

NATIONAL GUARANTEE FUND

ABN 69 546 559 493

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2023**

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Trustees' Report

The directors of Securities Exchanges Guarantee Corporation Limited (SEGC), the trustee of the National Guarantee Fund (NGF or the Fund), present their report, together with the financial statements of the Fund for the year ended 30 June 2023 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 up until the date of this report were as follows:

Ms. Nancy J. Milne (Chairperson)
Ms. Susan M. Doyle
Mr. Colin R. Scully
Mr. David D. Trude
Mr. Michael T. Willcock

Mr. Colin R. Scully was appointed by ASX Limited (ASX). Mr David D. Trude was appointed by Cboe Australia Pty Ltd ('Cboe') (formerly known as Chi-X Australia Pty Ltd). Mr. Trude was a director of Cboe during the financial year ended 30 June 2023.

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. The minimum amount of the Fund is \$110 million. The size of the Fund remains less than the new minimum amount. The Board has not resolved to raise a levy pursuant to Section 889J of the *Corporations Act 2001*.

Review of Operations

During the financial year, the Fund remained invested in the Schroder Real Return Fund (Schroder RRF) and the IFM Specialised Credit Floating Feeder Fund (IFM SCF).

The profit for the period was \$3.979m (2022: loss \$0.790m).

In the current financial year, revenue increased by \$5.007m from \$0.358m in the prior financial year to \$5.365m. The unrealised loss in the investment funds was \$0.235m (2023: Schroder RRF unrealised gain of \$0.323m, IFM SCF unrealised loss of \$0.558m). This was offset by \$5.345m in distributions as set out below.

The Fund received an increase in distribution income of \$1.297m (2023: \$5.345 / 2022: \$4.048).

Net assets increased by \$3.979m to \$109.330m (2022: \$105.351m). This is primarily due to distributions from the investment funds, some of which are reinvested in the investment funds.

The following table summarises the number of compensation claims carried forward from prior year, received, disallowed, withdrawn, and paid in the current and prior year.

Number of	FY23	FY22
Open claims at start of period	3	4
Claims received	1	0
Claims disallowed	1	1
Claims withdrawn	0	0
Claims paid	0	0
Open claims at end of period	3	3
Determined or considered but not yet paid	3	3

Trustees' Report – Continued

During the financial year the Fund did not pay any claims. SEGC paid the BBY liquidators an amount in relation to an overpayment of recoveries to SEGC in the prior period. The Fund received and disallowed one claim that related to the insolvency of BBY Ltd.

As at the end of the financial year, there are three outstanding claims on the Fund. Three of these claims were determined by the Claims Committee of the SEGC Board in a prior period but have yet to be paid prior to the date of this report. This is because either, the claimant entity has been deregistered or the claimant has failed to answer communication from SEGC relating to the payment. An outstanding claims provision of \$0.015m continues to be held in respect of these claims.

No claims have been received after 30 June 2023.

Financial Industry Development Account

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

The Fund did not make any distributions to FIDA during the financial year ended 30 June 2023 (2022: \$nil).

There were no purposes approved by the Minister for payments to FIDA in the financial year.

Significant Changes in the State of Affairs

There are no significant changes in the state of affairs of 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

There are currently no known likely developments that will affect the operations or state of affairs of the Fund.

The Chair, Ms Milne and Director Mr Trude have announced their intention not to seek reappointment to the Board when their terms expire in October. No appointments have yet been made to those positions.

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 constitution of the SEGC provides that every person who is or has been an officer of SEGC is indemnified by SEGC to the extent permitted by law against any liability incurred in that capacity. The indemnity does not apply where the liability arises out of lack of good faith or conduct contrary to SEGC's express instructions or where the liability is to SEGC or a related body corporate.

Corporate Governance

The Board of SEGC consists of five non-executive directors. ASX and Cboe as the members of SEGC, each appoint one director 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 or Cboe;
- is not a director, officer, or employee of ASX or Cboe or a body corporate that operates another financial market, or their related bodies corporate;
- is not a professional adviser to ASX or Cboe 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

Trustees' Report – Continued

- otherwise has no interest in a participant of ASX or Cboe or another financial market, or their related bodies corporate, which would enable the person to influence the management and policies of the participant's stockbroking business.

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

Three executives perform the management and secretarial functions for SEGC.

Non-Audit Services

There were no non-audit services provided by PricewaterhouseCoopers during the year.

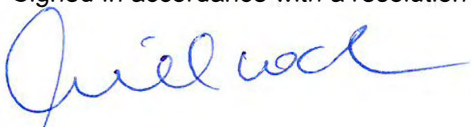
Rounding of Amounts

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 6.

Signed in accordance with a resolution of the directors:



Michael Willcock

Director

Sydney, 23 August 2023



pwc

Auditor's Independence Declaration

As lead auditor for the audit of National Guarantee Fund for the year ended 30 June 2023, 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.

Derrick Ives
Partner
PricewaterhouseCoopers

Sydney
23 August 2023

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Statement of comprehensive income

For the year ended 30 June	Note	2023 \$'000	2022 \$'000
Revenue			
Unrealised Net gain/(loss) on financial instruments held at fair value Distribution Income		(235)	(5,261)
Member Contributions	4	5,345	4,048
Imputation Credits		160	141
Net Claims Recovery		16	157
Interest income		(19)	1,211
Other Income		34	-
		64	63
		5,365	358
Expenses			
Staff Related Costs			
Legal Expenses		(140)	(125)
Administration		(261)	(156)
Occupancy		(899)	(795)
		(85)	(73)
		(1,386)	(1,148)
(Loss)/profit before income tax expense		3,979	(790)
Income tax expense		-	-
		-	-
Net (loss)/profit for the period attributable to members of the Fund		3,979	(790)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss)/income for the period attributable to members of the Fund		3,979	(790)

The above Statement of comprehensive income should be read in accordance with the accompanying notes.

Balance sheet

As at 30 June	Note	2023 \$'000	2022 \$'000
Current assets			
Cash	5	899	584
Receivables		3,233	1,750
Prepayments		43	72
Investments	6	105,307	103,023
Total current assets		109,482	105,428
Non - current assets			
Fixed Assets		12	11
Right of Use Asset		252	325
Total Non - current assets		264	337
Total assets		109,746	105,765
Current liabilities			
Sundry Creditors		66	5
Lease Liability		266	332
Expense Accruals		40	33
Withholding Tax Payable		10	10
Unearned Member Contributions		19	19
Outstanding Claims Liability	7	15	15
Total current liabilities		416	414
Non - current liabilities			
		-	-
Total Non - current liabilities		-	-
Total liabilities		416	414
Net assets		109,330	105,351
Equity			
Retained Earnings		109,330	105,351
Total equity		109,330	105,351

The above Balance sheet should be read in accordance with the accompanying notes.

Statement of changes in equity

For the year ended 30 June	Note	2023 \$'000	2022 \$'000
Opening balance of retained earnings at 1 July		105,351	106,141
(Loss)/profit for the period		3,979	(790)
Other comprehensive income for the period		-	-
Total comprehensive (loss)/income for the period, net of tax		3,979	(790)
Closing balance of retained earnings at 30 June		109,330	105,351

The above Statement of changes in equity should be read in accordance with the accompanying notes.

Statement of cash flows

For the year ended 30 June	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Proceeds from the redemption of investments		-	53,426
Payments for applications to new investments		(500)	(56,400)
Investment distribution income received		1,769	1,975
Other income (including interest)		354	266
Payments to suppliers (inclusive of GST)		(1,345)	(1,300)
Proceeds from recovered GST		64	69
Claims		(19)	1,211
Net cash inflow/(outflow) from operating activities		324	(753)
Cash flows from investing activities			
Purchase of PP&E		(8)	(11)
Net cash (outflow) from investing activities		(8)	(11)
Net increase/(decrease) in cash		315	(764)
Cash at the beginning of the financial period		584	1,348
Cash at the end of the financial period		899	584
Reconciliation of the operating (loss)/profit after income tax to the net cash flows from operating activities			
Net (loss)/profit after tax		3,979	(790)
Adjustments for:			
Depreciation and amortisation		5	3
Net(gain) / loss on financial instruments held at fair value		235	6,114
Changes in operating assets and liabilities:			
Decrease/(increase) in investments		(2,519)	(5,587)
Decrease/(increase) in right of use asset		74	(273)
Increase/(decrease) in lease liability		(66)	271
Increase (decrease) in unearned contributions		-	19
Decrease/(increase) in receivables		(1,483)	(423)
Decrease/(increase) in prepayments		29	(49)
Increase/(decrease) in payables		2	(9)
Increase (decrease) in expense accruals		68	(29)
Net cash inflow/(outflow) from operating activities assets & liabilities		324	(753)

The above Statement of cash flows should be read in accordance with the accompanying notes.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

National Guarantee Fund (the Fund) is a not-for-profit trust domiciled 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 2023 were authorised for issue by the directors of the trustee, Securities Exchanges Guarantee Corporation (SEGC) on 23 August 2023. 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

No new or revised standards have been adopted by the Fund.

New Accounting Standards and Interpretations Not Yet Adopted by the Fund

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 and term deposit is recognised using the effective interest method.

Other Income

Rebates of management fees associated with investments in managed funds are treated as miscellaneous income to differentiate this management fee offset.

Notes to the Financial Statements – Continued

Refund of Imputation Credits

The Australian Taxation Office (ATO) has 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 Australian Taxation Office 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 Australian Taxation Office are classified as operating cash flows.

(f) Cash

Cash as presented on the balance sheet and statement of cash flows comprises the cash balance held at the bank.

(g) Receivables

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

Notes to the Financial Statements – Continued

(h) Prepayments

Prepayments represent insurance premiums paid in advance for directors' and officers' liability insurance and investment manager's 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, IFM Investors Pty Limited (IFM) and Schroder Investment Management Limited – Professional Class (Schroders). The IFM Specialised Credit Floating Feeder Fund (IFM SCF) employs a range of credit and interest rate relative value strategies to enhance returns and minimise the risk of underperforming the Bloomberg Ausbank Bill Index over any rolling three-year period. The Schroder Real Return Fund (Schroder RRF) 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.

(j) Payables

Payables are initially measured at invoice 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.

Notes to the Financial Statements – Continued

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 has regard to several 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 2023	Fair value through profit or loss \$'000	Amortised cost \$'000	Total \$'000
Financial assets	-		
Cash	-	899	899
Investments- Term deposits	-	500	500
Investments – Unit Trust Investments	104,807	-	104,807
Total financial assets	104,807	1,399	106,206

Financial liabilities			
Sundry creditors	-	66	66
Lease liability	-	266	266
Other payables	-	10	10
Accrued expenses	-	40	40
Unearned member contribution	-	19	19
Outstanding claims liability	-	15	15
Total financial liabilities	-	416	416

As at 30 June 2022	Fair value through profit or loss \$'000	Amortised cost \$'000	Total \$'000
Financial assets			
Cash	-	584	584
Term deposits	-	-	-
Investments	103,023	-	103,023
Total financial assets	103,023	584	103,607

Financial liabilities			
Sundry creditors	-	5	5
Lease liability	-	332	332
Other payables	-	10	10
Accrued expenses	-	33	33
Unearned member contribution	-	19	19
Outstanding claims liability	-	15	15
Total financial liabilities	-	414	414

Notes to the Financial Statements – Continued

(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 2023 the Fund balances were invested with IFM and Schroders in accordance with the SEGC NGF Investment Policy as approved by the Board.

(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 and balances in term deposits is considered to be low. Investments, represented by holdings in IFM SCF and Schroders RRF, have significant exposure to interest rate risk but are classified as non-interest bearing as the revenue generated from these investments is derived from variations in unit prices rather than directly from movements in interest rates. Unit prices, which are used to value the investments, may however be impacted by interest rate variations.

Interest rate risk is managed through diversifying the total investment portfolio between two professional investment portfolio managers as shown above and regular performance monitoring of both investments by the Board of SEGC. The IFM Specialised Credit Fund includes investments in credit assets. The Schroder 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 are 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:

As at 30 June 2023	Interest - bearing	Non - interest - bearing	Total
	\$'000	\$'000	\$'000
Financial assets			
Cash	899	-	899
Term deposits	500	-	500
Investments	-	104,807	104,807
Total financial assets	1,399	104,807	106,206
Weighted average earning rate for the year	1.6%	4.8%	
As at 30 June 2022	Interest - bearing	Non - interest - bearing	Total
	\$'000	\$'000	\$'000
Financial assets			
Cash	584	-	584
Term deposits	-	-	-
Investments	-	103,023	103,023
Total financial assets	584	103,023	103,607
Weighted average earning rate for the year	0.00%	(1.2)%	

Notes to the Financial Statements – Continued

Sensitivity Analysis

Fair Value Sensitivity Analysis of Interest - Bearing Financial Assets:

At 30 June 2023, an increase/decrease of 100 basis points in interest rates from year end rates would have resulted in an immaterial change (\$0.005m) 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 2023, if investment redemption prices increased/decreased by 100 basis points (2022: 25 basis points) from year end prices, profit would have been \$1.069m (2022: \$0.255m) 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 Fund. Where 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 through 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. 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.

The expected credit loss on Receivables as at 30 June 2023 amounted to zero (2022: zero).

(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 IFM Specialised Credit Floating Feeder Fund and Schroder Real Return Fund can be called upon at short notice to fund liquidity requirements.

Notes to the Financial Statements – Continued

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

At 30 June 2023	> Up to 1 mth \$'000	> 1 mth to 3 mths \$'000	Total \$'000
Financial assets			
Cash	899	-	899
Term deposits	-	500	500
Investments	104,807	-	104,807
Total financial assets	105,706	500	106,206
Financial liabilities			
Sundry creditors	-	66	66
Lease liability	-	266	266
Other payables	-	10	10
Accrued expenses	-	40	40
Unearned member contributions	-	19	19
Outstanding claims liability	-	15	15
Total financial liabilities	-	416	416
	> Up to 1 mth \$'000	> 1 mth to 3 mths \$'000	Total \$'000
At 30 June 2022	\$'000		
Financial assets			
Cash	584	-	584
Term deposits	-	-	-
Investments	103,023	-	103,023
Total financial assets	103,607	-	103,607
Financial liabilities			
Sundry creditors	-	5	5
Lease liability	-	332	332
Other payables	-	10	10
Accrued expenses	-	33	33
Unearned member contributions	-	19	19
Outstanding claims liability	-	15	15
Total financial liabilities	-	414	414

Notes to the Financial Statements – Continued

(d) Equity Market Risk

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

(e) Capital Management

The SEGC Board's policy is broadly 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, and where the assets of the Fund fall below that level to consider what action is required. This may include developing a plan to return the assets of the Fund to the minimum amount within a five-year timeframe. 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 \$110 million, however the Board has not at this stage determined to raise a levy pursuant to Section 889J of the *Corporations Act 2001*. The minimum amount is subject to regular review with the assistance of independent professional advisers appointed by the Board of SEGC.

The Board has an investment strategy in place to invest available financial assets, totalling \$105.307m at 30 June 2023 (30 June 2022: \$103.023m), into funds managed by professional investment portfolio managers in order to appropriately manage the financial assets of the Fund. At times part of these funds may be invested in one or more term deposits.

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.

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 claims liability, paying claims in instalments, external borrowings or imposing levies on members or member participants. The Board periodically reviews the need for these measures to be undertaken in accordance with the SEGC capital management plan.

During the year the size of the Fund was below the minimum amount. The Board has not had to undertake any of the measures above at this stage as the amount in the NGF is sufficient to carry on its operations and pay significant claims were they to occur.

SEGC continues to monitor the amount in the Fund and the minimum amount in accordance with its capital management plan. Levies may be considered if the Fund remains under or falls further below the minimum amount.

If the amount in the Fund exceeds the minimum amount, the Board may 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)

Notes to the Financial Statements – Continued

- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(ii) Valuation Techniques used to Determine Fair Values

Fair value 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 30 June 2023.

The NGF did not measure any assets or liabilities at fair value on a non-recurring basis as at 30 June 2023 (2022: nil).

Recognised fair value measurements

The following tables present the NGF assets and liabilities measured and recognised at fair value as at 30 June 2023 and 30 June 2022

At 30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit and loss				
IFM Specialised Credit Floating Feeder Fund	-	-	58,185	58,185
Schroders Real Return Fund - Professional Class	-	46,622	-	46,622
Total	-	46,622	58,185	104,807

At 30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit and loss				
IFM Specialised Credit Floating Feeder Fund*	-	-	56,788	56,788
Schroders Real Return Fund - Professional Class	-	46,235	-	46,235
Total	-	46,235	56,788	103,023

*The 2022 Fund balances in relation to the investment in the IFM Specialised Credit Floating Feeder Fund have been restated to Level 3 given the redemption price of that fund is an unobservable input used in the valuation.

There were no transfers of financial assets between levels for the period to 30 June 2023.

Fair Value measurement using significant unobservable inputs (level 3)

The following table indicates the movement in level 3 investments for the years ended 30 June 2023 and 30 June 2022.

	2023 \$'000	2022 \$'000
Opening balance	56,788	0
Investments/Reinvestment into the funds	1,955	58,097
Gains /(losses) recognised in profit and loss	(558)	(1,309)
Closing balance	58,185	56,788

Notes to the Financial Statements – Continued

Valuation inputs and relationship to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at 30 June 2023 \$'000	Unobservable Input	Input Value	Relationship of unobservable input to fair value
Investment in funds	58,185	Redemption Price	Redemption Price as at 30 June 2023	Increased/(decreased) unit price (+/- 100 basis points (bps), would (decrease)/increase fair value by \$0.582m

Description	Fair value at 30 June 2022 \$'000	Unobservable Input	Input Value	Relationship of unobservable input to fair value
Investment in funds	56,788	Redemption Price	Redemption Price as at 30 June 2022	Increased/(decreased) unit price (+/- 100 basis points (bps), would (decrease)/increase fair value by \$0.568m

Valuation processes

On a monthly basis, management receives the transaction summary from IFM which shows the Net Asset Value ('NAV') of NGF's investment. Management uses the NAV from the transaction statement to calculate the monthly market value and subsequently, the unrealised gain/loss on the investment.

Valuation methodology of Level 3 investments

The key assumption in the valuation of the investment is redemption price. Investments in funds are valued with reference to the redemption price and the number of units held in the fund.

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

	2023 \$'000	2022 \$'000
UBS Short-Term Fixed Income Fund	-	29
Schroder Real Return Fund - Professional Class	323	(3,981)
IFM Specialised Credit Feeder Fund	(558)	(1,309)
Total net gain/(loss) financial instruments held at fair value	(235)	(5,261)

4. Distribution income

	2023 \$'000	2022 \$'000
Schroder Real Return Fund - Professional Class	2,139	1,475
IFM Specialised Credit Feeder Fund	3,206	2,572
Total distribution income	5,345	4,048

5. Cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash at bank	899	584
Total cash and cash equivalents	899	584

Notes to the Financial Statements – Continued

6. Investments	2023	2022
	\$'000	\$'000
Term deposit	500	-
Schroder real return fund - professional class	46,622	46,235
IFM specialised credit feeder fund	58,185	56,788
Total investments	105,307	103,023

7. Outstanding claims accruals	2023	2022
	\$'000	\$'000
Claims (including interest)	15	15
Total expense accruals	15	15

8. 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 \$110.0 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.

No payments to FIDA were made in the financial year and there were no approved purposes.

9. Related Party Transactions - Directors

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

Ms. Nancy J. Milne (Chairperson)
Ms. Susan M. Doyle
Mr. Colin R. Scully
Mr. David D. Trude
Mr. Michael T. Willcock

Mr Colin R. Scully was appointed by ASX Limited (ASX). Mr David D. Trude was appointed by Cboe Australia Pty Ltd (Cboe). Mr. Trude was a director of Cboe during the financial year ended 30 June 2023.

Notes to the Financial Statements – Continued

10. Key Management Personnel Compensation

The key management personnel comprised the five directors of SEGC.

Key management personnel compensation provided during the financial years ended 30 June 2023 and 30 June 2022, is as follows:

	2023	2022
	\$	\$
Short-term benefits	418,000	390,334
Post-employment benefits	43,890	39,033
Total Key Management Personnel compensation	461,890	429,367

Directors' fees and superannuation are paid to the directors of SEGC out of the Fund.

11. Auditor's remuneration

The auditor provided the following services to the Fund in relation to the year.

	2023	2022
	\$	\$
PricewaterhouseCoopers Australia		
Statutory audit services:		
Audit of the financial statements under the <i>Corporations Act 2001</i>	31,645	26,520
Total remuneration to PricewaterhouseCoopers Australia	31,645	26,520

In accordance with section 889H of the *Corporations Act 2001*, auditor's remuneration is paid by the Fund. In addition, the Fund is to cover costs to the auditor of \$6,006 for the audit of the SEGC financial statements (2022: \$5,720).

The auditor, PricewaterhouseCoopers, provided no other services to the Fund during the year to the value of \$ nil (2021: \$nil).

12. Commitments and Contingent Liabilities

There are no other contingent liabilities or commitments.

13. Subsequent Events

In the period between 30 June 2023 and 23 August 2023, no compensation claims have been received.

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.

Trustees' declaration

In the directors' opinion:

- a) the financial statements and notes set out on pages 7 to 22 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 2023 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; and
- b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- c) the financial statements also comply with International Financial Reporting Standards as disclosed in note 1.

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



Michael Willcock
Director

Sydney, 23 August 2023



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 2023 and of its financial performance for the year then ended, and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the Statement of comprehensive income for the year then ended
- the Balance sheet as at 30 June 2023
- 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 significant accounting policies and other explanatory information
- the Trustees' 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 Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (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.

Other information

The Securities Exchanges Guarantee Corporation Limited (SEGC) is the trustee of the Fund. The directors of SEGC ('the directors') are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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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 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 that we 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 trustees' declaration for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for 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 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 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 handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Derrick Ives' in a cursive style.

Derrick Ives
Partner

Sydney
23 August 2023