


it's about seeing not just hearing* it's about considering
different points of view* it's about stretching* it's
about discovery* **it's about developing our people***
it's about sharing knowledge to bring new thinking to
clients* it's about creating connections that matter* it's
about demonstrating leadership* it's about caring for
every part of a client's organisation* it's about creating
value* it's about a balance of all perspectives* it's about
bringing ideas together to create new perspectives*
it's about achievement through team effort* it's about
understanding the ripple effect of actions and events*
it's about adding a point of view into the mix that
stimulates a new answer* it's about developing our
people* it's about sharing knowledge to bring new
thinking to clients* it's about a provocative viewpoint*
it's about our ability to ~~work~~  together and draw on
our collective experience* it's about listening, not just
hearing* it's about thinking with your head but not
ignoring your heart* it's about you and your
contribution* **it's about inspiring through client service***
it's about bringing ideas together to create new
perspectives* it's about considering different points
of view* it's about creating connections that matter*
it's about caring for every part of a client's
organisation* it's about being a catalyst* it's about
opening new doors* it's about *connectedthinking

We are PricewaterhouseCoopers

We provide industry-focused assurance, tax and advisory services for public and private clients in four areas:

- corporate accountability
- risk management
- structuring and M&A
- performance and process improvement

We use our network, experience, industry knowledge and business understanding to build trust and create value for clients – we call this Connected Thinking.

Our clients

PwC provides services to 88 of the ASX top 100 listed companies and 450 companies of the IBIS top 1,000 as well as many Federal and state government agencies.

Our revenue grew to \$829 million in 2003 (2.3 per cent up on 2002).

Our people

We employ over 4,600 people.

We invest \$16 million annually in learning and education.

Our firm

We have 140 years of assurance, tax and advisory experience in Australia.

Recognition in 2003

CFO magazine
Audit Firm of the Year

International Tax Review's
Leading Tax Adviser

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annual report





Tony Harrington
Chief Executive Officer

CEO's message

Teamwork. Excellence. Leadership. These values are the foundation of our culture. They are what has made PricewaterhouseCoopers the leader in our industry. This report on our activities for the 2003 calendar year reflects how these values determine our keen sense of responsibility to our clients, our people and the wider Australian community in which we operate. We are proud to have contributed through our services to the successes of so many Australian businesses and institutions over the past year – successes that have underpinned the extraordinary strength and endurance of the Australian economy.

In 2003 we explicitly identified Connected Thinking as our way of describing the unique appeal of our firm. Connected Thinking refers to our collegial approach to working with our clients and among ourselves. It links all of our people and our clients with the vast global network of PwC firms, sharing these values and standards of excellence. And it builds networks of highly skilled professionals around clients to provide them with the benefits of our collective knowledge and resources.

Our resilience is a testament to the quality of our people. It also bodes well for the future that in 2003 we remained employer of choice among graduates seeking professional services careers.

In fact, during the year, the proportion of graduates who accepted an offer of employment from our firm was a pleasing 86 per cent – considerably higher than the acceptance rates of our competitors.

In 2003 our people survey showed us that 94 per cent of our people are proud of our firm. More than 90 per cent believe that PricewaterhouseCoopers is socially responsible while 90 per cent believe this firm demonstrates an exceptional standard of business conduct in dealings with clients. We are very proud of these results and the fact that they are significantly better than those of other professional services firms.

In a time of great change we have continued to embrace the leadership values that have sustained us throughout our history. To us, leadership goes beyond revenue figures. It means investing in our people, and in programmes that not only enhance the quality of our work but give back to the communities in which we live.

We continue to take a leadership position in the debate on how our profession can better serve its clients, investors and the public interest. Our view is that confidence in the capital markets system must be continuously earned. While the Australian system is well regarded, the corporate problems first exposed in the US continue to reverberate globally.

Our firm has continued to lead the way towards building confidence in an environment of substantial, global, regulatory change. We have been strong advocates of a more robust and transparent corporate reporting model.

We have worked closely during the year with market-based organisations and regulators to enhance the Australian capital markets and reporting system. We are committed to the global convergence of accounting and auditing standards and have supported the adoption of International Financial Reporting Standards in Australia.

We have also played a central role in co-ordinating our industry's overall response to proposed major regulatory and legislative changes. Overall, we support the CLERP 9 legislation which the Australian Government introduced into Parliament in December 2003. This will provide Australia with one of the world's strongest regulatory frameworks for financial reporting and auditors' responsibilities.

CFO magazine cited our activities in these areas – among others – in awarding us the Audit Firm of the Year accolade for the second time in three years. We are proud to have contributed in such ways to the confidence that global investors continue to display in the fundamental integrity of the Australian corporate governance and reporting system.

Ethical leadership is central to the PwC culture. Independence of character, the capacity for sound judgment, and the courage to always do 'the right thing' in often difficult circumstances will always be among the attributes upon which success at PwC relies.

In this regard, we have demonstrated during the year that we have been prepared to make the tough decisions that are often necessary as part of our profession.

During the year our Audit Standards Oversight Board, chaired by the Hon. Gordon Samuels AC CVO QC, presented its first annual report. I'm very pleased to note that the report recognised the firm's leadership and active support for quality and independence, and its open attitude to change and enhancement.

Our establishment of an Audit Standards Oversight Board, and our Code of Conduct, are concrete examples of the values that underpin PwC's priorities. However, we know from experience that formal processes of review and compliance alone will never substitute for integrity. This, more than any other quality, determines our success.

We are of course leading providers of statutory audits in Australia. We also provide a range of other quality assurance, tax and advisory services. Through our associated firm PwC Legal we provide a powerful legal offering. We were the only firm to win a place in the top tier of the *International Tax Review's* Leading Tax Advisers Survey for 2003, a distinction that places us very firmly in a class of our own.

Through our conversations with clients, we are continually aware that the increasing complexity of business today is creating unprecedented pressure on management teams to perform at the highest level, while internally ensuring that their work management environment is robust. To help clients meet these challenges, we created a global advisory practice during the year. As a result we have increased the focus and alignment of our service offerings in the specialist areas of transaction advice, enhancing performance and improving risk management and control.

By connecting these service offerings more effectively we believe we will be in a better position to assist our clients to close the gap between what they are currently achieving and what they are capable of achieving.

2003 also marked the first anniversary of the PwC Foundation, through which our people give directly of their time and resources to so many charitable and community causes across the nation. Generosity of spirit, especially towards the needy in our community, is a long tradition of our firm. Today, as part of our Foundation activities, organisations from schools to charities to arts bodies continue to benefit from the pro bono expertise of PwC Partners such as Rod Dring, who sits on the board of Camp Quality; John Yeoman, a director of Yooralla; and David Wills and Mike Forsdick, who play important roles assisting the Salvation Army's Red Shield Appeal.

Our firm enters 2004 in exceptionally strong shape. We remain committed to operating a sustainable, world class professional services business that delivers real value to our clients. One pleasing reminder of this during 2003 was the award by the Prime Minister to Partner Margaret Gibson of a Centenary Medal for service to Australian society in business leadership*. It is by carrying out this leadership imperative that we protect and strengthen our brand, develop our people, provide a multitude of rewarding career opportunities, and best serve the community in which we operate.

A vital part of this community is the vast Australia-wide network of our own alumni: former PwC people such as tax specialist David Vos, who during the year was appointed the inaugural Inspector-General of Taxation, an independent national position of advocacy for taxpayers and taxpayer organisations; Jeff Lucy, acting chairman of the Australian Securities and Investments Commission (ASIC) and formerly chairman of the Financial Reporting Council; and Lynne Saint, global chief financial officer of the mining and metals group at Bechtel Corporation, who was named Telstra Queensland Businesswoman of the Year for 2003.

Our firm is unique in its capacity to reach beyond our own organisation through our unsurpassed Australian and global networks. This is how we stretch ourselves to always seek out the best thinking, lead our profession by setting the highest standards, and ultimately build trust and enhance value for our clients. This is what differentiates us now, and will continue to do so in the years ahead.



Tony Harrington

* leadership

Financial summary

Total revenue for 2003 was \$829 million. This represented growth of 2.3 per cent over the comparable figure for 2002.

The detailed breakdown of this revenue, as shown below, reflects the remarkably wide range of industries covered by the firm's activities, encompassing virtually every sector of the Australian economy. The revenue summary also indicates the breadth of services delivered by the firm.

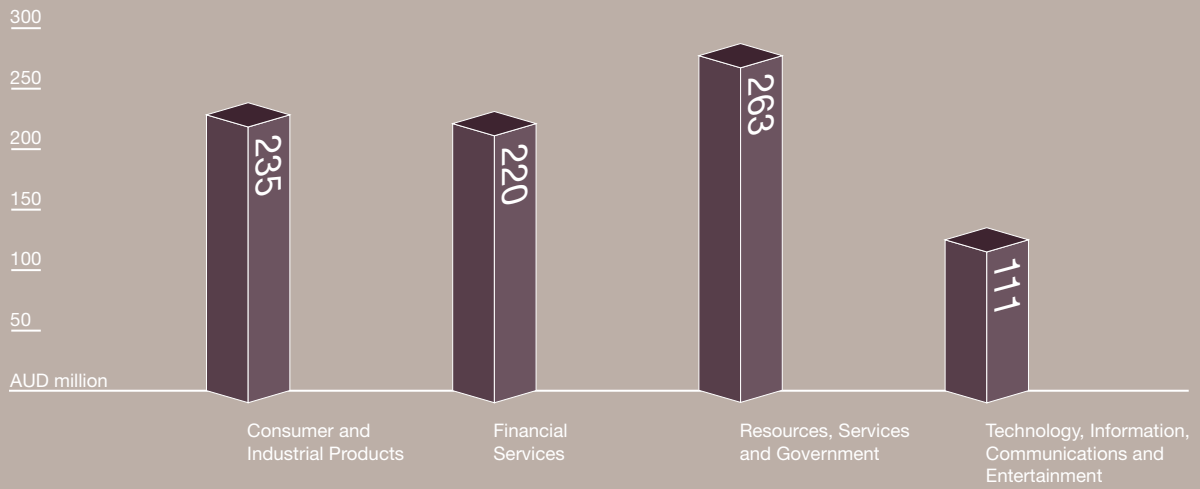
Revenue by sector

	AUD m.	%
Consumer & Industrial Products	235	28
Automotive		
Consumer Products		
Industrial Products		
Pharmaceutical		
Retail & Distribution		
Financial Services	220	27
Banking & Capital Markets		
Insurance		
Investment Management		
Real Estate		

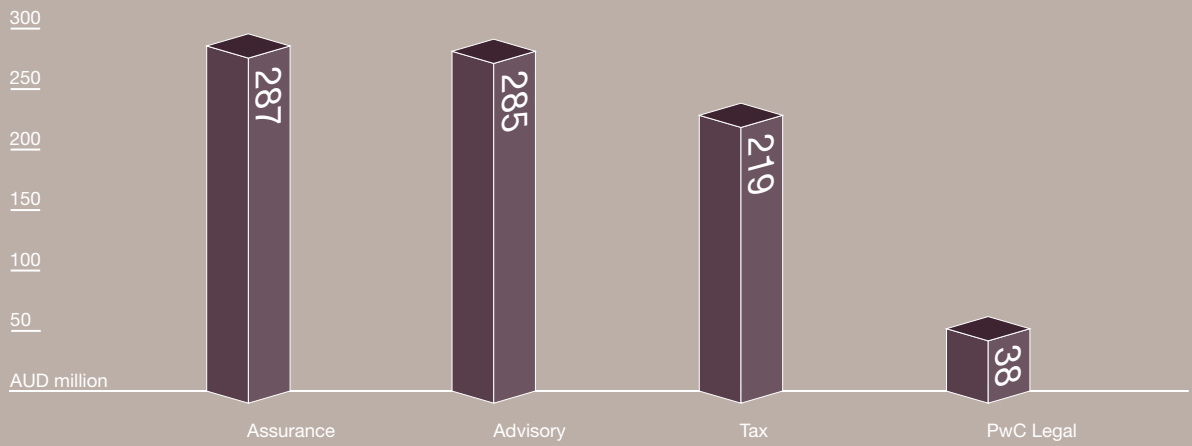
	AUD m.	%
Resources, Services & Government	263	32
Energy & Utilities		
Government		
Services to Industry		
Mining, Oil & Gas		
Technology, Information, Communications & Entertainment	111	13
Entertainment		
Info-Comms		
Media		
Technology		
Total	829	100

Revenue summary

	AUD m.	%
Assurance	287	35
Advisory	285	34
Tax	219	26
PwC Legal	38	5
Total	829	100



Revenue by industry 2003



Revenue by service offering 2003



Matthew Liebmann Senior Manager

Our clients

Our strategy is geared to identifying and developing solutions to clients' current and future challenges and opportunities.

Mapping business issues to PricewaterhouseCoopers' capabilities and experience assists us in taking the most appropriate services to clients. This approach also allows us to more effectively leverage the wealth of global and industry knowledge for our clients' benefit – opening new doors to improvement in performance and process.

It's about
inspiring through
client service*

* culture

We recognise that our clients' needs and the firm's capabilities are ever-changing, so we continually monitor, measure and evaluate new and existing services.

The needs of each client are unique. To deliver the most effective solution, PricewaterhouseCoopers tailors its services to fit clients' particular requirements. Our industry-specific business analysis tools are effective frameworks for enabling PwC and clients to identify strengths and weaknesses, communicate needs and co-develop solutions, by encouraging brainstorming and thinking outside the square.

In particular, the audit teams have used this approach to identify key risk areas for specific industries and clients.

We are continuing to develop solutions around leadership, which clients have identified as especially important. Our deep understanding of business and finance issues, combined with the specialist skills within our People, Culture* and Performance team, have enabled us to deliver solutions to leading Australian companies.

We focus on building a culture of innovation and driving solution development based on client issues in a number of ways, most notably through I-Challenge, an ideas programme aimed at empowering our people to take the lead, be courageous and think creatively about clients' needs and potential solutions. I-Challenge has captured the interest of our clients, and some are working with us to introduce similar programmes within their own organisations.

What we do

Assurance and Regulatory Reporting

Independent assurance over compliance with regulatory and other reporting requirements through the provision of audit services, including annual and half-year financial reports, regulatory reporting within each industry sector, International Financial Reporting Standards (IFRS) conversions, superannuation fund reporting, corporate governance and internal audit services including internal control risk management and monitoring.

Tax

Assist businesses to optimise their domestic and international tax positions and assist on a range of related business issues, including mergers and acquisitions, international structuring, tax management and process services, stamp duty, indirect taxes (including the Goods and Services Tax, customs and excise and research and development), transfer pricing, employee and expatriate tax, pensions, benefits, policies and outsourcing advice, international mobility and personal wealth management.

Transaction Services

Financial buyer, corporate buyer and vendor due diligence and advisory services, sale process management, merger and acquisition risk services, investigating accountants' reports and due diligence for initial public offerings, global capital markets advisory services, structuring advisory services, post-deal advisory services including integration planning and performance measurement.

Financial and Organisational Risk Management

Risk evaluation and profiling, risk quantification and modelling, risk and value management, actuarial services, environmental risk services, compliance risk management, revenue growth strategies, cost improvement and operational improvement.

Systems Risk Management

Security and technology risk services, systems control and assurance, data management and transformation services, project services (management, support, and assurance), systems and process improvement, business continuity planning.

People, Culture and Performance

Alignment of people and business strategies to deliver innovative solutions around leadership.

Corporate Finance

Lead financial advice relating to initial public offerings, public company transactions, capital management, valuations, property, project finance, public-private partnerships and privatisations.

Business Recovery

Strategic business reviews, company voluntary arrangements, reconstruction schemes, turnarounds, administrations and receiverships, liquidations, managed exits, insurance run-offs, commercial reviews.

Dispute Analysis and Investigation Services

Fraud, forensic accounting, regulatory investigations, expert witness, determinations, loss of profit, construction and insurance claims, background verification, piracy, cyber crime, licensing management.

PwC Legal

Corporate and commercial, mergers and acquisitions, structuring, commercial and regulatory litigation, government and compliance law, finance sector and revenue law, competition law, employment and industrial relations, tax litigation and dispute resolution, strategic advice and public policy, environment and planning and advisory services in the areas of construction, e-business and real estate.

Enterprise Solutions

Enterprise audit and assurance services, corporate and personal tax compliance services, accounting advice, and business planning and strategic advisory services.

Retail

During the last year, retail companies have faced significant pressures ranging from increased competitiveness and interest rate fluctuations to further trends towards globalisation.

For retailers already operating on tight profit margins, regulatory reforms such as the introduction of the ASX Corporate Governance Council guidelines and the Sarbanes-Oxley legislation in the US create particularly intense pressure due to the additional investment required to ensure that they have robust risk management processes in place.

In addition to assisting clients to meet the Australian regulatory requirements,

PricewaterhouseCoopers continues to work with Australian SEC registrants and subsidiaries of US SEC-registered companies to meet the stringent financial reporting obligations which come under the requirements of the Sarbanes-Oxley Act.

PwC has a dedicated risk management practice combined with local industry expertise and global resources to help its retail sector clients anticipate and manage

risk and other regulatory compliance issues. In addition, the need to comply with International Financial Reporting Standards (IFRS) from the beginning of 2005 is likely to further add to the complexities of the trading environment.

The firm is helping clients to deliver on their compliance obligations while meeting, and where possible exceeding, their growth objectives.



Case Study: Helping Freedom go private

PwC has been the external auditor to the Freedom Group company for over 10 years. In addition to the external audit, PwC has provided Freedom with services such as organisational risk management, tax and share scheme advice.

Since its establishment in 1981, the Freedom Group has grown to over 195 stores in Australia and New Zealand. It offers one of the largest ranges of furniture and homewares in the region. In addition to its own impressive organic growth over the years, Freedom has made a number of significant acquisitions, including Bayswiss and Capt'n Snooze, whose brands continue to trade successfully within the Freedom Group.

PwC played a significant role in assisting the company during the nine-month process towards a successful management buy-out, which resulted in the business being privatised in December 2003.

As a private company Freedom continues to work with PwC on adhering to best practice corporate governance procedures, an area in which PwC had played an active supporting role while Freedom was a publicly listed entity.

The firm will also be assisting the group with its plans to explore offshore strategic growth opportunities, which the company believes hold promising business prospects.

“PwC has been of great assistance and support to us over the period of the management buy-out.”

Michael Gordon, Chief Financial Officer, Freedom Group



It's about understanding
the connections that make
businesses work

*connectedthinking



It's about having the agility
to deal with an ever-changing
business environment

*connectedthinking

Industrial

The industrial products sector has endured a mixed year. Manufacturing generally performed well in 2003, and profitability was relatively strong in most sub-sectors. However, the increasing strength of the Australian dollar has had profound impacts.

Companies that rely on exports have been adversely affected. Those that rely on domestic demand (for example, machinery and equipment, housing and building construction materials) are benefiting.

It is important to note, however, that import competition has been a constant challenge for Australian manufacturers in the chemical, clothing, footwear and textile, pulp and paper and automotive sub-sectors. These companies have

struggled against foreign companies with access to high-volume markets and low labour costs in a strong Australian dollar climate.

PricewaterhouseCoopers is working with clients – particularly those that operate in global markets – to ensure they have the risk management processes necessary to deal with fluctuations in the Australian dollar. Clients have also consulted us in relation to capital management and strategic growth

initiatives. The level of transactional activity across most sub-sectors confirms the latter point.

Activity in the industrial products sector in 2004 will largely depend on global demand. Currency movements, interest rates and the expectation of tariff reductions in 2005 will all play a role. Companies with the right strategies in place will benefit most from what the global market brings.



Case Study:

Amcor & PwC: a successful package

The PwC organisation began its global client relationship with Amcor by providing the leading international packaging group with global taxation services. Amcor, which is based in Australia and has operations throughout Australasia, Asia, Europe and the Americas, has annual sales of approximately A\$11 billion. The group manufactures plastic, fibre, metal and glass packaging products, PET containers, and plastic and metal closures, and provides other packaging-related services.

When the group expanded its global packaging operations through a series of acquisitions, the PwC organisation provided advice in areas such as due diligence in mergers and acquisitions, as well as other transaction services.

More recently, PwC assisted Amcor in the field of IT integration. The Amcor Australasian Group is currently implementing SAP software, and PwC has had a central role in independently reviewing security and controls and data conversion.

The Amcor Group is a success story highlighting the ability of a major Australian group to become a key global player through a focused strategy and, importantly, careful execution. PwC is proud of this relationship and the breadth of services it has offered Amcor throughout its journey towards becoming a leading global packaging group.

“The critical success factors in our relationship with PwC have been the adoption of a collegiate approach between the Amcor and PwC teams and PwC’s willingness to invest extra time and resources in us as their client.”

Roger Foenander, Group General Manager, Taxation, Amcor

Consumer

Continued pricing pressure and the challenge of maintaining the value of brands were the main issues confronting consumer sector companies during 2003.

It was a reasonably strong year for the sector – which spans the grocery, hardware, electrical products, agribusiness and apparel sub-sectors – but this is an already mature marketplace, where volume growth is difficult to achieve. Consequently, price pressure is intense. The trend among retailers away from discounting and towards lower fixed prices has further eroded the profit margins of consumer goods companies. This has forced suppliers to renegotiate contracts and rebates with retailers.

The bulk of the firm's work in this sector is the supply of assurance and tax services. Our assurance work is proving vital in helping clients maintain controls over costs. In addition, we have advised clients on the transition to and compliance with International Financial Reporting Standards.

We have also advised companies on compliance with ASX corporate governance principles, in particular on establishment of proper risk management processes and ensuring

transparency of communications to stakeholders.

In the coming year, a review of supply chain operations will affect the way companies manage and deliver goods to retailers, which will require structural change to the way companies transact with retailers. PricewaterhouseCoopers continues to work with clients to develop solutions that will counter the potential negative impacts of these changes.



Case Study:

Hardy relationship ages well

PwC's relationship with the Hardy Wine Company (formerly BRL Hardy Limited) began some 11 years ago when it helped the company to float on the Australian Stock Exchange.

Hardy Wine Company has since grown to be one of Australia's largest suppliers of quality wines. It accounts for around 25 per cent of the domestic market and exports to more than 60 countries.

PwC's relationship with the company meant that it turned to the firm for advice during a pivotal moment in its history last year, when it was acquired by the US-based international beverage company Constellation Brands, Inc in a A\$2.4 billion deal that created the world's largest international wine business.

The project required an in-depth knowledge of BRL Hardy and a strong knowledge of United States accounting and auditing standards. Using the experience of the local audit engagement team together with expertise from the Global Capital Markets Group drawn from Sydney, New York and Hong Kong, PwC was able to provide the company with expert assurance and advisory services to assist it through the highly successful merger.

One year later, with BRL Hardy renamed Hardy Wine Company and now integrated into the Constellation Brands wine business, PwC continues to provide follow-up services pertaining to the merger. The company has retained PwC as its tax adviser and continues to utilise PwC for accounting advice and other services. In a recent project, PwC assisted Hardy Wine Company to outsource the administration of its superannuation fund.

PwC continues to focus on maintaining the strength of its relationship with Hardy Wine Company's management and on developing relationships with its new parent company, Constellation Brands, Inc.

"We have enjoyed a long and very rewarding relationship with PwC. The level of professionalism and the quality of their people has been exceptional."

Stephen Millar, Chief Executive Officer and President, Constellation Wines

Information and Communications

The uptake of broadband and the quality of Australia's telecommunications network continued to be the dominant issues in the info-comms sector over the past year.

Industry consolidation and an increased injection of venture capital strengthened the sector, in which companies are seeking to expand into growth areas such as broadband, mobile data and more robust fixed-line services. More than ever, the focus is on customer needs and quality of service is paramount.

To meet the needs of clients in the sector, PricewaterhouseCoopers has tailored its services in areas such as revenue assurance and broadened the scope of its advisory services. In particular, we are helping clients to realise benefits from acquisitions

and mergers, reduce costs, and improve processes and customer handling and care.

We have worked with companies including SingTel Optus in dealing with priority issues such as tax consolidation. The experience and insights the firm has gained in working with telecommunications companies in Asia have enabled us to provide valuable advice to companies looking to enter that market.

PwC is committed to investing in the industry's knowledge base.

We continue to support industry groups ACIF and SPAN, and have released a mobile network study, a value reporting survey and a revenue assurance handbook for the sector. These initiatives, combined with our strong industry experience, specialised skills and international resources, support our efforts to help the industry grow profitably.



Case Study:

Early tax consolidation proves positive for SingTel Optus

PwC assisted SingTel Optus to take advantage of the benefits of tax consolidation from the earliest possible date, 1 July 2002.

Like many other telecommunications and sector-related companies, SingTel Optus faced several specific industry issues in working through the process of entering the tax consolidation regime. These were due to its history and the nature of its business.

As a relatively new entrant to the capital-intensive telecommunications industry, SingTel Optus had accumulated significant tax losses. Tax consolidation may have put the company at a competitive disadvantage as tax losses can be forfeited, or the rate at which they can be used to offset profits can be reduced. The networks that make up SingTel Optus' large infrastructure base involve a greater number of depreciable assets than many industries, another factor that makes tax consolidation more complex. However, there are potential benefits if an uplift in the tax basis of the depreciable assets can be obtained to augment future tax depreciation.

PwC worked with SingTel Optus in several ways. It examined the technical application of tax consolidation rules to optimise the choices available on entering tax consolidation and also assisted management to determine the market value of various assets/companies within the SingTel Optus group and deal with the accounting implications arising from tax consolidation.

PwC's work with SingTel Optus management resulted in significant financial benefits in relation to the quantum of tax losses taken into consolidation; the available fraction governing the rate at which the losses may be used; and the redistribution of the tax basis between assets within the SingTel Optus group.

Technology

It was another difficult year with very modest growth for the technology companies, on the back of low levels of corporate spending holding down revenue for almost the entire sector.

At the year end, the first signs of increased corporate spending were just being recognised in order books.

Software companies were the strongest performers in the sector. Towards the end of 2003 a number of companies began acquisition strategies, commencing what is likely to be a period of consolidation. The rise in the Australian dollar added to the challenges facing companies with a global presence.

PricewaterhouseCoopers has been actively helping a number of clients

with their acquisition strategies, advising on integrating systems, people, finance, and tax structuring. Compliance will be a continuing focus following a raft of regulatory reforms including the introduction of the ASX's best practice principles and the CLERP 9 legislation. We are also helping a number of Australian clients with growth strategies for the Asian market.

The firm released the *Technology Forecast*, outlining growth opportunities for the sector globally, as well as the *Tech Review*, which

looks at Australian technology companies and where the industry is heading. We finished the year by hosting a roundtable discussion of CEOs from listed IT companies focusing on the challenges and opportunities ahead.

In 2004, revenue growth and profitability and increasing market share will remain major drivers for management. This will bring further consolidation and the firm will look to play a major role working alongside organisations to ensure growth expectations are realised.



Case Study:

Audits across borders for NCR

When technology company NCR established its Asia Pacific shared services centre in Sydney, it looked to PwC to manage audit work for the entire region. PwC used its global reach and technology sector experience in the region to assemble an integrated multilingual audit team capable of meeting the challenge of auditing across 14 different regulatory environments.

NCR Corporation is a leading global technology company helping businesses build stronger relationships with their customers, and improve operational efficiency and profitability. NCR's ATMs, retail systems, Teradata® data warehouses and IT services provide Relationship Technology™ solutions that maximise the value of customer interactions.

NCR's decision to centralise its accounting infrastructure in Sydney required the firm to develop and deliver a robust audit approach designed to deal with NCR's common systems and processes. PwC and NCR worked closely together to ensure tight global reporting deadlines were met and statutory audits were coordinated across the region.

To meet NCR's unique needs, PwC assembled a team of Asian business specialists focused on the technology industry. In addition, a mobile multilingual team worked extensively within the region to manage the diverse needs of each country, while satisfying the various cultural and business practices.

This project demonstrates that success in centralised cross-border work is possible when specific industry skills and experience are effectively mobilised. PwC has built strong relationships with NCR's various business units and these will continue as NCR develops its global shared service centre strategy.

Entertainment and Media

Perhaps more than any other industry, the entertainment and media sector is in a state of constant change.

In recent years we have seen the arrival of digital terrestrial and subscription television, DVD and MP3 technology, and online console video gaming.

In the future we will be able to access all forms of entertainment and media content, anytime, anywhere, on discrete wireless devices.

As PricewaterhouseCoopers' clients continue to be at the forefront of change, PwC's Entertainment and Media practice offers support in myriad ways. The firm has led raids on pirates to seize illegal software;

developed industry-specific risk management frameworks for broadcasters; helped transition the workforce of a major newspaper publisher to its new print facility; and assisted a government body refine its film distribution strategy. Through PwC's annual *Australian Entertainment and Media Outlook*, the firm provides the industry with the definitive guide to the sector,

its issues and prospects. As our entertainment and media clients take ever more exciting new technology to the world, it is crucial that PwC provides them with innovative and informative ideas.



Case Study:

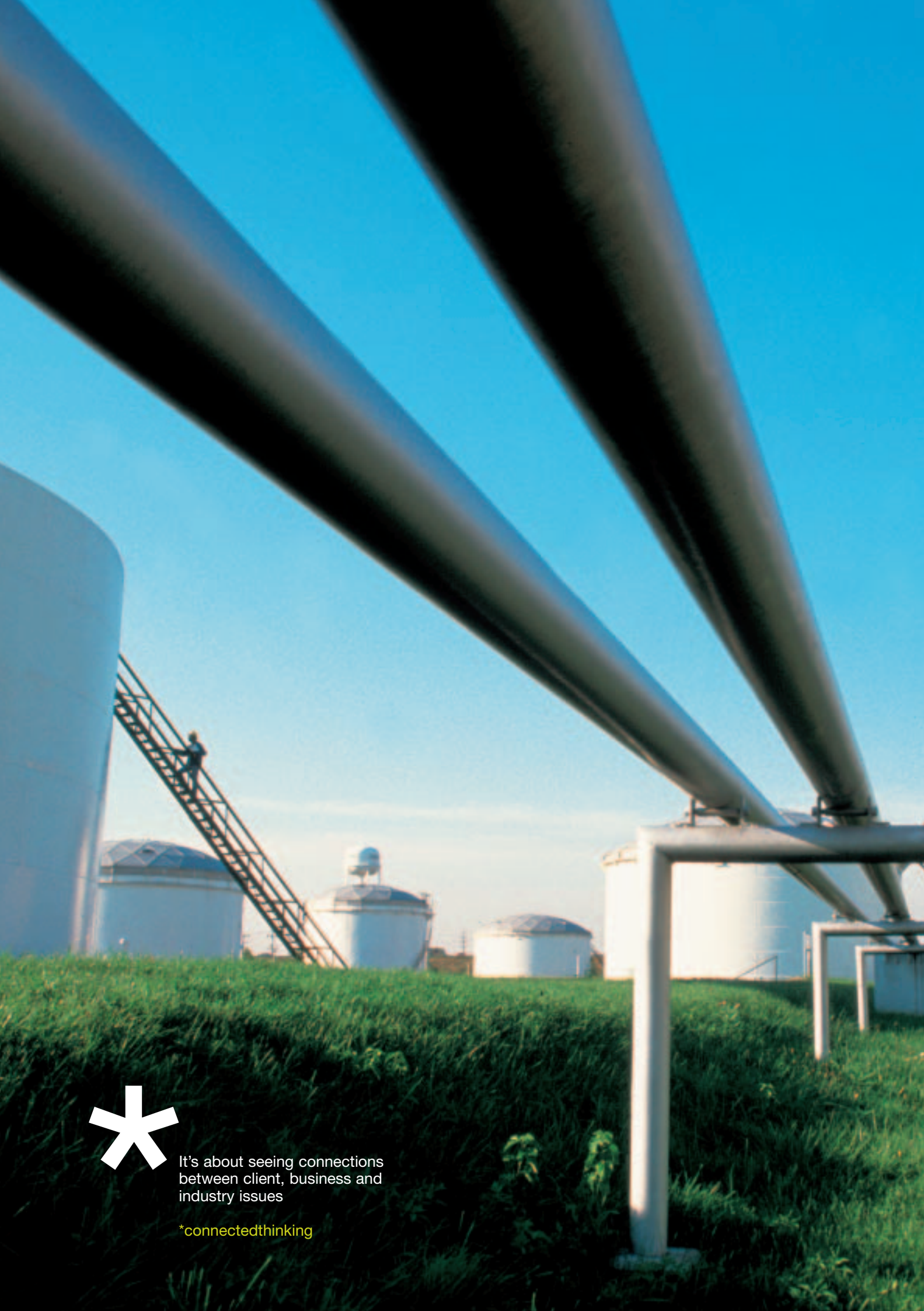
Analysing a takeover offer for Jupiters

PwC's more recent advisory involvement with Queensland-based Jupiters Limited, one of Australia's largest casino and gaming companies, began in 2002 when the firm was appointed independent expert to assess the fairness of a selective buy-back of shares from Jupiters' two major shareholders. Then, in early 2003, after Jupiters received a takeover offer from TABCORP Holdings Limited, PwC was again called in by Jupiters to act as independent expert to this transaction.

The firm's prior experience in providing similar expert reports to Crown Casino and Star City Casino also proved valuable when it came to successfully delivering what Jupiters needed. This involved assessing and explaining a complex transaction to shareholders, including the provision of two separate reports to shareholders – necessary as a result of Jupiters' ordinary and re-set preference shares.

PwC's reporting involved valuing Jupiters' business, benchmarking it to its peers – locally and internationally – and assessing share prices and earnings multiples. The firm also undertook an analysis of the key drivers of the gambling industry's growth over the previous 10 years and an assessment of future growth and risks. Against this, PwC assessed the value of TABCORP's offer and whether it provided a better outcome for shareholders than Jupiters' other alternatives, such as remaining a standalone operation or merging with another gaming company.

The independent expert reports were key documents in the information memorandum circulated to shareholders. PwC supported the takeover as being in the best interests of Jupiters' shareholders. Jupiters is now a wholly-owned subsidiary of Melbourne-based TABCORP.



It's about seeing connections
between client, business and
industry issues

**connectedthinking*

Energy and Utilities

During a year that brought further consolidation and the promise of regulatory reform, PricewaterhouseCoopers worked with Australian, US-based and Asian companies on a broad range of assignments.

Our revenues were 12 per cent higher than in 2002 due to significant advisory mandates including financial, due diligence and tax engagements in relation to investments, acquisitions and IPOs.

With US companies reviewing their investments in Australia, Asian and Australian investors have shown interest in picking up divested assets. PwC has provided critical strategic advice, investment evaluation and due diligence to many of the bidders, reflecting our status as the

leading provider of advisory services to the energy and utilities sector.

Another key development during 2003 was the growing interest in vertical re-aggregation. The proposed sale of Loy Yang A power station in Victoria to a consortium including AGL was tangible evidence of this trend. An increasing number of energy companies are expected to seek to manage supply-side risk and cash flows by controlling a spread of retail, network and generation assets.

PwC has been closely involved in a number of major energy reform projects nationally and in Western Australia. We are working with governments and corporations to create an efficient national gas and electricity market and encourage further investment in transmission infrastructure and generating capacity.



Case Study:

Cooking up a \$4bn energy deal for Alinta

Gas retailer and distributor Alinta first sought advice from PwC in 2003, as it embarked on a series of complex transactions to gain control of energy assets worth more than \$4 billion.

Alinta emerged as the operator, manager and part owner of the regulated energy assets, which are in Western Australia and Victoria, in July 2003. The company expects that this greatly expanded operating structure will provide a solid platform for continued growth.

PwC initially helped Alinta evaluate the expected financial returns of its acquisitions. This led to financial and tax due diligence and structuring assignments on these transactions and work on ongoing projects such as the co-generation facility with Alcoa. We have also assisted Alinta with internal audits and initial advice on the impact of implementing international accounting standards.

Whether our team was analysing potential acquisitions, structuring options, or providing tax advice on new projects, it always focused on creating sustainable value. We look forward to helping Alinta achieve its further goals during 2004.

“PricewaterhouseCoopers has helped us maximise the value created by our growth strategy. They understand our business, our markets and how to manage the risk associated with the enormous changes we have confronted during the last year. Their people are first rate and they have become truly trusted advisers.”

Bob Browning, Chief Executive Officer, Alinta

Government

In 2003, PricewaterhouseCoopers undertook financial assurance, risk management and performance improvement assignments across the country.

A significant proportion of the year's revenue came from our increased provision of strategic advisory services.

We have worked alongside governments and government-owned corporations on energy reform and advised state and territory governments on landmark mixed-use developments. This has entailed master-planning and structuring deals between government and private sector partners.

Our Government team has emerged as the clear leader in advice on sell-side public-private partnerships (PPPs). Engagements during 2003 included projects in the health, prisons, road infrastructure and tourism sectors.

Our traditional assurance and taxation business continues to grow, with major successes during the year including the development of a holistic tax management strategy and provision of internal audit services to a state government and federal government department respectively.

In response to the value our government clients attach to skills transfer, we worked with the University of Adelaide to develop accredited project and risk management training courses. This investment in intellectual capital* and commitment to share it with our clients is central to all our engagements with government.

intellectual capital*

Mining, Oil and Gas

During 2003 the industry benefited from firmer commodity prices and improving industry fundamentals. However, much of the potential gain was tempered by an appreciation of the local currency against the US dollar.

Our research for the annual benchmark Minerals Industry Survey showed that profit margins declined, even as mine production rose by 5 per cent.

Encouragingly, investment began to pick up, albeit from historically low levels, with many minors and new players turning to the stock market for capital. This reflects a revival of confidence born of surging demand for commodities from China and a spate of significant new offshore gas discoveries.

Other global factors continued to impact the larger Australian players, with 2003 seeing acquisitions in the local market and all companies turning their attention to the new accounting treatment of hedges and derivatives as the implementation of International Financial Reporting Standards draws near.

Within this mixed environment, PricewaterhouseCoopers has maintained its traditional dominance of the market for mining, oil and gas assurance services. Audit revenues remained stable, despite shrinkage of the potential client base caused by industry consolidation.



Case Study:

Working with Rio Tinto

The compliance demands flowing from the recent wave of global regulatory change have impacted hard on diversified resource companies like Rio Tinto, a longstanding assurance and tax client of the firm.

Rio Tinto is a truly global company with operations in all major markets. From a regulatory standpoint, 2003 saw a tidal wave of change ranging from Sarbanes-Oxley in the US, CLERP 9 in Australia and International Financial Reporting Standards. PwC's global team, led from Australia, is working closely with Rio Tinto management to address these major challenges by drawing on the deep industry and technical expertise within our global network.

Rio Tinto is very focused on maximising efficiencies across its business units, and seeking opportunities to optimise shareholder value. Identification of risk factors forms an integral part of this process. Taxes, in all forms, are included in this focus. Rio Tinto encourages its advisers to be proactive and to share knowledge and ideas which may assist in achieving its value creation objectives.

To achieve Rio's objectives it is essential the PwC team members, both in Australia and globally, engage internally and with members of the Rio team. Our focus is on knowing and understanding Rio's culture, its business issues, and sharing relevant knowledge and ideas. During 2003 this approach has enabled us to work closely with the Rio team to evaluate and implement ideas directly aligned with Rio's objectives.

Engineering and Construction

PricewaterhouseCoopers maintained its lead in the engineering and construction sector during 2003.

* buoyancy

We leveraged our strong public-private partnership (PPP) and property expertise to assist governments and private contractors progress a clutch of multimillion-dollar developments.

Engagements included structuring joint ventures between construction companies, governments and finance providers and advising such consortia on complex mixed-use redevelopments. We have also played a key role in some of the largest transactions and capital raisings of the year. The property boom underpinned a strong market in 2003, although signs of a slowdown were evident in some sub-sectors and regions by the end of the year.

Big civil engineering projects, such as the Cross City Tunnel and Western Distributor in Sydney, the MCG and Spencer Street Station in Melbourne, together with healthy industrial construction in Queensland, look set to shore up market buoyancy* in the medium term, offsetting concerns over the commercial and high rise residential construction markets.

State government enthusiasm for PPPs and the steady progress towards establishing a national framework look set to fuel a strong pipeline of new civil engineering projects. Construction companies, meanwhile, increased their focus on whole-of-life asset management and equity investment. PwC played a central role in all these market developments during 2003.



It's about drawing on
our collective knowledge

[*connectedthinking](#)

Financial Services

Financial services continues to be a fast-paced and competitive sector and ever-increasing regulatory reform continues to shape the industry.

The 1 January 2005 deadline for adoption of International Financial Reporting Standards (IFRS) is imminent and compliance with these standards, as well as the Basel II capital adequacy framework and Australia's Financial Services Reform (FSR) legislation, will be a catalyst for further change.

The banking sector managed to deal with these regulatory and compliance changes – and the increased costs they imposed across the FS industry – and still report record profits in 2003. Continued momentum in the housing loan market, non-risk sources of income such as innovative structured products, and higher fees and transaction costs for consumers contributed to the result.

The short-term outlook for banks is tougher. An easing in credit growth is likely, particularly in the housing loan market with interest rates likely to rise, and credit card revenue will be reduced following system reforms. Intensified competition could further trim margins, and banks must balance cost containment while investing for the future. Transforming organisational culture and improving customer service are consistent themes.



Case Study: Managing risk at ANZ

Building on a 25-year relationship with ANZ (Australia and New Zealand Banking Group Limited) in the areas of corporate and executive taxation, PricewaterhouseCoopers is helping ANZ to achieve its objectives of improving efficiency, decreasing compliance costs and strengthening the organisation's relationship with the ATO.

Risk management and tax compliance are top of mind for most large companies in Australia following the Commissioner of Taxation's ultimatum that business needs to improve its tax compliance.

For ANZ, risk management was paramount because of analysts' perceptions that ANZ's risk profile was higher than those of other Australian banks. In response to this, ANZ CEO John McFarlane established a new strategy for ANZ to reduce its risk profile through improved management and reporting of risk (including tax risk). This has resulted in a commensurate increase in returns to shareholders.

A major success to date has been working with ANZ to build a closer relationship with the ATO in working towards common goals on compliance risk management. This was achieved through PwC-hosted strategic workshops. The requirements of both the ATO and ANZ were discussed and addressed in the context of improved efficiencies and effectiveness for both parties.

This risk management assignment is part of the ongoing relationship between ANZ and PwC that recognises each organisation's skills. It is a continuing process and the preliminary results and successes were recently shared by both parties at the Global Financial Services Tax Directors conference in Switzerland in 2003. PwC's approach has been well recognised.

"PwC has built a consultative relationship with our business and has proved its ability to tailor practical solutions to our needs."

Stephen Green, General Manager, Group Taxation, ANZ

Financial Services

Further consolidation in the insurance industry is to be expected over the coming years and the line of separation between life insurers and wealth managers will become increasingly blurred through convergence of products and distribution channels.

General insurers will be looking to consolidate on their good performance over the last year and to maintain underwriting disciplines and controls.

For insurers, the regulatory outlook in 2004 will be shaped by APRA's proposals for further revisions to prudential and governance standards.

The industry will be closely monitoring developments in this space and preparing for further compliance pressures. Compliance with Australia's FSR licensing regime has already increased costs, and insurers continue to deal with a host of other changes, including regulation of medical defence organisations and the Terrorism Insurance Bill.

The move to the IFRS regime will be staged in this sector. Insurers are subject to the same IFRS requirements as other financial services organisations but as there is no standard for insurance contracts, compliance is expected to be a two-phase process which will not see the final standard come into force until at least 2007.



Case Study: IAG transitions to IFRS

IAG, Australia's leading general insurance group, relies on PricewaterhouseCoopers to provide ongoing, high quality, independent actuarial services. It is an important and exciting client, an industry leader, with a strong executive team and deep internal capabilities.

As such, we have had many opportunities to involve IAG in key strategic initiatives undertaken by the firm, both internally and with external organisations. IAG has been involved with our graduate innovation programme I-Challenge over the last two years and participated in strategic workgroups in areas such as human resources, specialist training and working sessions on International Financial Reporting Standards (IFRS) and actuarial and taxation issues, and specialist industry surveys.

The strength of the relationship was demonstrated most recently in work with IAG's group finance team to establish its IFRS transition project. The set-up phase was completed in a tight, two-month timeframe.

"The PwC team made themselves available in response to our ever-changing schedule. They worked hard to satisfy our requests on a wide range of matters and have always been available to respond to small requests."

IFRS Project Manager, IAG



It's about harnessing the
latest technology and thinking

[*connectedthinking](#)

Financial Services

The investment management industry has also experienced significant consolidation over recent years: the top 10 retail managers now account for over 80 per cent of assets under management.

This trend will continue with the long overdue consolidation of products, but it is likely to be delayed by regulatory and tax barriers, particularly the impact of capital gains tax on investors. Product consolidation is expected to reduce costs, increase consumers' confidence and deliver better results for investors.

Australian fund managers have by and large escaped the negative publicity and loss of trust afflicting the industry in the US and UK, but they still face issues.

It will be an exciting year for the financial services industry. The main challenge for the year ahead will be to respond to regulatory change and the shifting demands of stakeholders.

Part of this will be ensuring that risk management practices and fundamental controls remain robust. The way the industry deals with these challenges will determine its prospects into the future.



Case Study: The right formula for GE

PricewaterhouseCoopers' presentation, use of diverse technology and results-driven feedback were among the reasons GE selected the firm to help its Australian office through the tax compliance challenges of managing tax consolidations.

GE comprises a large number of entities that operate across 11 diverse business units which all report separately. Its goal was to find a flexible firm that could meet its needs across these rapidly changing business units.

GE wanted a tax consolidation solution that would improve risk management and efficiency and that it could use as a base for wider tax compliance and tax information management. PwC's appointment was based on its strong existing relationship with GE, its project management approach and ability to develop tools that suit the company.

PwC is developing solutions for GE based on the firm's strengths, resourcing and skills. The firm is developing sophisticated technology for the key consumer and commercial finance businesses, and has assisted GE's tax team with process, project management and high-level tax support.

PwC has been working with GE to develop a process improvement system based on planning and risk analysis. For GE's large financial services businesses, the firm is designing technology that will interface with GE's systems to extract data into its tax compliance software. All of this helped GE achieve its main goal – a consolidated tax return that manages risk and delivers efficiency.

"We were really impressed with PwC's presentation highlighting its compliance approach and diverse technology. However, an important factor was the results-driven feedback we had from PwC's other clients. We also have a great working relationship with the team, which is fantastic."

Chris Davies, Senior Manager, Tax Reporting and Compliance, GE Capital

National Enterprise

Doing business with medium-sized companies has always been a core part of PricewaterhouseCoopers' strategy in Australia. In mid-2003, the firm conducted detailed market research into the needs of medium-sized businesses in Australia.

The companies we surveyed identified a number of key business areas that were of most concern and we have adapted our approach to this sector accordingly. We have worked closely with clients to identify their pressing business concerns and responded to these by forming dedicated teams to assist them.

This year, PwC began a series of initiatives to further support medium-sized businesses, including the inaugural PwC Business Insights Survey being conducted three times

a year and ASX Forums for CEOs of mid-cap companies to workshop topical issues.

The firm will continue to refine its focus on this market by working with clients on the ongoing and emerging business issues that count most in this space. In many client relationships we have become a trusted adviser, assisting management/ownership deal with issues affecting all aspects of their business, including shareholder value.

Our clients perceive us as delivering real value by bringing them the best the firm has to offer in terms of expertise, resources, local and industry knowledge combined with specialist capabilities. Recognising our commitment, more and more medium-sized businesses are engaging PwC.



Case Study:

Duxton stays front of house

PwC brought a multi-dimensional approach to its proposal for audit and tax work with Duxton Hotels International, a deluxe group of hotels providing superior accommodation for business and leisure travellers. Recognising the importance of engaging the client on issues which were closely aligned with its business goals, PwC leveraged its core skill sets in audit and tax work, as well as the combined experience and knowledge of the hospitality and hotel industry within the firm.

As well as addressing Duxton's audit and tax needs, the firm was able to advise on the potential of a restructure, as well as provide a workshop to look at methods of managing risk and asset protection. PwC deployed its skills to deliver a cohesive tax planning and financial reporting process.

The initial work brief has grown to encompass advice on international taxation – in conjunction with PwC Singapore – as well as a myriad of other business-critical issues. Recently, the firm provided advice and assistance to Duxton regarding a significant business transaction.

holistic*



Case Study: Adding value for Cashcard

Cashcard first engaged PricewaterhouseCoopers 10 years ago to review its computer controls and risk management systems. Cashcard is now Australia's premier payments service provider and the region's largest independent transaction processor. The company processes high volume payments – including BPAY, ATM, EFTPOS, direct entry, telephone and Internet payments – for more than 50 financial institutions and hundreds of corporate customers.

PwC's initial Cashcard assignment led to others, including helping Cashcard develop a holistic*, fit-for-purpose range of services. The firm has advised Cashcard on transactions, disclosure issues, internal audit matters and the accounting implications of offering employee equity. It also identified high performance issues and valued the business.

PwC became a sounding board for Cashcard's management, helping the company to assess its governance practices and the implications of regulatory changes, as well as lending credibility and expertise to pioneering industry initiatives such as helping Cashcard establish the Retail Activity Index.

The firm is currently helping Cashcard to strengthen its operations in key areas such as people, performance and shareholder value, and advising on transactions.

The PwC Cashcard relationship has coupled innovation with a strong professional relationship, and is an example of what can be achieved when adviser and client understand each other well.



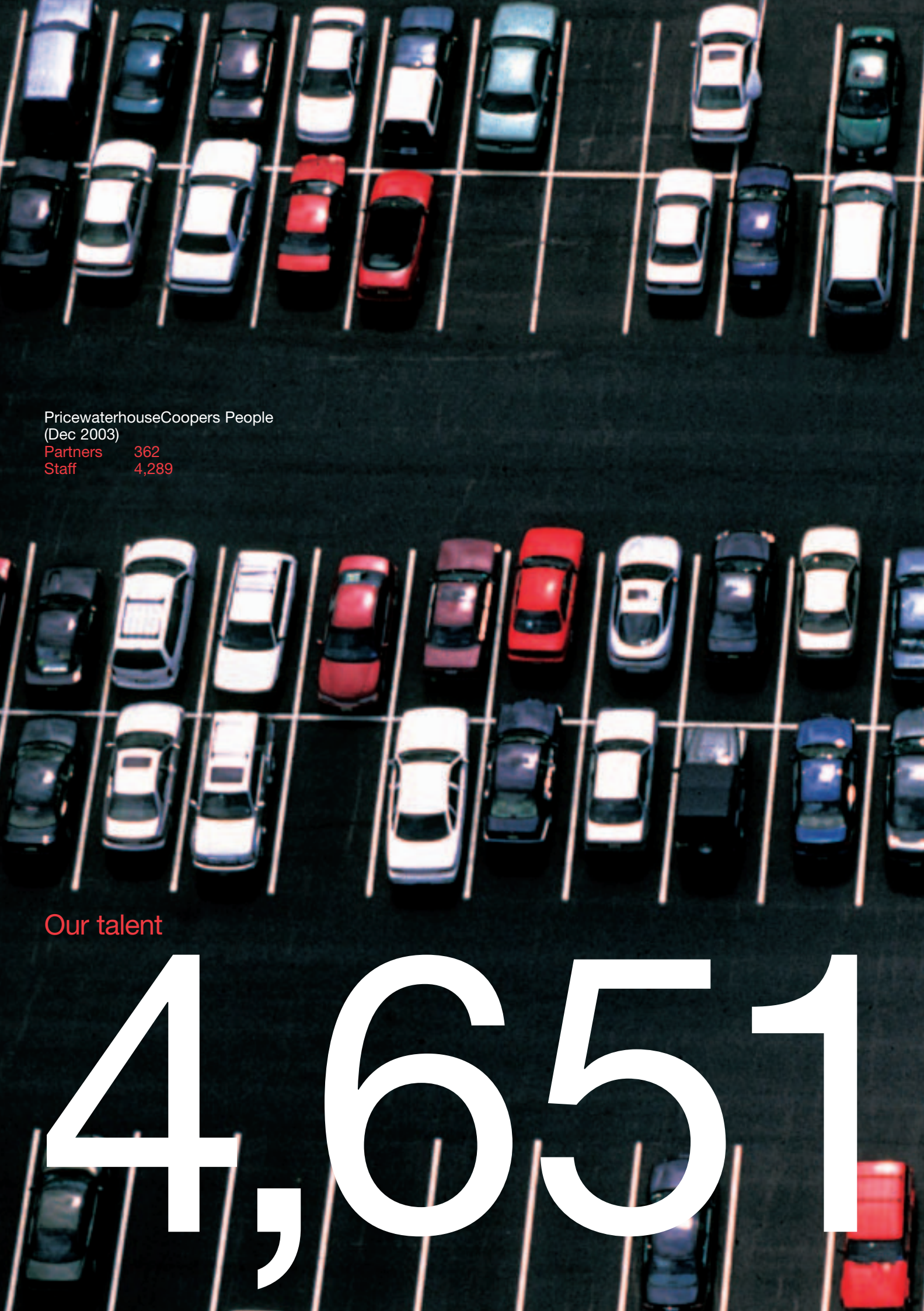
Our people

Our resilience in the face of market and regulatory pressures is a testament to the credibility and adaptability of our people. Our people represent our market offering and distinguish PricewaterhouseCoopers from other professional services firms. We are working harder than ever to create an energised and nurturing workplace that befits the pride we have in our people and their work.

Earlier this year, we sought feedback from our people on our progress towards building this work environment. We asked our employees about their pride in the firm as well as its social responsibility and business conduct. We are delighted that 94 per cent of our people are proud of our firm, whereas in the broader professional services community the figure is 83 per cent. A pleasing 92 per cent believe PricewaterhouseCoopers is socially responsible, whereas only 62 per cent of staff from other professional services firms believe their firm is socially responsible. In addition, 90 per cent of our people agree that our firm demonstrates an exceptional standard of business conduct to clients.

These results indicate we are on track in bringing our vision to life. However, our work in developing and inspiring our people to achieve new heights remains a priority.

It's about
developing
our people*



PricewaterhouseCoopers People
(Dec 2003)

Partners 362
Staff 4,289

Our talent

4,651

PricewaterhouseCoopers Australia has embarked on a journey to engender a vibrant, encouraging and celebratory culture which brings the firm's values to life through our people. We call this 'high performance culture'.

Pursuing excellence

High performance culture is about creating the right environment for our people to cultivate an outstanding and enduring career within the firm. It is about recognising that we employ the most talented people, trusting in their potential for outstanding achievement and creating a workplace that will bring out their best.

Recently our firm's most senior people made a commitment to develop mastery in the skills and behaviours required to foster this environment and lead the rest of the firm in ensuring its ongoing success.

Our intention is to create a long-lasting legacy and, as such, we are dedicated to making incremental, but meaningful, changes in day-to-day activities within the framework of our firm's values. Everyone in our firm wants it to achieve its full potential and we are on our way.

PwC is engaged at the highest level to transform an already successful business into a firm which is distinguished in the market by its vibrancy and dynamism. This is a long-term commitment which will ultimately involve the energy and dedication of our entire firm. It will bring rich rewards for our clients, and, by extension, all of our people.

The brightest minds

We have long been proud of our ability to lure outstanding new talent to the firm through our graduate recruitment programme. In 2003 we strengthened our efforts to attract the best graduates by fostering strong student and academic relationships and enhancing the initiatives that distinguish PwC from other graduate employers. A key indicator of our success in inspiring potential recruits to join PwC is an outstanding rate of acceptance. This year, 86 per cent of selected candidates accepted an offer of employment, a significantly higher acceptance rate than those of our competitors.

This year we have focused on making the selection process a rich experience for candidates by exposing them to commercial dilemmas and role plays and

providing opportunities for them to mix with PwC staff and Partners. In addition, we have introduced more rigour to our recruitment process, enabling us to better assess candidates' natural advisory, leadership and diplomacy skills. Feedback indicates candidates find this approach stimulating and enriching.

It goes without saying that this new generation of professionals possesses the latest technical skills. They also have the ability to adapt and thrive in a fast changing environment, enabling our firm to provide an exceptional level of service to our clients, both now and in the future.

Breaking the mould

I-Challenge stands for 'Innovation Challenge' and is an exciting initiative to foster and showcase the innovative thinking of our young talent. In teams of five to seven people, participants engage in a series of events designed to stimulate, challenge and inspire their commercial resourcefulness. Along this path to discovery, each team is tasked with identifying and resolving a number of genuine business issues, supported and challenged on the journey by senior staff members. After subjecting their ideas and solutions to meticulous analysis, each team collaborates to agree on a single, innovative solution to be presented to our Firm Leadership Team.

In 2003, some 350 young professionals participated in I-Challenge and generated more

than 180* ideas for evaluation. Prior to completion of the year's I-Challenge series, more than 50 exceptional ideas piqued the interest of the practice and have been fast-tracked for implementation. These ideas range from improving efficiencies in internal processes to enhancements in audit methodologies.

I-Challenge is much more than a training course. It has been developed in recognition of the intellectual energy and potential of our people and provides a forum and resources to translate raw ideas into improved outcomes for our clients. In short, it encourages a culture of discovery and ideas-sharing, where innovative concepts are quickly transformed into exceptional service delivery.

180*

Young leaders

The Young Leadership Team (YLT) Programme is an initiative designed to develop the personal and professional skills of our best people. In addition to assisting participants in their career growth, the YLT Programme provides early to mid-career professionals with a genuine opportunity to influence the practice and build lifelong networks across the firm.

With participants selected from different locations, lines of service and industry specialisations, the YLT encourages a healthy mix of ideas, perspectives and styles and is a true reflection of the diversity of talent in our firm. Our intention is to develop commercial and self-aware leaders who have a comprehensive understanding of our firm's strategic positioning and a sense of responsibility in their ability to impact the success of the entire practice.

* milestone

Developing our partners

PricewaterhouseCoopers' Future Leaders Programme combines world-class business education with personal guidance and coaching to further extend and challenge high-calibre partners who have consistently demonstrated their ability to achieve.

In association with the Melbourne Business School, selected partners build leadership and commercial

skills through participation in a number of strategic projects and share knowledge and experience with industry luminaries from Australia and overseas.

The programme offers future leaders customised development in areas directly relevant to their experience and ambitions and promotes a commercial mindset among the leaders of the future.

Partnership and beyond

Admission to the partnership is an enormous achievement and is rightly considered a key milestone* in the career of our professionals. However, becoming a partner represents the beginning of a new career rather than marking the end point of a journey in our firm.

The first three years as a partner are known as the Foundation Years and involve considerable development and expansion of skills. Our partners are looked to by their teams to embody the firm's values and commitment to leadership.

Designed by our firm's most successful partners, the Foundation Years Programme offers new partners support and encouragement through this critical time and provides a

framework to establish and achieve their objectives. Through 10 structured modules, new partners build a strategic mindset, contribute to building a high performance culture, and develop mastery in negotiation and client relationship skills. They are also allocated a mentor to support and guide them in their early years as a partner.

The Foundation Years Programme is a unique development experience for new partners and shapes the leadership and business capability of our firm. It also signals a commitment to the ongoing development of our people and recognises that a rewarding career in our firm is achieved by ongoing learning and personal growth.



Nicole Bryant | Director

Our firm

For almost 140 years, PricewaterhouseCoopers has played a role in the Australian success story of economic growth and social development.

Today, the services offered by our firm continue to add value in virtually every industry and profession, and most private and public institutions, in every region of the country.

Our workplace values – teamwork, excellence and leadership – have remained steadfast.

It's about
achievement
through team effort*

Leadership team

Firm Leadership Team

- | | | | |
|--------------------|----------------------------------|------------------|-----------------------------------|
| 1. Tony Harrington | <i>Chief Executive Officer</i> | 6. Mark Johnson | <i>Assurance Leader</i> |
| 2. Rob Ward | <i>National Managing Partner</i> | 7. Paul Koenig | <i>Tax Leader</i> |
| 3. Leigh Minehan | <i>Chief Operating Officer</i> | 8. Pat McKeon | <i>Human Capital Leader</i> |
| 4. Tom Fenton | <i>Advisory Leader</i> | 9. Rick Millen | <i>Corporate Finance Leader</i> |
| 5. Craig Hamer | <i>Markets Leader</i> | 10. Allan Watson | <i>National Enterprise Leader</i> |



Board of Partners

- | | |
|-------------------|------------------------|
| Paul Brasher | <i>Chairman</i> |
| David Wills | <i>Deputy Chairman</i> |
| Tony Harrington | |
| Susan Bannatyne | |
| Tim Cox | |
| Graeme Crampton | |
| Colin Dunn | |
| Margaret Gibson | |
| Bruce Morgan | |
| Ian Paroissien | |
| Darryl Somerville | |

Office Managing Partners

- | | |
|-------------------|----------------|
| Adelaide | Jim McMillan |
| Brisbane | Robert Baker |
| Cairns/Townsville | Philip Clarke |
| Canberra | Mike Empson |
| Melbourne | Andrew Hagger |
| Newcastle | Martin Linz |
| Perth | Andrew Edwards |
| Sydney | Bruce Morgan |

*connectedthinking

We connect our people, network, experience, industry knowledge and business understanding for the benefit of our clients.

what we do*

industry-focused
assurance, tax advisory
and legal (PwC Legal)
services for public and
private clients

why we do it*

to build public trust and
enhance value for clients
and their stakeholders

to set a standard for
business and lead
the profession

*connectedthinking

collaboratively
open minds, open doors
seeking new perspectives
pushing each other further

how we work together*

relationships built on
quality and integrity

people who embrace
excellence, teamwork
and leadership

what we value*

Awards

The hard work and dedication of our teams across the firm was rewarded in 2003 when, for the second time in three years, PricewaterhouseCoopers was named Audit Firm of the Year by CFO magazine.

* talents

Audit Firm of the Year

Presenting the award, Roger Hogan, editor of CFO magazine, said: *“As we all know, auditors have been the subject of much criticism during the last few years, and it is fitting that this year’s award should go to a firm that has demonstrated its leadership in restoring public and stakeholder confidence in the audit process.”*

The CFO magazine judges commented on the leadership PwC has taken on issues relating to audit independence, corporate governance and accountability. They also noted our willingness to step *“outside the traditional comfort zones for auditors, with a much deeper focus on internal controls, fraud and corporate reporting on review of operations and corporate governance”*.

ITR’s Leading Tax Adviser 2003

During the year, the *International Tax Review (ITR)* put in place a new reporting system for its annual survey – ranking firms within tiers. As a result, we not only retained our number one position in ITR’s Leading Tax Advisers 2003 survey, but were also the only firm ranked in its top tier. According to Paul Koenig, PwC’s National Tax and Legal Services Leader, the results reflected the *“pride and dedication we put into our work every day as a firm and are an affirmation of the value we deliver to our clients”*.

In another break from tradition, this year, ITR also recognised the talents* of top tax advisers by their specialism. Recognition went to the following individuals from PwC:

- Tony Clemens, International Tax and Transaction Services
- Michael Happell, Transfer Pricing
- Ken Fehily, Indirect Tax
- Kevin O’Rourke, Indirect Tax.

Community – PwC Foundation

When we launched the PricewaterhouseCoopers Foundation in 2002, our vision was to bring clarity, structure and focus to the firm's long-term commitment to the community. We knew at the time that it was an ambitious goal.

It's been a rewarding journey that began, as our best journeys do, with the involvement of our people. PwC Foundation sought their input from the beginning when it came to choosing where and how we could collectively make a difference. As a result, we have shared our resources, expertise and funding with charitable organisations based on the top five causes our people are passionate about – disadvantaged youth, children, poverty, health and environmental conservation.

Drawing on just some of the skills, energy and enthusiasm the firm has to offer, in just 12 months PwC staff have contributed an outstanding 8,900 hours to help transform worthwhile ideas into actions. Hamper-packing, backyard blitzes, house-painting, gardening, tree planting and toy-sorting are just some of the ways in which we have helped those in need.

PwC Foundation Partner Charles Christie explains: *"The Foundation is not just about money. It's about utilising the enormous energy and passion of our people to provide much needed support through sharing our skills and resources."*

Sharing our resources

PwC in the Community provides our people with the opportunity to spend one work day each year involved in hands-on, team-based volunteering, where they assist community organisations that support people in need. During the past year, 30 per cent of our people have participated in 166 volunteering activities. These have included:

- Painting Mission Australia centres
- Gardening blitz for Anglicare
- Planting trees for Landcare Australia

- Packing hampers for The Salvation Army and Lifeline
- Preparing meals at the Heart to Heart Soup Kitchen
- Entertaining children suffering from cancer at Camp Quality.

According to the senior development manager for Camp Quality, Libby O'Neill: *"PwC put so much effort and hard work into making the Junior Camp a magical and wonderful experience for the children. They truly got into the spirit of Camp Quality and proved that laughter really is the best medicine."*

Sharing our expertise

PwC Pro Bono is another important part of the Foundation's work. This provides our people with an opportunity to employ their technical skills to help the charity organisations with which we work. For example, in the aftermath of the Canberra bushfires, PwC Foundation assisted the local community in a variety of ways – from generous cash donations to planting trees in fire-affected areas and providing a pro bono review of the financial assistance raised by the Bush Fire Appeal.

In the last year, our pro bono services have also included:

- Authenticating Pat Rafter's signature for Cherish the Children Foundation posters (Brisbane)
- Financial, legal and tax advice for Allan Border's Trek for Kids Fund (Sydney)
- Audit and advice on workers' compensation issues for Landcare Australia (Sydney)
- Accounting advice for Camp Quality (Sydney)
- Tax return assistance for the homeless at Urban Seed Credo Café (Melbourne).

According to PwC Partner Stephen Humphries: *"The expanded relationship between Landcare Australia and the PwC Foundation enables our people to become involved. My team is sharing their skills, expertise and resources to create a lasting benefit for the environment."*

In keeping with the firm's commitment to contribute to the world of business and support our local communities, many thousands of hours of other pro bono services, additional to the work of the Foundation, have been provided to a variety of groups ranging from schools and universities to arts and religious organisations, industry groups, government entities and a number of not-for-profit organisations.

Many of these projects involved secondments while a significant number drew extensively on our expertise in the areas of assurance and advisory services, accounting and computer forensics, tax consulting, and business mentoring.

Our expertise is also shared through the PwC Corporate/Community Leadership initiative, which aims to develop corporate and community leadership skills for our people so they can be more effective in their leadership journey. As part of this initiative, Michelle Visser, a promising young leader, was awarded the Andrew Thirsk Scholarship. Michelle participated in a global PwC leadership development programme, and in a United Nations project in Zambia for three months.



It's about going beyond
the numbers and making a
difference in the community

*connectedthinking

Community – PwC Foundation

Michelle, who is a PwC Senior Manager based in Melbourne, explains: “The programme provides individuals with the opportunity to use their skills to make contributions to developing communities in ways that make a real difference – this is not only the journey but the challenge.”

Sharing our funding

Just a few blocks from our Melbourne office, Urban Seed’s Credo Café provides weekly open lunches and dinners for marginalised people dealing with issues including homelessness, unemployment and substance abuse. Contributions from the PwC People Giving initiative have helped the Café serve nearly 2,500* Sunday dinners over the last year.

The PwC People Giving initiative facilitates payroll deductions for our people so that they can support and donate to our 18 selected charities. The results are then literally doubled, as the firm matches these contributions on a dollar-for-dollar basis. During the past year, 18 per cent of our people have donated through the initiative, contributing to specific programmes identified in consultation with our charity colleagues.

“In November 2002, The Smith Family, in conjunction with PwC, launched one of our most successful workplace giving programmes,” says Michael Joyce, Corporate and Philanthropic Development Manager for The Smith Family. “The programme raised more than \$40,000 in its first six months.”

Additionally, in each of our nine offices around Australia, our people have enthusiastically participated in local fund-raising efforts for charities that support our five strategic causes, including:

- The Leukaemia Foundation’s Shave for a Cure
- Women in Super Mother’s Day Classic Fun Run/Walk
- Children’s Medical Research Institute Jeans for Genes Day
- The Salvation Army Red Shield Appeal.

These fund-raising efforts were matched dollar-for-dollar by our firm.

Support for specific national emergency appeals has included:

- Australian Red Cross Bali Appeal
- Australian Red Cross Farmhand Foundation Appeal
- Canberra Bushfire Recovery Appeal.

The combined effort of the firm and our people has resulted in \$1,062,000 contributed in our first year to assist the work of our charitable fellows.

In June 2003, the PwC Foundation Trust also received Australian Taxation Office (ATO) approval to act as an independent trust fund, facilitating donations to community organisations. The board of the Trust comprises a balance of PwC partners, staff and independent directors, and proactively seeks to support strategic relationships in line with the Foundation’s objectives as well as specific programmes with the Foundation’s community partners.

The enthusiasm of our people is contagious. We look forward to increasing PwC’s involvement in the community through further volunteering, expanding our corporate community leadership opportunities and increasing our people’s participation in the PwC Foundation’s giving initiative. The coming year will see us continue to expand our existing connections and networks as well as provide further opportunities for us to involve the broader business community. We will be building on an exciting first year, to leave a legacy of which we can be proud.

This is our commitment to our community!

2,500*

Our approach to governance

The firm continues to take a leadership position in the public advocacy of the best practice standards of transparency, accountability and integrity in corporate governance.

During 2003 the firm:

- Played a central role in co-ordinating our industry's response to the draft legislation of the latest stage of the Australian Government's Corporate Law Economic Reform Program (CLERP 9)
- Assisted the ASX Corporate Governance Council's development of the *Principles of Good Corporate Governance and Best Practice Recommendations*, published in March 2003
- Supported the updated guidelines for preparation of the narrative section of company annual reports – the *Guide to Review of Operations and Financial Condition* – published by the G100 (representing the senior finance executives of the top 100 companies in Australia)
- Supported the adoption in Australia of International Financial Reporting Standards (IFRS), which from 1 January 2005 will bring Australian accounting standards into line with globally accepted standards.

CLERP 9

Over coming months the CLERP 9 legislation that was introduced by the Australian Government in early December will be progressing through Parliament, with implementation scheduled for 1 July 2004. PricewaterhouseCoopers supports the legislation overall, taking the view that it will provide Australia with one of the world's strongest regulatory frameworks for financial reporting and auditors' responsibilities. With some reservations, our view is that the legislation contains the right balance of meeting the need for increased accountability of the auditing profession without being too prescriptive.

Overall, CLERP 9 is a positive development for transparency, accountability and shareholder rights. It embodies the spirit of the HIH Royal Commission recommendations while being responsive to the realities of the global marketplace in which Australia must compete. As such, in our view it is clearly in the national interest.

Support for ASX Governance Council and G100 initiatives

The principles-based approach of CLERP 9 was underpinned in 2003 by some important market-based initiatives.

The most significant of these was the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*, released in March 2003; and the subsequent guidance to preparing the narrative section of company annual reports, known as the *Guide to Review of Operations and Financial Condition*, by the G100 (representing the senior finance executives of the top 100 companies in Australia).

The firm assisted with these initiatives, which were aimed at encouraging markets and companies to adopt best practice standards, thereby reducing the need for excessively onerous new regulation in order to maintain investment capital flows and economic growth in Australia.

Heightened global emphasis on corporate governance has the potential to greatly add to the regulatory burden for business around the world. Australian businesses stand to benefit from aligning their reporting with the ASX Council and G100 guidelines, not least because of the relative flexibility they offer.

Many Australian boards are now focusing on enhancing governance and reporting standards. Overall success, however, will ultimately depend upon public and investor perceptions, especially as to whether companies are genuinely adopting a spirit of greater transparency and accountability.

Governance

The potential benefits of fuller, more transparent reporting include not only avoiding the need for more onerous and costly regulation, but also keeping a lid on the cost of capital.

However, PricewaterhouseCoopers research has found much dissatisfaction among global investors with the quality of non-financial company information. To further help companies meet increasingly demanding investor requirements, PwC maintained a strong emphasis during the year on the development of its ValueReporting™ methodology.

PwC initiatives on the tax aspects of corporate governance

The Commissioner of the Australian Taxation Office (ATO), Michael Carmody, recently wrote to the chairs of Australian companies offering practical guidance on the management of company tax risks.

The January 29 letter was a follow-up to a communication in mid-2003, in which Mr Carmody expressed the opinion that in line with their corporate governance obligations in respect of risk management, directors should overtly form a view on:

- How their company is going to meet its tax compliance obligations
- The stance that the company should take in managing the tax risk inherent in its operations.

In his latest letter, Mr Carmody suggests that directors ask their tax advisers for information beyond a simple statement of the tax outcome relating to a major transaction. He advises that directors should also question their tax advisers on issues such as the level of confidence they have in the correctness of their advice; the likelihood of the ATO taking a different view; whether the opinion is based upon a review of actual documents or an earlier proposed concept; whether they have independently investigated the facts or relied upon others' expectations; and whether it would be appropriate to approach the ATO for guidance.

Since Mr Carmody's first communication on these issues, PwC has begun some significant initiatives to help Australian companies engage effectively with the corporate governance implications of their taxation responsibilities.

In particular, PwC has been working with both the ATO and boards of directors to develop an approach that would provide an acceptable independent perspective of a company's tax risk profile. This approach, which we call TRACER, provides an effective starting point for board considerations of tax risk.

In our view, the way a company manages its tax risk is not only a tax issue, but is seen by the stakeholders of the company as a reflection of the company's general ability to manage business risks. If there are examples where this does not occur appropriately, the general market perception of the company may be threatened.

But there are also many matters which Treasury and the ATO should consider to make our tax system more effective. We continue to pursue a more appropriate approach to these issues in order to assist the Australian tax system to operate more effectively.

With the objective of helping companies and the ATO work together in this regard, we arranged a number of forums during the year for our clients and partners to share perspectives with key participants in the development and administration of taxation laws within Australia. Participants included Senator The Hon. Helen Coonan, the Minister for Revenue; Michael Carmody; and Michael D'Ascenzo, Chief Tax Counsel for the ATO. These forums, which allow for candour and informal conversation, are planned to continue in 2004.

Professional liability reform

PwC welcomes the recent agreement among Commonwealth, State and Territory ministers on a package of reforms that will dramatically improve the availability and affordability of professional liability insurance in Australia.

The agreement will make it possible for each Australian Parliament to legislate the package in 2004.

For some time, Australia's unlimited liability environment has been out of step with trends in other countries. It has also encouraged a litigious culture, rather than a culture of genuine accountability.

In the insurance market for auditors, safety ceilings on auditors' potential liability are necessary to contain spiralling premium increases for insurance cover. In an environment in which the number of insurers offering professional indemnity insurance has collapsed, failure to reform would raise the threat of increasing and continuing market failure. PwC therefore supports legislation to cap potential payouts by auditors, give effect to proportionate liability, and underpin nationally consistent professional standards legislation in each state and territory.

On proportionate liability, our view has always been that liability should relate to the degree of fault that may be at issue. Business failure is an inevitable part of the capital market system – and auditors should not be targeted after business failures simply because they are perceived to have deeper pockets than other parties. PwC does not suggest that the grounds for proving negligence require review. PwC accepts that auditors work within and are judged against a defined legal framework in this regard.

Governance

Code of Conduct: embodying our values

Good corporate governance begins with 'tone at the top' and becomes integral to the culture and behaviour of people at every level.

Throughout the firm's participation in the public debate around governance issues, and in our contributions to public debate on governance issues during 2003, we continued to stress that in our view the essential elements of the mindset necessary to maintain best practice corporate governance standards are:

- A spirit of transparency
- A culture of accountability
- People of integrity.

The same principles continued to provide the foundation for our internal standards. These are formalised in the PwC Code of Conduct, which contains principles and guidance on the behaviour we expect from our people, ranging from professional conduct and ethics in our business dealings, to the way we interact with each other in the firm.

Everyone at PwC has an obligation not only to know and understand the firm's Code of Conduct, but also to comply with both the letter and spirit of the Code and to help others do the same.

We have a culture that fosters a sense of personal responsibility for delivering high quality work.

Our Code of Conduct embodies our core values of excellence, teamwork and leadership, which have long been the foundations of our culture. Our values determine the way we do business, the kind of people we ask to join us, and the kind of behaviour we expect and reward.



Audit Standards Oversight Board annual report

In September 2003 the PwC Audit Standards Oversight Board issued its first annual report, assessing the way PwC monitors quality control, independence and professional education in relation to its audits of Australian publicly listed companies' financial statements.

The Board is an external group with a range of legal, regulatory, business and auditing experience. It comprises the Hon. Gordon Samuels AC CVO QC, former New South Wales Governor and Judge of the Supreme Court of New South Wales; Alan Cameron AM, former Chairman of ASIC; Jillian Segal, former Deputy Chairman of ASIC; and Robert Lynn, former Australian Audit and Assurance Standards Board Chairman and retired PwC Partner.

The Board found that PwC had established a range of measures to ensure that audit judgments are made with objectivity, which are in turn monitored through a number of reviews and procedures. An example of these is the firm's policy of ensuring that for key matters of audit judgment that require difficult decisions, the audit partner on a publicly listed audit engagement does not form a view alone. It was important that this approach to supported decision-making continued to be embedded in the firm's culture, the Board said.

The Board also found that PwC continually seeks to improve its processes for ensuring that independence standards are monitored within the firm, that

PwC has made a determined effort to ensure that appropriate measures are in place to monitor issues of independence, and that PwC has various substantial review processes designed to ensure the quality of audits.

At the same time, the Board's report recognises PwC's open attitude to review, change and continuous improvement. The Board found that there was rapid follow-up of identified issues and active support for quality and independence issues from the PwC leadership.

Our global network



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