



Securities Exchanges Guarantee Corporation

ANNUAL REPORT

2017

*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 CHAIR

The 2016/2017 financial year has been another busy one for Securities Exchanges Guarantee Corporation Limited (SEGC).

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

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

SEGC has received over 500 claims as a result of the collapse of the BBY Group (BBY) in May 2015. SEGC has allowed and paid, and disallowed, a number of claims during the financial year. There also remain almost 200 claims yet to be considered. The SEGC Claims Committee, a delegate of the SEGC Board, has overseen the claims determination process throughout the year.

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

In addition to assessing and determining claims, SEGC was a party in proceedings brought by the BBY liquidators to determine how monies held in BBY's client segregated accounts (CSAs) should be distributed. These broadly relate to pooling of the CSAs. The outcome will affect the amount of claims payable (or recoverable from BBY) by SEGC. The application was heard in early 2017. As at the date of this report no judgement has yet been handed down. Further commentary is included later in the report.

As at 30 June 2017 the net assets of the NGF were \$96.9 million (compared to \$101.9 million as at 30 June 2016).

As foreshadowed in last year's SEGC Annual Report during 2016/17 the size of the NGF fell below the minimum amount set under s889I of the Corporations Act. The minimum amount of the NGF is currently set at \$100 million. Investment assets as at 30 June 2017 were \$99.2 million. The size of the fund is expected to further decline as BBY related claim payments are made over the next 12 months, including those Subdivision 4.9 related claims which are capped at \$11.4 million.

With the size of the NGF below the minimum amount, 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 SEGC Board continues to review its capital management plan and will monitor the minimum amount, the amount in the fund and its tolerance limits in light of this review.

No levy has been required since the inception of the NGF, however, with the NGF below the minimum amount and further payments expected from claims arising from the insolvency of BBY Limited, the SEGC Board has determined that a levy of participants of the member/s of SEGC will be necessary to replenish the Fund. This forms part of a 5-year plan to return the NGF to the minimum amount. The levy for 2017/18 will seek to raise

around \$1 million. It will be payable on a date yet to be set, but prior to 30 June 2018. As part of the 5-year plan, it is likely that further levies may be required to return the NGF to the minimum amount, particularly in light of other circumstances such as increased administrative expenses (as a result of the separation from ASX and increased claims processing costs) and the low interest rate environment.

The Board is mindful of the economic environment and structural changes that are occurring in the financial markets industry. In this context, the Board continues to pay close regard to the importance of maintaining the adequacy of the funds held in the NGF in order to be in a position to meet claims that may arise. In previous years the SEGC Board has voiced its concerns about payments from the NGF to the Financial Industry Development Account (FIDA) based on Ministerial approvals. More recently given the anticipated depletion of funds as a result of claims on the Fund, the SEGC board resolved not to pay the final Australian Securities and Investment Commission (ASIC) supervision levy of \$1,465,000 for the year ended 30 June 2017. While the Fund is now below the minimum amount, no further FIDA payments may be made out of the NGF until the Fund is replenished. Currently, there are no outstanding Ministerial approvals of FIDA funding. The Capital and Investment Committee established by the SEGC Board, continues to actively monitor the NGF's capital and investments to make recommendations to the Board with respect to capital management and investments.

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

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

During the year, SEGC has undergone a physical and administrative separation from ASX where it had been located since inception in expectation of an additional member joining and to avoid future actual or perceived conflicts. This has resulted in an increase in operating costs.

The board has continued to pursue reform of the NGF. The principal concern is for capping of all claims and capping the total amount payable in respect of any particular member participant, to avoid a potential exhaustion of the fund. The Board has also continued to press Treasury for a full review of the compensation arrangements for financial markets. A number of recent events have emphasised the need for change. These include the 2015 actuarial reviews of the minimum amount of the NGF, the proposed admission of Chi-X and the insolvency of BBY Limited which led to an influx of claims, testing the regulatory provisions. It remains the Board's opinion that ideally, any such review should encompass the heads of claim which have not been changed in a number of years, to ensure that they reflect modern financial markets structure and practice, and capping of claims, to ensure that the NGF is able to provide compensation for retail investors and will remain on a strong financial footing.

The Board is engaged in ongoing discussions with Treasury and regulatory agencies to inform and assist the development of future policy in relation to the National Guarantee Fund. SEGC has also engaged with other stakeholders to develop a reform proposal that could be subject to further consultation.

The SEGC Board is undertaking a review of the minimum amount during the financial year ending 30 June 2018. This includes a triennial actuarial report with respect to the minimum amount.

It has been a pleasure to serve as Chair of the SEGC Board throughout the year. I would like to thank Lynn Ralph, who will retire from the Board in December 2017 at the end of her term, for her significant contribution as a Director of SEGC. I thank my fellow directors for all their efforts and support over this busy period, and look forward to continuing in this role in the next financial year.

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

Nancy Milne
Chair

OVERVIEW OF SEGC AND THE NATIONAL GUARANTEE FUND

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

What is the NGF?

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

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

At 30 June 2017, the net assets of the NGF were \$96.9 million. This compares with \$101.9 million at the end of the previous financial year.

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

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 on ASX’s equities or debt markets entered into by a dealer (Subdivision 4.3). The dealer may have failed to provide to the client, after settlement, the securities purchased or the proceeds of sale, or may have failed to complete a transaction because the dealer was suspended by ASX or by ASX Clear;
- loss that results if a dealer transfers marketable or certain other securities without authority (Subdivision 4.7);

- loss that results if a dealer cancels or fails to cancel a certificate of title to quoted securities contrary to the provisions of the operating rules of ASX Settlement Pty Limited (Subdivision 4.8);
- loss that results if a dealer becomes insolvent and fails to meet its obligations in respect of property (usually money or securities) that had been entrusted to it in the course of, or in connection with, its business of dealing in securities, up to a statutory maximum per dealer of 15% of the minimum amount of the NGF (Subdivision 4.9). Based on the current minimum amount, this cap would be \$15 million. (See below for an explanation of the minimum amount.)

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

Claims which cannot be made on the NGF

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

- for loss arising from investment decisions, or from relying on investment advice given by a dealer;
- for loss if a dealer fails to act on instructions to buy or to sell;
- for money lent to a dealer which has not been repaid;
- in respect of conduct by an entity other than the specific entity which is the dealer;
- 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;
- in respect of property entrusted to a dealer that is not in connection with its securities business; and
- where property entrusted to the dealer, in the due course of administration of the trust, has ceased to be under the sole control of the dealer;
- in respect of a loss which has no connection to a member market.

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

Claims in relation to exchange traded derivatives

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

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

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

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

Reduction of claims

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

- by reference to a right of set-off available to the claimant;
- by reference to the extent to which the claimant was responsible for causing the loss; and
- if a claimant has, without the written consent of SEGC, adversely affected SEGC's right to be subrogated to any of the claimant's rights and remedies and the claimant received a benefit for assigning its rights or remedies.

The minimum amount of the NGF

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

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

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

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

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.

During the financial year ended 30 June 2017, the NGF fell below the minimum amount for the first time since it was formed. The SEGC Board continues to review its capital management plan and will monitor the minimum amount, the amount in the Fund and its tolerance limits. No levy has been required since the inception of the NGF, however, with the Fund below the minimum amount and further payments expected from claims arising from the insolvency of BBY Limited, the SEGC Board has determined that a levy on participants of the member/s of SEGC will be necessary to replenish the NGF. The levy will seek to raise around \$1 million (around \$15,000 per participant) and will be payable on or before 30 June 2018. Further levies may be required to return the Fund to the minimum amount.

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

Financial Industry Development Account (FIDA)

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

Given the anticipated depletion of funds as a result of claims on the Fund, the SEGC Board resolved not to pay the final Australian Securities Investments Commission (ASIC) supervision levy of \$1,465,000 for the year ended 30 June 2017. As a result no funds were paid to the FIDA during the financial year.

Multi-market environment

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

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

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

The SEGC Board has conditionally approved an application for membership by Chi-X. SEGC continues to work with Chi-X to finalise their membership.

BOARD OF DIRECTORS

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

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

Director of ALE Property Group Limited, NSW Division Councillor of NSW Council of the Australian Institute of Company Directors, Deputy Chair of State Insurance Regulatory Authority, Director of Asbestos Safety and Eradication Council.

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

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

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

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

Susan is currently a Director of New South Wales Treasury Corporation and a Member of Anindilyakwa Mining Council Trust.

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

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

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

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

Member of Superannuation Complaints Tribunal. Former Director of Sydney Institute Ltd, BT Funds Management Ltd, BT Funds Management No 2 Ltd and Westpac Securities Administration Ltd. Former Director of Sydney Swans Ltd. Co-founder of CameronRalph Pty Ltd. Former Chief Executive Officer of the Investment and Financial Services Association. Former Deputy Chairman of Australian Securities Commission. Former Commissioner of Private Health Insurance Administration Council.

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

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

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

Former Chairman of OFX Ltd (formerly OzForex Group Limited). Chairman of Macquarie Group Limited and Macquarie Bank Limited. Director of New South Wales Treasury Corporation. Chairman of St. Andrews Cathedral School Foundation. Member of the advisory board of Macquarie University Faculty of Business and Economics. Former adjunct Professor of University of Sydney Business School. Former Patron of Macquarie University Foundation.

Directors' Attendance at Meetings

Director	Meetings attended
Nancy Milne	7/7
Susan Doyle	6/7
Ian McGaw	7/7
Lynn Ralph	7/7
Peter Warne	7/7

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.

In the event that there is more than one member of SEGC, the Board shall comprise one person nominated by each member (member director) and three independent directors nominated by the member directors.

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

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

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

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

ADMINISTRATION OF SEGC

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

SEGC has undergone a physical separation from ASX and separated the accounting and administrative function from ASX. SEGC outsourced administration and accounting functions to a third party provider. In addition SEGC has two legal contractors and 2 part time employees. The separation from ASX has led to an increase in operating costs.

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

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

The Finance Manager is employed part time by SEGC.

Martin Hickling (BEC, FIAA, CFA) is the Finance Manager of SEGC.

The appointment of the Finance Manager and Company Secretary are approved by the Board.

SEGC engages other independent contractors as required.

CLAIMS REPORT

Claims processing procedure

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

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

- **Notification:** where the dealer is solvent, 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. SEGC's strong preference is to settle all claims with monetary compensation.
- **Recovery:** The Corporations Act provides that if a claim is allowed, SEGC is subrogated to all the claimant's rights and remedies in relation to the conduct the subject of the claim. SEGC stands in the claimant's shoes and can seek recovery from the dealer, and in appropriate cases other parties. Potential recoveries are pursued where appropriate to mitigate loss to the NGF.

Claims processed in the current year

SEGC has received over 500 claims as a result of the collapse of the BBY Group, a financial services and stockbroking group, of which BBY Ltd (BBY) was the main trading entity. The SEGC Board has established a Claims Committee to deal with the expanded workload arising out of this large number of claims.

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

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

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

The liquidators have applied to the court for various orders and directions that will affect the amount of the overall shortfall and the amount of the shortfall in the CSAs that may be covered by the NGF. These broadly relate to pooling of CSAs prior to distribution and indemnification of both the representative defendants and the liquidators fees from the CSAs. SEGC is a non-representative defendant in the proceedings. The application was heard in early 2017, however, no judgment has been handed down as at the date of this report. If the CSAs are pooled it is more likely that allowable claims (plus interest and costs) under subdivision 4.9 (described below) will exceed the cap \$11.4 million that the legislation allows SEGC to pay in respect of those claims. If the cap is exceeded, payments in respect of subdivision 4.9 claims will need to be pro-rated down.

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

- subdivision 4.3 of Part 7.5 of the Corporations Regulations - where it is alleged that BBY, as the dealer, has failed to provide to the claimants the quoted securities purchased or the proceeds of sale, or has otherwise failed to complete a transaction because of BBY's suspension; or

- subdivision 4.9 of Part 7.5 of the Corporations Regulations - where losses are alleged to have resulted from BBY's insolvency and its failure to meet its obligations in respect of property (usually money or securities) that had been entrusted to or received by it in the course of, or in connection with, its business of dealing in securities.

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

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

Number of	To 27/9/17	FY17	FY16
Open claims at start of period	239	257	16
Other claims attributable to previous period	0	14	0
Claims received	129	150	268
Claims disallowed or withdrawn	(11)	(150)	(6)
Claims paid	(11)	(32)	(21)
Open claims at end of period	346	239	257
Determined or considered but not yet paid	75	63	14

SEGC paid 32 claims totalling \$2,273,838 in FY17 (including claimant legal costs and interest). As at 20 September 2017 SEGC has paid BBY claims totalling \$2,140,760.

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

On 19 June 2017 SEGC placed a notice in the Australian newspaper calling for claims under sub-regulation 7.5.64 of the Corporations Regulations 2001 against SEGC in relation to BBY. The notice stated that claims must be made in writing on or before 20 September 2017.

During the financial year SEGC also reached a confidential settlement with 2 claimants with respect to a dealer other than BBY.

Appeals against disallowed claims

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

SEGC is not aware of any outstanding appeals against disallowed claims.

FINANCIAL STATEMENTS

*Securities Exchanges Guarantee Corporation Limited Financial Statements
for the Year Ended 30 June 2017*

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

ABN 19 008 626 793

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2017**

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

Level 21 Australia Square
264 George Street

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 2017 and the auditor's report thereon.

Directors

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

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

Mr Ian W T McGaw and Mr Peter H Warne were appointed by ASX Limited (ASX). Mr Warne was a director of ASX during the financial year ended 30 June 2017. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX during the financial year ended 30 June 2017.

Principal activities

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

Review of operations

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

Significant changes in the state of affairs

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

Events subsequent to balance date

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

Likely developments

SEGC has conditionally approved the application by a licensed market operator, to become a member of SEGC. SEGC continues to work with the market operator to finalise their membership. The admission of a new member may require further review of the governance, operations and management of the SEGC and the NGF.

Environmental regulation

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

Indemnification and insurance of directors and officers

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

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

Proceedings on behalf of the Company

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

Directors' report - continued

Corporate governance

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

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

In the event that there is more than one member of SEGC, the Board shall comprise one person nominated by each member (member director) and three independent directors nominated by the member directors.

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

Two executives, independent of ASX, perform the management and secretarial functions for SEGC.

For part of year, administration and accounting services were provided by ASXO and associated costs are reimbursed by the Fund to ASXO. The performance of these services was subject to the same internal audits that are performed within ASX and its controlled entities.

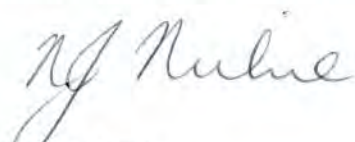
Non-audit services

The auditor, PricewaterhouseCoopers, did not provide any non-audit services to SEGC during the year (2016: nil).

Auditor's independence declaration

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

Signed in accordance with a resolution of the directors:



Nancy J Milne
Chairperson

Sydney, 17 August 2017



Auditor's Independence Declaration

As lead auditor for the audit of Securities Exchanges Guarantee Corporation Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
17 August 2017

Statement of comprehensive income

For the year ended 30 June	2017 \$	2016 \$
Revenue	0	0
Expenses	0	0
Profit before income tax expense	0	0
Income tax expense	0	0
Net profit for the period attributable to the Company	0	0
Other comprehensive income for the period, net of tax	0	0
Total comprehensive income for the period attributable to the Company	0	0

Balance sheet

As at 30 June	2017	2016
	\$	\$
Total assets	0	0
Total liabilities	0	0
Net assets	0	0
Total equity	0	0

Statement of changes in equity

For the year ended 30 June	2017 \$	2016 \$
Opening balance of equity at 1 July	0	0
Profit for the period	0	0
Other comprehensive income for the period	0	0
Total comprehensive income for the period, net of tax	0	0
Closing balance of equity at 30 June	0	0

Statement of cash flows

	2017	2016
For the year ended 30 June	\$	\$
Net cash flows from operating activities	0	0
Net cash flows from investing activities	0	0
Net cash flows from financing activities	0	0
Net movement in cash	0	0
Cash at the beginning of the financial period	0	0
Cash at the end of the financial period	0	0

Notes to the financial statements

1. Summary of significant accounting policies

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

The financial statements for the year ended 30 June 2017 were authorised for issue by the directors on 17 August 2017. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

The financial statements are general purpose financial statements that:

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

New and amended and interpretations standards adopted by SEGC

The new standards and amendments to standards that are mandatory for the first time in the annual reporting period commenced on 1 July 2016 do not affect any amounts recognised in the current or prior periods, and are not likely to materially affect amounts in future periods. The Company has not elected to apply any pronouncements before their operative date in the annual reporting period ended 30 June 2017.

New and amended standards interpretations not yet adopted by SEGC

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

2. Related party transactions

(a) Directors

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

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

Mr Ian W T McGaw and Mr Peter H Warne were appointed by ASX Limited (ASX). Mr Warne was a director of ASX during the financial year ended 30 June 2017. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX during the financial year ended 30 June 2017.

(b) Transactions with related parties

ASX Operations Pty Limited (ASXO), a related entity, provided operational services to SEGC and the National Guarantee Fund (the Fund) in the form of legal and accounting staff, administration activities, occupancy and accounting services up until 31 January 2017. In addition, ASXO facilitated the payment of all other direct operating expenses during this period. The cost of these expenses and services was reimbursed by ASXO from the assets held by the Fund in accordance with section 889H of the *Corporations Act 2001*. The total operating costs incurred in the current financial year and subsequently reimbursed to ASXO were \$1,753,620 (2016: \$2,724,652).

3. Key Management Personnel compensation

Key Management Personnel (KMP) compensation provided during the financial years ended 30 June 2017 and 2016 is as follows:

	2017 \$	2016 \$
Short-term benefits	249,500	193,500
Post-employment benefits	19,448	17,441
Total Key Management Personnel compensation	268,948	210,941

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

Notes to the financial statements - continued

4. Auditor's remuneration

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

	2017 \$	2016 \$
PricewaterhouseCoopers Australia		
Statutory audit services:		
Audit of the financial statements under the <i>Corporations Act 2001</i>	5,100	2,781
Total remuneration to PricewaterhouseCoopers Australia	5,100	2,781

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

The auditor did not provide any non-audit services to SEGC during the year (2016: nil).

5. Commitments and contingent liabilities

SEGC has no commitments or contingent liabilities as at 30 June 2017 (2016: nil).

6. Subsequent events

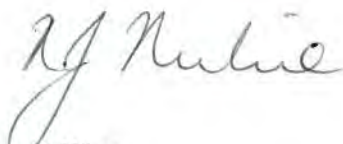
From the end of the reporting period to the date of this report, no matter or circumstance has arisen which has significantly affected the operations of SEGC, the results of those operations or the state of affairs of the SEGC.

Directors' declaration

In the directors' opinion:

- a) the financial statements and notes set out on pages 6 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c) the financial statements also comply with International Financial Reporting Standards as disclosed in note 1.

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



Nancy J Milne
Chairperson

Sydney 17 August 2017



Independent auditor's report

To the members of Securities Exchanges Guarantee Corporation Limited

Our opinion

In our opinion:

The accompanying financial report of Securities Exchanges Guarantee Corporation Limited (the Company) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Emphasis of matter - basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' report included in the financial statements, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

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

Matthew Lunn
Partner

Sydney
17 August 2017

FINANCIAL STATEMENTS

*National Guarantee Fund Financial Statements
for the Year Ended 30 June 2017*

NATIONAL GUARANTEE FUND

ABN 69 546 559 493

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2017

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

Level 21 Australia Square
264 George Street
Sydney NSW Australia

Trustee's report

The directors of Securities Exchanges Guarantee Corporation Limited (SEGC), the trustee of the National Guarantee Fund (the Fund), present their report, together with the financial statements of the Fund for the year ended 30 June 2017 and the auditor's report thereon.

Trustee and Board of Directors

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

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

Mr Ian W T McGaw and Mr Peter H Warne were appointed by ASX Limited (ASX). Mr Warne was a director of ASX during the financial year ended 30 June 2017. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX during the financial year ended 30 June 2017.

Principal activities

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

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

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

Review of operations

The loss for the period was \$4,985,950 (2016: \$70,318 loss). No payments were made to the Financial Industry Development Account (FIDA) during the financial year ended 30 June 2017 (2016: \$1,465,000).

In the current financial year, revenue decreased by \$2,216,049 from \$3,991,780 in the prior financial year to \$1,775,731 primarily due to mark-to-market losses on the Schroder Fixed Income fund. Expenses increased from \$4,062,098 in the prior financial year to \$6,761,682. This includes Claims expenses of \$3,773,050 (2016: \$1,310,021). Legal costs were \$1,544,591 (2016: \$1,826,107). Staff, occupancy and administration costs increased over the previous year due to separation from the ASX and increased claims activity of the fund. One-off costs of separation from the ASX were \$169,965.

Net assets decreased by \$4,985,950 to \$96,945,103 (2016: \$101,931,053), being a reflection of the operating result described above.

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

Number of	To 17/8/17	FY17	FY16
Open claims at start of period	239	257	16
Other claims attributable to previous period	0	14	0
Claims received	27	150	268
Claims disallowed or withdrawn	0	(150)	(6)
Claims paid	(1)	(32)	(21)
Open claims at end of period	265	239	257
Determined or considered but not yet paid	62	63	14

Trustee's report - continued

During the financial year the Fund paid 32 claims totalling \$2,273,838 (including claimant legal costs and any withholding tax withheld).

As at the end of the financial year, there are 239 outstanding claims on the Fund. Of these claims, 63 have been determined or considered as likely to be allowed by the Claims Committee of the SEGC Board, and 62 of these have yet to be paid prior to the date of this report. An outstanding claims provision of \$2,209,548 has been established for the payment of these claims. Of these, 59 are in a category of claims that is subject to a cap of \$11.4 million. SEGC will not be able to finally determine and pay these claims until it is clear what SEGC's total liability will be for all claims in this category. As the SEGC Board has yet to form a view on the validity of the remaining 176 claims, no liability has been recognised in respect of any of these claims.

On 19 June 2017 SEGC placed a notice in The Australian newspaper calling for claims under sub-regulation 7.5.64 of the *Corporations Regulations 2001* against the SEGC in relation to BBY Limited, a dealer who has become insolvent. The notice stated that claims must be made in writing on or before 20 September 2017.

No liability has been established in these accounts for any claims received after 30 June 2017.

Financial Industry Development Account

FIDA is administered by ASX under section 7.5.89 of the *Corporations Regulations 2001*.

Given the anticipated depletion of funds as a result of claims on the Fund, the SEGC board resolved not to pay the final Australian Securities and Investment Commission (ASIC) supervision levy of \$1,465,000 for the year ended 30 June 2017. As such, the Fund did not make any distributions during the financial year ended 30 June 2017 (2016:

\$1,465,000), as shown in the table below:

	2017 \$	2016 \$
Transfer of market supervision responsibilities (cost recovery)	0	1,465,000
	0	1,465,000

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

Significant changes in the state of affairs

During the year the size of the Fund has fallen below the minimum amount of \$100 million. The SEGC Board continues to review its capital management plan and will monitor the minimum amount, the amount in the Fund and its tolerance limits. No levy has been required since the inception of the NGF, however, with the fund below the minimum amount and further payments expected from claims arising from the insolvency of BBY Limited, the SEGC Board has determined that a levy on participants of the member/s of SEGC will be necessary to replenish the NGF. The levy will seek to raise around \$1 million with the levy payable on or before 30 June 2018. Further levies may be required to return the Fund to the minimum amount.

During the financial year, the finance and administration function within the SEGC in its role as trustee of the NGF was separated from ASX. SEGC has outsourced administration and accounting functions to a third party provider who the SEGC Board has assessed as having appropriate skills. In addition, SEGC now has an additional legal contractor and two part-time employees. The separation from ASX has led to an increase in ongoing operating costs for the fund.

Events subsequent to balance date

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

Likely developments

SEGC has conditionally approved the application by a licensed market operator to become a member of SEGC. SEGC continues to work with the market operator to finalise their membership. If the market operator is admitted as a member, this may require further review of the governance, operations and management of the SEGC and the NGF. The admission of a new member may also affect the minimum amount.

The SEGC Board intends to undertake a review of the minimum amount during the financial year ending 30 June 2018. This will include a triennial actuarial report with respect to the minimum amount.

Trustee's report - continued

Environmental regulation

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

Indemnification and insurance of directors and officers

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

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

Corporate governance

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

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

In the event that there is more than one member of SEGC, the Board shall comprise one person nominated by each member (member director) and three independent directors nominated by the member directors.

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

Two executives, independent of ASX, perform the management and secretarial functions for SEGC.

For part of year, administration and accounting services were provided by ASXO and associated costs are reimbursed by the Fund to ASXO. The performance of these services was subject to the same internal audits that are performed within ASX and its controlled entities.

Non-audit services

The auditor, PricewaterhouseCoopers, provided non-audit services to the Fund during the year to the value of \$5,100 (2016: nil).

Rounding of amounts

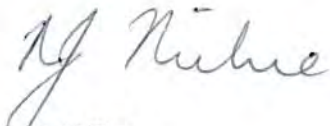
The Fund is of the kind referred to in ASIC Class Order 2016/191. In accordance with that class order, amounts in the directors' report and financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is included on page 7.

Trustee's report - continued

Signed in accordance with a resolution of the directors:

A handwritten signature in dark ink, appearing to read 'N J Milne', written in a cursive style.

Nancy J Milne
Chairperson

Sydney, 17 August 2017



Auditor's Independence Declaration

As lead auditor for the audit of National Guarantee Fund for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in blue ink, appearing to read 'Matthew Lunn', with a stylized, cursive script.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
17 August 2017

Statement of comprehensive income

For the year ended 30 June	Note	2017 \$'000	2016 \$'000
Revenue			
Net (loss)/gain on financial instruments held at fair value	3	(2,296)	286
Distribution income	4	3,857	3,706
Miscellaneous Income		212	0
Interest income		3	0
		1,776	3,992
Expenses			
Staff		(77)	(90)
Legal		(1,545)	(1,826)
Administration		(1,146)	(811)
Occupancy		(51)	(25)
Claims		(3,773)	(1,310)
One-off separation costs		(170)	0
		(6,762)	(4,062)
Loss before income tax expense		(4,986)	(70)
Income tax expense		0	0
Net loss for the period attributable to members of the Fund		(4,986)	(70)
Other comprehensive income for the period, net of tax		0	0
Total comprehensive loss for the period attributable to members of the Fund		(4,986)	(70)

Balance sheet

As at 30 June	Note	2017 \$'000	2016 \$'000
Current assets			
Cash	2	526	11
Receivables		413	10
Prepayments		41	44
Investments	2	98,339	103,298
Total current assets		99,319	103,363
Non-current assets			
Fixed Assets		19	0
Total non-current assets		19	0
Total assets		99,338	103,363
Current liabilities			
Sundry creditors		96	0
Expense accruals	7	54	795
Withholding tax payable		34	0
Outstanding claims liability	5	2,209	637
Total current liabilities		2,393	1,432
Total liabilities		2,393	1,432
Net assets		96,945	101,931
Equity			
Retained earnings		96,945	101,931
Total equity		96,945	101,931

Statement of changes in equity

For the year ended 30 June	Note	2017 \$'000	2016 \$'000
Opening balance of retained earnings at 1 July		101,931	103,466
Loss for the period		(4,986)	(70)
Other comprehensive income for the period		0	0
Total comprehensive loss for the period, net of tax		(4,986)	(70)
Payments to FIDA	6	0	(1,465)
Closing balance of retained earnings at 30 June		96,945	101,931

Statement of cash flows

For the year ended 30 June	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Proceeds from the redemption of investments		4,187	4,243
Investment distribution income received		3,532	3,706
Reinvestment of distribution income		(3,163)	(3,706)
Reinvestment of fee rebates		(125)	0
Miscellaneous Income		2	0
Payments to suppliers (inclusive of GST)		(1,624)	(2,095)
Claims		(2,274)	(673)
Interest received		3	0
Net cash inflow from operating activities		538	1,475
Cash flows from investing activities			
Purchase of PP&E		(23)	0
Payments to FIDA	6	0	(1,465)
Net cash (outflow) from investing activities		(23)	(1,465)
Net cash flows from financing activities		0	0
Net increase in cash		515	10
Cash at the beginning of the financial period		11	1
Cash at the end of the financial period		526	11
Reconciliation of the operating (loss)/profit after income tax to the net cash flows from operating activities			
Net loss after tax		(4,986)	(70)
Changes in operating assets and liabilities:			
Decrease in investments		4,961	251
Increase in outstanding claims liability		1,574	0
Increase/(decrease) in expense accruals		(741)	637
Increase in receivables		(403)	(5)
Increase in payables		130	0
Decrease in prepayments		3	1
Increase in related party payables		0	661
Net cash inflow from operating activities		538	1,475

Notes to the financial statements

1. Summary of significant accounting policies

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

The financial statements for the year ended 30 June 2017 were authorised for issue by the directors of the trustee, Securities Exchanges Guarantee Corporation (SEGC) on 17 August 2017. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

The financial statements are general purpose financial statements that:

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

New and amended standards adopted by the Fund

The new standards and amendments to standards that are mandatory for the first time in the annual reporting period commenced on 1 July 2016 do not affect any amounts recognised in the current or prior periods, and are not likely to materially affect amounts in future periods. The Fund has not elected to apply any pronouncements before their operative date in the annual reporting period ended 30 June 2017.

New accounting standards and interpretations not yet adopted by the Fund

The following new or amended accounting standards and interpretations have been issued by the AASB but are not mandatory for the annual reporting period ended 30 June 2017, and have not been early adopted by the Fund. The Fund's assessment of the impact of these standards and interpretations is set out below:

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

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

(b) Revenue recognition

Movements in the fair value of investment units

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

Distributions

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

Interest

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

Notes to the financial statements - continued

Refund of imputation credits

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

(c) Claims

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

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

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

(d) Income tax

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

(e) Goods and services tax (GST)

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

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

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

(f) Cash

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

(g) Receivables

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

(h) Prepayments

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

(i) Investments

The investments of the Fund are unit trust investments currently managed by two professional investment portfolio managers, UBS Global Asset Management (Australia) Limited (UBS) and Schroder Investment Management Limited (Schroders). During the year, the Fund held investments in the UBS Cash-Plus fund which provides investors with access to an actively managed portfolio of high grade Australian fixed income and money market securities. The fund employs a range of credit and interest rate relative value strategies to enhance returns and minimise the risk of a negative return over any rolling three-month period. The Fund redeemed its holding in the Schroder Fixed Income fund. A portion (\$35.0 million) of those funds were transferred into the Schroder Real Return CPI Plus 5% fund, with the remaining amount added to the UBS Cash-Plus fund. The Schroders fund invests in a wide range of assets, including domestic and global equities. The main risks specifically with investing in this strategy are market risk, equities risk, interest rate risk, credit risk, derivatives risk and risks associated with international investing such as movements in exchange rates.

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

Notes to the financial statements - continued

(j) Payables

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

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

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

2. Financial risk management

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

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

As at 30 June 2017	Fair value through profit or loss \$'000	Amortised cost \$'000	Total \$'000
Financial assets			
Cash	0	526	526
Investments	98,339	0	98,339
- UBS Cash-Plus Fund	62,510		
- Schroder Real Return CPI Plus 5% Fund	35,829		
Total financial assets	98,339	526	98,865
Financial liabilities			
Sundry creditors	0	96	96
Claims expense accruals	0	2,209	2,209
Other expense accruals	0	54	54
Withholding tax payable	0	34	34
Total financial liabilities	0	2,393	2,393
As at 30 June 2016			
Financial assets			
Cash	0	11	11
Investments	103,298	0	103,298
- UBS Cash-Plus Fund	51,218		
- Schroder Fixed Income Fund	52,080		
Total financial assets	103,298	11	103,309
Financial liabilities			
Expense accruals	0	637	637
Related party payables	0	795	795
Total financial liabilities	0	1,432	1,432

(a) Market risk

Market risk is the risk of loss arising from movements in observable market variables such as interest rates and other market prices. The Fund is exposed to market risks, predominantly through the investment of Fund balances. For the years ended 30 June 2017 and 30 June 2016, the Fund balances were invested with UBS and Schroders in accordance with the NGF Investment Policy Statement as approved by the Board.

Notes to the financial statements - continued

(i) Interest rate risk

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

This interest rate risk is managed through diversifying the total investment between two professional investment portfolio managers as shown above and the regular performance monitoring of both investments by the Board of SEGC. The UBS Cash Plus Fund includes investments in cash or cash-like products. The Schroders Real Return Fund includes exposure to cash, domestic fixed interest, inflation linked securities, higher yielding credit, mortgage & floating rate credit, emerging market debt and global fixed income, and other securities that exposed to interest rate risk.

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

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

	Interest bearing \$'000	Non- interest bearing \$'000	Total \$'000
As at 30 June 2017			
Interest bearing financial assets			
Cash	526	0	526
Investments	0	98,339	98,339
Total interest bearing financial assets	526	98,339	98,865
Weighted average earning rate for the year	1.11%	1.77%	
As at 30 June 2016			
Interest bearing financial assets			
Cash	11	0	11
Investments	0	103,298	103,298
Total interest bearing financial assets	11	103,298	103,309
Weighted average earning rate for the year	1.43%	3.81%	

Sensitivity analysis

Fair value sensitivity analysis of interest bearing financial assets:

At 30 June 2017, an increase/decrease of 25 basis points in interest rates from year end rates would have resulted in an immaterial change in profit or loss.

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

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

At 30 June 2017, if investment redemption prices increased/decreased by 25 basis points from year end prices, profit would have been \$245,845 (2016: \$258,246) higher/lower due to a change in the fair value of the investments.

(ii) Foreign currency risk

The Fund has indirect exposure to foreign currency risk from its investment exposure to the Schroder Real Return CPI Plus 5% fund. Where the managed funds have investments in underlying securities that are denominated in foreign currencies, the unit prices, which are used to value the investments, may be impacted by variations in exchange rates. The Board of SEGC manages this risk by regular review of the composition of both funds and the proportion of the total funds invested in securities denominated in foreign currencies.

(b) Credit risk

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

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

Notes to the financial statements - continued

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

Receivables impaired as at 30 June 2017 amounted to \$723 (2016: \$nil).

(c) Liquidity risk

Liquidity risk associated with the need to pay claims or other expenses, as determined by SEGC, is mitigated by investing in funds that hold underlying liquid investments. It is considered that both the UBS Cash Plus Fund and Schroders Real Return CPI Plus 5% Fund can be called upon at short notice to fund liquidity requirements.

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

	> Up to 1 mth \$'000	> 1 mth to 3 mths \$'000	Total \$'000
At 30 June 2017			
Financial assets			
Cash	526	0	526
Investments	98,339	0	98,339
Total financial assets	98,865	0	98,865
Financial liabilities			
Sundry creditors	0	96	96
Claims expense accruals	0	2,209	2,209
Other expense accruals	0	54	54
Withholding tax payable	0	34	34
Total financial liabilities	0	2,393	2,393
At 30 June 2016			
Financial assets			
Cash	11	0	11
Investments	103,298	0	103,298
Total financial assets	103,309	0	103,309
Financial liabilities			
Expense accruals	0	637	637
Related party payables	0	795	795
Total financial liabilities	0	1,432	1,432

(d) Equity market risk

The Fund is exposed to equity market risk through its holding in the Schroder Real Return CPI Plus 5% fund. Equity market risk relating to investments is managed by investing through a professional investment manager and exposure to that fund to be maintained within the allocation range as set in the NGF Investment Policy Statement.

(e) Capital management

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

The Board has an investment strategy in place to invest available financial assets, totalling \$98,338,497 at 30 June 2017 (30 June 2016: \$103,298,453), into two funds managed by professional investment portfolio managers in order to appropriately manage the financial assets of the Fund.

The Board monitors the Fund by receiving and reviewing quarterly investment reports from the fund managers and regular reports from the Capital and Investment Committee with respect to capital management, investment strategy and portfolio risk analysis.

Notes to the financial statements - continued

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

As part of its capital management plan, the SEGC Board has determined that a levy on participants of its member/s will be necessary to replenish the NGF. The levy will seek to raise around \$1 million with the levy payable on or before 30 June 2018. Further levies may be required to return the Fund to the minimum amount.

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

(f) Fair value measurements

(i) Fair value hierarchy

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

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

All of the Fund's assets measured and recognised at fair value at 30 June 2017 are categorised as 'level 2' in the fair value hierarchy. The Fund did not have any financial liabilities measured at fair value in either year.

(ii) Valuation techniques used to determine fair values

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

There are no financial instruments designated within level 1 or 3 of the fair value hierarchy as at 30 June 2017 or 30 June 2016. The carrying amount of receivables and related party payables approximates their fair value as the impact of discounting is not significant.

The Fund did not measure any assets or liabilities at fair value on a non-recurring basis as at 30 June 2017.

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

	2017 \$'000	2016 \$'000
UBS Cash Plus Fund	(318)	(98)
Schroder Real Return Fund	(1,022)	0
Schroder Fixed Income Fund	(956)	384
Total net (loss)/gain financial instruments held at fair value	(2,296)	286

4. Distribution income

UBS Cash Plus Fund	1,707	1,428
Schroder Real Return Fund	1,829	0
Schroder Fixed Income Fund	321	2,278
Total distribution income	3,857	3,706

5. Outstanding claims accruals

Claims (including interest)	2,053	634
Legal fees	156	3
Total claims expense accruals	2,209	637

Notes to the financial statements - continued

6. Payments to FIDA

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

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

	2017 \$	2016 \$
Transfer of market supervision responsibilities from ASX to ASIC	0	1,465
Total payments to FIDA	0	1,465

7. Related party transactions

(a) Directors

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

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

Mr Ian W T McGaw and Mr Peter H Warne were appointed by ASX Limited (ASX). Mr Warne was a director of ASX during the financial year ended 30 June 2017. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX during the financial year ended 30 June 2017.

(b) Transactions with related parties

During the year, SEGC incurred operational expenses on behalf of the Fund of \$57,115 exclusive of GST (2016: \$376,372) in respect of staff, administration, occupancy and accounting services provided by ASX Operations Pty Limited (ASXO) for the administration of SEGC and the Fund. ASXO also paid other direct operating expenses during the financial year relating to services provided to the Fund by external suppliers. All expenses paid by ASXO 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 2017 was \$nil (2016: \$795,385).

8. Key Management Personnel compensation

Key management personnel compensation provided during the financial years ended 30 June 2017 and 2016 is as follows:

	2017 \$	2016 \$
Short-term benefits	249,500	193,500
Post-employment benefits	19,448	21,695
Total Key Management Personnel compensation	268,948	215,195

Directors' fees and superannuation are paid to the directors of SEGC. Until 31 January 2017 these amounts were paid by ASXO and in accordance with section 889H of the *Corporations Act 2001* are reimbursed from the Fund to ASXO. From 1 February 2017 onwards these amounts were paid for by the Fund.

9. Auditor's remuneration

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

	2017 \$	2016 \$
PricewaterhouseCoopers Australia		
Statutory audit services:		
Audit of the financial statements under the <i>Corporations Act 2001</i>	23,460	12,875
Total remuneration to PricewaterhouseCoopers Australia	23,460	12,875

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

Notes to the financial statements - continued

The Fund has also paid the auditor \$5,100 for the audit of the SEGC financial statements (2016: \$2,781).

Notes to the financial statements - continued

The auditor, PricewaterhouseCoopers, provided non-audit services to the Fund during the year to the value of \$5,100 (2016: \$nil).

10. Commitments and contingent liabilities

As at 30 June 2017, there are 176 compensation claims that have not yet been considered by the SEGC Board. The Fund has not recognised a liability in respect of any these claims as the SEGC Board has yet to form a view as to whether these claims are valid.

There are no other contingent liabilities or commitments.

11. Subsequent events

In the period between 30 June 2017 and 17 August 2017, there are 27 compensation claims that have been received. These claims have not yet been considered by the SEGC Board. The Fund has not recognised a liability in respect to any of these claims.

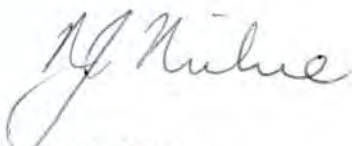
No other matters or circumstances have arisen which have significantly affected the operations of the Fund, the results of those operations or the state of affairs of the Fund.

Directors' declaration

In the directors' opinion:

- a) the financial statements and notes set out on pages 8 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- c) the financial statements also comply with International Financial Reporting Standards as disclosed in note 1.

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



Nancy J Milne
Chairperson

Sydney, 17 August 2017



Independent auditor's report

To the Trustee of National Guarantee Fund

Our opinion

In our opinion:

The accompanying financial report of National Guarantee Fund (the Fund) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the declaration of the directors of Securities Exchanges Guarantee Corporation Limited (SEGC).

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors of Securities Exchanges Guarantee Corporation Limited (SEGC)'s financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The directors of Securities Exchanges Guarantee Corporation Limited (SEGC) are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Trustees' report included in the financial statements, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of Securities Exchanges Guarantee Corporation Limited (SEGC) for the financial report

The directors of Securities Exchanges Guarantee Corporation Limited (SEGC) of the Fund are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors of Securities Exchanges Guarantee Corporation Limited (SEGC)'s responsibility also includes such internal control as the directors of Securities Exchanges Guarantee Corporation Limited (SEGC) determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of Securities Exchanges Guarantee Corporation Limited (SEGC) is responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of Securities Exchanges Guarantee Corporation Limited (SEGC) either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A stylized, handwritten signature of 'PricewaterhouseCoopers' in blue ink.

PricewaterhouseCoopers

A handwritten signature of 'Matthew Lunn' in blue ink.

Matthew Lunn
Partner

Sydney
17 August 2017

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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