



Securities Exchanges Guarantee Corporation

ANNUAL REPORT

2013

*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*

CONTENTS

	Page
Message from the Chairman	1
Overview of SEGC and the National Guarantee Fund	3
What is the NGF?	3
What claims can be made on the NGF?	3
Claims which cannot be made on the NGF	4
Claims in relation to exchange traded derivatives	4
Reduction of claims	5
The minimum amount of the NGF	5
Financial Industry Development Account (FIDA)	6
Multi-market environment	7
Board of Directors	8
Directors' Attendance at Meetings	9
Corporate Governance	10
Administration of SEGC	10
Claims Report	11
Claims processing procedure	11
Claims processed in the current year	11
Appeals against disallowed claims	12
Financial Statements	13
Securities Exchanges Guarantee Corporation Limited Financial Statements for the Year Ended 30 June 2013	13
National Guarantee Fund Financial Statements for the Year Ended 30 June 2013	24
Further information	49

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 2013 the net assets of the NGF were \$103.9 million (compared to \$103.4 million as at 30 June 2012).

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. A short actuarial review was conducted during the year focussing on changes that had occurred since the last full review in 2010 and the Board is awaiting a final report on this.

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.

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 funds held in the NGF in order to be in a position to meet claims that may arise. The SEGC Board's 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 and the implications of FIDA payments on the level of funds in the NGF have been raised with the Government.

During the year the Board expressed to government 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. 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 "N. 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. The sole member of SEGC is ASX.

What is the NGF?

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

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

At 30 June 2013, the net assets of the NGF were \$103.9 million. This compares with \$103.4 million at the end of the previous financial year.

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

What claims can be made on the NGF?

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

The NGF covers only certain investor protection claims.

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

- completion of sales and purchases of quoted securities entered into by a dealer on ASX's equities and debt markets where the transaction is required to be reported to ASX (Subdivision 4.3). The dealer may have failed to provide to the client, after settlement, the securities purchased or the proceeds of sale, or may have failed to complete a transaction because the dealer was suspended by ASX or by ASX Clear;
- loss that results if a dealer transfers marketable or certain other securities without authority (Subdivision 4.7);
- loss that results if a dealer cancels or fails to cancel a certificate of title to quoted securities contrary to the provisions of the operating rules of ASX Settlement Pty Limited (Subdivision 4.8);
- loss that results if a dealer becomes insolvent and fails to meet its obligations in respect of property (usually money or securities) that had been entrusted to it in the course of, or in connection with, its business of dealing in securities, up to a statutory maximum per dealer of 15% of the minimum amount of the NGF (Subdivision 4.9). Based on the current minimum amount, this cap would be \$11.4 million. (See below for an explanation of the minimum amount.)

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

Claims which cannot be made on the NGF

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

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

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

Claims in relation to exchange traded derivatives

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

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

Firstly, if an exchange traded option over quoted securities is exercised, the resulting purchase and sale will generally be covered by the contract completion provisions of Subdivision 4.3 discussed above.

Secondly, if a client has entrusted property to a dealer in the course of dealing in exchange traded options, the NGF provides protection against loss of that property in accordance with the provisions of Subdivision 4.9, also discussed above.

The NGF does not provide protection in relation to futures. The ASX Supplemental Compensation Fund applies to claims in relation to money or property entrusted to a participant of ASX in respect of actual or proposed dealings in futures.

Reduction of claims

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

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

The minimum amount of the NGF

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

In 1987 when the NGF was formed, the initial minimum amount under the legislation was \$15 million. Because changes occur in the securities industry and new products and services are developed, the SEGC Board has periodically reviewed the minimum amount on actuarial advice. On 31 March 2005 the minimum amount was set at \$76 million. 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 and a short actuarial review was conducted during the year focussing on changes that had occurred since the last full review in 2010. The Board is awaiting a final report on this. It is expected that a full review of the minimum amount will be conducted in the 2014 financial year.

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 \$3,262,580 was paid to the FIDA. These funds were for the following approved purposes:

- the ASX Investor Education Program;
- the Australian Share Ownership Survey;
- research activities to the Corporate Governance Research Centre; and
- research program for the development of market quality to the Financial Markets Research Centre.

Multi-market environment

The Corporations Amendment (Compensation Arrangements) Regulation 2013 commenced after the end of the financial year. 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 Commonwealth Property Office Fund and the CFS Retail Property Trust and other unlisted trusts. Director of Australian International Disputes Centre and Good Beginnings Australia Limited.

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

Member of the Future Fund Board of Guardians. Chairman of State Library of NSW Audit Committee. Director of Lawcover Pty Limited and Lawcover Insurance Pty Limited. Director of Barbara May Foundation. Former Chairman of Commonwealth Superannuation Corporation. Former 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 Clearent 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 Services Group, Westpac. Commissioner of the Private Health Insurance Administration Council. A Director of Bangarra Dance Theatre Australia Ltd., Sydney Swans Ltd., and Sydney Institute 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. 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

Director	Meetings attended
S Doyle	6/7
P Warne	7/7
IWT McGaw	7/7
Nancy Milne	7/7
Lynn Ralph	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.

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

Michael Bradwell (LLM, BCom, Grad Dip CSA), Gitanjali Singh (LLB) 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 a number of other claims that were received before the commencement of the financial year.

During the financial year, a number of claims were paid by SEGC (as discussed further below) and two claims were disallowed. The disallowed claims were made under Subdivisions 4.3 and 4.9. As at the end of the financial year, one claim was outstanding.

During the financial year payments were made from the NGF in respect of five claims and legal proceedings relating to Hogan & Partners. Those legal proceedings are now resolved. Information about the circumstances of the claims in relation to Hogan & Partners was provided in the 2012 Annual Report.

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 2013*

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

ABN 19 008 626 793

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2013**

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

Contents

Directors' Report

Auditor's Independence Declaration

Statement of Comprehensive Income

Balance Sheet

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

Directors' Declaration

Independent Audit Report

Securities Exchanges Guarantee Corporation Limited's registered office is:

Exchange Centre
20 Bridge Street
Sydney NSW Australia

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

Directors' Report

The directors present their report together with the financial statements of Securities Exchanges Guarantee Corporation Limited (SEGC) for the year ended 30 June 2013 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 Jane Milne (Chairperson)
 Ms Susan Doyle
 Mr Ian William Thoburn McGaw
 Ms Lynn Susan Ralph
 Mr Peter Hastings Warne

Mr Ian William Thoburn McGaw and Mr Peter Hastings Warne were appointed by ASX Limited (ASX). Mr Warne was a director of ASX during the financial year ended 30 June 2013. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX during the financial year ended 30 June 2013.

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 2013.

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

Environmental regulation and performance

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

Indemnification and insurance of officers

SEGC has incurred insurance premiums for 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;

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

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

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

Employees of ASX Operations Pty Limited (ASXO), a controlled entity of ASX, are seconded to SEGC and are responsible to the Board of SEGC in the performance of their duties for SEGC. Seconded staff acknowledges 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 and external audit reviews as are performed within ASX and its controlled entities.


Non-audit services

Details of audit and non-audit services paid to the auditor of SEGC, PricewaterhouseCoopers, during the year are set out in note 4.

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 2013



Auditor's Independence Declaration

As lead auditor for the audit of Securities Exchanges Guarantee Corporation Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'M J Codling', written over a horizontal line.

M J Codling
Partner
PricewaterhouseCoopers

Sydney
26 August 2013

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Liability limited by a scheme approved under Professional Standards Legislation.

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

	2013 \$	2012 \$
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Statement of Comprehensive Income

For the year ended 30 June 2013

Total Comprehensive Income	-	-
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Balance Sheet

As at 30 June 2013

Net assets	-	-
Total equity	-	-

Statement of Changes in Equity

For the year ended 30 June 2013

Opening balance	-	-
Closing balance	-	-

Statement of Cash Flows

For the year ended 30 June 2013

Cash flows from operating activities	-	-
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase in cash held	-	-

Cash at the beginning of the financial year	-	-
Cash at the end of the financial year	-	-

The statement of comprehensive income, balance sheet, statement of changes in equity, and statement of cash flows should be read in conjunction with the notes to the financial statements.

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED

Notes to the Financial Statements

1. Summary of significant accounting policies

These financial statements are for Sydney Exchanges Guarantee Corporation Limited (SEGC). SEGC is domiciled 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 2013.

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

The new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 do not affect any of the amounts recognised in the current period or any prior period and are not likely to affect any future periods.

SEGC has not elected to apply any pronouncements before their operative date in the annual reporting period ended 30 June 2013.

New and amended standards – not yet mandatory

SEGC'S assessment of the impact of the accounting standards and amendments that have been issued but are not yet effective and have not been early adopted for the financial year ended 30 June 2013 is shown below.

- *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective from 1 July 2013) removes the individual key management personnel requirements from AASB 124 *Related Party Disclosures*. The adoption of this amendment is not expected to impact the Company's Key Management Personnel disclosures in the notes to the financial statements. The amendment will be mandatory for SEGC's 30 June 2014 financial statements.
- *AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]* (effective from 1 July 2013) introduces a number of amendments to the above accounting standards. The amendments are not expected to have a material impact on SEGC. They will be mandatory for the SEGC's 30 June 2014 financial statements.

There are no other standards that affect future periods that are expected to have a material impact on SEGC in current or future reporting periods or on foreseeable future transactions.

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.

SECURITIES EXCHANGES GUARANTEE CORPORATION LIMITED**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 Jane Milne (Chairperson)
 Ms Susan Doyle
 Mr Ian William Thoburn McGaw
 Ms Lynn Susan Ralph
 Mr Peter Hastings Warne

Mr Ian William Thoburn McGaw and Mr Peter Hastings Warne were appointed by ASX Limited (ASX). Mr Warne was a director of ASX during the financial year ended 30 June 2013. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX, during the financial year ended 30 June 2013.

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 and 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 \$1,023,462 (2012: \$883,373).

3. Key Management Personnel compensation

The Key Management Personnel comprise the five directors of SEGC.

	2013	2012
	\$	\$
Short-term employee benefits	180,000	180,000
Post-employment benefits (superannuation)	15,175	15,132
Total	195,175	195,132

Key Management Personnel compensation set out above comprises directors' fees and superannuation paid to the five directors of SEGC. The amounts were paid by ASXO and in accordance with section 889H of the Corporations Act 2001, the above has been reimbursed from the Fund to ASXO.

4. Auditor's remuneration

Audit services:

Audit of the financial statements of SEGC	2,500	2,500
Total	2,500	2,500

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 (2012: nil).

5. 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 2013 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.
- c) the financial statements also comply with International Financial Reporting Standards as disclosed in note 1.

Signed in accordance with a resolution of the directors:



Nancy J Milne
Chairperson

Sydney, 26 August 2013



Independent auditor's report to the member of Securities Exchanges Guarantee Corporation Limited

Report on the financial report

We have audited the accompanying financial report of Securities Exchanges Guarantee Corporation Limited (the company), which comprises the balance sheet as at 30 June 2013, statement of comprehensive income, statement of changes in equity and statement of cash flows for 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.

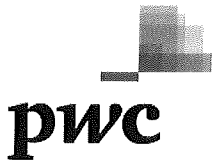
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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Auditor's opinion

In our opinion:

- (a) the financial report of Securities Exchanges Guarantee Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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

PricewaterhouseCoopers

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

M J Codling
Partner

Sydney
26 August 2013

FINANCIAL STATEMENTS

*National Guarantee Fund Financial Statements
for the Year Ended 30 June 2013*

NATIONAL GUARANTEE FUND

ABN 69 546 559 493

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2013

NATIONAL GUARANTEE FUND

Contents

Trustee's Report

Auditor's Independence Declaration

Statement of Comprehensive Income

Balance Sheet

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

Directors' Declaration

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

Securities Exchanges Guarantee Corporation Limited's registered office is:

Exchange Centre
20 Bridge Street
Sydney NSW Australia

NATIONAL GUARANTEE FUND

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 2013 and the auditor's report thereon.

Trustee

The trustee of the Fund is Securities Exchanges Guarantee Corporation Limited (SEGC). The directors of SEGC during the financial year and at the date of this report, unless otherwise stated, were as follows:

Ms Nancy Jane Milne (Chairperson)
 Ms Susan Doyle
 Mr Ian William Thoburn McGaw
 Ms Lynn Susan Ralph
 Mr Peter Hastings Warne

Mr Ian William Thoburn McGaw and Mr Peter Hastings Warne were appointed by ASX Limited (ASX). Mr Warne was a director of ASX during the financial year ended 30 June 2013. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX during the financial year ended 30 June 2013.

Principal activity

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 Regulation 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 Regulation 7.5.89 of the Corporations Regulations, funds in excess of the minimum amount, currently \$76 million, are able to be paid from the Fund for certain purposes approved by the Minister for Financial Services and Superannuation (the Minister).

Review and results of operations

The profit of the Fund for the year was \$3,495,715 (2012: \$3,113,194) before payments of \$2,987,980 (2012: \$5,821,898) to the Financial Industry Development Account.

In the current financial year, revenue from the investment of the Fund decreased by \$3,846,865 to \$4,404,455, as a result of lower earnings and distribution income from the investment managers UBS Global Asset Management (Australia) Limited and Schroders Investment Management Australia Limited.

In the prior financial year, claim expenses of \$4,265,000 were recognised for claims outstanding at 30 June 2012. Following finalisation and payment of these claims in the current financial year the Fund reversed \$97,764 of the provision which was no longer required. In the financial year ended 30 June 2013 and the prior financial year, the Fund received small distributions from administrators that related to claims that had been paid. As the claim payments compensated the claimants for their loss, any future distributions are required to be paid to the Fund. These distributions effectively reduce the respective amounts of the claims previously paid by the Fund.

At the date of this report, there is one outstanding compensation claim on the Fund. The claim is still being assessed by SEGC. The Fund has not recognised a contingent liability in respect of this claim as the claim is still being assessed and the SEGC Board have yet to form a view as to whether the claim is valid.

NATIONAL GUARANTEE FUND

Financial Industry Development Account (FIDA)

FIDA is administered by ASX Limited (ASX) under Corporations Regulation 7.5.89.

In the prior financial year, the Fund made distributions of \$1,912,500 to FIDA for the Australian Securities and Investments Commissions (ASIC) in respect of costs incurred in facilitating the transfer of market supervision responsibilities from ASX to ASIC. In the current financial year, \$274,600 was repaid to the Fund by ASIC.

In addition to the above, the Fund paid \$3,262,580 to FIDA for other approved purposes as shown in note 3.

All payments made to FIDA in the current and prior financial year were for purposes approved by the Parliamentary Secretary to the Treasurer or the Minister for Financial Services, Superannuation and Corporate Law (the Minister).

Significant changes in the state of affairs

In the opinion of the directors of SEGC, there were no significant changes in the state of affairs of the Fund during the current financial year ended 30 June 2013.

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

Likely developments

The directors of SEGC have not determined to make any material changes to the nature of operations or management of the Fund in future financial periods.

Environmental regulation and performance

The Fund is not subject to any significant environmental regulations or laws.

Indemnification and insurance of officers

SEGC has incurred insurance premiums for 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;
- 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.

NATIONAL GUARANTEE FUND

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

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

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

Non-audit services

Details of audit and non-audit services paid to the auditor of the Fund, PricewaterhouseCoopers, during the year are set out in note 10.

Auditor independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 6.

Rounding of amounts to nearest thousand dollars

The Fund is of a kind referred to in Class Order 98/100 issued by ASIC, relating to the "rounding off" of amounts in the financial statements. Where indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar in accordance with that Class Order.

Signed in accordance with a resolution of the directors of SEGC:



Nancy J Milne
Chairperson

Sydney, 26 August 2013



Auditor's Independence Declaration

As lead auditor for the audit of National Guarantee Fund for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of the National Guarantee Fund.

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

M J Codling
Partner
PricewaterhouseCoopers

Sydney
26 August 2013

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NATIONAL GUARANTEE FUND**Statement of Comprehensive Income**

For the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Revenue			
Net (loss)/gain on financial instruments held at fair value	11	(274)	2,108
Distribution income	11	4,679	6,143
Interest income		15	1
Refund of imputation credits		3	8
		4,423	8,260
Expenses			
Claims (reversed)/provided for	12	(100)	4,263
Operating expenses	13	1,024	884
		924	5,147
Profit for the period		3,499	3,113
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the period		3,499	3,113

The statement of comprehensive income should be read in conjunction with the notes to the financial statements.

NATIONAL GUARANTEE FUND

Balance Sheet

As at 30 June 2013

	Note	2013 \$'000	2012 \$'000
Current assets			
Cash		2	1
Receivables	4	8	11
Prepayments	5	40	16
Other financial assets – investments	2	104,047	107,863
Total current assets		104,097	107,891
Total assets		104,097	107,891
Current liabilities			
Related party payables	8	181	221
Provisions	14	-	4,265
Total current liabilities		181	4,486
Total liabilities		181	4,486
Net assets		103,916	103,405
Equity			
Retained earnings		103,916	103,405
Total equity		103,916	103,405

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

NATIONAL GUARANTEE FUND

Statement of Changes in Equity

As at 30 June 2013

	Note	2013 \$'000	2012 \$'000
Opening balance 1 July		103,405	106,114
Profit for the year		3,499	3,113
Total comprehensive income for the year, net of tax		3,499	3,113
Payments to the Financial Industry Development Account (FIDA)	3	(2,988)	(5,822)
Closing balance at 30 June		103,916	103,405

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

NATIONAL GUARANTEE FUND

Statement of Cash Flows

For the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Proceeds from the disposal of investments		8,221	7,030
Investment distribution income received		4,679	6,143
Reinvestment of distribution income		(4,679)	(6,143)
Payments to suppliers (including GST)		(1,082)	(972)
Claims paid		(4,165)	(237)
Interest received		15	1
Net cash inflow from operating activities	7	2,989	5,822
Cash flows from investing activities			
Payments to FIDA	3	(2,988)	(5,822)
Cash flows from investing activities		(2,988)	(5,822)
Net cash (used in) financing activities		-	-
Net change in cash held		1	-
Cash at the beginning of the financial year		1	1
Cash at the end of the financial year		2	1

The statement of cash flows should be read in conjunction with the notes to the financial statements.

NATIONAL GUARANTEE FUND

Notes to the Financial Statements

1. Summary of significant accounting policies

These financial statements are for National Guarantee Fund (the Fund). The Fund is domiciled 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 the trustee, Securities Exchanges Guarantee Corporation Limited (SEGC), on 26 August 2013.

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. The Fund is a not-for-profit entity for the purpose of preparing these financial statements.

Compliance with IFRS

The financial statements of the Fund 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 except for investments, which have been recognised at fair value.

New and amended standards adopted by the Fund

The new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 do not affect any of the amounts recognised in the current period or any prior period and are not likely to affect any future periods.

The Fund has not elected to apply any pronouncements before their operative date in the annual reporting period ended 30 June 2013.

New and amended standards – not yet mandatory

The Fund's assessment of the impact of the accounting standards and amendments that have been issued but are not yet effective and have not been adopted for the financial year ended 30 June 2013 is shown below.

- *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards-Mandatory effective date of AASB 9 and Transition Disclosures* (effective from 1 January 2015) address the classification and measurement requirements for financial assets and financial liabilities. AASB 9 requires that all financial assets held to pay contractual cash flows be measured at amortised cost and all financial assets not held for the purpose of collecting contractual cash flows be measured at fair value. The Fund's other financial assets - investments which currently include UBS Cash Plus Fund and Schroders Fixed Income Fund do not give rise to specified contractual cash flows and as such will continue to be measured at fair value under the new standard.

There will be no impact on the Fund's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities designated at fair value through profit or loss and the Fund does not have any such liabilities.

The Fund has not yet decided when to adopt AASB 9. Currently, the new standard and amendments will be mandatory for the Fund's 30 June 2016 financial statements.

- *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13* (effective from 1 January 2013) explain how to measure fair value and aim to enhance fair value disclosures. The impact of the new standard and amendment is yet to be fully assessed however it is not expected to have a material impact as fair value estimates are not used extensively by the Fund. The Fund has not yet decided when to adopt the new standard and amendment which will be mandatory for the Funds 30 June 2014 financial statements.

NATIONAL GUARANTEE FUND

Notes to the Financial Statements - continued

- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (effective from 1 July 2013 and 1 July 2014 respectively) clarify the requirements for offsetting financial assets and financial liabilities and introduce new disclosure requirements.

The Fund is still assessing the impact of the amendments and has not yet decided when they will be adopted. They will be mandatory for the Fund's 30 June 2014 and 30 June 2015 financial statements respectively.

- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* [AASB 1, AASB101, AASB 116, AASB 132 and AASB 134 and Interpretation 2] (effective from 1 July 2013) introduces a number of amendments to the above accounting standards and interpretation.

The amendments are not expected to have a material impact and the Fund has not yet decided when they will be adopted. They will be mandatory for the Fund's 30 June 2014 financial statements.

There are no other standards that affect future periods, and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Functional and presentation currency

Items included in the financial statements of the Fund 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 Fund's functional and presentation currency.

b) Revenue recognition

Movements in 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 139 *Financial Instruments: Recognition and Measurement*. Gains and losses that result from fair value movements in investment units are included as revenue in the statement of comprehensive income.

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.

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 Board as valid. Provisions for claims are recognised when the following conditions are met:

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

NATIONAL GUARANTEE FUND

Notes to the Financial Statements - continued

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 incurred is not recoverable from the ATO. Where it is not recoverable, GST is recognised as part of the cost of acquisition of an asset or as part of the expense.

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

Cash flows are included in the statement of cash flows on a gross basis.

f) Cash and cash equivalents

Cash and cash equivalents as presented on the statement of cash flows comprise 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) Other financial assets – investments

The other financial assets of the Fund are unit trust investments currently managed by two professional investment portfolio managers, UBS Global Asset Management (Australia) Limited and Schroder Investment Management Australia Limited. During the year the Fund has held investments in the UBS Cash Plus Fund in cash or cash-like products and in Schroders Fixed Income Fund in a diversified range of fixed income securities. They are held at fair value through profit or loss and are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition of the asset. Subsequent to initial recognition, they are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

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.

i) Payables

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

j) Payments to Financial Industry Development Account (FIDA)

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

2. Financial risk management

The Fund is directly and indirectly exposed to a variety of financial risks: market risk (including interest rate and foreign currency risk), credit risk and liquidity risk. Risk management is carried out by the Board of directors of SEGC, as trustee of the fund, who seek to minimise potentially adverse effects of financial risks on the financial performance 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 of Part 7.5 of the Corporations Act 2001. The Fund's risks are managed in accordance with this statement.

NATIONAL GUARANTEE FUND

Notes to the Financial Statements - continued

The Fund holds the following financial instruments by category:

	Fair Value Through Profit or Loss \$'000	Amortised Cost \$'000	Total \$'000
<i>As at 30 June 2013</i>			
Financial assets			
Cash	-	2	2
Receivables	-	8	8
Other financial assets - investments	104,047	-	104,047
	104,047	10	104,057
Financial liabilities			
Related party payables	-	181	181
	-	181	181
<i>As at 30 June 2012</i>			
Financial assets			
Cash	-	1	1
Receivables	-	11	11
Other financial assets - investments	107,863	-	107,863
	107,863	12	107,875
Financial liabilities			
Related party payables	-	221	221
	-	221	221

a) Market risk

Market risk is the risk of loss arising from movements in observable market variables such as interest rates, foreign exchange rates and other market prices. The Fund is exposed to market risks, predominantly through the investment of the fund balance. For the years ended 30 June 2013 and 30 June 2012, the fund was invested with the following professional investment portfolio managers within mandates approved by the Board:

- UBS Global Asset Management (Australia) Limited (UBS): UBS Cash Plus Fund (cash or cash-like products), and
- Schroders Investment Management Australia Limited (Schroders): Schroders Fixed Income Fund (fixed income securities).

The above investments are classified as 'other financial assets – investments' on the balance sheet.

The specific market risks that arise from the above investments and other assets and liabilities of the Fund are discussed below.

NATIONAL GUARANTEE FUND

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 other financial assets - investments. Cash at bank includes a small amount of cash held for operational purposes and interest rate risk on this balance is considered to be low. Other financial assets – investments, as represented by the investments held with UBS and Schroders, have significant exposure to interest rate risk, however, 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 distributing 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 Fixed Income Fund includes a diversified range of fixed income securities.

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

	Interest bearing		Non-interest bearing		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash	2	1	-	-	2	1
Other financial assets - investments	-	-	104,047	107,863	104,047	107,863
	2	1	104,047	107,863	104,049	107,864

The annual average interest rate for the above interest bearing assets for the year was 2.60% (2012: 3.85%).

The average return of distributions from non-interest bearing financial assets - investments for the year was 5.30% (2012: 8.24%).

Fair value sensitivity analysis of interest bearing financial assets:

An increase/decrease of 25 basis points in interest rates would impact interest earned on the Funds cash balance. This impact however, is not considered material.

Variations in interest rates may also affect the unit prices of the Fund's non-interest bearing other financial assets – investments, however the amount of the effect is unknown. See below for the fair value sensitivity analysis of these funds.

Fair value sensitivity analysis of non-interest bearing investments:

An increase/decrease of 25 basis points in investment redemption prices would increase/decrease the Fund's profit and loss by \$260,118 (2012: \$269,658).

(ii) Foreign currency risk

The Fund has indirect exposure to foreign currency risk from its other financial assets - investments. 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.

NATIONAL GUARANTEE FUND

Notes to the Financial Statements - continued

b) Liquidity risk

Liquidity risk associated with the need to pay claims, as determined by SEGC, is mitigated by investing in cash based funds. Both the UBS Cash Plus Fund and Schrodgers Fixed Income Fund can be called upon at short notice to fund working capital requirements as required.

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

2013	Up to 1 mth \$'000	> 1 mth to 3 mths \$'000	No specific maturity \$'000	Total \$'000
Assets				
Cash	2	-	-	2
Receivables	-	8	-	8
Other financial assets - investments	104,047	-	-	104,047
Total assets	104,049	8	-	104,057
Liabilities				
Related party payables	-	181	-	181
Provision	-	-	-	-
Total liabilities	-	181	-	181
Net assets/(liabilities):	104,049	(173)	-	103,876
2012	Up to 1 mth \$'000	> 1 mth to 3 mths \$'000	No specific maturity \$'000	Total \$'000
Assets				
Cash	1	-	-	1
Receivables	-	11	-	11
Other financial assets - investments	107,863	-	-	107,863
Total assets	107,864	11	-	107,875
Liabilities				
Related party payables	-	221	-	221
Provisions	-	4,065	200	4,265
Total liabilities	-	4,286	200	4,486
Net assets/(liabilities):	107,864	(4,275)	(200)	103,389

NATIONAL GUARANTEE FUND

Notes to the Financial Statements - continued

c) Credit risk

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

The carrying amount of the Fund's financial assets represents the maximum credit exposure. The Fund's maximum exposure to credit risk as at 30 June 2013 is shown below.

	2013 \$'000	2012 \$'000
Cash	2	1
Receivables	8	11
Other financial assets – investments	104,047	107,863
Total	104,057	107,875

Credit risk relating to other financial assets - 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.

d) Capital management

The SEGC Board's policy is to maintain the assets of the Fund at a satisfactory level 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. The minimum amount of the Fund is currently \$76 million. The minimum amount is subject to regular review by SEGC.

The Board has an investment strategy in place to invest available financial assets, amounting to \$104,047,096 (2012: \$107,863,207), into two cash and fixed income funds managed by two professional investment portfolio managers respectively at 30 June 2013 in order to preserve the minimum fund requirement as prescribed above.

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

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

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

e) Fair value measurements

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

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

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

NATIONAL GUARANTEE FUND**Notes to the Financial Statements - continued**

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

	2013	2012
	\$'000	\$'000
Other financial assets - investments		
UBS Cash Plus Fund – at quoted redemption price	51,729	53,769
Schroders Fixed Income Fund – at quoted redemption price	52,318	54,094
Total	104,047	107,863

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

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 2013 and 30 June 2012.

3. Payments to FIDA

Sub-regulation 7.5.89(1) of the Corporations Regulations 2001 confers on the Board of SEGC, being the administrator of the Fund, discretion to pay amounts from the excess above the minimum amount (currently \$76 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.

In the prior financial year, the Fund made distributions of \$1,912,500 to FIDA for ASIC in respect of costs incurred in facilitating the transfer of market supervision responsibilities from ASX to ASIC. In the current financial year, \$274,600 was repaid to the Fund by ASIC.

The above refund and payments made to FIDA for other approved purposes are shown below.

Transfer of market supervision responsibilities from ASX to ASIC	(275)	1,913
Investor education initiatives	2,503	2,563
Share ownership survey	271	98
Corporate Governance Research Centre	182	506
Financial Markets Research Centre	307	153
Industry training & education programs	-	589
Total	2,988	5,822

4. Receivables

Imputation credits receivable	3	8
Other receivables – GST	5	3
Total	8	11

NATIONAL GUARANTEE FUND

Notes to the Financial Statements - continued

5. Prepayments

	2013 \$'000	2012 \$'000
Prepayments	40	16
Total	40	16

Prepayments includes insurance premiums paid for directors and officers liability insurance and investment managers insurance policy.

6. Contingent liabilities

As at the date of the report, there is one claim outstanding on the Fund. The Fund has not recognised a contingent liability in relation to this claim as the claim is still being assessed and the SEGC Board have yet to form a view as to whether the claim is valid. There are no other contingent liabilities of the Fund as at 30 June 2013.

7. Notes to the Statement of Cash Flows

Reconciliation of profit after tax to the net cash flows from operating activities:

Net profit after tax	3,499	3,113
Changes in operating assets and liabilities		
Decrease/(increase) in investments	3,816	(1,221)
Decrease in receivables	3	56
(Increase) in prepayments	(24)	-
(Decrease)/increase in provisions	(4,265)	3,973
(Decrease) in related party payables	(40)	(99)
Net cash provided by operating activities	2,989	5,822

Definition of cash

For the purposes of the statement of cash flows, cash includes cash at bank. The cash balance at balance date reflects the balance in the bank account only. Both the UBS Cash Plus Fund and Schrodgers Fixed Income Fund (Other financial assets – investments) can be redeemed to fund working capital requirements as required.

8. 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 Jane Milne (Chairperson)
 Ms Susan Doyle
 Mr Ian William Thoburn McGaw
 Ms Lynn Susan Ralph
 Mr Peter Hastings Warne

Mr Ian William Thoburn McGaw and Mr Peter Hastings Warne were appointed by ASX Limited (ASX). Mr Warne was a director of ASX during the financial year ended 30 June 2013. Both Mr McGaw and Mr Warne were also directors of certain controlled entities of ASX during the financial year ended 30 June 2013.

NATIONAL GUARANTEE FUND

Notes to the Financial Statements - continued

Related party transactions

During the year, SEGC incurred operational expenses on behalf of the Fund of \$252,937 exclusive of GST (2012: \$308,710) 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 are reimbursed by the Fund in accordance with section 889H of the Corporations Act 2001.

The balance owing to ASXO by SEGC at 30 June 2013 was \$181,728 (2012: \$221,895) and is expected to be paid from the Fund. This balance represents the operating expenses for the quarter ended 30 June 2013. No interest is charged by ASXO on the outstanding balance owing from SEGC or the Fund.

9. Key Management Personnel compensation

Key Management Personnel compensation included in administration costs in the statement of comprehensive income is as follows:

	2013 \$	2012 \$
Short-term employee benefits	180,000	180,000
Post-employment benefits (superannuation)	15,175	15,132
Total	195,175	195,132

Key Management Personnel compensation set out above comprises directors' fees and superannuation paid to the directors of SEGC. The amounts were paid by ASXO and in accordance with section 889H of the Corporations Act 2001, are reimbursed from the Fund to ASXO.

10. Auditor's remuneration

Audit services:

Audit of the financial statements of the Fund	11,900	11,500
Total	11,900	11,500

In accordance with section 889H of the Corporations Act 2001, auditor's remuneration has been paid by the Fund. There were no non-audit services provided by the auditor to the Fund (2012: nil).

The Fund has also paid to the auditor, PriceWaterhouseCoopers, \$2,500 for the financial statement audit of SEGC.

11. Revenue

	2013 \$'000	2012 \$'000
Net (loss)/ gains on financial instruments held at fair value through profit or loss:		
UBS Cash Plus Fund	104	565
Schroders Fixed Income Fund	(378)	1,543
Total	(274)	2,108

Distribution income:

UBS Cash Plus Fund	1,975	2,084
Schroders Fixed Income Fund	2,704	4,059
Total	4,679	6,143

NATIONAL GUARANTEE FUND**Notes to the Financial Statements - continued****12. Claims**

	2013	2012
	\$'000	\$'000
Claims provided for at 30 June:		
Claims provided for	-	4,265
Claims not provided for	-	65
Adjustments to prior year claims	(100)	(67)
Total	(100)	4,263

The above adjustments to prior year claims includes the reversal of a portion of the prior year provision that is no longer required. The adjustment includes \$2,000 of scheme of arrangement distributions received in relation to prior year claims.

During the current financial year, the Fund paid \$4,167,266 following finalisation of the claims outstanding at 30 June 2012.

13. Operating expenses

Operating expenses consist of:

Staff cost	137	165
Legal cost	287	247
Administration cost	575	419
Occupancy cost	25	53
Total	1,024	884

14. Provisions

	2013	2012
	\$'000	\$'000
Claims	-	4,265
Total	-	4,265

The movement in the provisions during the year consists of:

Opening balance at 1 July	4,265	292
Additional provisions recognised	-	4,265
Amounts used during the year	(4,167)	(232)
Unused amounts reversed	(98)	(60)
Closing balance at 30 June	-	4,265

During the current financial year, the Fund paid \$4,167,266 following finalisation of the claims outstanding at 30 June 2012. The unused portion of the provision was reversed in the current financial year. The unused amounts reversed in the current year excludes \$2,000 of distributions received in relation to prior year claims which is shown above as an adjustment to prior year claims in note 12.

NATIONAL GUARANTEE FUND

15. Subsequent events

There were no items, transactions or events of a material and unusual nature which are likely to significantly affect the operations, the results of those operations, or the state of affairs of the Fund.


NATIONAL GUARANTEE FUND

Directors' Declaration

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

- a) the financial statements and notes of the Fund set out on pages 7 to 21 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the financial position of the Fund as at 30 June 2013 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- c) the financial statements also comply with International Financial Reporting Standards as disclosed in note 2(a).

Signed in accordance with a resolution of the directors of SEGC:



Nancy J Milne
Chairperson

Sydney, 26 August 2013



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

Report on the financial report

We have audited the accompanying financial report of the National Guarantee Fund (the Fund), which comprises the balance sheet as at 30 June 2013, statement of comprehensive income, statement of changes in equity and statement of cash flows for year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' of the trustee responsibility for the financial report

The directors of Securities Exchange Guarantee Corporation Limited (as trustee for the Fund) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 (a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

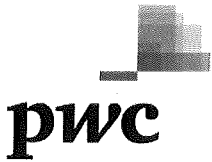
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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Auditor's opinion

In our opinion:

- (a) the financial report of the National Guarantee Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the Fund's financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a).

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'M J Codling'.

M J Codling
Partner

Sydney
26 August 2013

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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