants of ASX. The Board has not yet taken any of the measures, or considered them to be necessary.

If the amount in the Fund exceeds the minimum amount, the Board has discretion to pay the excess or part of the excess to ASX under a separate account designated as the Financial Industry Development Account (FIDA), with the approval of the Minister.

d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

The below amounts represent the Fund's financial assets measured and recognised at fair value

	2011	2010
	\$	\$
Other financial assets - investments		
UBS Cash Plus Fund – at quoted redemption price	53,217,681	54,141,307
Schroders Fixed Income Fund – at quoted redemption price	53,424,405	57,118,558
Total	106,642,086	111,259,865

All of the Fund's assets are measured as 'level 2' fair value hierarchy.

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

There are no financial instruments designated within level 1 or 3 of the fair value hierarchy as at 30 June 2011 and 30 June 2010.

15. Revenue

Net gains on financial instruments held at fair value through profit or loss:

Schroders Fixed Income Fund	822,226	1,695,306
UBS Cash Plus Fund	1,148,228	1,716,826
Total	1,970,454	3,412,132

Distribution income:

UBS Cash Plus Fund	2,432,637	1,917,047
Schroders Fixed Income Fund	3,113,852	3,497,007
Total	5,546,489	5,414,054

16. Operating expenses

Operating expenses consist of:

Staff cost	222,601	245,925
Legal cost	436,212	77,793
Administration cost	446,660	477,509
Occupancy cost	75,432	76,680
Total	1,180,905	877,907

17. Claims

Provided for	291,759	-
Total	291,759	-

The above amount relates to a claim allowed by SEGC during the year but not paid at reporting date.

18. Subsequent events

There is no matter or circumstance that has arisen since the end of the financial year to the date of this report which has significantly affected the operations, 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 Fund):

- a) the financial statements and notes of 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 2011 and of its performance, as represented by the results of its operations and its 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; and
- c) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(a).

Signed in accordance with a resolution of the directors:



C M Batrouney
Chairman

Sydney, 29 August 2011



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

Report on the financial report

We have audited the accompanying financial report of the National Guarantee Fund (the Fund), which comprises the Balance Sheet as at 30 June 2011, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Fund.

Directors of the Trustee's responsibility for the financial report

The directors of Securities Exchanges Guarantee Corporation Limited (as trustee for the Fund) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 Trustee'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 Trustee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Trustee, 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 of the Trustee or management.

PricewaterhouseCoopers, ABN 52 780 433 757

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

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

Independence


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

Auditor's opinion

In our opinion:

- (a) 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 Fund's financial position as at 30 June 2011 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 Fund's financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).


PricewaterhouseCoopers


M J Godling
Partner

Sydney
29 August 2011

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.

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