

IN THE SUPREME COURT OF NEW SOUTH WALES  
DIVISION: EQUITY  
REGISTRY: SYDNEY  
CORPORATIONS LIST

No 237028 of 2015

IN THE MATTER OF BBY LIMITED (RECEIVERS & MANAGERS APPOINTED)(IN LIQUIDATION)

ACN 006 707 777

**STEPHEN ERNEST VAUGHAN AND IAN RICHARD HALL IN THEIR CAPACITY AS LIQUIDATORS OF  
BBY LIMITED (RECEIVERS AND MANAGERS APPOINTED)(IN LIQUIDATION) ACN 006 707 777**

First Plaintiff

**BBY LIMITED (RECEIVERS AND MANAGERS APPOINTED)(IN LIQUIDATION)  
ACN 006 707 777**

Second Plaintiff

**J MAZZETTI PTY LTD ACN 006 705 602 AS TRUSTEE FOR  
J MAZZETTI PTY LTD STAFF SUPERANNUATION FUND (AND OTHERS)**

First Defendants

#### CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "**SV-3**" referred to in the affidavit of Stephen Vaughan affirmed at 5 Martin Place, Sydney in the State of New South Wales this 8th day of October 2015

before me



.....  
Emanuel Poulos

Solicitor

c/o Ashurst Australia, Level 11, 5 Martin Place, Sydney NSW 2000

"Exhibit SV-3"

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Filed on behalf of: The Plaintiffs

Prepared by:

**Ashurst Australia**

Lawyers

Level 11, 5 Martin Place

Sydney NSW 2000

Prepared by:

**Ashurst Australia**

Lawyers

Level 11, 5 Martin Place

Sydney NSW 2000



# Securities Exchanges Guarantee Corporation

ANNUAL REPORT

# 2014

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

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## MESSAGE FROM THE CHAIRMAN

Securities Exchanges Guarantee Corporation Limited (SEGC) is the trustee of the National Guarantee Fund (NGF), which is a compensation scheme available to the operators of licensed financial markets who are members of SEGC. ASX Limited (ASX) has been the only member of SEGC since the NGF was created in 1987. As at 30 June 2014 the net assets of the NGF were \$103.7 million (compared to \$103.9 million as at 30 June 2013).

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

In the event that the amount of the NGF falls below the minimum amount set under s889I of the Corporations Act, SEGC has a number of measures at its disposal including discretion to levy any market operator of a financial market to which the NGF compensation scheme applies, or its market participants. The legislation provides a cap on the amount of any levy. The minimum amount of the NGF is currently set at \$76 million. SEGC has commissioned its actuaries to undertake a full review of the minimum amount. The review would take into consideration the current market trends and how this impacts on the minimum amount and also the impact that any new members of the NGF would have on the minimum amount.

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

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

Commentary in relation to claims considered, determined and paid during the financial year is included later in the report.

Currently, the sole member of the SEGC is ASX. However the Board is open to broadening the cover of the compensation regime and is considering the procedures required for introducing new members to the NGF. This process, though in its preliminary stages, aims to provide the Board with confidence that once implemented the NGF will encompass wider protection for the public and will ensure the existence of a robust compensation structure.

The Board is mindful of the economic environment and structural changes that are occurring in the financial markets industry alongside regulatory changes, including changes to the supervision of brokers. 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 the level of projected payments from the NGF to the Financial Industry Development Account (FIDA) over the next few years based on Ministerial approvals. More recently, the Board has reiterated its concerns regarding the implications of FIDA payments for the adequacy of level of funds in the NGF, to the Government.

The Board has previously expressed to Government and Treasury policy advisors its strong view that given the developments in the structure of the markets and changes to broking operations it would be timely for a full

review of the compensation arrangements for financial markets to be conducted. It remains the Board's opinion that 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 provides compensation for retail investors and remains on a strong financial footing. The Board is concerned that without each of the heads of claim being capped, a large claim or claims could exhaust the NGF. Successive Boards of SEGC have long held the view that these matters should be reviewed.

The Board is engaged in ongoing discussions with Treasury and the regulatory agencies to inform and assist the development of future policy in relation to securities industry compensation funds.

It has been a pleasure to serve as Chairman of the SEGC Board throughout the year. I thank the directors for all their efforts and support over this period.

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

Nancy Milne  
Chairman

# OVERVIEW OF SEGC AND THE NATIONAL GUARANTEE FUND

SEGC is responsible for administering the NGF and operates in accordance with Part 7.5 of the Corporations Act 2001 and the Corporations Regulations 2001. The assets of the NGF are the property of SEGC but are held on trust for the purposes set out in the legislation.

The SEGC Board is made up of directors experienced in matters involving the securities 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 and, in limited circumstances, participants of ASX Clear. These participants are referred to in the legislation as “dealers”. The NGF was established by the *Australian Stock Exchange and National Guarantee Fund Act 1987*, which also created ASX as a national stock exchange. When the six state stock exchanges were merged under that Act, the assets of the fidelity funds of those state exchanges were merged to form the NGF.

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

At 30 June 2014, the net assets of the NGF were \$103.7 million. This compares with \$103.9 million at the end of the previous financial year.

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

## *What claims can be made on the NGF?*

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

The NGF covers only certain investor protection claims.

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

- completion of sales and purchases of quoted securities entered into by a dealer on ASX’s equities and debt markets where the transaction is required to be reported to ASX (Subdivision 4.3). The dealer may have failed to provide to the client, after settlement, the securities purchased or the proceeds of sale, or may have failed to complete a transaction because the dealer was suspended by ASX or by ASX Clear;

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

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

### *Claims which cannot be made on the NGF*

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

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

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

### *Claims in relation to exchange traded derivatives*

The contract completion provisions of Subdivision 4.3 referred to above in relation to ASX's securities markets do not apply to trading of individual derivatives contracts (other than warrants quoted and traded on ASX ).

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. 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.

In 1987 when the NGF was formed, the initial minimum amount under the legislation was \$15 million. Because changes occur in the securities industry and new products and services are developed, the SEGC Board has periodically reviewed the minimum amount 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 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. The minimum amount remains at \$76 million.

The Board continues to monitor the minimum amount. A high level actuarial review was conducted in 2013 focussing on market and industry trends and changes that had occurred since the last full review in 2010. The Board has now commissioned its actuaries to conduct a full review of the minimum amount. The actuaries will determine the estimate of the desired minimum level of the NGF as at 30 June 2014 and further will investigate the implications upon the minimum amount on possible inclusion of new members to the SEGC. The Board is awaiting a final report on this.

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

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

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



- it may raise funds for the NGF by imposing a levy on ASX or on all or a class of participants of ASX.

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

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

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

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

### ***Financial Industry Development Account (FIDA)***

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

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

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

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

During the financial year \$4,139,840 was paid to the FIDA. These funds were for the following approved purposes:

- the ASX Investor Education Program;
- the Industry Training and Education Program;
- the Australian Share Ownership Survey;
- research activities undertaken by the Corporate Governance Research Centre;
- cost recovery for transfer of market supervision responsibilities to ASIC; and

- research program for the development of market quality undertaken by the Financial Markets Research Centre.

### *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.

## 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 Australand Holdings Limited. Director of Commonwealth Managed Investments Limited, responsible entity for the CFS Retail Property Trust, CFX Co Limited and other unlisted trusts. Director of Australian International Disputes Centre and Good Beginnings Australia Limited. Director of Crowe Horwath Australia. Commonwealth Managed Investments Limited.

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

Member of the Future Fund Board of Guardians, Australian College of Dermatology and the Barbara May Foundation. Former Chairman and current Member of State Library of NSW Audit Committee. Director of Lawcover Pty Limited and Lawcover Insurance Pty Limited.

Previously, Ms Doyle has been the Chairman of Commonwealth Superannuation Corporation and Director of Aircruising Australia Ltd.

**Ian McGaw**, Non-Executive Director. Appointed as a Director since July 2010.

Chairman 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.

Chairman of BT Funds Management Ltd group of companies within BT Financial Group, Westpac. Commissioner of the Private Health Insurance Administration Council. Director of Bangarra Dance Theatre Australia Ltd., Sydney Swans Ltd. and Sydney Institute Ltd.

Co-founder of CameronRalph Pty Ltd; Former Chief Executive Officer, Investment and Financial Services Association. Former Deputy Chairman of Australian Securities Commission.

**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.

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

Chairman of Australian Leisure and Entertainment Property Management Limited. Chairman of OzForex Group Limited. Deputy Chairman of Crowe Horwath Australasia Limited (formerly WHK Group Limited). Director of Macquarie Group Limited, Macquarie Bank Limited, Securities Industry Research Centre of Asia Pacific (SIRCA) and New South Wales Treasury Corporation. Chairman of St. Andrews Cathedral School Foundation. Member of the advisory boards of the Australian Office of Financial Management and Macquarie

University Faculty of Business and Economics. Adjunct Professor of University of Sydney Business School. Patron of Macquarie University Foundation. Former Member of the Compliance Committee of Wilson HTM. Previously, Mr Warne was a director of Macquarie Capital Alliance Group and an Executive Vice-President of Bankers Trust Australia Limited.

***Directors' Attendance at Meetings***

<b>Director</b>	<b>Meetings attended</b>
S Doyle	5/6
P Warne	6/6
IWT McGaw	6/6
Nancy Milne	6/6
Lynn Ralph	6/6

## CORPORATE GOVERNANCE

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

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

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

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

In view of the 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

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

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

**Gitanjali Singh (LLB, MIL)** and **Paul Baranov (LLB, Grad Dip Fin Mgt, FCIS)** are the Company Secretaries and Legal Counsel of SEGC.

The appointment of the Company Secretaries is approved by the SEGC Board.

# CLAIMS REPORT

## *Claims processing procedure*

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

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

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

## *Claims processed in the current year*

SEGC received one new claim during the financial year, under Subdivision 4.7. SEGC also considered one other claim that was received before the commencement of the financial year also under Subdivision 4.7.

As at the end of the financial year, two claims were outstanding.

The Directors do not believe that any provision needs to be made in relation to outstanding claims at this time.

### *Appeals against disallowed claims*

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

No appeals against disallowed claims are outstanding.

**FINANCIAL STATEMENTS**

*Securities Exchanges Guarantee Corporation Limited Financial Statements  
for the Year Ended 30 June 2014*

**SECURITIES EXCHANGES GUARANTEE  
CORPORATION LIMITED**

**ABN 19 008 626 793**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2014**



**SECURITIES EXCHANGES GUARANTEE  
CORPORATION LIMITED**

**ABN 19 008 626 793**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2014**

## SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

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Securities Exchanges Guarantee Corporation Limited's registered office is:

Exchange Centre  
20 Bridge Street  
Sydney NSW Australia

## 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 2014 and the auditor's report thereon.

### Directors

The directors of SEGC during the financial year and at the date of this report, unless stated otherwise, 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 2014. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX during the financial year ended 30 June 2014.

### Principal activity

SEGC administers the National Guarantee Fund (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 and results of operations

SEGC did not trade in its own right during the financial year, other than to undertake its principal activity noted above.

### Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of SEGC during the current financial year ended 30 June 2014.

### Events subsequent to balance date

No matter or circumstance has arisen since the end of the financial year to the date of these financial statements which has significantly affected, or may significantly affect the:

- (a) operations in future financial years; or
- (b) results of those operations in future financial years; or
- (c) state of affairs in future financial years.

### Environmental regulation and performance

SEGC is not subject to any significant environmental regulations or laws.

### Insurance of and indemnity for directors and officers

SEGC has incurred insurance premiums for its directors and officers liability insurance.

The constitution of SEGC provides that, to the extent permitted by law, the prior and current officers of SEGC are indemnified against any liability incurred in that capacity being a liability to a person other than SEGC or a related body corporate, unless the liability arises out of a lack of good faith or conduct contrary to SEGC's express instructions.

### 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;

**Directors' Report - continued**

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

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

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

Administration and accounting services are provided by ASXO and associated costs are reimbursed by the Fund to ASXO as set out in note 2. The performance of these services is subject to the same internal audits as are performed within ASX and its controlled entities.

**Non-audit services**

Details of audit and non-audit services provided by the auditor of SEGC, PricewaterhouseCoopers, during the year are set out below:

	2014 \$	2013 \$
<b>Audit services:</b>		
Audit of the financial statements of SEGC under the <i>Corporations Act 2001</i>	2,600	2,500
<b>Total auditor's remuneration</b>	<b>2,600</b>	<b>2,500</b>

There were no non-audit services provided by the auditor to SEGC in the current year (2013: nil).

**Auditor independence**

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

Signed in accordance with a resolution of the directors:

Nancy J Milne  
Chairperson

Sydney, 26 August 2014



## Auditor's Independence Declaration

As lead auditor for the audit of Securities Exchanges Guarantee Corporation for the year ended 30 June 2014, 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.



Matthew Lunn  
Partner  
PricewaterhouseCoopers

Sydney  
26 August 2014

## SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

	2014	2013
	\$	\$

### Statement of Comprehensive Income

For the year ended 30 June 2014

<b>Total comprehensive income</b>	-	-
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### Balance Sheet

As at 30 June 2014

<b>Net assets</b>	-	-
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<b>Total equity</b>	-	-
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### Statement of Changes in Equity

For the year ended 30 June 2014

Opening balance	-	-
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<b>Closing balance</b>	-	-
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### Statement of Cash Flows

For the year ended 30 June 2014

Cash flows from operating activities	-	-
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Cash flows from investing activities	-	-
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Cash flows from financing activities	-	-
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<b>Net cash flows</b>	-	-
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<b>Cash at the beginning of the financial year</b>	-	-
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<b>Cash at the end of the financial year</b>	-	-
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The statement of comprehensive income, balance sheet, statement of changes in equity and statement of cash flows should be read in conjunction with the notes to the financial statements.

## Notes to the Financial Statements

### 1. Summary of significant accounting policies

These financial statements are for Securities Exchanges Guarantee Corporation Limited (SEGC). SEGC is domiciled and incorporated in Australia. The principal accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied to all years presented, unless otherwise stated.

The financial statements were authorised for issuance by the directors of SEGC on 26 August 2014. The directors of SEGC have the power to amend and reissue the financial statements.

#### a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. SEGC is a not-for-profit entity for the purpose of preparing these financial statements.

#### Compliance with IFRS

The financial statements of SEGC comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### Historical cost convention

The financial statements have been prepared on a historical cost basis.

#### New and amended standards adopted by SEGC

SEGC has applied the following standards and amendments for first time in the annual reporting period that commenced 1 July 2013:

- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*;
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*.

The impact of above new standards and amendments on SEGC is limited to disclosure changes, and do not affect any of the amounts recognised in the current period or any prior period, and are not likely to affect amounts in future periods. SEGC has not elected to apply any pronouncements before their operative date in the annual reporting period ended 30 June 2014.

#### New accounting standards and interpretations not yet adopted

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

#### Functional and presentation currency

Items included in the financial statements of SEGC are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Australian dollars which is the SEGC's functional and presentation currency.

### 2. Related party disclosures

#### Directors

The directors of SEGC during the financial year and at the date of this report, unless stated otherwise, are as follows:

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



**Notes to the Financial Statements – continued**

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 2014. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX during the financial year ended 30 June 2014.

**Related party transactions**

ASX Operations Pty Limited (ASXO), a related entity, provides operational services to SEGC and the Fund in the form of legal and accounting staff, administration activities, occupancy and accounting services. In addition, ASXO also facilitates the payment of all other direct operating expenses. The cost of these expenses and services is reimbursed to 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 \$778,273 (2013: \$1,023,462).

**3. Key Management Personnel compensation**

The Key Management Personnel comprise the five directors of SEGC.

	2014	2013
	\$	\$
Short-term employee benefits	180,000	180,000
Post-employment benefits (superannuation)	13,875	15,175
<b>Total Key Management Personnel compensation</b>	<b>193,875</b>	<b>195,175</b>

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

**4. Auditor's remuneration**

**Audit services:**

Audit of the financial statements of SEGC under the <i>Corporations Act 2001</i>	2,600	2,500
<b>Total auditor's remuneration</b>	<b>2,600</b>	<b>2,500</b>

All the amounts shown above are exclusive of GST.

In accordance with section 889H of the *Corporations Act 2001*, audit services provided to SEGC are paid by the Fund. There were no non-audit services provided by the auditor to SEGC in the current year (2013: nil).

**5. Commitments and contingent liabilities**

SEGC does not have any commitments or contingent liabilities as at 30 June 2014 (30 June 2013: nil).

**6. Subsequent events**

No matter or circumstance has arisen from the end of the reporting period to the date of this report, 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.



## **Directors' Declaration**

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

- a) the financial statements and notes of SEGC set out on pages 6 to 8 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the financial position of SEGC as at 30 June 2014 and of its performance for the year 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 SEGC 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(a).

Signed in accordance with a resolution of the directors:



Nancy J Milne  
Chairperson

Sydney, 26 August 2014

## **Independent auditor's report to the members of Securities Exchanges Guarantee Corporation**

### ***Report on the financial report***

We have audited the accompanying financial report of Securities Exchanges Guarantee Corporation (the company), which comprises the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

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*Auditor's opinion*

In our opinion:

- (a) the financial report of Securities Exchanges Guarantee Corporation is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*PricewaterhouseCoopers*

PricewaterhouseCoopers



Matthew Lunn  
Partner

Sydney  
26 August 2014