

THE THOUSANDS OF PEOPLE WHO MAKE UP PRICEWATERHOUSECOOPERS UNDOUBTEDLY MAKE THE FIRM FAR MORE THAN THE SUM OF ITS TECHNICAL EXCELLENCE. EVERY DAY OUR PEOPLE DEMONSTRATE THEIR INTELLECT AND EXPERTISE AS THEY INTERACT AND ENGAGE PERSONALLY WITH OUR CLIENTS AND THE COMMUNITIES IN WHICH WE OPERATE. IMPORTANTLY, THOUGH, OUR FIRM CULTURE RECOGNISES THAT IN ADDITION TO TECHNICAL EXCELLENCE, SUSTAINABLE SUCCESS IS ONLY POSSIBLE WHEN IT IS MATCHED WITH HUMAN QUALITIES SUCH AS COMMITMENT, INTEGRITY, WARMTH, PASSION AND HUMOUR. IN OTHER WORDS, WE ENCOURAGE OUR PEOPLE TO DEVELOP INTELLECTUAL RIGOUR WHILE FOSTERING EMOTIONAL CONNECTIONS.

HEAD&HEART*

WE ARE PRICEWATERHOUSECOOPERS

WE PROVIDE INDUSTRY-FOCUSED ASSURANCE, TAX AND ADVISORY SERVICES FOR PUBLIC AND PRIVATE CLIENTS IN:

- CORPORATE ACCOUNTABILITY
- RISK MANAGEMENT
- STRUCTURING AND MERGERS AND ACQUISITIONS
- 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.

RECOGNITION FOR 2005

BRW–St.George Client Choice Awards: Best Large Accounting Firm, Market Leader and Best ACT Firm
CFO magazine: Accounting Services Firm of the Year
International Tax Review: Top tier of leading tax advisers
BRW magazine: Leading professional services firm

OUR CLIENTS

PwC provides services to 90 of the ASX top 100 listed companies and 704 companies of the IBIS top 1,000, including many federal and state government agencies. Our revenue grew to \$1.05 billion in 2005 (8 per cent up on 2004).

OUR PEOPLE

PwC employ more than 5,000 people.

OUR EXPERIENCE

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

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IN 2005 WE
RETAINED OUR
POSITION AS
THE NATION'S
MARKET LEADER
IN OUR INDUSTRY...

...AND SAW OUR TOTAL REVENUE EXCEED \$1 BILLION. WE WERE ALSO AWARDED THE PRESTIGIOUS ACCOLADE ACCOUNTING SERVICES FIRM OF THE YEAR BY CFO MAGAZINE. OUR FOCUS ON CLIENT SERVICE, THOUGHT LEADERSHIP AND THE INCREASING INTEGRATION OF OUR PEOPLE WITH COLLEAGUES IN THE BURGEONING MARKETS OF CHINA AND ELSEWHERE ARE AMONG THE THINGS THAT HAVE HELPED SET US APART.



CEO'S PERSPECTIVE*

Welcome to PricewaterhouseCoopers Australia's annual review for the 2005 calendar year. It was a year in which our intense focus on client service began to gather real momentum and – I am pleased to say – some inspiring results. Another major area of focus included our efforts to continue to develop the talent of our people and in doing so achieve more for our clients and the communities in which we live and operate.

Importantly, we also continued to take a leadership role in the crucial debate over regulatory reform, commenting on issues of concern to our clients, such as the need for tax reform and a reduction in the red tape that prevents our business community from being the best it can be.

FINANCIAL PERFORMANCE

In 2005, we saw our total revenue exceed \$1 billion for the first time and retained our position as the market-leading professional services firm. This represented growth of 8 per cent over 2004. Throughout 2005 and early 2006 economic conditions remained generally favourable and our firm, like many Australian-based organisations, benefited from this environment. We are also seeing a strong demand for PwC Advisory services in the booming resources, mining and energy sectors – both inbound from Chinese groups with investments or operations in Australia and outbound as Australian companies expand overseas.

NEED FOR ONGOING REFORM

PricewaterhouseCoopers remains committed to improving its own operations and the Australian business environment as a whole. We are strongly focused on the reform of business regulation and the taxation system, and continue to support and work closely with the Business Council of Australia (BCA) in these vital areas.

The growing burden imposed on business by the myriad of complex, industry-specific state and federal regulations remains one of our most significant concerns. It is a problem that we believe continues to threaten to stifle innovation and ultimately the growth of the Australian economy.

This time last year we said we believed that the Federal Government, having gained control of both houses of Parliament, had a unique opportunity to reinvigorate the national growth agenda. We acknowledge and welcome the reforms that the government has already achieved, particularly in the area of industrial relations. But we believe there are still many areas for improvement.

We also believe that the key reforms necessary identified by the BCA – reducing the tax burden, cutting red tape, renewing infrastructure and further reforming the workplace – are essential if we are to make Australia the best place in the world to live, to learn, to work and to do business.

As outlined in detail in the Governance section of this review, there are up to 600 regulatory bodies in this country, and the

volume of regulation at state, territory and Commonwealth levels has been growing at the unsustainable rate of some 10 per cent a year. We are working with investors, the business community, governments and regulators to build understanding of business issues and assist in the development of creative public policy that fosters growth while meeting the needs of all stakeholders.

We continue to argue that a well-coordinated program of regulatory reform that includes state and territory governments as well as the Federal Government would greatly assist businesses to continue to deliver economic prosperity.

The firm welcomed the inclusion of regulatory reform in the national agenda that was outlined in February 2006 by all three levels of government at the Council of Australian Governments (COAG). We applaud the Federal Government for responding to the urgency of this issue and establishing the Regulatory Taskforce. This was charged with identifying and suggesting solutions to areas of Commonwealth Government regulation that were unnecessarily burdensome, complex, redundant or that duplicated regulations in other jurisdictions.

While we await the Federal Government's full response, we are pleased that the Taskforce recommended several of the key suggestions included in our submission, in particular an ongoing regulation review process.

We remain concerned about the need for economically sensible changes to personal and corporate tax rates and legislation. There have been a number of positive developments in tax in recent years – most notably the GST, lowering capital gains taxes and adjusting income tax thresholds. However, many of these measures have not gone far enough and there is still an overwhelming need to make the tax system simpler and more efficient.

These issues are far more than the self-interested protests of the business sector. They concern the future of our competitiveness as a nation, especially at a time when our companies are being forced to comply with more and more international regulation in a 'free' trade environment.

FOCUS ON CLIENT SERVICE

Within PricewaterhouseCoopers, we have been working hard to improve our client service. As a continuation of our long-term commitment, in 2005 we embarked on a program of client care visits during which we sought – and were pleased to receive – candid feedback on our performance. Over the last 18 months we have conducted 1,700 interviews and we plan to seek feedback from many more clients. The lessons we learn from these visits yield valuable feedback and influence what we do now and in the future in terms of working better to serve our clients.

As we work towards this, there are three key things we focus on: talent, quality and service. I think it's fair to say that PwC is regarded as having market-leading technical skills across our business – from tax and assurance to due diligence and in specialist areas such as forensic accounting and actuarial services.

We continue to invest heavily in developing our people to ensure

that we hone our technical skills, while recognising that these must be matched with strong interpersonal skills. The firm also likes to encourage people to pursue passions outside of work. Our rich and diverse pool of talent includes someone with a starring role in a musical, a champion 400 metre hurdler, an aspiring film maker and a trainee pilot – to name a few! This bears testament to our belief that in order to succeed professionally our people should be well-rounded, or 'multi-dimensional', individuals. In this context we have been strongly supportive of the Institute of Chartered Accountants in Australia (ICAA) strategy to attract to our profession talented people from diverse educational backgrounds. In fact, some of our best people are from disciplines traditionally not associated with professional services, including history, pure mathematics and engineering. We will continue to work with the ICAA to ensure the success of this welcome initiative to open up ICAA membership to a larger and more diverse pool of talent from outside our traditional educational backgrounds.

Our eEquilibrium program helps our team members achieve their career and other life goals and to manage their various work and life responsibilities. At the same time, we are constantly improving the quality and delivery of our services through mandatory technical training and programs which help our people walk in the shoes of our clients and better understand their objectives. In short, we're striving to ensure that we are a pleasure to do business with.

CONTRIBUTION TO BUSINESS

Every day we ask ourselves how we can help our clients grow. Given that our clients include 90 of the ASX top 100 companies and 704 companies in the IBIS top 1,000, the success of our clients is also profoundly important for the economy as a whole.

One of the most important ways that we can provide value to clients is to learn more about, and report on, their industries. Whether it's retailing, financial services, manufacturing, telecommunications or biotechnology, we enjoy a unique perspective and produce thought leadership publications that communicate and interpret data for our clients both globally and locally. This research, which is a cornerstone of our business, contributes to debate at roundtables, seminars and conferences, in academia and the business community in general.

Last year, our global firm surveyed CEOs from 1,400 companies in 45 countries for our 9th Annual Global CEO Survey entitled *Globalisation and Complexity*. Australian CEOs were well represented, with 80 responding to the survey, the largest response outside of the US, Japan and France. The survey also featured an in-depth interview with John Stewart, National Australia Bank Managing Director and Chief Executive Officer.

The responses of Australian CEOs were broadly in line with those of the global sample. Generally, Australians are positive about the impact of globalisation on their companies. Like their global counterparts, they see over-regulation as a significant challenge. Thankfully, they are less concerned than their global counterparts about corruption and political instability.

Australian CEOs are interested in the potential business opportunities opening up in the emerging economies of India and China. They're also more confident about the ability of their companies to manage the organisational complexities arising from the implementation of growth strategies.

A high point of the year was our central role in the Forbes Global CEO Conference, held in Sydney in September. In addition to sponsoring the conference, PwC hosted top CEOs and other senior executives at a series of round table discussions focused on People, China and Growth. (Communiqués summarising the collective views of participants for each round table can be accessed on our website at the following address: www.pwc.com/au/ceoroundtables/index.html). The Growth session in particular generated a great deal of interest, and similar forums with other business leaders have followed.

HELPING OUR COMMUNITIES

Community support is a broad concept at PwC. It spans the contribution we make to the professional communities that we belong to through to thought leadership in the wider business community and through community organisations.

PwC people often go on to serve the Australian business community in senior regulatory and standard-setting roles. For example, PwC alumni are currently serving in senior roles at the Australian Securities and Investment Commission, the Financial Reporting Council, the Australian Accounting Standards Board and the International Accounting Standards Board.

In 2005, PwC also became National Innovation Partner to the Australian Chamber Orchestra (ACO), assisting in the staging of national tours, participating in the ACO Chairman's Council and supporting a development program that offers graduate-level music students the opportunity to be mentored by ACO players. The payoff is that we not only get to listen to some truly beautiful music, but are reminded of what can be achieved by an ensemble of soloists working in a collaborative environment and living the values of teamwork, excellence and leadership.

OUR FOUNDATION

The firm also provides philanthropic support to the community through the PricewaterhouseCoopers Foundation. I'm very excited about the progress we made in this area in 2005, both in terms of the support provided and the phenomenal level of engagement among our people and even clients.

Over the past three years, the Foundation has donated \$5 million to its charitable partners. In the 2005 financial year alone, that figure was \$2.86 million. Further, we have one of the highest global participation rates in our people-giving program.

Another fantastic new program this year was Elevate, a youth leadership initiative in partnership with Mission Australia. Elevate is a journey of discovery; a leadership development program for young people from diverse backgrounds and for PwC young leaders.

CEO'S PERSPECTIVE*

DEVELOPING SHAREHOLDER-FRIENDLY REPORTING

Shareholders in public companies have been right to say that annual reports and other investor communications are too long and increasingly complex. We were pleased to have been invited to work with the Australian Institute of Company Directors Reporting Committee during 2005 to develop a simple guide – the *Shareholder Friendly Report*, which has been welcomed by the Australian Shareholders' Association – to convey meaningful information about a company's performance and financial position.

CLIENT AND INDUSTRY RECOGNITION

The quality and reputation of our service offerings have been recognised in a number of recent awards. I am delighted that our efforts have been acknowledged in this way and I would like to take this opportunity to thank our clients for their support and our people for their hard work and dedication.

Most recently, PwC received three of the prestigious *BRW*–St.George Client Choice Awards. These awards were based on the views of clients and included Best Large Accounting Firm, Professional Services Market Leader and, in the state category, Best ACT Professional Services Firm. Our recognition as the Best Large Accounting Firm is an important accolade as all Big Four accounting firms were assessed in this category.

In naming us Accounting Services Firm of the Year for 2005, *CFO* magazine cited the unparalleled depth and breadth of PricewaterhouseCoopers' engagements with clients and the community, our contribution to stakeholder communication and the alignment of the firm's internal culture with our strategic objectives.

In 2005, for the fourth consecutive year, we were also named leading tax adviser by *International Tax Review*. These are all great results that reflect well on both our people and our clients.

INTERNATIONAL APPOINTMENTS

Another exciting development for us in 2005 was the appointment of Paul Brasher as chairman of PricewaterhouseCoopers International Limited. Paul's appointment as Chairman of the global board demonstrates both his enormous capacity and the relevance of his experience to the business worldwide. Further strengthening our ties with PwC's global network is Paul Koenig, Markets Leader with the European tax business.

Messrs Brasher and Koenig join Rob Ward, our former national managing partner, who was appointed head of the firm's global Assurance practice in July 2005 and Rahoul Chowdry, another from our strong Australian talent pool, who now leads the Global Assurance Capital Markets Group. These appointments reflect the depth of expertise within PwC Australia, and provide great role models to those coming up through the firm.

LOOKING FORWARD

The best organisations are energised by challenges and this is certainly true of our firm. While PwC has made great gains in the past few years, there will be many challenges ahead. Some of them will be challenges we set for ourselves, while others will present themselves as economic and business conditions continue to change.

Our strategy is designed to ensure that we remain fit for these challenges, that we maintain our edge and continue to move towards our goal to be the professional services firm of our time. This means that our people are not only technical experts but also well-rounded, empathetic individuals who understand our clients and the importance of our role in helping to shape the reform agenda, while working towards building healthier communities in which to live and work.

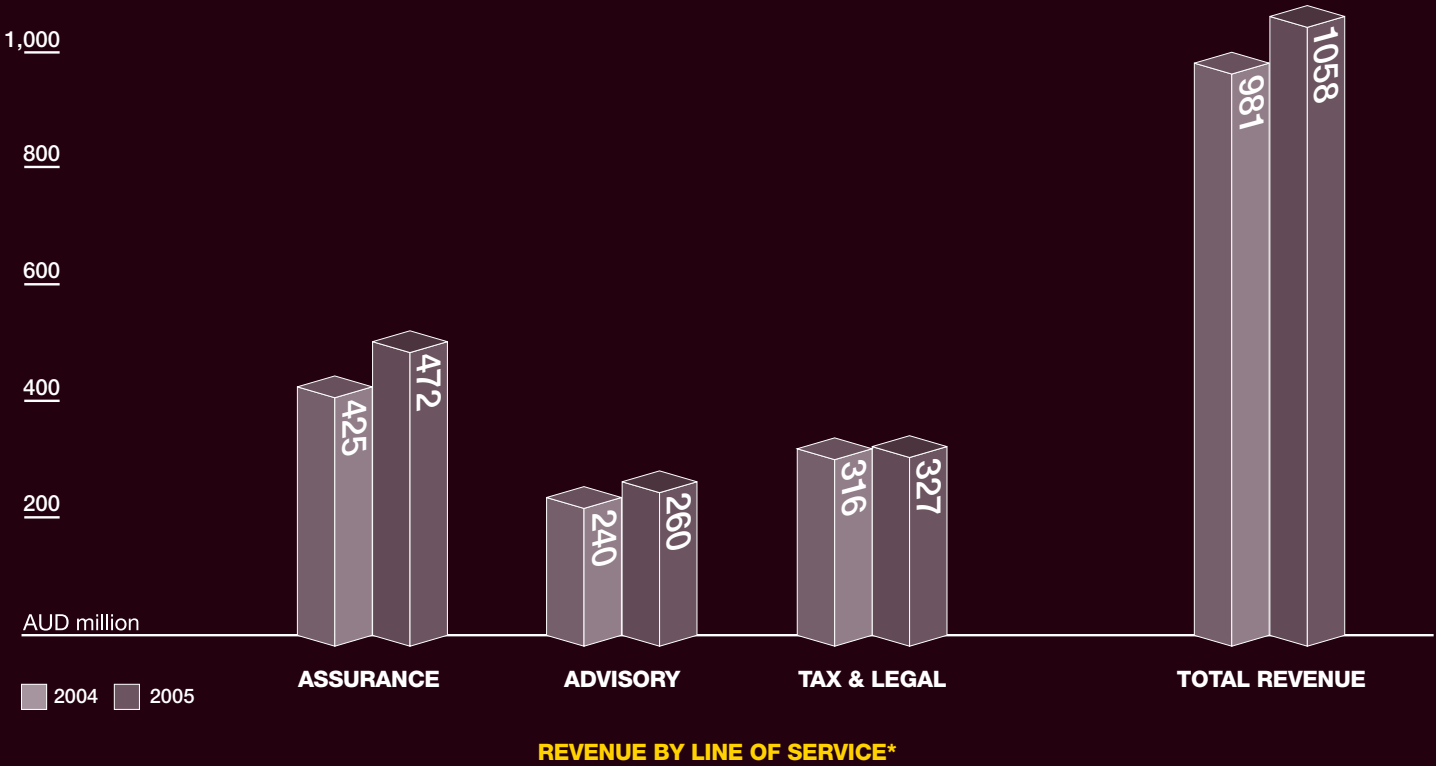
If we can successfully meet these challenges – and strive to exceed our own expectations – we will continue to make a valuable contribution to the marketplace and the community. And that's the bottom line of our business.

Tony Harrington

Tony Harrington

FACTS&FIGURES

TOTAL REVENUE FOR CALENDAR 2005 WAS \$1.05 BILLION, REPRESENTING AN INCREASE OF 8 PER CENT ON THE PREVIOUS YEAR AND CONFIRMING THAT PwC COMFORTABLY MAINTAINS ITS POSITION AS THE LEADING PROFESSIONAL SERVICES FIRM IN AUSTRALIA.



REVENUE BY LINE OF SERVICE*			
	2004	2005	Growth
Assurance	424,725	471,824	11.1%
Advisory	239,894	259,656	8.2%
Tax & Legal**	316,046	326,916	3.4%
Totals	980,665	1,058,396	7.9%

REVENUE BY MARKET SEGMENT			
	2004	2005	Growth
Assurance – Institutional	190,006	217,017	14.2%
Advisory – Institutional	292,489	307,103	5.0%
Total Institutional	482,495	524,120	8.6%
Total National Enterprise & Private Client Services	498,170	534,276	7.2%
Totals Revenue	980,665	1,058,396	7.9%

* These figures are consistent with PricewaterhouseCoopers' global reporting
** Legal refers to PwC Legal, an associated PwC firm

CLIENTS BY INDUSTRY		
	2005	Share of Business
Consumer and Industrial Products	247,700	23.4%
Retail and Consumer Goods		
Industrial Products		
Financial Services	278,436	26.3%
Banking and Capital Markets		
Insurance and Investment Management		
Resources, Services and Government	392,564	37.1%
Government		
Resources		
Services		
Construction and Transport		
Technology, Information, Communication & Entertainment	139,696	13.2%
Technology		
Entertainment and Media		
Total Revenue	1,058,396	100%

OUR
CLIENT
APPROACH
IS
INNOVATIVE
& ATTENTIVE*

OUR CLIENTS*

AS WE SET ABOUT HELPING OUR CLIENTS TO GROW THEIR BUSINESSES, WE KNOW THAT IN TODAY'S COMPETITIVE WORLD, INTELLECT MUST BE MATCHED WITH GENUINE COMMITMENT IF WE ARE TO STRETCH OURSELVES TO REACH AND EXCEED YOUR GOALS AS WELL AS OUR OWN. WE ARE WORKING HARD TO IMPROVE OUR SERVICE AND OUR EFFORTS ARE BEING APPRECIATED AS WE STRIVE TO BUILD A UNIQUE EXPERIENCE FOR OUR CLIENTS THAT WILL CONTINUE TO SET US APART.



MICHELLE CHIANG

OUR CLIENTS*
WHAT WE DO

OUR COMMITMENT TO CLIENT SERVICE

PwC has a long-held commitment to delivering excellent client service. In an ever-changing business environment, we recognise the need to create a service offering that is flexible enough to respond to changing markets and is unique to PwC, wherever clients access our services around the world.

The unique client service experience we are developing is based around four key service values and behaviours:

- **we invest in relationships**
- **we share and collaborate**
- **we put ourselves in our clients’ shoes**
- **we are focused on client value.**

In developing our relationships with clients, we take a long-term view. This includes doing our homework, knowing our clients’ business and personal drivers and sharing our expertise and insights. We spend time with our clients – building and strengthening our networks, developing a team focus and ensuring we understand what our clients need and expect of our relationship with them. We work to make our reports and documents client-focused, and aim to combine our technical expertise with a second-to-none service experience that not only meets but exceeds our clients’ expectations.



ADVISORY

TRANSACTIONS

We help clients achieve the best results from acquisitions, divestments and capital raisings by advising across the transaction value chain on deal origination and evaluation, due diligence, corporate finance structuring, deal execution, post transaction integration and value realisation.

Our expertise enables us to assist clients look beyond what the numbers say to evaluate other key transaction drivers such as strategic fit, integration challenges, risk profile, people and cultural fit.

We advise on the entire project finance value chain including public-private partnerships (PPPs), critical infrastructure and physical property strategies. We also advise on economic policy and regulation, economic modelling and business case analysis, evaluation and value realisation.

With key disciplines in forensic accounting and technology, we assist clients (including regulators) investigate and understand complex economic losses, such as fraud. We also advise on the impact and practical application of new legislation as in the case of the draft Anti-Money Laundering and Counter-Terrorism Financing Bill 2005.

We advise clients in distress, underperforming businesses and undertake corporate reorganisation with a core focus on better working capital management, margin improvement and simplification of corporate structure.

PERFORMANCE IMPROVEMENT

We help clients improve their performance by enhancing the efficiency and effectiveness of key business processes. With expertise in a range of key disciplines, we are able to navigate the complex business environment providing advice on financial, employee, operational, technology and customer-related issues.

Our customer-focused services include advice on how to improve sales strategies, customer satisfaction, channels and revenue and controls.

We help with business performance through services on governance, investment decisions, risk, compliance, financial and board effectiveness. We offer operational advice covering cost and supply chain management, and system and process improvement strategies including Six Sigma.

Technology-focussed services include advice on project services, data management and IT effectiveness including governance, spending, strategy and security. People services include advice on reward structures, leadership and talent management, culture, strategy, change management, mergers and acquisitions.

Our actuarial practice provides specialist services such as valuation, modelling, pricing, claims and credit risk services for the banking, general life and accident compensation insurance sectors.

The insights and analysis we provide assists clients make decisions that create economic and social value in the face of risk, uncertainty and complexity. We advise on strategic policy decisions such as optimising balance between risk, available capital and stakeholder value in an enterprise. We also advise on operational and tactical matters, for example valuing businesses, assessing the impact of proposed regulations and evaluating methods of delivering health services.

ASSURANCE

FINANCIAL ASSURANCE

We provide financial statement assurance and related advisory services to global and local public companies and Australian private companies. Our premier service is the provision of statutory audits for listed and non-listed entities under AGAAP, USGAAP and other reporting frameworks. We offer regulatory attestation for regulated entities and S404 controls attestation for Australian SEC registrants and foreign subsidiaries. We also assist clients with projects such as AIFRS implementation.

BUSINESS ASSURANCE

We help clients achieve their business objectives through effective control of risk. Advising boards and management about their organisation’s risks and internal controls is an essential part of our service. We conduct internal audits, test internal controls and offer IT security services and project assurance and management. By improving the efficiency of internal control systems, we provide clients with comfort that their processes are effective in minimising risk.

PRIVATE CLIENT SERVICES

We provide the firm’s full range of assurance, tax and advisory services to private businesses and high net worth individuals. We help our clients achieve their business objectives through our focus on key aspects such as business planning, tax planning and compliance, growth initiatives (including M&A and international expansion), financial management and succession.

OUR CLIENTS*
WHAT WE DO

TAX & LEGAL

CORPORATE TAX

Our corporate tax group works with clients to structure business activities and transactions in a way that appropriately manages the tax imposts and taxation risk on the business. Particular areas of focus include acquisitions, divestments and financing. Proactivity and discussion, combined with a comprehensive knowledge of tax law, enable us to achieve results, and ensure our clients meet their tax compliance requirements. This extends from tax return preparation, developing the best systems and technology to provide the information for reliable and efficient compliance, through to proactive tax planning.

COMPLIANCE SERVICES

Our compliance services group is the market leader in delivering leading edge tax management solutions. We assist businesses and organisations with tax strategy, planning and compliance; while delivering a wide range of off the shelf and customised tax products. These include compliance reporting solutions for corporate income tax, fringe benefits tax, trust distributions, property taxes, indirect tax (VAT/GST & sales tax), IFRS and international tax issues. We assist our clients to manage their global tax compliance issues, risks and opportunities to allow them to meet all deadlines and obligations in a controlled manner. We have a strong international network of tax compliance specialists providing a consistently high quality service, coordinated across as many territories as our clients require.

SPECIALIST, TRADE & TRANSACTION TAXES

We specialise in the area of indirect tax, research and development, stamp duty and transfer pricing. Our indirect tax specialists help businesses to optimise their position in relation to all types of indirect taxes including goods and services tax, customs and excise. In the area of research and development, we assist businesses to claim income tax concessions or income tax rebates for research and development, and government grants and assistance. Our stamp duty practice helps clients minimise transaction costs and get the best results from mergers and acquisitions, business reorganisations, asset disposals and acquisitions. Our transfer pricing practice advises businesses on managing the tax risk associated with cross-border flows of goods, services and capital. We assist with transfer pricing strategies, negotiating advance pricing agreements and negotiating and managing ATO reviews and audits. Across all indirect taxes we help clients with compliance, audit and dispute resolution, transactions and investments.

INTERNATIONAL ASSIGNMENT SOLUTIONS

Our international assignment specialists work with organisations to deliver efficient, cost-effective international assignment programs that effectively manage risk. The team provides a 'one stop shop' for all expatriate services including individual tax compliance; share plans; design, implementation and management of international assignment programs and policies; cost projections for all aspects of international assignments; preparation of assignment documentation; initiation and co-ordination of service providers; strategic tax structuring and planning across jurisdictions; expatriate and HR communication; repatriation advice; corporate governance, risk management and client service feedback; and policy and HR benchmarking advice.

INTERNATIONAL TAXATION

Our international tax services group is experienced in addressing issues associated with tax, legislative and regulatory developments throughout the world. We help multinational businesses achieve their business goals in a tax efficient manner, both locally and globally, assisting companies investing in Australia and overseas with formulating and implementing effective, tax efficient cross-border strategies for investments, managing the global structural tax rate and keeping up-to-date with new developments affecting their business locally and globally.

MERGERS & ACQUISITIONS

Our merger and acquisition group provide support to companies to manage their tax risk and ensure future net cash flows are optimised when making an acquisition, disposing of a non-core business or going through a merger. The team deliver thorough, quantitative analysis, rigorous implementation and leading-edge structuring techniques. Services include assessment and management of acquisition/merger risk; structuring acquisitions to optimise net cash flows; carrying out pre-acquisition due diligence; and ensuring tax efficient deal structuring and post-deal integration.

PERSONAL WEALTH AND TAX STRATEGIES

Our team provides comprehensive personal wealth management solutions for executives and high net worth individuals, offering advice in the areas of personal tax planning and compliance; transaction management; superannuation, retirement and estate planning. We assist with the preparation and lodgement of financial statements and income tax returns for private companies, trusts, self-managed superannuation funds, partnerships and individuals. In the case of an audit we act on behalf of our clients to correspond and negotiate with the Tax Office; and prepare private ruling requests where required. We ensure tax-effective structuring around the acquisition and disposal of assets; help our clients manage cash flow, liquidity and debt to ensure deemed dividends are avoided where possible; and develop tax effective family structuring that takes account of long-term family goals.

EMPLOYMENT TAXES

Our national team of employment tax specialists is experienced in advising on all employment taxes and associated matters, including fringe benefits tax; reportable fringe benefits; superannuation, including eligible termination payments, superannuation guarantee and redundancy; payroll tax; workers compensation; salary packaging and total employment cost; taxation of remuneration; implementation of contractor management systems and novated leasing. Our team offers advice and assistance with risk management and compliance, implementation of effective policies and systems and cost management.

PWC LEGAL

Our legal practice offers services covering all aspects of corporate and commercial law, employment and industrial relations, environment and tax and regulatory controversy. In support of these practice areas we also offer property and dispute resolution services.

OUR CLIENTS*
CONSTRUCTION & TRANSPORT

Property companies have had very strong growth over the last year, tapping into the considerable investment monies available. A major issue for these companies, however, has been sourcing sufficient numbers of suitable properties in which to invest. Increasingly, the search for new investment opportunities is going offshore, with the creation of vehicles to invest in Asia, the US and Europe. The construction industry has also had a strong growth period with infrastructure-related construction activity. Commercial building growth has remained steady, adding to confidence of the industry. The increasing turnovers of the larger construction companies give a good indication of its current health, although instances of not adequately managing risks on major projects threaten prosperity.

Infrastructure financed by public-private partnerships (PPPs) is having a mixed reception in several states, but in our view the PPP model remains strong and will be a key part of infrastructure provision in future years. The transport and logistics area is undergoing fundamental change. Traditionally a fragmented industry which included a number of government agencies, the growth in larger entities with a greater reach across the sector is bringing with it better management and greater efficiencies, which have the potential to benefit the Australian economy. Companies are currently looking to position themselves for the future, in order to not only survive these changes, but to prosper under the new environment.

In the property and construction areas, the forecast is essentially upbeat, as demand remains strong. However, stresses associated with a dearth of suitable projects may become evident over the next few years. The transport and logistics area can expect some volatility going forward, as the restructuring of this industry will continue for some time.

1
CASE STUDY
LEND LEASE:
MANAGING
PAYROLL ISSUES
FOR OVERSEAS
EMPLOYEES

Lend Lease is no stranger to managing the problems that can arise in supporting employees in different jurisdictions. For some 45 years this Australian company has been developing, constructing and managing real estate assets in more than 40 countries around the world. In late 2005 however, the company seemed to have encountered an unexpected and baffling payroll issue in relation to its employees in the UK and the US. Fortunately, PwC was able to help. The difficulty arose from the fact that the salaries of the UK and US employees were being paid out of a Lend Lease Trust in Australia, which meant that their pay was liable to Australian withholding tax. The first challenge was to ensure that the employees received an appropriate credit for the Australian withholding tax from the relevant tax authorities. The second was to ensure that the UK employees would not only receive the credit, but would do so without having to submit personal tax returns. (These do not normally have to be submitted in the UK and would have created significant inconvenience.) After the company received an opinion that these challenges could not be resolved within the available time, PwC became involved. Following an urgent call from the company to an Australian partner, the firm immediately swung into action. First the advice of PwC’s Australian international tax specialists was sought. Then PwC people in the UK and the US were called upon to assist. The outcome? The UK and US authorities agreed to give the relevant credits to the Lend Lease employees. The UK employees were not required to submit tax returns. And all this occurred within the required timeframe.

“PwC’S ABILITY TO DIGEST THE COMPLEX ISSUES INVOLVED, DECISIVENESS AND EXECUTION OF THE PROPOSED COURSE OF ACTION WERE OUTSTANDING. THE OUTCOME DELIVERED WAS BEYOND OUR EXPECTATIONS.”

Paul Hooper, Lend Lease’s General Manager, Tax and Finance

2
CASE STUDY
PATRICK
CORPORATION:
MEETING THE
CHALLENGES

In March 2005, Patrick Corporation significantly expanded its operational capacity by acquiring a majority stake in the airline Virgin Blue. One result was that PwC would become Virgin Blue’s auditor as well as auditor for Patrick. The transfer of the Virgin Blue audit to PwC required a case to be made to Virgin Blue on the grounds of overall audit quality and commercial cost-effectiveness. It also required Virgin Blue’s decision for the change to be approved by the Australian Securities and Investments Commission (ASIC). This change process was still underway when, in August, Toll Holdings made its \$4.6 billion takeover bid for Patrick. Patrick appointed PwC to provide assurance on forecasts for inclusion in the company’s Target Statement to shareholders rejecting the offer. Since the Target Statement had to be made under the Australian equivalent of the International Financial Reporting Standards (AIFRS), management also took the opportunity to fully implement the switch to AIFRS in both Patrick and Virgin Blue, thereby ensuring the forecasts were prepared on an appropriate basis. A lot of work was needed in a short time. At the time of writing, the bid was still open.

“IN WHAT HAS BEEN IN MANY WAYS A CHALLENGING YEAR FOR PATRICK, PwC HAS AT ALL TIMES SHOWN TOTAL COMMITMENT AS OUR AUDITOR. THE COMMITMENT HAS BEEN NOT ONLY TO DELIVER A QUALITY AUDIT, BUT ALSO TO HELP US UNDERSTAND AND USE THE INFORMATION GATHERED DURING THE AUDIT PROCESS AS EFFECTIVELY AND EFFICIENTLY AS POSSIBLE FOR THE BENEFIT OF SHAREHOLDERS. THE ADVICE THEY HAVE GIVEN US IN RELATION TO THE TARGET STATEMENT AND THE RELATED SWITCH TO AIFRS HAS BEEN ESPECIALLY IMPRESSIVE.”
Rob Dunn, Finance Director, Patrick Corporation Limited

COMPANIES ARE CURRENTLY
LOOKING TO POSITION
THEMSELVES FOR THE FUTURE,
IN ORDER TO NOT ONLY
SURVIVE THESE CHANGES,
BUT TO PROSPER UNDER THE
NEW ENVIRONMENT.

OUR CLIENTS*
CONSTRUCTION & TRANSPORT

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CASE STUDY

**QANTAS:
PROVIDING
COMPLEMENTARY
SKILLS**

Qantas is an iconic Australian brand and one of the strongest airlines in the world, carrying more than 32 million people to destinations in some 40 countries over the course of a year. In an industry that has globally lost more than \$45 billion since 2001, Qantas is also one of a very small number of airlines that has been consistently profitable.

PwC works with Qantas across several areas of its operations. Examples are due diligence on acquisitions as the company pursues growth and diversification, executive remuneration strategy and simplifying business processes and cost control in the face of rising fuel prices, escalating security charges and increasingly intense competition. A PwC work stream known as internal audit co-sourcing illustrates how Qantas is continually upgrading and modifying procedures to meet changing circumstances according to exacting standards. It also illustrates the great diversity of PwC's engagements with the company.

Work that the firm has recently completed as preferred supplier of internal audit services for Qantas includes upgrading security for the company's website, reviewing the controls framework around 10 of the company's largest outsourcing contracts conducting stress-testing controls around the treasury function and conducting an enterprise-wide review of reporting structures for seven different risk management functions covering controls, compliance, security and safety. In much of this work, Qantas' own existing skill base is complemented by PwC people with deep, 'been there, done that' hands-on experience, often including past responsibility for similar functions in other large companies.

"A LOT OF THE WORK THAT PwC DOES WITH US IS CARRIED OUT ON VERY SHORT NOTICE. PwC CAN DO THAT BECAUSE THEY KNOW US WELL, THEY HAVE GREAT RESOURCES OF PRACTICAL EXPERIENCE AND WE KNOW WE CAN RELY ON THEM. IT'S A RELATIONSHIP THAT'S CONTINUING TO HELP US MAINTAIN WORLD-CLASS STANDARDS, ENSURING A COMPETITIVE AND PROFITABLE LONG-TERM FUTURE FOR QANTAS."

Rob Kella, Chief Risk Officer, Qantas

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CASE STUDY

**MIRVAC
AND JAMES
FIELDING GROUP:
THE THEME
IS GROWTH**

Mirvac provides services in diversified property investment and management, property development, hotel management and funds management. Mirvac Group's January 2005 acquisition of former rival James Fielding Group consolidated its position. As a result of the merger, a planned management transition was required at Mirvac.

PwC has for many years provided audit, tax and other related advice to both Mirvac and James Fielding (and its predecessor companies), including the original stapling of the Mirvac Group in 1999 and the formation of the James Fielding Group in 2001. PwC advised on the accounting consequences of the transaction. Since completion of the merger, PwC continues to work with the expanded group across a wide range of areas, assisting the company in its strategy of ongoing further expansion including ventures in the US and new funds for retail investors in development and tourism, to name just some.

"WE HAVE A RELATIONSHIP WITH PwC WHICH GOES BACK MANY YEARS AND WHICH HAS ALWAYS BEEN BASED ON MUTUAL RESPECT. THEIR ADVICE IS SOMETIMES CONTRARY TO WHAT WE ARE TRYING TO ACHIEVE; HOWEVER, IT IS ALWAYS ACCURATE. ITS QUALITY, CLARITY AND CANDOUR ARE WHAT WE APPRECIATE - AND THEY OFFER ALTERNATE SOLUTIONS. IT'S WHAT RESPECT IS ALL ABOUT. THAT'S ALSO WHAT MAKES THE RELATIONSHIP WITH PwC SO STRONG AT ALL LEVELS, RIGHT THROUGH THE MANAGEMENT RANKS UP TO THE BOARD."

Greg Paramor, Managing Director, Mirvac Group



**THE TRANSPORT AND
LOGISTICS AREA CAN
EXPECT SOME VOLATILITY
GOING FORWARD, AS THE
RESTRUCTURING OF THIS
INDUSTRY WILL CONTINUE
FOR SOME TIME.**

OUR CLIENTS*
INVESTMENT MANAGEMENT

The investment management industry is growing steadily and the outlook remains optimistic, due to mandated superannuation contributions, strong domestic equity markets and continued penetration by the funds industry into the savings markets. However, questions remain regarding whether asset-price-driven growth has masked a need to improve operational excellence and cost efficiency. In order to sustain the growth they have enjoyed over the past year, investment managers must equip themselves with operational risk management systems that can cope with increased regulatory focus. Breaches of Financial Services Reform legislation, human resources issues and unit pricing errors are pressing issues for the sector. Investors are demanding integrity and trustworthiness when choosing a fund manager. Brand image and reputation offer a strong opportunity for profit but unit pricing errors can lead to large losses and reputation damage. Increased competition has meant lower management fees and charges – which has made the desire to deliver the best client service even more challenging. The legislative and regulatory framework governing investment management, product distribution and advice has become more comprehensive, and regulators have become more active in enforcing compliance. Staff costs and headcounts have traditionally been important performance indicators for the industry. This year has seen increases in both areas. The conventional approach to managing risk – deploying more staff to resolve problems – is reactive and expensive. The industry needs to take a more strategic and sustainable approach to identifying future risks and investing in appropriate systems. Another issue for the industry is product rationalisation. Older products and legacy systems are increasingly difficult and costly to manage. The higher cost of managing these products will be passed on to existing investors. Legislative relief is needed to facilitate the rationalisation of these products.

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CASE STUDY
WAMBO POWER VENTURES:
POWERING NSW

The NSW Government has given approval for a 600-megawatt gas-fired electricity power station at Wagga Wagga to be developed by Wambo Power Ventures (WPV) – a joint venture of investment bank Babcock & Brown and Brisbane-based power developer ERM Power. PricewaterhouseCoopers Legal acted for WPV in relation to environmental and planning requirements for the proposed development, which will be one of the largest NSW has seen in recent times. The NSW Planning Minister asked the NSW Commission of Inquiry to report on all environmental aspects of the development. Impressed by the firm’s work on an earlier matter, Babcock & Brown on behalf of WPV asked for PwC Legal’s help in preparing submissions and representing it at the inquiry, and in keeping the public informed about the development and its benefits. PwC’s submission for WPV emphasised that the gas-fired plant would produce a far lower intensity of greenhouse gas emissions, as recognised under the NSW Greenhouse Gas Abatement Scheme. Further, to lessen the visual impact of the power station, a landscaping and vegetation management plan was proposed. In fulfilling this brief, PwC Legal’s environment and planning group drew on its detailed understanding of NSW planning and policy issues relating to power infrastructure, and addressed the growing concern among policy makers and the public about greenhouse gas emissions. Planning principles relating to ‘project justification’, the precautionary principle, the visual impact of the development and civil air safety requirements were also addressed. The power station is expected to be in commission by 2007.

“PwC LEGAL HAS A THOROUGH UNDERSTANDING OF THE ISSUES INVOLVED IN INFRASTRUCTURE PROJECTS OF THIS SORT. THEY ARE ALWAYS APPROACHABLE AND WORK EXTREMELY WELL AS A TEAM, WHICH WAS VERY IMPORTANT GIVEN THE COMPLEXITY OF THE PROJECT AND IN PARTICULAR THE MULTIPLE EXPERTS CALLED AT THE INQUIRY.”

Louise Thurgood, Babcock & Brown

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CASE STUDY
RUBICON GROUP:
STRENGTHENING
THE GLOBAL
PROPERTY
PORTFOLIO

Rubicon Group, founded in 2001 as an independent asset management firm, has grown rapidly as a leading participant in the recent trend toward offshore property investment through listed trusts. After listing Rubicon America Trust on the ASX in December 2004, the company undertook a substantial capital raising to fund the acquisition of more US real estate in June 2005. Then in November 2005 the Group launched Rubicon Europe Trust to give investors a new opportunity to gain exposure to European real estate through an ASX-listed vehicle. PwC was deeply involved in all the property transactions. In Australia, assurance, tax and transaction services assisted with the capital raisings for the funds. In addition, PwC colleagues in the US and Germany assisted in structuring and local due diligence. The strong global real-estate network worked smoothly to give the client the rapid turn-around needed. The European portfolio consists of three German office buildings, two located in Frankfurt and one in Berlin. Rubicon expects to add to this initial portfolio by making pan-European acquisitions. The company now has more than \$1.2 billion in property assets under management and is also considering other offshore investment vehicles.

“PwC’S WORK WITH US TO DATE HAS BEEN A PRACTICAL DEMONSTRATION OF THE FIRM’S DEEP AND EXTENSIVE CROSS-BORDER CAPABILITIES IN ACTION. I’M DELIGHTED TO ADD THAT PwC HAS NOT ONLY SHOWN ITS DEEP UNDERSTANDING OF INVESTING IN INTERNATIONAL MARKETS, BUT HAS ALSO CONSISTENTLY DELIVERED TO OUR VERY TIGHT DEADLINES.”

Gordon Fell, Executive Chairman and Managing Director, Rubicon Group

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CASE STUDY
GPT GROUP:
NEGOTIATING
THE MILESTONES

The GPT Group (GPT), a PwC audit client and diversified listed property group, has recently passed some of its most important milestones – during which PwC has provided advice – since its listing on the ASX in 1971. In June 2005 unit holders in GPT approved a proposal to internalise the management of the Trust – previously managed by Lend Lease – and to create a new ‘stapled’ entity: the GPT Group. This was the culmination of a challenging period that ultimately included negotiating the GPT Group’s separation from Lend Lease, but only after consideration of a merger with Lend Lease and a successful defense against a takeover offer from Stockland Corporation.

“PwC’S DEEP INDUSTRY EXPERTISE HAS BEEN EVIDENT IN THE ADVICE AND ASSISTANCE THEY’VE GIVEN US ON THE TRANSACTIONS WE COMPLETED DURING THE YEAR. IN ADDITION, THE PwC TEAM WORKED CLOSELY WITH US IN ADDRESSING THE COMPLEXITIES OF AIFRS AND WITH GPT BEING ONE OF THE FIRST ENTITIES IN OUR INDUSTRY TO ANNOUNCE UNDER THE NEW REGIME, THEY WERE CRITICAL IN ENSURING THAT WE MET OUR REPORTING DEADLINES.”

Kieran Pryke, CFO, The GPT Group

OUR CLIENTS*
INSURANCE

WHILE 2005 WAS ANOTHER STRONG YEAR FOR RESULTS FOR THE INSURANCE INDUSTRY, PRESSURE ON PREMIUM RATES AND EXTERNAL FOCUS ON THE INDUSTRY CONTINUED TO GROW, AND THESE TRENDS ARE LIKELY TO CONTINUE DURING THE COMING YEAR.

In the general insurance sector, there has been much discussion about the need to at least maintain technical pricing levels to ensure adequate returns over the next stage of the insurance pricing cycle. APRA has continued to amend the prudential regulatory framework, making specific changes to the LMI capital requirements, as well as the release of the Stage 2 reforms in early 2006. In the life insurance sector, there has been a general renewed focus on risk products and the level of under-insurance in the Australian market. On the regulatory front, the high-profile issue has continued to be unit pricing with a number of enforceable undertakings requiring considerable management time and energy. A number of life and general insurance companies reported for the first time under AIFRS in 2005 – a process which also required a considerable amount of time and effort. While there appears to have been a high level of consistency on how the judgemental issues have been interpreted, there are likely to be some issues requiring further consideration during 2006.

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CASE STUDY
IAG: HELPING
TO MIND
THE GAPS

Insurance Australia Group (IAG) is Australasia's leading general insurance group, owning some of the region's biggest brands. As the company's actuarial advisers, PwC has developed a strong working relationship with IAG over the years. When considering its yearly purchase of catastrophe reinsurance, IAG calls on PwC's specialised knowledge of the area, asking the firm to perform a strategic review of IAG's catastrophe program design and its placement with external reinsurers. Due to the highly technical nature of reinsurance, IAG is keen to ensure that there are no gaps or risks in its program. Working closely with IAG's reinsurance team, PwC analyses the program's design to determine that it meets IAG's needs. Once the program is placed with external reinsurers, PwC undertakes further assessments to guarantee that the program accurately reflects what IAG has designed, reporting back to the company on any issues we detect. The nature of the assignment is highly specialised, with the only other expertise in the marketplace coming from reinsurance brokers. PwC offers IAG independence and technical expertise, as well as bringing to the project a deep understanding of IAG's aims and needs, via the strong existing relationship with the company.

“PwC'S EXTERNAL REVIEW OF OUR CATASTROPHE PROGRAM SHEDS VALUABLE LIGHT FOR THE IAG RE BOARD ON WHAT IS OTHERWISE AN OPAQUE PROCESS.”

Jan van der Schalk, Head of Reinsurance, Insurance Australia Group

IN THE LIFE INSURANCE
SECTOR, THERE HAS BEEN
A GENERAL RENEWED
FOCUS ON RISK PRODUCTS
AND THE LEVEL OF
UNDER-INSURANCE IN THE
AUSTRALIAN MARKET.

OUR CLIENTS*
BANKING & CAPITAL MARKETS

Many financial institutions have posted record results, and both shareholders and customers have reaped the benefits. However, system credit growth has eased and the benign loan loss environment is likely to turn soon. The cooling in the housing market has been partly offset by increases in business lending and credit card debt. The emergence of foreign banks, non-banks and brokers has applied significant pressure on established institutions at a time when bank customer loyalty is considered to be at an all-time low. Local banks have responded with products such as high-interest, at-call online deposit accounts in response to similar successful offerings from ING Bank and HBOS (BankWest). Regional banks have experienced high growth this year, helped along by low-cost distribution channels, a strong customer focus and expansion activity. Considerable consolidation activity is underway among the country’s credit unions and mutuals.

The mountain of regulatory change faced by Australian financial institutions over the past few years has caused significant distraction. These include responses to Basel II, Sarbanes-Oxley, the Financial Services Reform Act and the introduction of International Financial Reporting Standards. In response to increased regulatory scrutiny and greater customer expectations, financial institutions will simplify their offerings and make them easier to understand. Efforts will also be directed to simplifying internal platforms and processes to reduce costs and the risk of compliance breaches.

Over the next few years, financial institutions will seek to ensure that they are customer centric, focused on areas of competitive advantage, able to adapt to forces of fragmentation and flexible enough to exploit new opportunities as they arise.

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CASE STUDY
MACQUARIE BANK: A GROWING GLOBAL PRESENCE

In recent years, Macquarie Bank has built an international presence, employing more than 7,600 people in 23 countries. As Macquarie has grown, so has the level of assurance and transaction services advice the Bank requires from PwC.

On 20 October, the Bank announced its \$526 million acquisition of the Isle of Man Steam Packet Group Ltd, the longest continuously operating passenger shipping company in the world. The company has been providing passenger and freight services between the Isle of Man and UK and Irish ports since 1830.

The following day, the Bank signalled its intention to acquire 100 per cent of Cook Inlet, a US energy company that provides physical natural gas trading, transportation and storage services to North American gas producers, utilities, wholesalers and industrial end users. The acquisition was completed later that month.

The Bank subsequently announced plans to co-invest \$150 million in a Hong Kong property joint venture with Macquarie Goodman Group, providing 50 per cent of the funding for three Hong Kong properties – Global Gateway, Evergain Plaza and the Dynamic Cargo Centre – and receiving a proportionate share of the income from them.

As auditor of the Bank, its subsidiaries and the funds that it manages, PwC provides advice to Macquarie in relation to transaction work. It also provides accounting and tax advice. The depth and breadth of advice the firm provides to the Bank indicates the range of global services PwC coordinates from Australia for clients operating internationally.

“PwC PROVIDES THE BANK WITH THE SKILLS AND THE REACH WE FREQUENTLY REQUIRE.”
Greg Ward, CFO, Macquarie Bank Limited

THIS YEAR, PwC RELEASED *PIECING THE JIGSAW* – A GLOBAL PAPER FOCUSING ON THE FUTURE OF THE FINANCIAL SERVICES INDUSTRY OVER THE NEXT THREE YEARS. *PIECING THE JIGSAW* CONSIDERS INDUSTRY DRIVERS, RISKS AND OPPORTUNITIES, AS WELL AS POTENTIAL IMPACTS ON EXISTING AND POTENTIAL PLAYERS IN THE INDUSTRY. FOR FURTHER INFORMATION OR A COPY OF THE FULL GLOBAL STUDY, PLEASE VISIT OUR WEBSITE: WWW.PWC.COM/AU

**OVER THE NEXT
FEW YEARS, FINANCIAL
INSTITUTIONS WILL SEEK
TO ENSURE THAT THEY
ARE CUSTOMER CENTRIC
AND FOCUSED ON AREAS
OF COMPETITIVE
ADVANTAGE.**

OUR CLIENTS* BANKING & CAPITAL MARKETS

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CASE STUDY

NATIONAL AUSTRALIA BANK: THE CHALLENGES OF US COMPLIANCE

As an organisation registered with the US Securities and Exchange Commission, National Australia Bank (NAB) is one of a number of Australian companies obliged to comply with the far-reaching provisions of the US Sarbanes-Oxley Act of 2002.

Among the most far-reaching of all the Sarbanes-Oxley (SOX) provisions is the section related to internal controls. Known simply as Section 404, the legislation requires not only the establishment of internal controls structures and procedures for financial reporting, but also inclusion in the annual report of a signed assessment by management of the effective operation of those controls. The external auditor is also required to report on the management assessment.

PwC has worked with NAB on implementation of Section 404 at a time when NAB people have been engaged on many other high-priority projects, such as Basel II, IFRS and other regulatory requirements. As a result, PwC has provided advice for NAB's Section 404 project.

The PwC team that has worked with NAB on this project started with a part-time specialist, but expanded to encompass PwC people from all lines of service, helping on 17 work streams across all the Bank's regions.

The extent of this work illustrates the extensive implications of Section 404 for a major international financial services organisation. However, it would be a mistake to see the implementation as simply a compliance requirement. NAB is constantly reviewing the controls identified through the SOX process to determine ways of developing a more robust and efficient control framework.

A key reason for the success of the work was that PwC people worked alongside NAB people to deliver against NAB's objectives, enabling smooth knowledge transfer. PwC was also able to coordinate our teams across three continents and multiple work streams.

PwC leveraged our global knowledge and experience providing NAB with SOX 404 training and a practical approach to compliance.

NAB is now well placed to attest to its first year of SOX 404 compliance in September 2006, and will continue to explore with PwC techniques to ensure that the process is sustainable in the long term.

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CASE STUDY

WESTPAC: KNOWLEDGE SHARING

Financial services organisations have had to deal with major changes in the global and Australian regulatory environment in recent times – including the introduction of International Financial Reporting Standards (IFRS), Sarbanes-Oxley requirements for US-registered companies and the impending implementation of Basel II.

As Westpac's auditor, PwC works closely with the Bank, sharing insights and information on the increasing demands of regulatory compliance.

Over 200 Westpac staff and senior executives and the entire external audit team participate in our Westpac-specific financial reporting day, held annually. Discussions are typically kicked off by 'hot topic' presentations from the PwC experts on, for example, new international financial reporting standards or emerging US interpretations of Sarbanes-Oxley requirements. These are followed by Westpac presenters discussing practical applications for the Bank.

The spirit of the day exemplifies the transparent nature of our relationship.

"IT'S NOT ONLY PwC'S TECHNICAL EXPERTISE THAT WE APPRECIATE. THE COMMITMENT TO QUALITY THAT THEY SHOW IN THEIR WORK WITH US, AND THEIR OPENNESS IN ALL COMMUNICATIONS, FITS PERFECTLY WITH OUR PASSION AT WESTPAC FOR EXCELLENCE IN EVERYTHING WE DO."

Bill Starr, Group Controller, Westpac

OUR CLIENTS*
GOVERNMENT

In 2005, PwC demonstrated its commitment to our Federal Government clients by opening an Office of Federal Government Services (OFGS) in Canberra. The OFGS brings to bear the full benefits of PwC’s experience in public policy implementation with governments around the world, and presents PwC’s business offerings in a way that is specially tailored to government needs. The OFGS complements our state government offices in Brisbane, Sydney, Melbourne, Adelaide and Perth and, combined with our government practices across the globe, gives PwC unparalleled insight into issues affecting government and solution options to these issues. Within our government practice, we have aligned our range of financial and business skills to address the major issues facing government at all levels in Australia.

- PwC has developed key teams around the four strategic issues of:
- Health and Ageing
 - Infrastructure
 - Education
 - Water.

From economic modelling and financial services through to clinical trials, business change and operational efficiency, PwC has the expertise to deliver real value to our government clients. Government is continuing to work on ways to reduce tax and cut the red tape burden, to increase the workforce’s skills base, to have greater security around future water use and to develop policies that will help the country cope with increasing health demands and an ageing population. PwC looks forward to working with the public sector on solutions to pressing issues facing Australia in 2006 and beyond.

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CASE STUDY
NSW RTA:
ESTABLISHING
A PROOF OF
IDENTITY UNIT

The Roads and Traffic Authority (RTA), as the dispensing agent for NSW driver’s licences, has an important role to play as a gatekeeper against identity fraud in Australia. The agency approached PwC for assistance in developing a Proof of Identity Unit within the RTA. PwC put together a team with strong industry experience and complementary skill sets to scope out the project. The team’s breadth of skills and experience covered identity fraud, consulting and people skills, data management and data remediation. The first part of this project was to gain an understanding of the issues faced by the RTA by analysing the type of customer data gathered by the agency and how this data is gathered. PwC worked with both frontline and management staff to map RTA systems and processes and identify areas for improvement. PwC then established a series of sub-projects, including the development of risk models and risk categories, designed to get the organisation ready to operate the Proof of Identity Unit. Based on its extensive research and process mapping, PwC has developed a comprehensive plan of action for the development of a Proof of Identity Unit within the RTA and is currently advising the RTA on the best way to proceed.

“PwC’S EXCELLENT PEOPLE SKILLS, COMBINED WITH THEIR KNOWLEDGE OF IDENTITY FRAUD, THEIR UNDERSTANDING OF THE PROCESSES TO COMBAT IT AND THE WAYS IN WHICH YOU MIGHT BE ABLE TO DETECT IT HAS PROVEN TO BE AN IDEAL MIX.”
NSW Roads and Traffic Authority

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CASE STUDY
THE CHILDREN’S
HOSPITAL AT
WESTMEAD:
IMPROVING THE
PATIENT JOURNEY

The Children’s Hospital at Westmead in Sydney has a well-earned reputation for delivery of quality care by the very best doctors, nurses and other health professionals. To ensure that the patient journey through the hospital is as simple, easy and efficient as possible, the hospital engaged PwC to work with the hospital’s Clinical Redesign Unit. Clinical Redesign is a method for achieving continuous improvement in healthcare by evaluating and redesigning clinical processes around the patient journey. For example, a sick child may be brought to the Emergency department, be admitted to a ward, be sent to theatres for surgery, be moved back to the ward, be discharged and then return to the hospital for follow-up appointments through outpatient clinics. A PwC multi-disciplinary team of around 15 people was mobilised to help redesign this journey, concentrating on the flow between each of the stages to ensure that patients moved through it as efficiently as possible. The skills harnessed by the team ranged from strategic risk and change management to process improvement, and included both quantitative and qualitative elements. For example, rigorous ‘Six Sigma’ statistical analysis in areas such as cancellations of bookings both demonstrated the necessity of process redesign to senior medical staff and showed the benefits of change. At the same time, PwC qualitative change managers ‘socialised’ the process through ‘fun’ groups and other attention-grabbing activities throughout the hospital. By engaging the entire hospital staff, within 13 weeks the team identified about 150 areas for improvement in the patient journey, which were then bundled into 38 key areas of recommendations. The recommendations also reflected consultations with recognised world experts and were supported by a detailed literature review – published on the hospital intranet – of the best global practices. The results of the project will be impressive, including shorter waiting times for elective surgery, quicker admissions to wards from the Emergency department, improved safety, provision of potentially more convenient care options and reductions in the number of necessary visits to the hospital.

“PwC HAS BROUGHT TREMENDOUS VALUE TO THIS PROJECT. THE WAY IN WHICH THEY HAVE INTEGRATED WITH THE HOSPITAL CLINICAL REDESIGN UNIT TO FORM A SEAMLESS TEAM THAT HAS THEN WORKED TOGETHER WITH THE HOSPITAL STAFF, IN OUR VIEW PROVIDES A MODEL OF HOW ALL SUCH REVIEWS SHOULD BE RUN.”
Lyn Dean, Director of Clinical Operations and Nursing, The Children’s Hospital at Westmead

THIS YEAR, PwC DEMONSTRATED ITS COMMITMENT TO OUR FEDERAL GOVERNMENT CLIENTS BY OPENING AN OFFICE OF FEDERAL GOVERNMENT SERVICES (OFGS) IN CANBERRA. THE OFGS BRINGS TO BEAR THE FULL BENEFITS OF PwC’S EXPERIENCE IN PUBLIC POLICY IMPLEMENTATION WITH GOVERNMENTS AROUND THE WORLD, AND PRESENTS PwC’S BUSINESS OFFERINGS IN A WAY THAT IS SPECIALLY TAILORED TO GOVERNMENT NEEDS. PwC LOOKS FORWARD TO WORKING WITH THE PUBLIC SECTOR ON SOLUTIONS TO PRESSING ISSUES FACING AUSTRALIA IN 2006 AND BEYOND.

OUR CLIENTS*
RESOURCES

THE RESOURCES SECTOR POSTED RECORD RESULTS THIS YEAR AND REMAINS A CENTRAL FORCE IN THE AUSTRALIAN ECONOMY. RESOURCES GIANT BHP BILLITON ANNOUNCED THE HIGHEST NET PROFIT OF ANY COMPANY IN AUSTRALIA’S HISTORY. THE OIL INDUSTRY IN GENERAL POSTED HUGE PROFITS. MINERALS PRODUCTION AND EXPORTS ARE EXPANDING, WITH NO SIGN OF A DECREASE IN THE HIGH LEVELS OF CAPITAL EXPENDITURE IN MINING, SMELTING AND REFINING.

Asia’s ‘industrialising economies’ – particularly China – are setting the pace for net capital expenditure on total fixed assets, as outlined in our review of global trends in the mining industry, *Mine: Enter the Dragon*. However, despite the great successes, the resource and utility industries are struggling to recruit and retain a labour force with the right mix of skills and experience to carry out the business strategies and growth initiatives the boom is generating. On current trends, the global skills shortage will reach crisis proportions in the next few decades. Only major changes in the way companies recruit and retain good people will resist that trend.

The sector has concerns about the state of Australian infrastructure, particularly ports. Investment in infrastructure is crucial if the resources sector is to remain the engine room of the Australian economy. Investment in minerals exploration in Australia is waning. This is problematic, particularly as Australia’s share of global exploration expenditure has fallen behind Canada, Latin America and Africa. There is a strong case for the Federal Government to build on the Minerals Exploration Action Agenda to help ensure the long-term sustainability of the Australian industry.

The energy and utilities sector went through a period of consolidation this year, with reforms on the table in both Queensland and Western Australia. Energy players are currently investigating these markets with a view to benefiting from the reforms.

Globally, the oil and gas industry is experiencing continued price volatility, significant technology advancements, regulatory change and the opening of new exploration areas and markets. The industry is also facing higher expenditure requirements in order to comply with developing environmental and safety standards.

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CASE STUDY
YANZHOU
COAL MINING:
REVIVING A
HUNTER VALLEY
COLLIERY

Yanzhou Coal Mining Ltd of China – the largest coal miner listed on the Hong Kong exchange – is on track to revive the old Southland colliery in the NSW Hunter Valley, now renamed the Austar mine. The Southland mine was shut down after an underground fire on Christmas Eve 2003, leading to the loss of 200 jobs. Yanzhou bought the colliery in late 2004 from the receivers of Gympie Gold Ltd, the former owners, and in April 2005 began preliminary development at the mine using techniques developed in China. Yanzhou believes that by using the new techniques, Austar will be able produce three million tonnes a year of high-value, hard-coking coal for at least 20 years. PwC works closely with Yanzhou management in both China and Australia. The work is facilitated by the PwC China desk in Australia, where PwC people from China can usually be found working on rotation, while their Australian colleagues work on exchange in China. PwC advised the company on the corporate structure of its newly formed Australian entity (Yancoal Australia) and other related issues, such as expatriate taxes for company executives. The firm also advised Yanzhou on the general Australian business and market context, specific industry issues for Australian coal mining, the Australian workplace environment and accessing local expertise. Close cooperation on Yanzhou between PwC people in China and Australia is not limited to the Australian coal initiative. A joint Australian and Chinese PwC team has also worked with the company in China on leveraging implementation of compliance with US Sarbanes-Oxley legislation. This is to obtain longer term strategic benefits for the company such as controls improvement.

“BY WORKING CLOSELY WITH YANZHOU AND WITH EACH OTHER, PwC TEAMS IN CHINA AND AUSTRALIA ARE HELPING YANZHOU MAKE A CONTRIBUTION TO THE AUSTRALIAN COAL MINING INDUSTRY AND CEMENT THE GROWING TIES BETWEEN OUR TWO COUNTRIES.”
David Chan, CFO, Yancoal Australia Pty Ltd

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CASE STUDY
BHP BILLITON
ENERGY:
USING ‘INTELLIGENT
TRAINING’ TO
EMBED IFRS

To prepare for reporting under International Financial Reporting Standards (IFRS) in 2006, most Australian companies began preparing their accounts under IFRS for the first time in 2005. At the end of fiscal 2005, BHP Billiton Energy asked its many upstream oil and gas reporting units from around the world to confirm that all financial reporting information complied with IFRS, as part of its management representation process. From the responses it was clear that the centralised approach to converting to IFRS had not filtered down to operating management. While IFRS information and guidance had been distributed to the reporting units, more detailed training in the actual embedding of IFRS in day-to-day accounting processes was required. From November 2005, at the company’s request, PwC experts from Australia prepared workshops in Melbourne, Perth, London and Houston. Each of the sessions was attended by over 100 people, including key stakeholders from surrounding business units. As well as providing technical expertise, the PwC people jointly facilitated the workshops with BHP Billiton Energy management. Since the issues varied according to whether a subsidiary had been previously reporting under US, UK or Australian accounting principles, the ability to respond directly to specific areas of concern for each subsidiary was essential. The PwC people used their detailed industry experience to tailor the materials to address localised concerns. The flexible, highly interactive PwC ‘intelligent training’ format was designed so that all necessary commitments to IFRS sign-off could be obtained immediately after conclusion of the workshops. All participants were requested to state in advance what they expected to get out of the workshop and then to confirm after its completion that their issues had been resolved. The post-workshop commitment to sign-off was 100 per cent, with any remaining ‘roadblocks’ identified, escalated and addressed at the appropriate management level.

“THE PwC IFRS WORKSHOPS WERE A MODEL OF EFFECTIVE TRAINING. WE APPRECIATE NOT ONLY THE FIRM’S TECHNICAL EXPERTISE, BUT THE UNDERSTANDING THAT PwC PEOPLE SHOW FOR THE KIND OF ISSUES THAT WE FACE, THEIR PRO-ACTIVE APPROACH AND THEIR WILLINGNESS TO WORK WITH US TO DEVELOP AND IMPLEMENT PRACTICAL SOLUTIONS. I HAD SEVERAL UNSOLICITED COMMENTS FROM PARTICIPANTS WHO GAINED MAXIMUM BENEFIT FROM THE SESSIONS.”
Vince Sappupo, Senior Accountant, Financial Accounting, BHP Billiton

OUR CLIENTS*
RETAIL & CONSUMER

The Australian business environment is changing. Although the retail and consumer industry remains relatively healthy, we are facing a global slowdown, volatility in commodity prices and increasing competition from both developed and emerging economies. Speculation around interest rates and rising fuel prices are causing a decline in consumer confidence. The Westpac-Melbourne Consumer Sentiment Index fell 19 points between January and December – from 123 to 104.

Retailers and consumer goods companies are predicting a continued squeeze on margins and difficulty growing the top line. Companies are rethinking their earnings strategies and looking to new efficiencies to drive bottom line growth.

Another major issue is the pressure faced by Australian consumer goods companies from the growth of own-label products and the effects of supply chain transformation being implemented by the grocery retailers. Brand positioning and rationalisation will be the key challenges for medium-sized players over the next few years as they respond to these changes.

In the second half of 2006, retailers will feel the pinch of a weakened Australian dollar driving up the price of imports. Retailers will need to minimise the risk of higher costs by hedging their foreign currency contracts. However, it is predicted that, as Australia has experienced high employment over the last 15 years, younger consumers will provide a boost to consumer confidence over the longer term.

BRAND POSITIONING
AND RATIONALISATION
WILL BE THE KEY
CHALLENGES FOR
MEDIUM-SIZED PLAYERS.

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CASE STUDY

OPSM AND
LUXOTTICA:
FOCUSING ON
THE OPTICAL

In early 2005, Italy’s Luxottica eyewear group completed its acquisition of OPSM in a \$550 million takeover. Before Luxottica came on the scene, PwC was able to use its in-depth knowledge of the business as OPSM’s auditor to provide the company with value-adding services. The ASX-listed company had taken the initiative to focus on its core business of optical retailing by selling non-core businesses with the help of PwC. As a result of the takeover, OPSM, now known as Luxottica Retail, is part of a leading global eyewear group. Its three brands – OPSM, Laubman & Pank and Budget Eyewear – sit alongside such other well-known names in the Luxottica portfolio as Ray-Ban, Revo, Arnette and the key fashion brands Prada, Channel, Burberry, Versace, Bvlgari and Vogue. PwC people are now working not only with Luxottica Retail in Australia, but with virtually the entire Luxottica Group. As part of this process, PwC advises on a variety of key projects around the world. Like the old OPSM business, Luxottica started life as a very small business, situated in a medium-sized economy. Today the group employs over 55,000 staff and designs and manufactures over 55 million frames at six Italy-based high-quality manufacturing plants, and at the only China-based plant wholly owned by a premium eyewear manufacturer. The group has nearly 5,500 optical and sunglasses retail stores, mainly in North America, Asia Pacific and China, and a global wholesale network that touches 120 countries with a direct presence in the key 28 eyewear markets worldwide. As Luxottica continues its global rise, the PwC services to the Luxottica Group, encompassing PwC people around the world as well as in Australia, include strategic tax projects, advice on the expansion program in China and valuations and acquisitions.

“AT LUXOTTICA RETAIL WE KNOW THAT CUSTOMERS EXPECT QUALITY SERVICE AND PRODUCT. WE ARE AN INDUSTRY BUILT ON TRUST: THIS IS WHAT WE DEMAND OF OUR SUPPLIERS. PwC HAVE SHOWN THAT THEY HAVE THE GLOBAL RESOURCES, AND THE DEPTH AND BREADTH OF ADVISORY TALENT, TO HELP US CONTINUE ON THE PATH OF EXCITING, SUSTAINABLE GROWTH WELL INTO THE 21ST CENTURY.”

Peter McClelland, Chief Financial & Administration Officer, Luxottica Retail – Asia Pacific Region

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CASE STUDY

COLES MYER:
ADDRESSING
SOME CRITICAL
QUESTIONS

A recent review by Coles Myer of its secondary listings in other countries found that the cost of listing offshore outweighed the benefits to Coles Myer shareholders especially when one considers the costs associated with US SEC registration and its Sarbanes-Oxley Act. The Sarbanes-Oxley Act, among other things, requires the company and its auditor to report on the effectiveness of a company’s internal controls. Consequently the company decided to seek de-registration from the US SEC which means, if successful, that it no longer has to comply with the prescriptive and costly internal controls sign-off requirements. However, Coles Myer has determined that it will implement some important elements of the requirements where it believes significant benefits exist. For the time being, readiness preparations to comply with Sarbanes-Oxley (SOX) continue until de-registration is certain and to position Coles Myer to take advantage of the beneficial elements. To this end PwC provided international benchmarking information on how SOX requirements were being handled by major US and other international retailers. Representatives from Coles Myer attended an international meeting where PwC, among others, shared insights on the SOX implementation process. Some of the generic, controls-related questions relevant to retailers included: What actually are the ‘key’ retail industry controls which, if they broke down, could cause an error that would be ‘material’ to the annual report? What proportion of retail sites do you have to visit to test controls? When does a controls deficiency become ‘significant’ – that is, requiring reporting to the audit committee? What is the point at which separate ‘significant’ deficiencies in sum amount to a ‘material’ deficiency? Also examined were specific industry approaches to more general questions such as: Does your culture support ethical dealings and how do you test that? These are some of the elements of preparedness for SOX which will be of enduring interest no matter the outcome of the Company’s moves to de-register.

OUR CLIENTS* ENTERTAINMENT & MEDIA

The entertainment and media industry is, on the whole, performing well. Over the next four years, economic expansion in developing countries will make a strong contribution to entertainment and media spending. Overall global growth will average 5.6 per cent, below the 5.8 per cent advance in 2004 but still much stronger than during 2001–2003.

Due to its Senate majority, the Federal Government will have its best chance to deliver on its plans to relax foreign and cross-media ownerships laws. This will significantly alter the make-up and performance of the local industry. Successful deregulation will rely on the media sector's ability to work with the Government to devise reforms that are acceptable to both parties and palatable to the Australian public.

The newspaper industry continues to look to new ways of reaching consumers; in particular, it is investigating the market possibilities opened up by ever-increasing internet usage. Convergence of traditional media will accelerate in the next few years. The new battleground will be wireless broadcast of video content over mobile devices such as mobile phones, making television as transportable as radio.

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CASE STUDY

SALMAT: MANAGING THE TRANSITION FROM PRIVATE TO PUBLIC

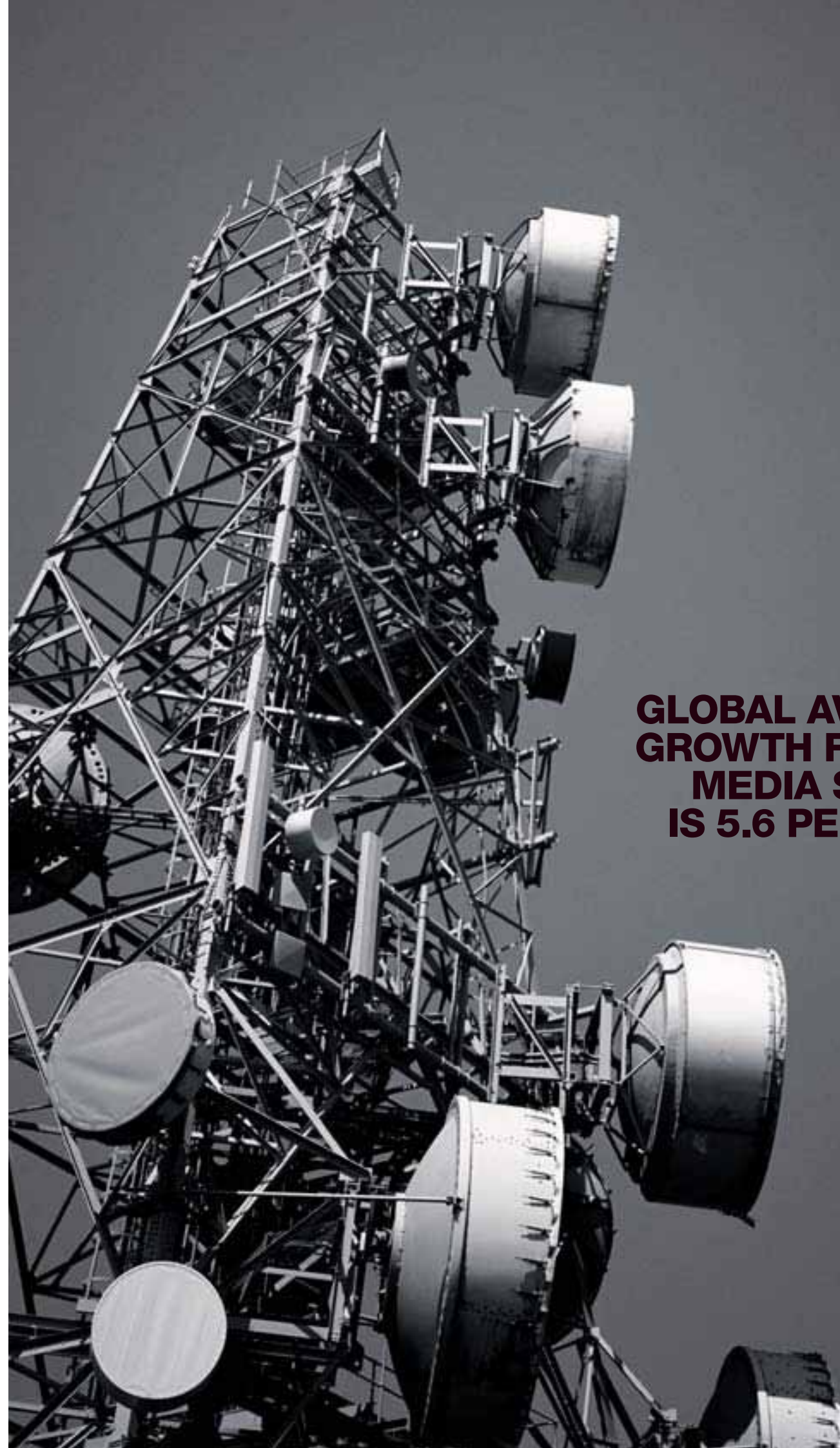
Salmat has grown over the last 27 years from modest beginnings as a private operator in Sydney's western suburbs into a national industry leader and listed public company. Established in 1979 as a suburban letterbox distribution network, Salmat is now one of Australia's leading direct marketing and customer communications companies. It employs more than 3,600 people and has operations in 23 offices across Australia, New Zealand and Asia. As well as delivering advertising catalogues to homes throughout Australia and New Zealand, Salmat processes and mails customer-specific bulk mail such as bank and credit card statements in Australia, Hong Kong, Taiwan and the Philippines. It also operates customer contact centre services for major institutions across Australasia, handling inbound and outbound telephone, fax, email and online communications from facilities in Australia, New Zealand and the Philippines.

PricewaterhouseCoopers has worked closely with the company to help it grow by assisting in the development of a governance and risk management structure in line with ASX requirements and the demands of modern capital markets. By ensuring that its management systems and processes keep pace with the rapid growth of its underlying businesses, Salmat has maintained appropriate control of its risk profile. Since Salmat became a publicly listed company in December 2002, PwC's work with the company has also included development of a rigorous risk assurance structure. Given the spread of Salmat's activities, effective integration of risk management with core business functions such as planning, budgeting and reporting is seen by management as critical for the protection and enhancement of shareholder value. PwC is also now assisting with business performance improvement initiatives.

"SINCE SALMAT'S RAPID TRANSITION FROM A PRIVATE OPERATION TO A PUBLICLY LISTED COMPANY, PwC HAS BECOME AN IMPORTANT BUSINESS SUPPORT PARTNER. WE APPRECIATE THEIR DEEP KNOWLEDGE AND EXPERIENCE AND THE FACT THEY'RE ALWAYS THERE FOR US."

Ashley Fenton , CFO, Salmat

**GLOBAL AVERAGE
GROWTH FOR THE
MEDIA SECTOR
IS 5.6 PER CENT.**



OUR CLIENTS*
INDUSTRIAL PRODUCTS

The ‘margin squeeze’ is the biggest issue facing the industrial products industry, and has had an impact on the share market success of industrial product companies. In the short term, the challenge facing industrial products companies will be getting this margin right. In the long term, and in order to build sustainability, companies need to invest in new plant technology.

Manufacturing activity weakened in 2005, reflecting a plunge in new orders and sales, weak exports, sustained pressure on profit margins and a continuing rise in inventories. Small companies (those with less than 25 employees) are being hardest hit, while medium and large companies recorded continued growth in activity. In this environment, an ongoing focus on cost reduction is imperative. There is also a compelling need for manufacturers to lift productivity by investing in new technology, product innovation and the up-skilling of their workforce.

Positive news for industry in 2006 is that manufacturing inventories appear to be under better control, reducing the need for further big cuts in production. For more information on the status of manufacturing in Australia, visit our website at www.pwc.com/au and download our monthly report, *Performance of Manufacturing Index™*.

INDUSTRIAL PRODUCTS COMPANY
MARGINS ARE BEING SQUEEZED BY
RISING INPUT COSTS, PARTICULARLY
OIL’S HUGE RISE IN 2005.

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CASE STUDY

FOSS PACIFIC:
FINDING
EFFICIENCIES

Foss Pacific provides systems that analyse and control the quality and production of agricultural, food, pharmaceutical and chemical products. A rapidly expanding business with offices in Australia and New Zealand, the company is constantly looking for opportunities to improve efficiency in its business administration systems in order to focus its energies on creating high-quality products and providing attentive client service.

In performing the statutory audit, PwC’s focus was on the operational effectiveness and efficiency of the Australian and New Zealand businesses.

Working with Foss Pacific to obtain the data we needed, PwC was able to audit a large sample size and conduct a comprehensive analysis of the company’s financials. Through our recommendations, Foss Pacific has been able to streamline its systems and processes in the finance department. PwC also provides advice to Foss Pacific on a variety of tax and accounting issues.

“PwC WORKS HARD SO THAT WE CAN REAP THE FULL BENEFITS OF INTERNATIONAL EXPERIENCE IN DIFFERENT REGULATORY ENVIRONMENTS. WE APPRECIATE BEING ABLE TO TAP INTO THE FIRM’S EXTENSIVE GLOBAL INDUSTRY EXPERTISE.”

Andrew Sutton, Financial Controller, Foss Pacific

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CASE STUDY

ORICA:
STREAMLINING
BANKING
SERVICES

At Orica, a major industrial company with interests in mining services, fertilisers, chemicals and consumer products, a focus on efficiency is an explicit part of the way it does business. Orica operates in over 40 countries and its vision is to ‘... be the best performing science-based solutions company in the world’. True to this commitment, Orica senior management decided to test whether the company’s regional shared services operation was being helped or hindered by the 11 banking relationships that the company had developed across Australia and New Zealand.

PwC was engaged to undertake a diagnostic of these arrangements. PwC was able to leverage its deep knowledge in the area of transactional banking – gained from previous cash and banking reviews for leading corporates – and determined that change was advisable in the way the company used banking services. This assessment was based on fee competitiveness and consideration of banking efficiencies and effectiveness. PwC then worked with Orica to plan and implement the required changes.

The banking requirements were collated from organisation-wide questionnaires, workshops and interviews, and the subsequent banking tender was designed to explore opportunities for new technology with an evaluation model tailored to meet Orica’s needs. Following the selection of banks from the tender process, the work then extended to implementation of web-enabled banking services that integrated treasury, payroll, accounts payable and accounts receivable. Another innovation was the automation of receipts processing using bank technology that incorporated scanning of hard copy customer remittances. A particular benefit for the company arising from this project has been the development of a centralised Australia and New Zealand payments module that allows multiple payments types – cheques, EFTs, direct payments, foreign currency payments and so on – to be executed from a single file.

“PwC HAS HELPED US ACHIEVE MATERIAL SAVINGS IN BANK FEES AND CHARGES, ENHANCE INTERNAL CONTROLS AND MAKE SIGNIFICANT IMPROVEMENTS IN THE QUALITY, VOLUME AND TIMING OF BANKING DATA WHICH HAS GREATLY INCREASED THE ABILITY OF ORICA’S SHARED SERVICES TO SUPPORT GROWTH AND ACQUISITIONS.

“WE HAVE MORE THAN ACHIEVED OUR OBJECTIVES FOR THIS PROJECT, WHICH IS A REFLECTION OF THE GREAT COMMITMENT THAT PwC, ORICA AND OUR BANKING PARTNERS HAVE BROUGHT TO THE TABLE.”

Geoff McMurray, Deputy Treasurer, Orica

OUR CLIENTS*
SERVICES

CONSUMER SPENDING AND CONFIDENCE HAVE SLOWED; HOWEVER, BUSINESS INVESTMENT CONTINUES. THIS HAS ENSURED THAT THE BUILDING AND PROFESSIONAL SERVICES INDUSTRY HAS CONTINUED TO ENJOY RELATIVELY GOOD ECONOMIC TIMES. SERVICE SECTOR SALES GREW AT A WEAKER RATE THOUGH DUE TO INCREASED INPUT COSTS, PARTICULARLY FUEL AND A GENERAL SLOWDOWN IN THE PROPERTY AREA.

Healthcare is facing significant challenges in the years ahead. Rising costs, diminished resources and growing demand threaten the sustainability of healthcare systems around the world. In Australia, healthcare is predicted to consume an estimated 16 per cent of GDP over the next 15 years. This is in line with other OECD countries, except the US, where it is expected to reach 21 per cent. Fundamental change must occur. Key areas of interest, as forecast in PwC’s HealthCast 2020, include managing an accelerating health spend, the necessity for shared financial responsibility across the public and private sectors, managing demand via strengthened preventative care and disease management, consumer-directed care and harnessing the enabling capacities of IT. However, the ageing population and the wealth of the retiring baby boomers bode well for aged care and health revenue generally.

Listed property trusts continue to hold up reasonably well through their managed funds, while overall building activity has slowed. Pressure on the sector will mount this year to maintain similar rates of growth and profitability. Professional services firms have been cost-cutting in an effort to maintain past levels of profitability. Many of the large legal firms have either reduced the total number of partners or kept the intake of new partners at record low levels, notwithstanding the fact that revenue for legal services is forecast to grow by 6.5 per cent this year. Engineering and architectural firms are generally riding the wave of the mining/infrastructure booms and have noticeably grown their global reach through mergers, acquisitions and/or associations. Overall activity in the services sector continues to be moderate and could be best categorised as ‘maintain’.

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CASE STUDY
PRIMELIFE:
REVITALISING
SENIOR LIFESTYLES

The ageing of the population is making the provision of quality lifestyle accommodation for the ‘over 55s’ a rapid growth industry. As a lifestyle provider of both independent living and aged care facilities in the ‘senior living’ markets, Primelife Corporation Ltd is a leading, publicly listed beneficiary. In 2002 PwC was providing audit and limited GST tax advice before a new board and managing director undertook a major review. This led to a far-reaching revitalisation program in which PwC is assisting the company on a range of important projects. These include Primelife’s development, with advice from PwC, of a strategic template enabling Primelife to predict the long-term cashflow and tax effects of developing and operating new retirement villages. This tool assists strategic decision-making. The template assists Primelife to make an optimal choice for a retirement village from a range of possible options, from licensing to strata title accommodation. It can be instantly adjusted for changes in the company’s own financial position, the markets and assumptions such as tax and interest rates. Based on the same strategic template, Primelife is now focused on creating complementary income streams from geographic and market sources. For example, in addition to plans for new retirement villages, the company is now aiming to become a major home care provider, delivering services such as personal care, respite care, companionship and overnight care into people’s homes.

“WE ARE DELIGHTED THAT PwC IS CONTINUING TO WORK WITH US ON INITIATIVES THAT HELP REPOSITION PRIMELIFE AND ENABLE IT TO UNDERTAKE KEY BUSINESS ACTIVITIES.”
Jim Hazel, Managing Director, Primelife

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CASE STUDY
BAKER AND
MCKENZIE:
PROVING IP THEFT

Baker and McKenzie was approached by a client in the consulting industry that had recently lost a number of senior employees to a competitor organisation and had noticed a decline in its sales leads. The client was concerned that the former employees may have taken intellectual property around processes, customer contact details and other information to the competitor organisation. Baker and McKenzie and its client engaged PwC to provide technical forensics assistance to establish whether there was a case against the former employees. As part of our brief, PwC investigated the former employees’ communications history and computer usage in the period prior to their departure. Our expertise in computer forensics enabled us to recover emails (including emails from web-based accounts, such as Hotmail) and histories of website access. We found examples of highly confidential information being sent via email to associates outside the organisation and, in some cases, to the competitor company. Our investigations proved that these employees had furnished their new employer with the client’s intellectual property, including customer and tender information. As a result of our investigations, the client was able to take legal action against the employees and place an injunction on the competitor to prevent it from using the intellectual property it had obtained.

“WITHOUT THE TECHNICAL FORENSICS ASSISTANCE OF PwC WE WOULD HAVE BEEN UNABLE TO PROVE THAT THESE FORMER EMPLOYEES HAD DONE ANYTHING WRONG AND WOULD NOT HAVE BEEN ABLE TO PLACE AN INJUNCTION ON THE COMPETITOR COMPANY. AS A RESULT, OUR MUTUAL CLIENT WOULD HAVE SUFFERED SIGNIFICANT FINANCIAL AND REPUTATION DAMAGE.”
Paul Brown, Partner, Baker and McKenzie

OUR CLIENTS* TECHNOLOGY

**THERE IS MUCH
JOCKEYING FOR
POSITION TO FIND THE
'KILLER APPLICATION'
FOR MEDIA ACCESS.**

The technology sector continues to mature. It faces a number of issues including slow growth rates and an increasingly competitive landscape with many offerings becoming mature commodities. As a result, companies in this sector face constant cost pressures. PricewaterhouseCoopers is collaborating with a group of clients to develop a benchmarking study which reviews supply chain costs in the hardware sector. The constant push for revenue growth has led many sector participants to change their business model from sellers of software and hardware to service providers. This change of business model presents issues around risk and project management. PwC is working with clients to help identify and manage the risks presented by these changes.

Convergence is again in the news and technology companies continue to struggle with consumer behaviour around content. There is much jockeying for position to provide the 'killer application' for media access with telecommunications and computing hardware manufacturers creating converged products rapidly.

The Australian life science sector continues to perform solidly in the technology space driven by companies that have had success globally with partnerships and alliances. Australian life science small cap stocks gained 10.8 per cent in the first quarter of the new financial year, outperforming the ASX All Ordinaries' 8.7 per cent gain. This performance was broadly in line with that of the US biotech market, where the NASDAQ biotechnology index posted gains of 13.6 per cent. The life science sector's positive performance can be attributed to the strength of the pharmaceutical and biotechnology sub-sectors, in contrast to the decline of medical device stocks.

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CASE STUDY

SEEK: FROM SMALL BEGINNINGS BIG THINGS GROW

Back in 2000–2002, internet employment site SEEK Limited – the company behind www.SEEK.com.au – established its credentials as a serious industry stayer just by surviving the 'tech-wreck' of that time. The global market slump that wiped out the great majority of early dot.com start-ups also meant tough times for SEEK. But the company, founded in 1997 by Paul and Andrew Bassat and Matthew Rockman, has stayed the course to emerge as a leading light in a dot.com industry that is now more soundly based and exhibiting strong growth.

Having worked with the company right through the tough early years, PwC provided advice in relation to the company's successful IPO of 2005 and continues to work closely with it across a broad range of activities as it looks to build on recent growth.

"PwC's ADVICE AND ASSISTANCE HAS HELPED US AT EVERY STEP OF THE WAY, AND WE'RE LOOKING FORWARD TO CONTINUED EXCELLENT SERVICE FROM THEM IN THE FUTURE."

Paul Bassat, CEO, SEEK Limited

OUR CLIENTS*
NATIONAL ENTERPRISE

Australian mid-sized businesses tell us there are three big issues impeding their key objective of growing profitable revenue: skills shortages and the ‘war for talent’, rising input costs and the ever-increasing regulatory burden.

Our clients share their business strategies with the partners and staff who work with them every day. PwC also receives insight from 600 CEOs in its twice yearly national *Business Insights Survey*. In 2005, over 60 per cent of businesses surveyed said they were planning for increased rates of growth or at least sustaining their current growth rate.

With 2008 being the first year where more employees are expected to leave the work force than join it, mid-sized businesses planning for sustained growth need to have strategies aimed at addressing future labour shortages. Positioning your organisation as an employer of choice with a strong employer brand has become critical in the war for talent.

Managing costs and sourcing input materials more cheaply – either locally or offshore – has become critical in managing the supply chain. CEOs, CFOs and production managers are focused on the dual challenge of balancing market share growth against margin squeeze.

The increasing burden of compliance and regulation continues to be a major issue for mid-sized business owners. The ability to manage compliance well and turn improvements into efficiencies and competitive advantage will be critical to ensuring business remains profitable while meeting regulatory compliance requirements. The key challenge for organisations is to ensure that the increased complexity of the regulatory environment does not interfere with ease of engagement with the business for clients and customers.

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CASE STUDY
HARVEY WORLD TRAVEL: A SMOOTH RIDE THROUGH TURBULENT TIMES

Harvey World Travel (HWT) is a classic example of the many Australian family businesses that started life in the post World War II era, often becoming significant companies in the course of the great economic expansion in subsequent years. It grew from a single suburban travel agency to cover over 500 agencies in Australia with operations also in New Zealand and South Africa.

PwC began forging a close relationship with the company in 2004, when we advised the company on a UK travel business acquisition. The firm was then retained as an on-call advisor to the board of HWT in respect of any business issues that might arise, and developed a strong ‘trusted advisor’ relationship with the chairman, Norm Fricker and the CEO, Barry Mayo. By 2005, we were engaged with the HWT board in respect of a number of issues including an internal restructure, expansion of the UK operation and the future of their investment in an online booking service.

In August 2005, the company was approached by a Brisbane-based property management services company, S8 Ltd, with a view to a possible friendly merger. We assisted the board in these negotiations which ultimately broke down, following which S8 launched a hostile takeover offer for HWT. The board immediately appointed PwC financial advisor in respect of the offer. A PwC team dedicated themselves to achieving the best possible outcome for shareholders and within a month had negotiated a significantly increased final offer price, representing a 43 per cent premium to the pre-offer share price.

“PwC DELIVERED CONSISTENT AND HIGH-QUALITY ADVICE THROUGH THE TRANSACTION IN RESPECT OF FORMULATING AND EXECUTING STRATEGY AND IN FACE-TO-FACE NEGOTIATIONS WITH THE BIDDER. THIS ADVICE GREATLY ASSISTED THE BOARD IN DELIVERING A STRONG OUTCOME FOR HARVEY WORLD TRAVEL SHAREHOLDERS.”
Barry Mayo, CEO, Harvey World Travel

THE INCREASING BURDEN OF COMPLIANCE AND REGULATION CONTINUES TO BE A MAJOR ISSUE FOR MID-SIZED BUSINESS OWNERS. THE ABILITY TO MANAGE COMPLIANCE WELL AND TURN IMPROVEMENTS INTO EFFICIENCIES AND COMPETITIVE ADVANTAGE WILL BE CRITICAL TO ENSURING BUSINESS REMAINS PROFITABLE WITHIN THEIR COMPLIANCE REQUIREMENTS.

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CASE STUDY
JUNIPER DEVELOPMENT GROUP: HELPING STREAMLINE MANAGEMENT SYSTEMS

Juniper Development Group, one of Queensland’s leading developers, first made its mark through the design and construction of a series of premium resort and retail developments in Mooloolaba on the Sunshine Coast. Now it has some \$2 billion worth of project developments and strategic landholdings in 15 locations stretching from Port Douglas to Byron Bay. Given this rapid growth, and with a staff of more than 165 people, Juniper management were understandably concerned that the company was outgrowing its existing systems. But before making the decision to commit to a substantial investment in new management software, the company engaged PwC to conduct an IT effectiveness review. This established that the company’s existing systems could in fact provide for its management information needs. However to gain full value from its data, Juniper needed a mechanism to report across these systems.

PwC helped Juniper identify the key drivers of its different business units and how they should be reported, and then worked with the company to move towards a corporate performance management solution and evaluate suitable reporting tools. This saved the company from making unnecessary and costly investments in both alternate software solutions and staff re-training. Other payoffs have also been significant: the CFO and other staff have gained valuable time that would otherwise have been spent preparing and consolidating management information. The management team now has the information on tap whenever it is required to support timely decision-making.

“OUR MANAGEMENT REPORTING NOW ENABLES US TO MEANINGFULLY MEASURE OUR SUCCESS IN A WAY I HAD NOT THOUGHT POSSIBLE. HAVING BEEN GUIDED BY PwC, I NOW FULLY APPRECIATE THE VALUE IN THE EFFICIENT MONITORING OF KEY PERFORMANCE INDICATORS AND CRITICAL SUCCESS FACTORS, ALIGNED TO EFFECTIVELY ACHIEVE OUR BUSINESS GOALS.”
Garry McLean, General Manager – Finance, Juniper Development Group

OUR
PEOPLE
ARE
WISE &
WARM*

OUR PEOPLE*

PRICEWATERHOUSECOOPERS HAS A REPUTATION FOR SEEKING OUT THE BRIGHTEST AND BEST. WE RECOGNISE THAT THERE IS MORE TO SUCCESS THAN RAW INTELLIGENCE, AND WE WORK HARD TO CREATE AN ENVIRONMENT THAT ENCOURAGES OUR PEOPLE TO REACH THEIR POTENTIAL, BE MULTI-DIMENSIONAL AND TO PARTICIPATE FULLY IN THE COMMUNITIES IN WHICH THEY LIVE AND WORK.

OUR PEOPLE*

WE TAKE A WHOLE-OF-LIFE APPROACH TO OUR PEOPLE. BECOMING A PART OF THE PRICEWATERHOUSECOOPERS TEAM IS THE START OF A RELATIONSHIP THAT EXTENDS THROUGHOUT OUR PEOPLE'S CAREERS WITH US, AND BEYOND.

OUR PEOPLE*



PAUL MILLS
AFL TRAGIC

ADRIAN PERILLO
ASPIRING
FILMMAKER

ALICE PATTEN
BRIDE-TO-BE

TONY HARRINGTON
FATHER OF
TWO DAUGHTERS

WAI CHOONG CHAN
CHILDREN'S BOOK
ILLUSTRATOR-TO-BE

BELINDA GORE
WORLD TRAVELLER

JONATHAN
CLIFTON
EXPECTANT
FATHER

LAUREN JAUNCEY
400M HURDLER

LIAM COLLINS
TRAINEE PILOT

LIBBY JOHNSTON
SOCIAL
BUTTERFLY

JACQUELINE SO
NIMBLE NETBALLER

MARK FALVO
PROFESSIONAL
FOOTBALL FAN

KRISTIN STUBBINS
EXCITED
MOTHER-TO-BE

IAN HAMMOND
FATHER OF THREE

VANESSA
ZAMPROGNO
KEEN SWIMMER

HAYLEY WADESON
INTREPID SHOPPER

MICHAEL FUNG
NOVICE GARDENER

ASFANDIAR
PESTONJI
NEW DAD

NIKHIL DE SILVA
AWESOME CHEF

WILL CAMPBELL
AFL FANATIC

OUR PEOPLE* RECRUITING OUR PEOPLE

WE FOSTER A SENSE OF OWNERSHIP, COMMUNITY AND BELONGING THROUGH ONGOING TRAINING AND DEVELOPMENT OPPORTUNITIES, MENTORSHIP, VOLUNTEERING AND AN ALUMNI PROGRAM.

GRADUATE PROGRAMS

PricewaterhouseCoopers offers graduates flexibility and the opportunity to work creatively – encouraging the development of independent, innovative thinking within a strong team environment. High-calibre graduates from across the country and the world are stepping up to the challenge of a PwC career. In 2005, more than 400 new graduates were welcomed into our team. Twenty per cent of this intake will have the opportunity to go on an international, domestic or client secondment within the first three years of their employment with us, once they have achieved the appropriate qualifications.

Demonstrating our truly global nature, in late 2005 we ran a recruitment campaign on behalf of PwC China, which will see 18 Chinese nationals work with PwC Australia for 2.5 years while completing their chartered accountant studies. These graduates will return to China in late 2008 to the PwC office of their choice. Some extremely high-calibre graduates have now been offered positions on this program.

NEW PARTNERS

Forty-seven new partners signed on with PwC in 2005; 16 of these were drawn from organisations other than PwC. Our focus on training, peer support and balancing career and personal goals ensures that we attract and retain partners of the highest calibre.

PROMOTING HIGH PERFORMANCE

A core value of PwC is the promotion of excellence. In line with our goal to be trusted business partners, we aim to ensure that our clients' experience in working with PwC teams across all areas of the firm is positive, consistent and exceeds expectations. We are investing in our teams – promoting robust, trust-based relationships, accountability and results, and monitoring outcomes to ensure that this goal of consistency is achieved and sustained through our internal team operations and external interactions with our clients.

One way in which we are supporting our people in their client work and promoting PwC values is via the Markets Academy – an intensive residential learning program which gives talented staff insight into the issues faced by our clients. Participants 'walk in clients' shoes' through a real-life case study which is explored through teamwork, role-play and engagement with academics and business professionals. Participants are also assigned an external mentor to help them further hone their skills.

Surveys of our people indicate we're on the right path. Ninety per cent believe that teamwork is encouraged in PwC. The same number thinks that PwC's core values are clear. And 93 per cent of our people state that they are proud to be associated with PwC.

DEVELOPING OUR PEOPLE

In 2005, we ran over 900 training courses designed to develop our people's skills in leadership, teamwork and creative thinking. We believe that there is always something to learn and we continuously invest in our people through structured learning, mentorship and hands-on training.



5,330

PwC PEOPLE

OUR PEOPLE*
RECRUITING OUR PEOPLE

FOSTERING A GREAT
WORK ENVIRONMENT

TURNING GRADUATES INTO BUSINESS PARTNERS

In September and December each year, we bring our new graduate recruits together to take part in I-Challenge – an intensive business skills program where graduates, under the guidance of senior members of the firm, band together in groups to think strategically about business issues and present the firm with creative solutions. This year, our 406 participating graduates made particularly outstanding presentations to PwC partners. Some were of such a high standard that they will be incorporated into the business, demonstrating the ‘real life’ nature of I-Challenge.

Graduates covered issues such as developing a PwC sustainability program and tracking emerging market trends. Four major clients are participating in the program, allowing graduates to develop strong client relationships early in their careers with PwC.

ENHANCING LEADERSHIP SKILLS

Our Young Leadership Team (YLT) program provides our high-potential people with a unique personal development experience. Working with members of the Australian Firm Leadership Team, the YLT develops proposals on issues of interest to the firm. In 2005, CEO Tony Harrington’s group wrote a proposal to take the Australian firm’s PwC Foundation to the global level. Through this project, the team gained insights into global business issues and developed contacts with global leaders.

Another highlight of this year’s program was Global CEO Sam DiPiazza’s informal presentation to YLT participants from the past six years. Sam shared his experiences and reflections, while giving participants the chance to ask questions about his personal and work decisions, and challenges in his life journey. In 2005, the YLT grew to include 63 participants, including our first participant from Indonesia.

DRIVING SUCCESS

Another way in which we develop our high-potential staff is through a six-month secondment to the office of the CEO. PwC people who demonstrate strong leadership skills are chosen to work alongside Australian CEO Tony Harrington and the Firm Leadership Team in the role of project office manager, gaining a strategic insight into the workings of our firm. Participants work with other employees on projects of strategic value to PwC. The role provides a link between PwC leadership and employees, and demonstrates the high value PwC places on the input of its people from all areas of the firm.

PROMOTING CONTINUOUS DEVELOPMENT

Ensuring our partners excel in their professional relationships with each other and clients is an important part of our development strategy. Our Quality Performance Dialogue Program gives primary reporting partners and secondary review partners the opportunity to further develop their skills in communicating around performance planning, monitoring and assessment. The program has been designed in conjunction with leading researchers and addresses how best to promote engaging, supportive and open business relationships. For partners who are new to the firm, we provide a three-year learning process featuring mentoring by senior partners and a combination of skills development and cultural support. In this way, we assist our new partners to make a smooth transition to PwC and our way of doing business.

VOLUNTEERING IN OUR COMMUNITIES

Through the PwC Foundation, our people are encouraged to offer their time and skills in the service of their communities – something to which they have taken with gusto (for details of our work with the communities in which we live, see the Foundation section, page 82).

STAYING CONNECTED

PwC offers our people the chance to stay connected to the firm, their former colleagues and industry expertise via our alumni program, which began in 2002 and has approximately 5,000 registered members across Australia. This year, the program was given a new name, ‘The PwC Circle’, which better reflects its nature as an inclusive point of connection for former staff and one which provides extensive social and business networking opportunities.

The PwC Circle enables us to bring our alumni and staff together for debate, discussion and the sharing of industry expertise. Our program gives access to the latest firm thought leadership, publications and event information. We provide news to our members through twice yearly newsletters, quarterly email correspondence and a regularly updated alumni website.

This year, PwC hosted alumni cocktail parties and roundtable lunches in capital cities around the country. Events included functions to mark the release of The Business Series (Sydney and Melbourne), a Wine Dinner and Melbourne Cup lunches (Adelaide), boardroom lunches (Brisbane) and a women’s networking lunch (Perth).

Over 1,500 alumni attended our PwC Circle social reunions, which were also held in capital cities during the year. Each year the number of alumni attending these reunions increases – a sign of the value our alumni place on the opportunity to interact with their former colleagues. Our priority for 2006 is to increase the number of business networking opportunities we offer our alumni.

EQUILIBRIUM

Our eEquilibrium program is just one way PwC backs its commitment to employing creative, well-rounded people, and offering them a flexible and supportive working environment. Launched in 2004, eEquilibrium is a range of policies and practices designed to support people to achieve their personal goals as well as their career goals.

To ensure that PwC people gain the most benefit from eEquilibrium, in December 2005, 40 ‘Mavens’ (PwC people who offer colleagues guidance on eEquilibrium related issues) were appointed. These Mavens provide feedback to the eEquilibrium Steering Group to ensure that the program remains useful and relevant to our people.

At the launch of eEquilibrium, we asked our people to respond to an independently commissioned ‘caring responsibilities’ survey to better understand the needs of our people and their responsibilities in caring for family members. While the vast majority of our people (75 per cent) agreed that their team is flexible in relation to work practices, the number of staff who stated that they expected to have caring responsibilities in the near future prompted us to introduce a comprehensive family care information and resources service, which enhances the child care service previously offered to our employees.

Employees can now access a confidential and free service, 24 hours a day, for advice and resources related to their caring responsibilities. In the past 12 months, over 1,000 of our people have accessed eEquilibrium flexible working options, including working part-time and ‘purchasing’ additional annual leave.

As part of the eEquilibrium program, PwC has established permanent Carer Rooms to help parents tend to the needs of small children. We also ran a number of family events throughout 2005. In Sydney, more than 100 kids came along to create masterpieces and take part in fun activities at a kids’ art day at the Art Gallery of NSW. Just as many parents were there to help with their kids’ creative process and soak up some culture at the Margaret Preston and Dobell Prize for Drawing exhibitions. In Adelaide, children banded together to create a combined work entitled ‘Children of the World’ which featured as a design for our Christmas cards in 2005. Children of staff in Melbourne and Canberra have also had the opportunity to create works of art in a fun and relaxed family environment.

OUR PEOPLE*

**EQUILIBRIUM SUPPORTS OUR
PEOPLE TO ACHIEVE THEIR
PERSONAL GOALS AS WELL
AS THEIR CAREER GOALS.**

OUR PEOPLE*
EQUILIBRIUM: HELPING
THE SHOW GO ON

CREATING ONE
HIGH-PERFORMANCE
TEAM

Carolyn Bruce was bitten by the singing bug at eight. By the time she'd reached her teens, she was regularly performing in amateur musicals. So when the opportunity arose to star in the Australian premiere of the musical *Steel Pier*, Carolyn grabbed it with both hands. However, the reality of balancing her two passions – singing and working full-time as a senior consultant with the PwC Foundation – soon hit.

“
I LANDED THE
LEAD ROLE IN
THE AUSTRALIAN
PREMIERE OF THE
MUSICAL *STEEL PIER*.
PARTICIPATING IN
THE EQUILIBRIUM
INITIATIVE ENABLED
ME TO FULFIL
MY DREAM OF
PERFORMING IN
A MAJOR MUSICAL
ROLE, WITHOUT
JEOPARDISING
MY CAREER.”

CAROLYN BRUCE
SENIOR CONSULTANT
PwC FOUNDATION
MELBOURNE

“I realised that I had bitten off more than I could chew,” Carolyn says. “I had an enormous amount of work ahead of me if I wanted to make the role a success.”
Carolyn met with her partner and manager to discuss the situation. She wanted to let them know that she felt strongly about pursuing her dream, as long as it didn't impact too heavily on the Foundation, or undermine all the hard work she and the team had invested in it over the past three years. “We discussed, as a team, how we could support each other so that I could reduce my hours to three days a week for the five weeks leading up to the show and then take four weeks' leave for the duration of the show.”
Carolyn was impressed with her team's supportiveness. “I think they were more excited about me being in the show than I was,” she says. “My biggest difficulty was trying to stop them telling every person they met that I was doing the show!”
The flexibility offered by eQuilibrium, along with the support of her partner, manager and team, helped Carolyn achieve an important personal goal. “As it may be the only opportunity in my life that I'll have to do something like this, it was really important to me that once the show had finished I came away feeling like I gave it my very best shot. eQuilibrium enabled me to fulfil this dream, without jeopardising my career, and I am so grateful.”

Steve Bourke, a partner with Consumer & Industrial Products (CIP), Assurance, Sydney, expresses well the goal of a new pilot project currently running at PwC: “We want to turn a team of high-performing individuals into one high-performance team,” he says. The High Performance Teams (HPT) Pilot Project, which began in late 2005, is designed to ensure that both PwC team members and clients' experience of working with PwC is unique: that relationships are based on trust, great importance is placed on collaboration and accountability, and there's recognition of results.

The pilot involves four groups within PwC, including CIP Assurance Sydney. The program began with a workshop for partners who were taken through the HPT model, which provides clear guidelines on how PwC people can work towards being consistently excellent as team players and in delivering value to clients. Steve says that the pilot will be used to identify any areas that CIP Assurance Sydney needs to work on in firming up its teamwork and client service offering, and will be rolled out more generally throughout the firm.
CIP Assurance National Business Unit Leader Bruce Carlstein says that the model came from research into what clients and team members want from their PwC experience. “Research shows that our clients are looking for a collaborative approach and open dialogue; people who are easy to work with. When you talk to staff about how they need the firm to support them to progress in their careers, you hear the same things. In developing our staff through HPT, we're also developing our ability to better work with our clients.”
In February 2006, CIP Sydney Assurance completed stages two and three of the pilot – workshoping the HPT model with managers and directors (Workshop II), and then the whole group (Workshop III). Eliza Penny, a director with CIP Assurance, found the training to be very useful.

“The day is not just theory – you come away with very practical tools which you can use immediately to change team behaviour. You learn about why trust is important to teams, how you can build up trust and how you can confront problems much more easily and constructively.” Eliza sees the benefits of HPT to be broad, as long as PwC people make a commitment to it.
“HPT has an ability to make a real difference, but it will only make a difference if everyone buys into it – and that's where its power will come from.”
Steve agrees, and says “As members of an HPT, it will be up to each of us, partners and staff alike, to encourage each other to live the values we have discovered together, so we work more effectively as a single team and share in the team's successes”.
Once the program is rolled out across the firm and the initial training is completed, PwC people will be given the chance to check their progress against the goals of the HPT program at regular intervals – so that they can maintain their momentum as members of one high performance team.

“
HPT HAS AN ABILITY
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A DIFFERENCE IF
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WHERE ITS POWER
WILL COME FROM.”

ELIZA PENNY
DIRECTOR
CIP ASSURANCE
SYDNEY

OUR
FIRM
IS
CLEVER &
COMMITTED*

OUR FIRM*

AT PRICEWATERHOUSECOOPERS INNOVATION IS MORE THAN JUST A BUZZWORD. OUR DETERMINATION TO CONTINUALLY SEEK OUT NEW IDEAS AND WAYS OF DOING THINGS IS ALSO MATCHED BY A CULTURE OF LISTENING AND RESPONDING TO THE MARKET ENVIRONMENT IN WHICH WE OPERATE. PROVEN INDEPENDENCE OF CHARACTER, THE CAPACITY FOR SOUND JUDGEMENT AND THE COURAGE TO ALWAYS DO THE RIGHT THING IN DIFFICULT CIRCUMSTANCES ARE IMPORTANT ATTRIBUTES OF WHICH PwC PEOPLE ARE PROUD.

OUR FIRM*
LEADERSHIP TEAM



TONY HARRINGTON
CHIEF EXECUTIVE OFFICER
AND SENIOR PARTNER



LEIGH MINEHAN
NATIONAL MANAGING PARTNER
BUSINESSES



JOSEPH CARROZZI
NATIONAL MANAGING PARTNER
MARKETS



ALLAN WATSON
CHIEF OPERATING OFFICER



DENNIS FINN
HUMAN CAPITAL LEADER



MERRAN DAWSON
SERVICES INNOVATION LEADER



PAT McKEON
ADVISORY LEADER



MARK JOHNSON
ASSURANCE LEADER



LUKE SAYERS
TAX AND LEGAL LEADER



RICHARD DEUTSCH
INSTITUTIONAL LEADER



PHIL O'PREY
NATIONAL ENTERPRISE LEADER



ANDREW HAGGER
PRIVATE CLIENT SERVICES LEADER

OFFICE MANAGING PARTNERS

Adelaide	Jim McMillan	Newcastle	Greg Lourey
Brisbane	Rob Baker	Perth	Andrew Edwards
Cairns	Trevor Mahony	Sydney	Bruce Morgan
Canberra	Richard J Stewart	Townsville	Roy Peterson
Melbourne	Andrew Hagger		

BOARD OF PARTNERS

Bruce Morgan (Chairman)	Graeme Crampton
Paul Brasher (Global Chairman)	Colin Dunn
Sue Bannatyne	Andrew Edwards
Paul Carter	Tony Harrington
Tony Clemens (Deputy Chairman)	David Prothero
Tim Cox	

OUR FIRM*
RECOGNITION

In 2005, PwC was honoured with a range of awards and accolades recognising our achievements in professional services, client relationships and as an employer. These honours are pleasing indications that we are listening and responding to our clients’ needs and tracking well on our mission to become the professional services firm of our time.

THE FIRM OF CHOICE

In early 2006, PwC was recognised at the *BRW*–St.George Client Choice Awards, winning the accolades of Best Large Accounting Firm, Market Leader and, in the state awards, as Best ACT Firm. The awards are based on a survey conducted by Beaton Consulting between November 2005 and January 2006. Over 10,000 client respondents participated by rating over 150 professional services firms.

PwC’S PROFESSIONALISM RECOGNISED

CFO magazine’s judges cited three stand-out reasons for naming PwC the 2005 winner of the Accounting Services Firm of the Year Award: the unparalleled depth and breadth of the firm’s engagements, not only with clients but with the community as a whole; its contributions to the field of stakeholder communication and the alignment of internal culture with the organisation’s strategic objectives.

TOP HONOURS IN TAX

International Tax Review’s readers once again voted PwC as one of the leading tax firms globally, with several of our people receiving special mention for their work in the industry. They are:

- Michael Bersten (Tax Controversy)
- Michael Happell (Transfer Pricing)
- Peter Collins (Capital Markets and Financial Products)
- Tony Clemens (M&A and Cross-Border Transactions).

In 2005, our firm also received a number one ranking in the Asian Tax Survey.

SERVICE PROVIDER OF THE YEAR

For the second year in a row, PwC won Service Provider of the Year at the Australia and New Zealand Insurance Industry Awards. These awards recognise outstanding achievement in the Australian and New Zealand insurance marketplace.

BRW’S LEADING
PROFESSIONAL SERVICES FIRM

PwC comfortably maintained the number one position in *BRW*’s list of the top 100 professional services firms in 2005. In ranking PwC first, *BRW* stated: “As the only billion-dollar professional services firm in the country, PwC has unprecedented critical mass; a big benefit when client demands are escalating and good staff are hard to find”.

PwC VOTED LEADING EMPLOYER

In undertaking the Australian and New Zealand Workplace Series survey, recruitment firm Hays surveyed 600 jobseekers to find out what attracts candidates to a potential employer and what affects the employee’s longer-term view of the organisation. The jobseekers nominated career opportunities, company reputation and professional development as top reasons for choosing an employer.

“When an accountant seeks a move, certain companies are approached before others. This is the power of employment branding and is a major differentiator in the recruitment marketplace,” says Jacky Carter, director of Hays.

“The (survey) responses also show that internal factors, such as the treatment and support offered to employees, service offered to customers, management style and job security are just as important as vision, culture and values in attracting candidates to a company.”

PricewaterhouseCoopers was a clear favourite with jobseekers, being named in the survey’s top 10 ideal employers.

CONNECTED *
THINKING

The PricewaterhouseCoopers network is unrivalled. We rely on the connected thinking of our people to build trust and enhance value for clients. We continually strive to strengthen our connections across the globe by drawing on our collective knowledge for the benefit of clients. Connected Thinking is about mentoring, seeking better ways of talking to others and employing new approaches as we search out answers.

Attributes of Connected Thinking:

- Looking at issues from a number of angles
- Understanding clients’ businesses and industries in depth and as a whole
- Assessing the impact of decisions on all parties over the short and long term
- Applying learning from other industries
- Connecting with others who have more or different experience
- Considering the ethical dimensions of our actions
- Seeking help outside our offices and countries
- Bringing a fresh perspective.

OUR FIRM*

THOUGHT LEADERSHIP*

At PricewaterhouseCoopers we work hard to identify the issues, risks and opportunities that face our clients – and develop strategies to respond to them. We value knowledge, experience and a spirit of inquiry. We invest heavily in research and new thinking. We initiate dialogue, collaborating with industries and bringing business people together to engage in discussion and advance the debate. We sponsor and coordinate innumerable workshops, seminars and roundtables. These are cornerstones of our business.

As part of these activities, PwC people produce thought leadership materials in a great variety of forms, including presentations, papers and articles, as well as major publications and reports. These publications are a reflection of our commitment to the free exchange of insights and best practices. They tap our global and local resources, equipping our people as well as our clients to respond to change. They are often highly specialised, but not limited by the artificial boundaries of industry and geography. They demonstrate connected thinking at work. The following section showcases some of those our firm produced in 2005.

OUR FIRM*
THOUGHT LEADERSHIP

1

THOUGHT
LEADERSHIP

GLOBAL
VILLAGE GETS
THE CEO VOTE
GLOBAL CEO
SURVEY

Each year, PricewaterhouseCoopers announces the findings of its *Global CEO Survey* to the Annual Meeting of the World Economic Forum (WEF) in Davos, Switzerland.

In 2005, 1,410 CEOs from 45 countries – including 80 Australian CEOs – were interviewed for the *9th Annual Global CEO Survey*, released in January 2006.

Like their global counterparts, the Australian CEOs were generally positive about the impact of globalisation on their company and in general. They saw over-regulation as a significant or one of the biggest challenges to globalisation. They were less likely, however, to view corruption or political instability as a significant challenge to globalisation.

Australian CEOs also reported that they were confident about the effectiveness of their people in addressing complexity: 83 per cent of respondents rated their people as ‘good’ or ‘very good’ in this respect, compared with 64 per cent globally.

2

THOUGHT
LEADERSHIP

FOSTERING
INNOVATION
FORBES CEO
ROUNDTABLES

As a principal sponsor, PwC played an important role in the success of the Forbes Global CEO Conference, held at the Sydney Opera House in August 2005. More than 370 CEOs from 26 countries joined local business leaders to discuss how best to nurture and capitalise on innovation and the latest global trends.

To mark the beginning of the conference, PwC held three roundtable discussions that engaged Australian CEOs and industry experts in an informal exchange of ideas on the topics of China, Growth and Talent.

Issues discussed by the China roundtable included the use of increasing foreign involvement in first and second-tier banks to drive change throughout the banking system, environmental degradation and the huge opportunities it presents for business, and the impact of skilled worker shortages in China.

The Growth roundtable looked at the development of a corporate ‘growth culture’, the attractions of a ‘string of pearls’ acquisitions

strategy (small, regular acquisitions, each one a ‘pearl’) and implementing direct accountabilities including incentives for looking at growth strategies.

The Talent roundtable discussed how to crack the workplace ‘generational code’, why new generation leaders need higher levels of feedback from management and how attrition rates can be cut by tapping hidden talent pools.

Separate communiqués summarising the ideas emerging from each roundtable were produced for all conference participants and were also made generally available on the PwC website.

3

THOUGHT
LEADERSHIP

STRAIGHT-
TALKING WITH
SHAREHOLDERS
THE SHAREHOLDER
FRIENDLY REPORT

In 2005, the Australian Institute of Company Directors (AICD) Reporting Committee invited PwC to work with them to develop a simplified model Annual Report to guide companies in providing meaningful information about their performance and financial position to retail shareholders.

The resulting *Shareholder Friendly Report*, jointly launched in September 2005 by the AICD and PwC, provides a concise, easy-to-read and non-technical report on a company’s overall performance against its key strategies.

The report’s structure is based on a decade of PwC global research into the information needs of various corporate stakeholders. Our research has identified a need for companies to provide a clear explanation of the markets in which they operate, a summary of their key strategies,

related measures of success (both financial and non-financial) and performance to date, as well as an overview of future outlook and sensitivities.

Our research also shows that increased transparency of this kind leads to fairer market values, reduced stock volatility and enhanced market credibility for management and the board.

4

THOUGHT
LEADERSHIP

FIGHTING
FINANCIAL CRIME
& TERRORIST
FINANCING
THE DRAFT
ANTI-MONEY
LAUNDERING
AND COUNTER-
TERRORISM
FINANCING BILL
2005

On 16 December, the Commonwealth Government released for public consultation the draft Anti-Money Laundering and Counter-Terrorism Financing Bill 2005.

Under the draft Bill, individual organisations that provide any of 64 designated financial or gambling services will be responsible for reporting suspicious matters and transactions, and monitoring and assessing customer risk in four key areas: customers, services, delivery modes and jurisdictions.

In addition to the more traditional services supplied by banks and other financial institutions (such as the opening and operating of bank accounts providing loans and transferring funds), the draft Bill also covers certain activities normally carried out by securities and derivatives dealers, financial planners, insurers, superannuation fund trustees, fund managers and bullion dealers. Lawyers and accountants will also be affected where they provide financial planning advice.

PricewaterhouseCoopers’ Anti-Money Laundering team has thoroughly assessed the parameters and impact of the draft Bill, and continues to provide insights that inform the market during the consultation and development of a ‘workable’ legislation. The PwC analysis covers the draft Bill’s impact on business, including relationships with customers, reporting and record keeping requirements, working with the regulator and international experience.

The draft Bill is a shift from a ‘tell me’ to a ‘show me’ world. It introduces a risk-based approach in place of the current more prescriptive model, with the challenge for industry and the regulator to agree on the interpretation of what ‘risk-based’ means.

OUR FIRM* THOUGHT LEADERSHIP

5

THOUGHT
LEADERSHIP

CLEARING THE COMPLIANCE HURDLE PROTECTING THE BRAND: THE EVOLVING ROLE OF THE COMPLIANCE FUNCTION AND THE CHALLENGES FOR THE NEXT DECADE

In 2005 we published the first-ever in-depth international study of compliance functions in the financial services industry.

The survey took place against the background of a global shift in the environment from the often piecemeal regulatory requirements of the past to more systemic, wide-ranging prudential and conduct-of-business rules. Regulators around the world are introducing or enhancing not just compliance requirements, but requirements for the compliance function itself.

Participants were from over 70 internationally active financial services organisations in 17 countries, including Australia. They also came from all industry sectors: banking, investment services and insurance.

PwC's regulatory and compliance specialists conducted face-to-face interviews with industry specialists, including some CEOs with responsibility for risk management and compliance issues within their organisations.

According to the survey results, the main challenges to effective compliance include the rising bar of regulatory expectations, uncertainties caused by regulators moving the goal-posts retroactively and increasing regulatory 'heavy-handedness'. However, to help them meet diverse regulations across borders, financial institutions welcomed moves toward increased global convergence in regulatory approaches. They believe this should result in substantial savings, particularly for organisations that have put in place holistic, forward-looking, well-integrated compliance functions.

6

THOUGHT
LEADERSHIP

PIECING THE JIGSAW: THE FUTURE OF FINANCIAL SERVICES IN AUSTRALIA

Piecing the Jigsaw is an Australian perspective on the drivers, risks and opportunities that are reshaping the financial services landscape, both globally and locally.

Based on a global PwC initiative with the Economist Intelligence Unit, this report found that the owners of the pieces of the Australian financial 'jigsaw' are likely to be quite different in years to come.

Australian financial institutions are likely to change shape as they focus on their core competencies – those activities which give a superior return on capital. This will likely set the tone for new alliances, M&A activity and outsourcing.

Piecing the Jigsaw sets out several action points for Australian financial services CEOs. Simplification – both of the customer offering and the enterprise itself – is identified as a key principle. A better understanding of customer behaviour and changing demographics is also high on the agenda.

A strong economic outlook and mandated superannuation contributions means that the future should be positive for Australian institutions, particularly if they can identify and articulate what it is they do best.

7

THOUGHT
LEADERSHIP

DASH FOR GAS UNDER PRESSURE: ENERGY INDUSTRY 2005

Under Pressure is PwC's seventh annual global utilities survey featuring the perspectives of 120 utility leaders across 36 countries. It finds that the industry is under intense pressure to attract funds to build infrastructure and maintain supply to fuel an energy-hungry global economy.

The survey goes to the heart of the investment issues facing the industry. It examines the challenges for the sector and finds that 39 per cent of investors surveyed said inconsistent regulation and energy, tax and environmental policies were holding back investment.

Nearly three-quarters of global utility company respondents believe supply security and transmission capacity are major concerns facing the sector. Similar issues exist within the Australian sector, which needs to undertake significant investment to ensure security of supply.

Asia-Pacific respondents foresee a change in favour of gas, signalling a major shift in the fuel mix from coal to gas within the next 10 years. As a key exporter of gas and coal to the world, Australia stands to reap the benefits of a global thirst for energy.

**WE VALUE KNOWLEDGE,
EXPERIENCE AND A SPIRIT OF
INQUIRY. WE INVEST HEAVILY IN
RESEARCH AND NEW THINKING.**

OUR FIRM* THOUGHT LEADERSHIP

8

THOUGHT
LEADERSHIPSTRONGER
FOR LONGER
**MINE: ENTER
THE DRAGON**

Mine: Enter the Dragon is PricewaterhouseCoopers' review of global trends in the mining industry. It finds that profits in the global mining sector more than doubled in 2004, driven by increased demand, particularly from China, and a weaker US dollar pushing up commodity prices.

The PwC review looks at where the industry is going, based on the results of 40 of the world's largest mining companies – who reported a 111 per cent increase in aggregate net profits in 2004.

Rather than being at the top of the commodity cycle, the report suggests that the industry may be undergoing a structural change in global demand. The indications for 2005 were positive and the report suggests the first mining boom of the 21st century appears ready to continue.

Australian miners continue to implement growth strategies to take advantage of the buoyant market conditions. However, the

reported 24 per cent increase in capital expenditure reflects caution being exercised by mining companies and a relative shortage of attractive investment opportunities.

Australia is well placed to continue to benefit from China's increased demand for mineral products, particularly iron ore and coal. However, the review highlights the need for continued investment in talent, infrastructure and exploration.

9

THOUGHT
LEADERSHIPCHECKING THE
HEALTH SYSTEM'S
PULSE
**HEALTHCAST
2020**

The current health system is not built to last and is in danger of collapse if change does not occur.

Financing current demand alone is crippling national health systems and economies. PricewaterhouseCoopers projects that global healthcare spending will triple over the next 15 years to US\$10 trillion. In Australia, healthcare is predicted to consume an estimated 16 per cent of GDP over the next 15 years. This is in line with other OECD countries, except the US, where it is expected to reach 21 per cent.

PwC is playing a leading role in working with governments to improve health outcomes for Australians. Recent work includes the delivery of a national evaluation framework for the Australian Government Department of Health & Ageing's Sharing Health Care Initiative.

In *HealthCast 2020* we look at solutions and responses from around the world to the globalisation and industry-wide convergence

of healthcare. What insights, best practices and policy lessons can be learned from experiences in various countries to create a globally sustainable health system? Who, or what, is driving the solutions?

HealthCast 2020 surveys 578 international healthcare executives in 27 countries and interviews 120 health leaders in 15 countries. It identifies seven common features for sustainability: the need for common ground among stakeholders, a digital backbone, incentive realignment, quality and safety standardisation, strategic resource deployment, innovation and process change, and adaptable models of care delivery.

10

THOUGHT
LEADERSHIPMAPPING THE
PROGRESS OF
LIFE SCIENCE
BIOFORUM

BioForum is an authoritative, quarterly PwC report on the Australian life sciences market sector, which aims to inform readers of the current status of the life sciences market as well as highlight successes and discuss issues faced by this emerging sector.

The report details the performance and activity within the life science sector. In commenting on the quarterly performance, the change in market capitalisation of listed Australian life science companies is compared against the broader Australian and US markets. The report also comments on the activity of IPO and secondary financing, recent clinical trials, regulatory approvals and other announcements shaping this emerging sector.

In 2005 the life sciences sector grew by 35.1 per cent, outperforming the All Ordinaries by 18.9 per cent. Excluding large capitalisation companies CSL, Cochlear and ResMed, the sector decreased marginally by 1.9 per cent. Of the two sub-sectors in life sciences, the medical device sub sector dragged down the sector's performance, posting a 10.3 per cent

decline for the period. The Pharmaceutical and biotechnology sub-sector increased marginally by 1.5 per cent.

The December edition of *BioForum* reports on the industry impact of the spread of Avian influenza and the stockpiling of antiviral drugs in several countries. Roche's Tamiflu and GSK's Relenza, licensed from Biota, have both been in high demand. CEO of Biota, Peter Molloy, discusses the remarkable turnaround in the company's fortunes.

In the same issue, John Kaperleris, the director of Regional Commercialisation Services for the Australian Institute for Commercialisation, weighs the pros and cons of offshore partnerships for Australian life sciences companies.

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THOUGHT
LEADERSHIPANALYSING
MEDIA TRENDS
**ENTERTAINMENT
& MEDIA OUTLOOK
2005–2009**

The Australian *Entertainment & Media Outlook*, coming into its fifth annual edition, analyses issues and trends and provides historical and forecast performance for 11 industry segments: filmed entertainment, free-to-air television, subscription television, radio, out-of-home advertising, newspapers, magazines, recorded music, internet, interactive games and books.

The report finds that the Australian entertainment and media sector grew by 10.5 per cent to \$20.8 billion in 2004, driven by a strong economy and a compelling range of entertainment and media alternatives.

PricewaterhouseCoopers predicts that by 2009 the Australian sector will be worth \$29 billion, having grown at seven per cent CAGR (compounded annual growth rate).

An emerging trend is the rise of what we call 'content fodder' – when entertainment content is used by organisations to sell other products. Apple uses its iTunes download service to drive iPod sales; deep discount retailers loss-lead with DVDs, CDs, interactive games and books to drive store traffic and sales.

The next five years will bring a changing of the guard within the sector. While continuing to perform strongly, the growth of recent stars such as DVDs, subscription TV and internet access will reach maturity. At the same time, emerging products such as online and wireless gaming, digital and mobile music, online film rental subscriptions and video on demand will begin to step up.

The authors of the Australian *Entertainment & Media Outlook* are frequently called upon to share their insights and data with clients, at conferences and in the media.

OUR FIRM*
THOUGHT LEADERSHIP

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THOUGHT
LEADERSHIP

SCANNING THE
MARKETPLACE
RETAIL &
CONSUMER
OUTLOOK 2005

PricewaterhouseCoopers' *Retail & Consumer Outlook 2005* analyses major issues and future trends facing the retail and consumer goods sectors: own-label products, factory gate pricing, corporate social responsibility (CSR), sourcing from Asia, customer engagement and radio frequency identification (RFID) tags.

RFID tags on retail goods will be much more evident over the next three years. Instead of being scanned manually like bar-codes, information in an RFID tag is read automatically when it passes within range of a radio receiver. First-movers stand to reap substantial rewards. However, dual tagging of items with RFID tags as well as barcodes is likely to continue for many years.

The Outlook notes that own-label products will soon take up much more space on supermarket shelves. PwC predicts the share of these products will at least double within five years. This will reduce the number of national brands – but the prepared can survive.

Factory gate pricing will impact the prices that suppliers will be able to charge grocery retailers. This involves retailers contracting third parties to collect goods and then paying lower prices at the factory gate. PwC predicts this will yield its

greatest benefits for retailers through 2008–2010, with supplier participation levels likely to be 30–40 per cent.

CSR will increasingly be used by consumer goods and retail companies to connect with consumers, differentiate products and services, and build workforce commitment.

Sourcing from Asia is a must, but some companies struggle to identify the most appropriate procurement model – whether it's buying direct, using overseas agents, partnering with Australian intermediaries or moving to vertical integration. Whichever model is used, flexibility and speed to market will be at a premium.

Customer engagement is increasingly vital. Rigorous marketing metrics will become commonplace to evaluate return on marketing spend, lift performance and improve predictive capability.

WE INITIATE DIALOGUE,
COLLABORATING WITH INDUSTRIES AND
BRINGING BUSINESS PEOPLE TOGETHER
TO ENGAGE IN DISCUSSION AND
ADVANCE THE DEBATE.

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THOUGHT
LEADERSHIP

COUNTING THE
COST OF CRIME
THE PwC GLOBAL
ECONOMIC CRIME
SURVEY 2005

A leading survey conducted every two years, the PwC *Global Economic Crime Survey* provides an insight into global and Australian trends in economic crime. During the survey period from 2003 to 2005, economic crime cost Australian businesses an average of \$3.1 million per organisation, per year. This is significantly higher than the annual global average cost of \$2.4 million per organisation.

In Australia 63 per cent of all businesses reported economic crime, up 16 percentage points on the previous survey.

The *Global Economic Crime Survey* is conducted in 34 countries on behalf of PricewaterhouseCoopers by TNS-Emnid in Germany and leading criminological scholars at Martin-Luther University, Halle-Wittenberg. For the comprehensive survey, more than 3,634 computer-assisted telephone interviews were conducted with CEOs, CFOs and other executives responsible for crime prevention and detection within their respective companies.

The Global Survey is accompanied by an Australian report based on a sample of 100 leading businesses from a cross section of industries.

In Australia, all businesses with more than

5,000 employees and one third of businesses with less than 200 employees reported incidents of economic crime since 2003.

The three industries which reported the highest number of incidents were services, 74 per cent; trade, 71 per cent; and manufacturing, 60 per cent.

The most prevalent types of economic crime reported were asset misappropriation, false pretences such as false invoicing and financial misrepresentation. The incidence of money laundering rose from zero in 2003 to 6 per cent in 2005, nearly twice the global average.

In 2005, only 4 per cent of reported incidents were detected by accident, a drop from 53 per cent in 2003. The two most effective forms of detection were internal audit (31 per cent) and internal tip-off (20 per cent).

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THOUGHT
LEADERSHIP

BIG IDEAS FOR
MID-SIZED SECTOR
PwC BUSINESS
INSIGHTS SURVEY

Three times each year, PricewaterhouseCoopers conducts an in-depth survey of the issues facing medium-sized businesses in Australia.

The sounding is taken though the PwC *Business Insights Survey*, conducted by leading Australian research group Woolcott Research, which surveys chief executives and financial officers of companies with annual turnovers of \$500 million or less.

The latest 2005 survey was conducted in September through an online questionnaire, with 265 respondents from a regular panel of 600 chief executive and financial officers. Of the 265 respondents, 187 fell into the \$20–100 million revenue category, 53 into the \$100–300 million revenue and 25 in the \$300+ million group.

The results showed that Australia's mid-sized businesses were planning for growth in staff numbers, expansion through acquisition and increased profits. Fifty-two per cent forecast an increase in profit this financial year; 45 per cent

expected to increase staff over the next 12 months; and 27 per cent were actively planning to make an acquisition in the next 12–18 months.

They also showed that the optimistic outlook is clouded by the worsening skills shortage. Presently there are 170,000 new entrants into the workforce each year, yet for the entire decade of 2020–2030 it is predicted that this number will be reduced to 125,000 new entrants. The indications are that the majority of mid-sized businesses may have neglected to put long-term programs in place to manage the skills shortage. Band-aid solutions such as increasing the workload of existing staff are not sustainable.

For more information on these and other reports, please visit our website at www.pwc.com/au.

OUR FIRM* GOVERNANCE

REGULATION: A BURDEN OR A LAUNCHING PAD?

Regulatory inconsistencies and conflicts within Australia continue to cause significant board and management distractions. There are up to 600 regulatory bodies in this country, and the volume of regulation at state, territory and Commonwealth levels has been growing at the unsustainable rate of some 10 per cent a year.¹

On the other hand, Australian companies which operate across national borders and have in place holistic, forward-looking compliance functions will be able to reap substantial savings from the trend to global regulatory convergence.² The more demanding of those global regulatory standards actually play to Australia's strengths in international capital markets. Companies must remain vigilant about the potential reputational risks, such as those involving fraud and corruption, that may arise in foreign jurisdictions.

In this complex environment of regulatory challenges and opportunities, PricewaterhouseCoopers is working with investors, the business community, governments and regulators to build understanding of business issues and assist in the development of creative, growth-oriented public policy. The excessive burden of compliance on Australian business is demonstrated in the scores of submissions made to the Regulation Taskforce by business and industry bodies. While we await the Federal Government's response to it, we are pleased that the Taskforce agreed with several of the key suggestions in PwC's submission, in particular on the need for an ongoing regulation review process.

We have supported the Federal Government's legislation to increase workplace flexibility and reduce barriers to job creation. We also support further measures to curb the rising tide of regulation affecting business in Australia.

Australian CEOs see overregulation as one of their biggest challenges. More of them are concerned about the global convergence of accounting and corporate governance standards than their counterparts around the world.

REGULATORY REFORM: THE GLOBAL BACKGROUND

Our 9th *Annual Global CEO Survey*, the results of which were recently presented to the World Economic Forum in Davos,³ shows that on most issues Australian CEOs are in line with their counterparts globally.

PricewaterhouseCoopers surveyed more than 1,400 global CEOs – including 80 from Australian companies – on globalisation and the increasing complexity of today's business environment.

As many as 83 per cent of Australian CEOs are concerned about the global convergence of accounting standards “to a large or very large extent”, compared with 70 per cent globally. The convergence of corporate governance standards is an issue of concern “to a large or very large extent” for 70 per cent of the Australian CEOs,

compared with 63 per cent globally.

Australian CEOs are also more likely to believe that international reporting standards and requirements have added to organisational complexity. Seventy per cent of Australian CEOs agreed that this had occurred to a ‘medium or large extent’ over the past three years, compared with 50 per cent globally.

THE AUSTRALIAN ENVIRONMENT

These survey findings are consistent with the major global opportunities that have opened up in recent years for Australian business – and with the major changes that have occurred in the global and Australian regulatory environment.

Changes include the introduction of International Financial Reporting Standards (IFRS); the Corporate Law and Economic Reform Program (CLERP); Sarbanes-Oxley for Australian companies that are also registered in the US; and Basel II in financial services. Anti-money laundering legislation will soon add a further significant layer of compliance requirements.

All this ignores the further indirect impact on business from the introduction of auditing standards into law. This will mean that auditing processes will likely become more prescriptive, with less judgement being exercised – thus potentially creating a further burden and impost from the audit function. When this occurs on 1 July 2006, Australia will be one of only a few developed territories to have taken this approach. The question remains: ‘is it necessary’, particularly with the recently introduced audit surveillance program implemented by ASIC as well as the Audit Quality Review Board established to independently monitor audit quality.

Australian business is taking up the challenge of aligning with the fundamentally new global paradigm in governance, risk and compliance that has emerged in recent years. A number of case studies elsewhere in this Review illustrate this — and also the very significant investments made by PwC, across all industries and regions, to help in this multifaceted process.

This side of our work ranges from helping to coordinate industry-specific workshops on developing new reporting platforms for IFRS to mobilisation of our global expertise for implementing necessary compliance with Sarbanes-Oxley or Basel II. We are helping boards and management of major organisations to create cultures of compliance that also support the spirit of calculated risk-taking that is essential to business success.

But compliance may still be seen in some organisations as merely a separate ‘cost of doing business’, rather than an opportunity to improve competitive performance and add value. The financial impacts of other kinds of business risk – such as credit, market and operational risk – are usually measurable, for example, in terms of potential reductions in regulatory capital requirements. But business projects branded ‘compliance’ often

don't have to prove commercial benefits and success factors.

A major difficulty is that regulatory inconsistencies and conflicts across internal Australian borders are dissipating business energies, raising cost levels and reducing our international competitiveness. Mr Gary Banks, the chairman of the Regulation Taskforce, has identified between 500 and 600 regulatory bodies in Australia, which helps explain the excessive surge in the volume of regulation.

A well-coordinated program of regulatory reform that includes state and territory governments as well as the Federal Government would greatly assist businesses to continue to deliver economic prosperity. This makes especially welcome the inclusion of regulatory reform in the national agenda that was spelled out in February 2006 by all three levels of government at the Council of Australian Governments (COAG).

Regulatory reform would not reduce the need for business to go well beyond the ‘letter of the law’ to meet the increasing demand for higher levels of integrity and accountability. In fact, such reform would help business accomplish the necessary shift away from a merely mechanical compliance mind-set towards the adoption of a genuinely integrated, compliance risk management culture.

The fact of the matter is that the plethora of disparate and sometimes overlapping regulation focuses the attention of business more on the process of compliance than on ensuring sound underlying principles and a culture of meeting community expectations. A simplified and more integrated regulatory regime would reduce compliance costs, improve substantive compliance and provide a better outcome for all concerned.

INFRASTRUCTURE

Despite negative publicity around some urban transport projects, the public policy arguments remain as strong as ever for public-private partnerships (PPPs) to be judiciously used to deliver infrastructure needs efficiently and cost-effectively.

COAG proposes various market and regulatory initiatives to encourage investment in energy, transport and other export-oriented infrastructure. In our view, it would also be timely to re-affirm the role played by PPPs.

With pressure on all governments' budgets, the use of PPPs remains an effective alternative for the funding of necessary infrastructure replenishments, provided projects are structured and evaluated properly by relevant authorities. Our view is that PPPs have a vital role to play in delivering innovation and value for money to strengthen Australia's economic future.

Any tendency to overestimate future demand to demonstrate project viability needs to be guarded against; projects delivered on the basis of such short-term ‘optimism bias’ may lead to poor decisions. But it remains true that public sector authorities often do not have the full range of capability needed to deliver projects effectively and maintain them over lengthy periods.

A PPP project is likely to deliver value for money when it uses private sector skills across a number of disciplines; where the

public sector track record of project implementation is poor; where bidders are competing to provide the best services over the life of the assets; and where risks are allocated to the parties best able to manage or absorb them. These criteria are often met by social infrastructure projects like schools and hospitals as well as by major transportation schemes.

RISK, QUALITY AND INDEPENDENCE

While business strives to cope with the volume of regulation, PwC has continued to align its own processes with the changing regulatory environment. Our firm has clearly articulated policies that govern the behaviour of the firm and its people. Matters covered include the importance of providing a high-quality standard of work and of maintaining independence from audit clients. Initiatives include:

- A PwC Risk and Quality Council, which provides governance oversight of the strategic direction for risk, quality and independence for the Australian firm.
- Re-organisation of the Risk and Quality function to ensure initiatives are embedded across the various services provided by the firm.
- Partner assessments which include performance metrics in relation to compliance with specific risk and quality objectives.
- Continuation of the PwC global online system for recording managers' and partners' investments to facilitate compliance with personal investment restrictions.
- Mandatory, online independence training modules to supplement other training and compliance testing activities.
- A documented compliance framework, including a mapping of how PwC meets its regulatory and professional obligations, available to reviewers such as The Institute of Chartered Accountants in Australia and the Australian Securities and Investments Commission.
- An online skills assessment and development planning tool — called DNA — that helps individuals identify personal development priorities as well as critical development needs for the firm.

AUDIT QUALITY REVIEW BOARD: A WINDOW ON THE AUSTRALIAN AUDITING PROCESS

In addition to PwC's own risk management initiatives, the firm has worked with other major Australian audit firms in a major initiative to enhance audit quality and integrity in support of the Government's financial reporting regime under CLERP 9.

The Audit Quality Review Board (AQRB), launched on 17 February 2006 by the Hon Chris Pearce MP, Parliamentary Secretary to the Treasurer, is the culmination of these joint efforts and an integral part of the profession's response to the CLERP 9 initiative.

The AQRB is the profession's own quality improvement initiative, aimed at helping ensure greater transparency and robustness in the quality monitoring processes for audits of publicly listed entities.

1. Business Council of Australia: Submission to the Taskforce on reducing the regulatory burden on business.

2. PricewaterhouseCoopers: Protecting the brand: the evolving role of the compliance function and the challenges for the next decade.

3. Globalisation and Complexity: Inevitable Forces in a Changing Economy.

OUR FIRM*
GOVERNANCE

The AQRB aims to complement, but in no way displace or alter, the role of the Australian Securities and Investments Commission (ASIC). It is designed to help improve compliance with the Corporations Act in respect of both auditors' independence and the quality of audits.

The AQRB will monitor the processes by which participating audit firms seek to ensure their compliance with professional standards and legal obligations regarding independence and audit quality controls.

The overall objective is to improve the quality of auditing with respect to publicly listed entities. In doing so, the AQRB aims to enhance the credibility and integrity of the Australian auditing framework, improve public confidence, and contribute to the continual improvement of the audit profession for the benefit of the Australian public.

ADOPTING INTERNATIONAL REPORTING STANDARDS

PwC has continued to focus its activities around four key milestones in assisting clients successfully transition to the Australian equivalent of the International Financial Reporting Standards (AIFRS): getting the numbers right; understanding the impacts of AIFRS on business strategy and operations; effectively communicating the impact of AIFRS to the market; and moving from short term fixes to sustainable AIFRS reporting in key controls, processes and people.

This approach has enabled us to take a whole-of-firm approach to AIFRS – appreciating that, for the client, AIFRS is not just about getting the numbers right but also dealing with significant operational and strategic issues. We have brought together experts from across the firm to ensure highly complex issues are addressed from all relevant angles, not just from the accounting perspective. Our case studies attest to the success and importance of this approach.

Our commitment to our clients during the year – at all levels within the organisation – has been far reaching. We have held numerous tailored workshops to assist finance teams to best manage the transition, provided practical support and guidance for boards, as well as offered support via one-on-one discussions, handbooks and checklists to assist clients to understand the impact of AIFRS on their business from a corporate governance perspective.

Throughout the year we have continued to play a key role in PwC's extensive global IFRS network. This has enabled us to share the latest global best practices as well as critical technical insights and perspectives on IFRS. We have also been able to bring key learnings and experiences from Europe to our Australian teams and clients.

SARBANES-OXLEY

The Sarbanes-Oxley Act of 2002, the US Congress's sweeping reaction to a series of corporate scandals, is having a profound impact on US listed companies. Section 404, which places new obligations on companies to assess and report on the effectiveness of internal controls, has been particularly challenging.

Non-US companies with a US listing (Foreign Private Issuers or FPIs) have been granted a period of grace and are required to implement section 404 for years ending after 15 July 2006. Most of these companies should now be substantially through their section 404 implementation and be looking to embed section 404 compliance into existing processes.

While there has been criticism of the relative costs and benefits of complying with section 404, companies have an opportunity to create value by eliminating errors and inefficiencies and rework processes to better understand and control accountability.

PwC ALUMNI – HELPING TO SET THE STANDARDS

PwC people often go on to serve the Australian business community in senior regulatory and standard-setting roles. For example, PwC alumni are currently serving in senior roles at the Australian Securities and Investments Commission, the Financial Reporting Council, the Australian Accounting Standards Board and the International Accounting Standards Board.

CODE OF CONDUCT

PwC's reputation in the business community is built on the highest professional and ethical standards. Our obligations to our clients are reflected in our Code of Conduct, The Way We Do Business. Essentially, this is a framework to help people make the right decisions when encountering ethical dilemmas. It means taking personal responsibility for delivering high-quality work. The Code contains information on a broad range of policies covering legal and professional obligations, client and other business relationships, organisational and administrative requirements and personal conduct. It is grounded in our firm's values.

All of our staff are obliged to familiarise themselves with the Code. They complete a mandatory e-learning module, called Navigating the Grey, on the Code and its practical applications. This uses everyday situations and our decision-making framework to show how the Code operates in practice.

ETHICS HOTLINE

A new PwC Ethics Hotline – 1800 I TRUST – allows PwC staff members, as well as anyone outside the firm, to seek confidential guidance on resolving ethical dilemmas in business or information on what constitutes unethical behaviour. The hotline number, and a copy of the Code, is posted on our website (www.pwc.com/au).

PwC has a strong commitment to investing in the common wealth of the communities in which we work. One way we do this is by choosing to sponsor organisations and events which provide opportunities to further strengthen our economic, cultural, social and sporting foundations. During the year we were privileged to play an important role in some major events on the national calendar, and continued to support upcoming ones. Although diverse in nature, all of our sponsorship activities have one thing in common: they involve events which reflect our values of teamwork, excellence and leadership.

FORBES GLOBAL CEO CONFERENCE

As a principal sponsor, PricewaterhouseCoopers was delighted to play a part in the success of the Fifth Annual Forbes Global CEO Conference, which saw over 370 chief executives from 26 countries join local business leaders at the Opera House in Sydney in August and September 2005.

Themed The Next Move, the conference allowed some of the world's finest business minds to focus on the best ways to nurture and capitalise on innovation and the latest global trends. Business leaders from around the globe discussed how best to invest in the international economy, growth and risk management strategies, the convergence of financial markets and China's new place as a force in international trade.

The conference was opened by Australian Prime Minister John Howard and featured 44 speakers from the world's leading companies and institutions, including former New York Mayor Rudolph Giuliani, New South Wales Premier Morris Iemma, Business Council of Australia President Hugh Morgan and PwC Global CEO Sam DiPiazza. Mr DiPiazza took part in the Regulation and Risk: Achieving the Balance panel session. This session, one of the conference's headline events, was moderated by Steve Forbes, Publisher of *Forbes Magazine*.

The conference also provided the opportunity for PwC to host a series of CEO roundtables. Designed to promote debate on key global business issues, the three 90-minute roundtable discussions, on the topics of China, Growth and Talent, were held simultaneously on Monday, 29 August. The Hon Mark Vaile MP, Deputy Prime Minister and Federal Minister for Trade, later addressed the roundtable on trade issues.

OUR FIRM*
SPONSORSHIPS

MELBOURNE 2006 COMMONWEALTH GAMES

PwC's role as an official sponsor of the XVIII Commonwealth Games gave the firm the opportunity to contribute to Australia's reputation as a great sporting nation, and a country which is capable of hosting premier international sporting events.

PwC's sponsorship also facilitated strategic links between Games sponsors and Melbourne's business community in order to maximise the commercial outcomes of the Games.

This year, PwC played a key role in the establishment of the Melbourne 2006 Commonwealth Games Chairman's Club, which was a regular forum for Melbourne 2006 Commonwealth Games sponsor executives in the lead-up to the Games to help strengthen ties with business. This will have positive flow-on effects long after the Games are over.

PwC's commitment to the success of the Games can also be seen in the considerable professional services support the firm offers the Commonwealth Games Corporation.

Four-thousand-five-hundred elite athletes from 71 nations took part in the XVIII Commonwealth Games, held from 15–26 March 2006.

“PricewaterhouseCoopers has been actively involved since August 2004 as the official provider of professional advisory services to the Games,” said Ronald J Walker, Melbourne 2006 Commonwealth Games Corporation Chairman. “The PricewaterhouseCoopers team continues to deliver important advice to us, including risk management, taxation and accounting.”

THE AUSTRALIAN CHAMBER ORCHESTRA

The Australian Chamber Orchestra (ACO) strongly reflects PwC's own values and way of doing business. An ensemble of soloists working in a collaborative environment, the ACO is a leading light in the arts community and lives the values of excellence, teamwork and leadership through its dynamic and energetic performances. PwC is exceptionally proud to be the ACO's National Innovation Partner. Our role involves providing assistance for the staging of national tours and participation in the Chairman's Council, as well as support for the Young Artist Development Program. This program offers graduate-level music students the opportunity to be mentored by ACO players.

PRICEWATERHOUSECOOPERS CONTINUES TO PROVIDE SPONSORSHIP TO ORGANISATIONS AND EVENTS WHICH MAKE A SIGNIFICANT CONTRIBUTION TO OUR COMMUNITIES, SUPPORT OUR VALUES AND SHOWCASE AUSTRALIAN INGENUITY, CREATIVITY AND PROFESSIONALISM.

OUR FIRM* PwC FOUNDATION

THREE YEARS AFTER ITS LAUNCH, THE PwC FOUNDATION IS CONTINUING ITS RAPID GROWTH DUE TO THE INCREASING GENEROSITY AND DEDICATION OF OUR PEOPLE AND THEIR ONGOING ENGAGEMENT IN OUR COMMUNITIES.

In the 2005 financial year, 40 per cent of our people participated in a volunteering activity, 18 per cent gave on an ongoing basis through PwC People Giving (where the firm matches employee donations to charity partners dollar-for-dollar) 6,700 hours of professional time was dedicated free-of-charge or at heavily discounted rates to the community sector, and, in total, the Foundation distributed \$2.86m to our charity partners. Through the Foundation and our relationships with our charity partners, we endeavour to contribute to specific social causes while helping develop our people.

PricewaterhouseCoopers has a long-term interest in the sustainability of the communities in which we operate. Our Foundation provides an opportunity to engage with our community and contribute to the five causes about which we are passionate: children, disadvantaged young people, health, alleviating poverty and the conservation of our environment.

We believe that it is important to extend beyond the traditional 'giving' model and develop sustainable and long-term relationships with our partners in the community sector which focus on capacity-building and the sharing of expertise.

Our people volunteer their time and expertise in many ways – including helping young people from our communities to become future leaders through programs such as Elevate, inspiring our communities to care for the natural environment and working to alleviate poverty. By collaborating with our charity partners and promoting the free trade of skills and experience, we are helping to build sustainable communities.

REVISITING OUR COMMITMENTS

This year we asked our people to again confirm the areas in our community they are most passionate about supporting and the charities with which they want to build partnerships. Our survey confirmed the current five causes and resulted in a refreshed list of charity partners – 20 in total going forward. The list comprises state-based and national organisations of all sizes. Many of the current charity partners were retained at the request of our people and four new charities were added to the list.

REACHING OUT TO TSUNAMI SURVIVORS

Within days of the devastating Boxing Day tsunami of 2004, which killed 300,000 people and left countless more injured and homeless, the PwC Foundation had mounted a relief campaign that set new benchmarks for our people's generosity and compassion. The monies raised by PwC are now being put to use in rebuilding communities and restoring livelihoods in Aceh, Indonesia.

The PwC Foundation and World Vision have identified a project which will be fully funded by the Foundation. The project will focus on the recovery and reconstruction of the Lhoong region in Aceh – an area devastated by the tsunami – and will run for two years.

The project will include providing equipment, training and support for farmers; re-establishing fishing and shrimp farming; establishing home industry groups to help and empower women; planting trees of economic and environmental value; assisting with emergency planning; and developing self-help groups to build capacity within the community.

HELPING TO BUILD CAPACITY

Our partnership agreements with every charity partner cover all the strategic initiatives of the Foundation, including pro bono services. Through pro bono services we can share our business expertise in ways that are relevant, ensuring continued capacity building and

the development of long-term sustainable solutions for our charity partners. Assignments have included the audits of Landcare, The Salvation Army, World Wildlife Fund (WWF) and Camp Quality, a risk assessment and review of aged care for Mission Australia, supporting the finance committee at Endeavour Foundation and business plan development for Oasis Youth Support Network.

BOOSTING PLANT AND ANIMAL LIFE

Our people have long identified the environment as a cause about which they are passionate. Working with Landcare Australia provides us with a chance to help on a local level, and the WWF Australia has been working with us to protect some of Australia's endangered species. This year, people from eight of our offices around the country rolled up their sleeves to collect rubbish for Business Clean Up Australia day.

PwC also helps Landcare Australia through pro bono audit work and intellectual property around project management systems and practice. This allows Landcare to build the capacity to plan, coordinate and manage complex projects and networks to the benefit of the environment and all Australians. The PwC Foundation also supported the production of Landcare Australia's Volunteer Coordinators Network Manual – an invaluable guide for the thousands of urban landcare groups around Australia.

ENGAGING YOUNG PEOPLE IN THE ENVIRONMENT

Helping young people to develop a sense of their own worth and potential and an appreciation for others is an important part of building sustainable communities. This year, PwC was delighted to be involved in a project which brought two of our passions together – the development of young people and the conservation of our environment.

PwC worked with Landcare Australia, Eden Gardens gardening centre and Youth Off The Streets to build nest boxes for endangered wildlife living in the local national park, and to regenerate and revegetate surrounding bushland. Lou Single, the Education Manager of Youth Off The Streets, says the young people gained much from their involvement in the program. "Initiatives like these really help to enthuse our young people and develop in them a sense of responsibility towards the environment. All the young people who took part now say they want to do more to help the environment."

ESTABLISHING A CAFÉ WITH PURPOSE

In June 2005, the PwC Foundation launched Foundation Café in the lobby of the Melbourne office. Forty cents from every coffee sold, together with all profits from the café, go to the Foundation to support our charity partners. This is an exciting step for the Foundation, as the Café enables us to raise additional funds for our charity partners and build awareness of the Foundation among our people.

JOSH BECAME MAN OF THE HOUR, AND WAS INTRODUCED TO THE ENTIRE CELEBRITY AUDIENCE – MAKING AN AMAZING EVENING EVEN MORE SPECIAL.

OUR FIRM* PwC FOUNDATION

FUNDING RESEARCH TOWARDS FINDING A CURE

Our partnership with the Leukaemia Foundation has continued to flourish. For the last three years PwC people have participated in the World's Greatest Shave to care and cure – shaving, colouring or waxing their hair to raise money for the charity. In 2005, PwC raised almost \$365,000 to once again top the national business fundraising table. These funds support the PwC Foundation Leukaemia and Lymphoma National Tissue Bank, which is essential for the storage of cells and tissues required for research into leukaemia and other blood disorders.

Our Foundation does not limit itself to fundraising activities, however. We also work closely with the Leukaemia Foundation to raise awareness of issues facing patients and their families. Our support of the Leukaemia Foundation's Signature Lunch, held in September each year, provides a fantastic opportunity to raise awareness of the issue among other corporates, as well as launch new research findings.

WORKING TO ALLEVIATE POVERTY

Poverty has far-reaching social, psychological and spiritual dimensions. The Foundation helps to alleviate poverty by supporting targeted programs at Mission Australia, Open Family, World Vision, The Smith Family, The Salvation Army, Youth Off The Streets, Anglicare and Urban Seed.

This year, we raised over \$25,000 for three of our Sydney charities through the City to Surf run. Our contributions to Mission Australia assisted South West Youth Peer Education (SWYPE), which works with young people and their families to prevent youth homelessness. These funds have gone to help Tim Wakaera realise his dream of playing representative rugby league. Tim had been selected for a tour of France with the NSW Development Squad; however, it looked likely that he would have to turn the offer down.

Clare Harding, Corporate Partnerships Manager, Mission Australia, said: "Tim didn't feel able to take up this opportunity as he was worried about the financial burden on his family. Thanks to the funds raised by PwC staff through participation in the City to Surf, Tim has been able to take up this once-in-a lifetime opportunity. The money covered the full cost of the trip. Any funds not used for the trip will help ensure the continuation of the diverse programs at SWYPE."

The Foundation also offered pro bono assistance to a number of our charity partners, including Urban Seed's Credo Café, which provides daily lunches, assistance and referral services for those in need.

This year the Foundation also deepened its relationship with Urban Seed. We supported the development of an educational text exploring the issues of homelessness in Australia – aiming to raise awareness of these issues in the wider community.

CHALLENGES FOR THE YEAR AHEAD

In 2006, the Foundation looks forward to continuing to strengthen its relationships with our charity partners. We also plan to work closely with the Global Foundation Advisory Board, which we helped establish to assist PwC people throughout the world in working towards the development of sustainable, stable communities.

The Global Foundation Advisory Board met recently in London to share best practice and create an agreed charter. We will continue to ensure that our Foundation activities are home-grown and connected to our local communities, while working together to create a model of global social responsibility that is greater than the sum of its parts.

GRANTING JOSH'S HUMBLE WISH

Eight-year-old Josh lives with Arthrogryposis, a rare muscle disorder that limits the movement in his joints. When the Starlight Children's Foundation asked Josh to make a wish, his request was very modest: Josh wanted to see Star Wars III. With the support of PwC Foundation, Starlight Children's Foundation flew Josh and his family to Melbourne for the celebrity premiere of the movie. Josh, looking dapper in his suit, met and scored an autographed photo of TV host Rove McManus – the first of several surprises the evening was to bring. As the lights dimmed in the theatre, Josh settled in to watch the show. Suddenly everything stopped. A PwC staff member burst on the scene with a box of Star Wars treasures for Josh. Josh became man of the hour, and was introduced to the entire celebrity audience – making an amazing evening even more special. Living with illness or injury can cause enormous strain in the lives of children and their families. The everyday joys of childhood often take a backseat to the stress of treatment and hospitalisation. Wish granting is just one of Starlight's programs for seriously ill and hospitalised children and their families, and is designed to help restore the fun, laughter and joy that serious illness takes away.

OUR FIRM*
PwC FOUNDATION
ELEVATE

RENAE COOPER AND DANIEL SPINAZZA ARE DEVELOPING A PARTNERSHIP WHICH IS CHANGING THEIR LIVES IN TRULY SIGNIFICANT WAYS.

Renae, a PwC coach with our youth leadership development program, Elevate, and her coachee, Daniel, are learning new life skills as they work on community projects, retreats and work experience. Elevate, delivered in partnership with Mission Australia, is a program for young people from diverse backgrounds aged 15–19 and for PwC young leaders. The 15-month program helps to equip young participants with the life and employment skills needed to become future leaders. Members of PwC's Young Leadership Team are coaching the young people in communication and people-management skills, and cultural and social awareness. On signing on for Elevate, Renae initially wondered "what I had gotten myself into and how on earth I was going to contribute", but says Elevate is helping her learn more about herself and how to cope in different situations. Initially, Daniel expressed concern that the program would be too challenging, but he now believes that it has helped his self-confidence. "I now have a better understanding of the skills that I possess and am looking forward to starting work." Early research into the Elevate program is showing positive shifts in participants' confidence, self-esteem and sense of social responsibility and belonging.

**I NOW HAVE A BETTER UNDERSTANDING
 OF THE SKILLS THAT I POSSESS AND AM
 LOOKING FORWARD TO STARTING WORK.**

DANIEL SPINAZZA

DEVELOPING OUR PEOPLE



MELISSA KULENICZ



**ACHIEVING THE
BEST RESULTS**



**INSPIRING THROUGH
CLIENT SERVICE**



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