

At PricewaterhouseCoopers Australia we strive to provide a quality of service underpinned by the behaviours that make PwC distinctive in the eyes of our clients. By investing time and effort getting to know clients and their issues. By setting new standards through sharing and collaboration. By placing ourselves in our clients' shoes. By remaining ever-focused on tailoring our services to clients' needs. These are the elements that define a client service approach that sets us apart and is based on our fundamental belief that

Relationships Matter*

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We are PricewaterhouseCoopers (PwC).

We provide industry-focused Assurance, Tax & Legal and Advisory services for public and private clients in four areas:

- 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.

Our ongoing mission is to help prepare our clients, our people and the communities in which we operate for an ever-changing global economic, regulatory and social environment. As global growth slows and the credit crunch tightens, there will be challenges as well as opportunities for our diverse range of clients and their different business sectors. While we remain confident about the ability of the Australian economy to weather the changing environment, we stand ready to deploy our best experience, innovative solutions, courage and adaptability to help our clients achieve the best outcomes from those challenges and opportunities ahead.



Anna Edwards and Richard Chan
at the Enmore Theatre.

**We invest time and
effort in our clients
and our people.**



Our Year Relationships Matter*

Our aim is to set new standards in collaboration, delivering insight and creating value for clients, while providing our people with enriching challenges and opportunities.

This is a story about people who develop, achieve and inspire every day. It is a story about why – when it comes to creating sustainable success – relationships matter.

**Relationships
Matter***
CEO Perspective



Tony Harrington, CEO



2007 was another great year for PricewaterhouseCoopers, reflected in our strong revenue growth. Our client relationship focus and commitment to delivering a unique experience continued to resonate in the market, earning us further accolades, including CFO's Accounting Services Firm of the Year and Market Leader in the *BRW* Client Choice Awards.

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Strong relationships
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ndeavour.

Tony Harrington, CEO



Welcome to the 2007 Annual Review, which we publish to provide insights into our organisation and our passion for what we do for our clients, our people and the wider community in which we operate. This year we have chosen the theme Relationships Matter*, recognising that strong relationships are the very foundation of our business and any successful endeavour. They define our connection with our clients, each other and the broader stakeholder community.

Our client relationship focus, community investment and commitment to delivering a unique experience have continued to resonate in the market, as reflected in our strong revenue growth, increased lead on our competitors and further accolades, including CFO's 2007 Accounting Services Firm of the Year and Market Leader in the 2008 *BRW* Client Choice Awards.

Our operations

We maintained our leadership as Australia's largest professional services firm in fiscal 2007. Our revenue increased by 14 per cent to \$1.4 billion across our Assurance, Advisory and Tax & Legal practice areas. Our success is underpinned by our client service approach, which recognises that the best results require much more than technical excellence. Commitment, passion, reliability, integrity and a spirit of innovation are among the qualities we encourage, develop and come to expect of our people.

Business environment

Global growth is now slowing and some economies are showing signs of weakening as the credit crunch tightens. This will bring challenges as well as opportunities for the different parts of the economy as business models are tested in the tighter credit environment. Within this changing market environment, we continue to tailor our business offerings and our industry contribution to ensure we best serve our clients and the business community as a whole.

PwC's *11th Annual Global CEO Survey* shows that confidence for business growth, both in Australia and globally, is in decline. While over 52 per cent of Australian CEOs are very confident about revenue growth in the next 12 months – which is slightly higher than their global counterparts – their confidence drops to 35 per cent over a three-year horizon – more than their global counterparts at 41 per cent. However, CEO business confidence in the Asia Pacific, Latin America, and Central and Eastern Europe remains on the rise. There is a clear split in confidence levels and we are seeing the beginning of a decoupling of developed and emerging economies.

So business leaders embarked on 2008 expressing a higher degree of caution than in the previous few years while remaining generally confident about the ability of the Australian economy to weather a downturn.

Our survey also finds evidence of increasing collaboration as a source of competitive advantage in everything from the pursuit

of talent and technological innovation to organisational dynamics and regulatory harmonisation. Fifty-seven per cent of CEOs believe collaborative networks will play a key part in future business models, with CEOs in the Asia Pacific particularly convinced about the value of collaborative networks.

Regulatory reform

PwC has been at the forefront of efforts to inform and influence government policies for the benefit of business and the overall economy. We have campaigned for years to reduce the tax burden for businesses, cut red tape, institute workplace reforms and renew our country's infrastructure. We are continuing to pursue this agenda with the new Federal Government.

In particular, PwC has argued for some years that Australia's tax system is in need of significant reform, and that greater emphasis is needed on the effectiveness of our business tax regime in its entirety. We were pleased therefore that the Federal Government's recent Australia 2020 Summit echoed our own views in recognising the need for a holistic, fair and efficient tax system that supports the global competitiveness of our economy, provides incentives, minimises distortions and supports fiscal responsibility.

In February 2008 the Assistant Treasurer, Chris Bowen, appointed our firm's National Tax Leader, Neil Wilson, as Chairman of the Government's newly formed Tax Design Review Panel tasked to work with all stakeholders to recommend to government ways in which the process for changing tax laws can be streamlined and improved. This was an important appointment and a further example of how our Tax practice continues to play a leading role in shaping the debate on all forms of taxation in Australia.

In 2007, we surveyed Australia's largest companies on their Total Tax Contribution for a report released in April, together with the Business Council of Australia and Corporate Tax Association called *Tax Nation: Business Taxes and the Federal-State Divide*. The survey was based on the number, type and total amount of taxes paid over the last two years by nearly 100 companies.

The report found that the complexity caused by the fiscal arrangements between our various levels of government creates an additional weight that Australian businesses are forced to bear when they compete with the world's best. It also found that our tax system is very exposed to a relatively small number of companies which contribute a significant share of total tax revenue to Australian governments.

We are continuing to push for a major review of business tax across all levels of government in Australia. We also believe the impact of current tax arrangements on the competitiveness and vibrancy of our business sector – and therefore the long-term security of revenue sources – must be a consideration. In an increasingly global and competitive world, Australia needs to act strategically now before weaknesses and limitations in policy and economic performance emerge.

Client recognition

Our relationship with our clients is paramount. We are committed to client service and believe that client satisfaction is critical, as is making the PwC Experience unique. To help deliver this and build on our existing High Performance Culture initiative, we began rolling out our PwC Experience program across the firm, providing our people with the training, tools and the support they need to deliver a distinctive client experience, the unique intersection between the rigour of the head and the courage of the heart.

This commitment was recognised when we were awarded *CFO* magazine's 2007 Accounting Services Firm of the Year for our exceptional performance across the entire practice and leadership in the market. In addition to this, our Advisory excellence was recognised at the 2007 National Infrastructure Awards, while our work-life balance and flexibility initiative eEquilibrium, graduate recruitment campaign, information technology expertise and leadership in Corporate Responsibility all attracted award recognition in industry circles. Most recently we were awarded two *BRW* Client Choice Awards for the third time in three years. At the fourth annual awards ceremony in Sydney, the firm was recognised as Australia's Best Large Accounting Firm and Market Leader.

Perhaps our most important achievement of all is our improved client satisfaction score, which shows that the number of client respondents who gave the PwC teams they work with an overall five-out-of-five rating has more than doubled in one year, while the overall rating they gave our firm also improved significantly from 3.83 to 4.22.

Our people

PwC's most fundamental relationship is arguably the one we have with our own people. A key measure of our team environment, our Global People Survey, shows that 95 per cent of our people are proud to work for PwC (up 6 per cent on last year) and 85 per cent would recommend PwC as a great place to work (an increase of 9 per cent).

During the last year, we worked hard to further improve our firm's culture with a focus on attracting, retaining and developing the best people in a highly competitive marketplace. In 2007, we invested over \$100 million, or 9.8 per cent of our revenue, on developing our people through our signature programs, knowledge sharing, coaching, mentoring and skills development, while encouraging diversity and work-life balance through our eEquilibrium program. To propel our firm forward into the next phase of the PwC Experience, we also began rolling out our transformational Inspiring Leaders Workshops across the firm. Our latest graduate program was highly successful, attracting more than 10 times the number of applicants for available positions and achieving an acceptance rate of 87 per cent.

PwC is also committed to equal opportunity. Our latest internal figures show that 45 per cent of all director, senior manager and manager positions were filled by women at the start of 2007, while over 30 per cent of new partners admitted over the past five years were women. We are aiming to continually improve this mix.

Responsible leadership

As an influential business organisation and member of global society, we have a long-held commitment to making a positive difference to the world in which we operate. We are acutely aware that we need to think seriously about the impact we are having on our future and work hard to gain a greater understanding of the social and environmental issues that face us as leaders today and tomorrow. Through our approach to governance, the PwC Foundation and our leadership in PwC's Global Communities, Corporate Responsibility has become an integral part of our culture and everyday work.

The PwC Foundation

The PwC Foundation recently marked its fifth birthday and \$10 million in donations from our people since its inception. This gave us occasion to reflect with pride on how our overall contribution to the community has evolved from one-off philanthropic gestures by individuals to strategic, longer-term partnerships with not-for-profit organisations.

One such strategic partnership spawned Elevate, a joint project of PwC and Mission Australia, in which young people from diverse backgrounds are paired with leaders from PwC in a 12-month co-coaching program that builds the skills of young people and their corporate coaches simultaneously. Elevate continued to develop coaches and their young participants, broadening the horizons of people like Sammi Booth, a young person and Elevate graduate who once lacked confidence but is now studying aviation, working towards her goal of becoming a pilot.

These deeper and longer-term relationships allow us to share our skills, expertise and resources in a sustainable way, to have a more enduring positive impact on our community – a philosophy we also share with the Australian Business and Community Network (ABCN), which we joined in 2006. The ABCN brings together business leaders to create positive social change through practical educational programs that engage students, educators and business people. In Sydney it was my personal pleasure to mentor Angela Lyriss, then Principal of Granville Boys High School – a passionate educator and an inspiring example of leadership in our public education system – to assist with some of the challenges the school was facing.

More broadly, the PwC Foundation's achievements in 2007 included the distribution of \$2.6 million to our charity partners across our five cause areas – poverty, health, the environment, youth and children. Perhaps even more telling is that our people spent 16,000 hours – the equivalent of 2,000 work days or nearly 5.5 years – involved in 301 different community activities. Put in another way, 48 per cent of our staff participated in our programs.

Social awareness, social responsibility and community engagement are now firmly embedded in our firm's culture, strengthening the relationship between business and the community.

Relationships Matter*

CEO Perspective

Climate change

Taking responsibility on climate change is a vital element of our relationship with both the Australian and global community. Early on we became aware of the shift in community sentiment around this issue and made a conscious decision to lead the way forward in our industry.

We are acting decisively to tackle climate change. This has involved altering our own behaviour and assisting other businesses to do so, developing thought leadership and leading international business efforts.

Importantly, we announced early in 2007 our plan to be carbon-neutral on 1 July 2008. We were the first major accounting firm to do so. We are on track to achieve this by reducing our carbon emissions through a mix of approaches, including changing our own behaviours, investing in emission-reduction technologies, encouraging all our people to take responsibility for their own carbon footprint and buying carbon offsets.

The response has been very strong, with many of our clients asking us to show them how they too can take action. We have therefore expanded our services in this area, dedicating a team of people with a wide range of skills to help our clients measure their carbon footprint and address the impact of climate change on their business strategy.

We are also contributing thought leadership to the development of a new regulatory framework and to addressing the opportunities and risks for businesses who wish to go forward. This is critical to building trust and efficiency in emissions trading.

During 2007, we also supported our global firm's efforts to reduce carbon emissions. For example, we are leading a concerted response by a number of the leading PwC offices around the globe to ensure the action we take to reduce our carbon footprint is consistent and has integrity; on 1 January 2008 our global CEO, Sam DiPiazza, became the first professional services leader to be appointed chair of the World Business Council for Sustainable Development, which acts as a catalyst for change on this issue; and in December, our global firm signed a joint communiqué in Bali calling on leaders to set up a comprehensive and legally binding United Nations framework to tackle climate change.

Looking ahead

The world is ever-changing, as is PwC's role in it. It is rapidly becoming a much more interconnected and interdependent place. We recognise that if we are to continue to play an active and constructive role in this new global community, we need to evolve along with it.

To be able to respond to all the challenges with market-leading services, we must become more innovative, agile and adaptable than ever before. Our success in the future will also depend on building distinction so that we offer our clients better value, quality and the right mix of services. The understanding that relationships matter is implicit in the PwC Experience. Of course we won't be able to achieve any of this without the right people. With a worldwide shortage of talent this will mean offering our people challenging and meaningful work along with opportunities for development in a great work environment.

A farewell note

1 July 2008 marks the end of my eight immensely satisfying years as the Senior Partner and CEO of PwC Australia. On the eve of the tenth anniversary of the merger and formation of PwC as it is today, it is with considerable pride that I will hand over the leadership of this firm to my elected successor, Mark Johnson.

Mark, who is currently National Managing Partner (Businesses), has had a distinguished, 30-year career with PwC, serving in many Australian and global leadership roles, including National Assurance Leader and member of the PwC Global Assurance Leadership team.

I am extremely confident that he will continue the firm's client service focus, built on delivering value and investing in enduring client relationships. Mark has a deep commitment to the business and has been an integral part of my leadership team.

He is highly qualified to guide the firm and our clients through a changing market environment.

I have been honoured to serve this great firm and to lead it through a period of unparalleled growth amid such exciting challenges and changes in the history of our industry. Our firm is in great shape. As Mark prepares to build on its significant success, I would like to take the opportunity to wish him and our firm every success for the future.

Finally I would like to pay tribute to the stellar efforts of our people, my leadership team and in particular my Deputy CEO, Leigh Minehan, whose integrity, professionalism and immaculate advice have always been invaluable. I also thank our clients, whose continued support enables our firm the honour of contributing through our services to the ongoing success of so many Australian businesses and institutions.

Thank you.

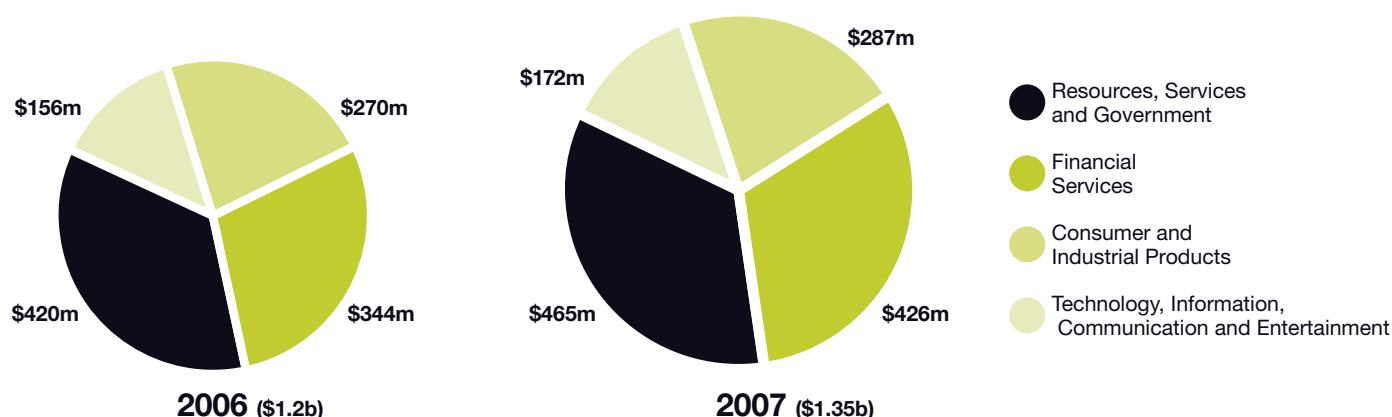


Tony Harrington

Financial Statements

Total revenue for calendar 2007 was \$1.4 billion, representing an increase of 14 per cent on 2006.

Revenue by Industry (AUD millions)



Clients by Industry

Industry	2006	2007	% Growth
Resources, Services and Government Government, Resources, Services, Construction, Transport and Logistics	419,730	465,071	10.8
Financial Services Banking and Capital Markets, Insurance and Investment Management	343,695	426,467	24.1
Consumer and Industrial Products Consumer Goods and Retail, Industrial Products	270,458	286,551	5.9
Technology, Information, Communication and Entertainment Technology, Entertainment and Media	156,021	171,913	10.2
Total Revenue	1,189,904	1,350,002	13.5

Revenue by Line of Service*

Line of Service	2006	2007	% Growth
Assurance	494,127	537,421	8.8
Advisory	307,976	381,681	23.9
Tax & Legal**	387,801	430,900	11.1
Total	1,189,904	1,350,002	13.5

* Line of Service comparative split has been adjusted to reflect the current operating structure.

** Legal refers to PwC Legal, an associated PwC firm.

Client Relationships Matter*

Negotiating an evermore complex global environment brings risks as well as opportunities.

Changes in the centres of economic activity and power, technological advances, climate change, workplace diversity and capturing the value of collaboration across business networks: these are just some of the challenges that will continue to face our clients in the coming years. By deploying the depth and breadth of all our talent, passion, skills and perspectives, we are building successful relationships that seek and find answers to these important issues.

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Valerie Clifford and Chelsea Tobin
at the Enfield Container Yard.

**We are setting new
standards in sharing
and collaborating.**



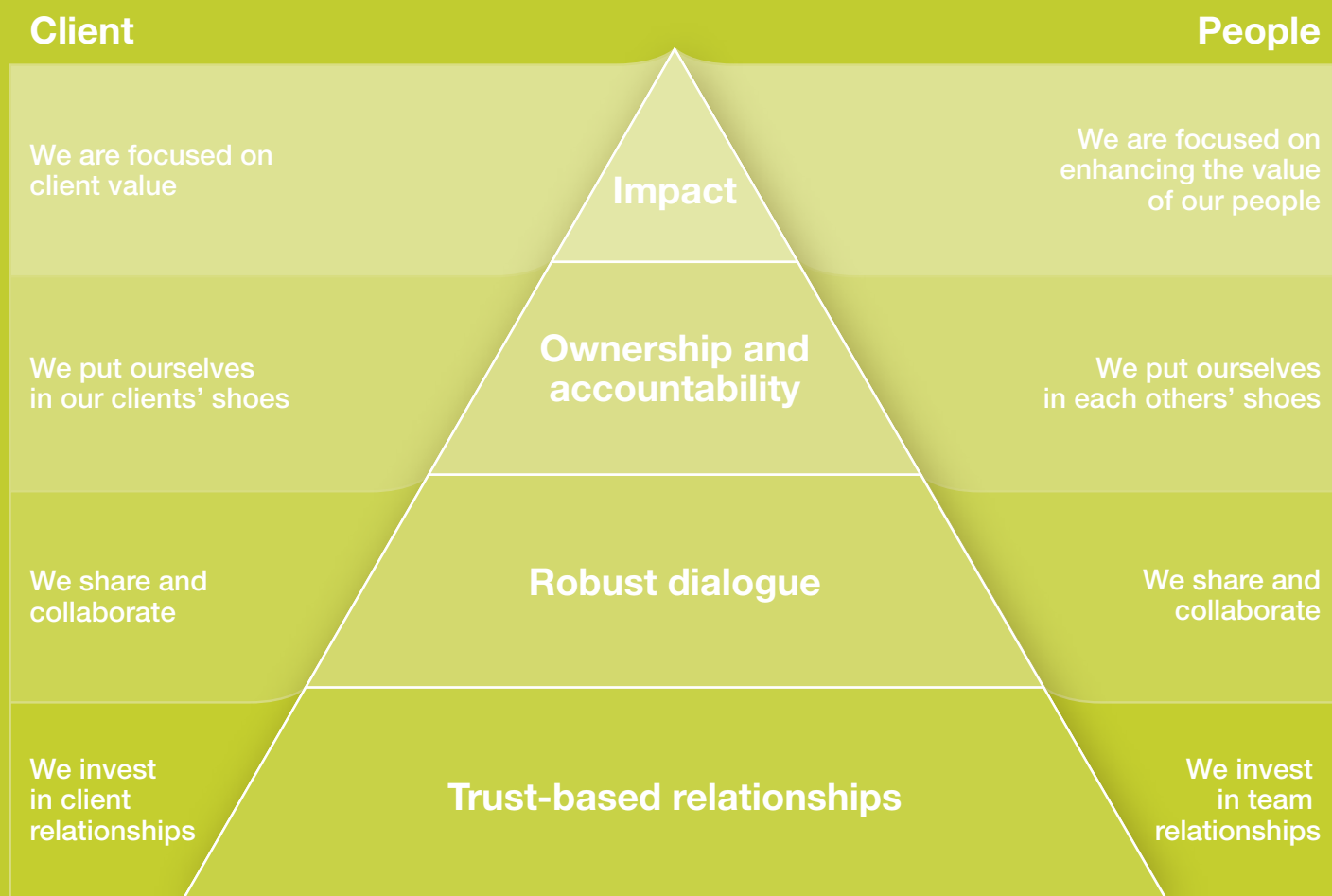
PwC has a long-held commitment to delivering excellent client service. In a changing business environment, we recognise the need to create a service offering that is flexible enough to respond to fluctuating markets, while providing consistency wherever clients access our services around the world.

The PwC Experience we are developing is based around four key service values and behaviours:

- | | |
|--------------------------------------|--|
| 1. we invest in relationships | 3. we put ourselves in our clients' shoes |
| 2. we share and collaborate | 4. 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 relationships, developing a team focus and ensuring we understand what they expect from 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 just meets but exceeds our clients' expectations.

The PwC Experience



We provide industry-focused Assurance, Tax & Legal and Advisory services for public and private clients in four areas:

- 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.

Our integrated Advisory practice provides unique, seamless solutions for delivering both organic and inorganic growth to clients. We pride ourselves on being our clients' commercial business partner, constantly striving to over deliver on our clients' expectations as we assist them to grow, improve, optimise, streamline, merge or sell their businesses.

Inorganic growth

We help clients achieve the best solutions 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 acquirers and potential targets to look beyond what the numbers say to evaluate other key transaction drivers, such as strategic fit, integration challenges, risk profile, and people and cultural fit, and to develop focused action plans.

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

Organic growth

Our performance-improvement consulting team helps clients to achieve profitable organic growth and sustainable financial performance through aligning and optimising people, structure, processes and technology. Our areas of focus include the following:

Growth

We assist clients to achieve organic, profitable growth through transforming and aligning their customers, employees, channels and markets. Our expertise lies in helping clients to accelerate their customer acquisition and growth, increase their customer satisfaction, improve employee and customer engagement, and align their product strategies to ensure they meet customers' needs.

Finance

We help enable our clients' finance functions to sustain profitability. We achieve this through enhancing or protecting value by providing support with acquisitions, disposals and restructures; providing decision support and performance management; and advising on strategies to improve the ongoing effectiveness of in-house finance and accounting processes.

Risk advisory

Our expertise assists clients to govern themselves and to successfully execute their strategies by better understanding risk and uncertainty, allocating resources and capital more efficiently, and getting full value from risk management and compliance activities.

Actuarial

Our Actuarial teams provide analysis and insights that help our clients understand and manage future outcomes in the face of risk, complexity and uncertainty. We help clients achieve sound design and governance, sustain financial performance relative to risk and adopt appropriate pricing and reserving.

Transformation

We help our clients to design, transform and operate their businesses so that people, structure, processes, systems and technologies are aligned with strategy. This includes advising on ways to achieve transformational or incremental change, optimising the effectiveness and efficiency of core operations, and providing options for outsourcing non-core functions.

Assurance provides audit clients with the independent assurance that the financial report prepared by a company complies with accounting standards and the law. But more than this, our broader, deeper and more connected audit approach enables us to provide independent assurance on a company's regulatory obligations as well as on its key business issues of concern.

Financial assurance

We provide financial statement assurance and related advisory services to global and local public companies, as well as Australian private companies.

Our premier service is the provision of statutory audits for listed and non-listed entities under AIFRS, USGAAP and other reporting frameworks.

We also offer regulatory attestation for regulated entities and S404 controls attestation for Australian SEC registrants and foreign subsidiaries.

Business assurance

We help clients achieve their business objectives through the effective control of risk. Educating boards and management about their organisation's risks and internal controls is an essential part of our service.

We conduct internal audits and 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 the comfort of knowing that their processes are effective in minimising risk.

Private Client Services

Private Client Services (PCS) is dedicated to working with Australian businesses and their owners to maximise growth and profit and minimise risk.

We are a national team that focuses solely on servicing private businesses, entrepreneurs and high net worth individuals. Our clients include entrepreneurs and businesses from the *BRW* Top 500 Private Businesses, *BRW* Fast 100, *BRW* 200 Rich, *BRW* Young Rich lists and Anthill Cool Companies.

The value we bring is through our proactive business advice and access to industry and technical experts. Our advice is commercial and we concentrate on delivering beneficial outcomes and bringing value to the business and its owner. Our national and global presence enables us to help businesses that are represented in multiple states and geographies.

PCS partners work in close collaboration with clients as trusted business advisors, providing advice on the key issues that keep private business owners awake at night, such as growth, funding, people and efficient business operations. Our partners are supported by a skilled team with deep experience and a strong work ethic. PCS also brings industry-specific insights from the depth of the PwC client base, providing access to business leaders who have 'been there, done that'.

Tax & Legal

Tax & Legal combines the skills of financial accounting and tax specialists with those of economists and lawyers to provide our clients with holistic, commercially focused tax solutions. Our clients include public and private Australian companies, entrepreneurs, family businesses, trusts, partnerships, private individuals and a host of internationally recognised names.

Managing clients' corporate tax needs

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. We offer our clients a wide range of services to provide proactive business solutions to their complex business needs.

Compliance

The market leader in this area, we work with our clients to deliver leading-edge tax management solutions. We leverage our strong international network to assist businesses and organisations with tax strategy, planning and compliance, while delivering a wide range of off-the-shelf and customised tax products.

International tax

Our International Tax team, which is experienced in addressing issues associated with tax, legislative and regulatory developments throughout the world, help multinational businesses achieve their business goals in a tax-efficient manner, both locally and globally.

Mergers and acquisitions

Through all aspects of the M&A process, we 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. Our specialist team delivers thorough quantitative analysis, rigorous implementation and leading-edge structuring technique.

Employment tax

Our national team of employment tax specialists is experienced in advising on all employment taxes and associated matters, including advice and assistance with risk management and compliance, the implementation of effective policies and systems, and cost management.

Advice on trade and transaction taxes

We specialise in the areas of indirect tax, research and development, stamp duty and transfer pricing, focusing on the value that we can bring to our clients. Our indirect tax specialists help businesses to optimise their position on all types of indirect taxes, including goods and services tax, and customs and excise. 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 and cost-effective international assignment programs that effectively manage risk. The team provides a one-stop shop for all expatriate services from management of international assignment programs and policies, and strategic tax structuring and planning across jurisdictions, to risk management and client service feedback.

Integrated and innovative legal solutions

Our Legal practice represents a new approach to the provision of legal services consulting. It has been developed in direct response to the needs of our clients and an increasingly competitive corporate environment. Our multi-disciplinary approach differentiates us from other professional service providers in Australia by enabling us to provide truly integrated and innovative legal solutions. With specialists in corporate and commercial law, employment and industrial relations, property, corporate and regulatory litigation, tax controversy and environment law, our Legal team works in tandem with our Advisory, Assurance and Tax specialists to provide all-encompassing advice and solutions.

Banking and Capital Markets

Last year Australia's banking and capital markets sector weathered the US sub-prime mortgage market crash, which generated worldwide tremors. But the full extent of the crash and its ramifications are still being played out. Australia's five major banks in particular proved their resilience, posting a combined cash earnings growth of 14.7 per cent for 2007.

Some of Australia's smaller banks and non-banks, however, were not so fortunate. RAMS was bailed out by Westpac and a number of others have had to reduce loan approvals due to a lack of funding. In the year ahead we expect to see further consolidation among some of these players.

Returns from the majors' wealth management businesses were again impressive – with cash earnings up 22 per cent – buoyed by the Government's ongoing support for superannuation. Business lending was also a standout with system credit growth, off the back of a strong economy, at rates we haven't seen for almost 20 years.

There are now some serious concerns for Australian banks to deal with. The credit environment has tightened after a remarkably long benign period. The ripples from the US sub-prime collapse, high oil prices and increasing interest rates all point towards pressure on certain businesses and then consumers. Credit losses will undoubtedly continue to increase, albeit from a very low historical base.

In addition, the lack of confidence in the market stemming from the US sub-prime collapse, and the consequent lack of liquidity, will cause pain as widening credit spreads put pressure on margins.

Nevertheless, the longer-term outlook appears strong. This optimism is backed by the underlying strength of the economy and the ability of management in the industry.

Banking and Capital Markets

Mackay Permanent Building Society

“PwC effectively partnered with us during the takeover period and provided invaluable input to the board and senior management of Mackay Permanent. Most importantly, they were instrumental in helping achieve an outstanding result for the shareholders of Mackay Permanent.”

Bob Neely, CEO,
Mackay Permanent Building Society

With total assets of \$310 million and over 21,000 member accounts, Mackay Permanent Building Society Limited was a publicly listed company operating under the *Banking Act*. Mackay Permanent first opened in 1955 as an alternative source of housing finance to the North Queensland market. As the banking industry began consolidating to take advantage of financial synergies, the society's stakeholders became increasingly aware of its value.

On 23 July 2007, Wide Bay Australia Limited made an offer to acquire the building society, based on a value-per-share of approximately \$8. Some shareholders began voicing an interest in selling, and management launched efforts to maximise competitive tension and achieve the highest sale price possible. Based on an existing relationship with Mackay Permanent, PwC was engaged to advise the board of directors on how to respond to the existing proposal and seek alternative offers for the society.

The team began by approaching potential bidders to discuss Mackay Permanent's value proposition with a view to attracting a superior offer and improving the terms of the current proposal. By identifying all marketable value drivers and potential synergies for each potential buyer, the project team established a logical argument for why the society was a good strategic investment. The team's experience and proactive approach enabled swift negotiations and sustained momentum. This saved Mackay Permanent time and money.

Through selling the society's value proposition, the team secured a bid from the Bank of Queensland, topping Wide Bay's offer by 22 per cent. In response, Wide Bay increased its offer, which was rejected again. Consequently, on 14 November 2007, Wide Bay improved their revised offer to \$66.7 million. The final bid represented a price per share of \$11.24 (on the day of announcement), a premium of approximately 40 per cent on the initial Wide Bay proposal.

Investment Management

The investment management sector has enjoyed another successful year, benefiting from robust markets and superannuation fund flows. Organisations are experiencing pressure on margins, leading to greater innovation and a move to alternative markets. This is a global trend, albeit one whose pace may change in the wake of the 2007 credit crunch.

To date, Australian retail investors have been largely unaffected by margin and credit challenges. However, global markets challenges may affect certain asset classes. Despite this, we are unlikely to see products that combine daily pricing, leveraging and illiquid assets.

The sector's strong continued growth has exposed a widening talent shortfall. Our industry survey, *Australian Investment Management 2007*, shows that finding and then retaining the best personnel is the major challenge facing the industry, and we are working with industry leaders to address the issue.

The second key message from the survey is that growth and success will come from placing the investor at the heart of every decision, which will only be achieved by having well-trained and responsive staff who can maintain quality interpersonal relationships.

Looking ahead, managers need to leverage existing product suites, while awaiting the Treasury's assessment of a workable product rationalisation regime.

We forecast a continuation in the changing nature of the landscape. As net funds flow and innovation increase, the number of products

on the market and their associated operational risks will proliferate.

The key message from the market late in 2007 was that while investors want tailored products, success will require them to be delivered with minimal complexity and maximum transparency.

Investment Management

Australian Administration Services

“The PwC superannuation team has provided a timely and quality service that has given comfort to Link, as owners of AAS, as well as to our various superannuation fund clients and their auditors. We have valued the recommendations for improvement and other practical industry insights that PwC has shared with our team.”

John McMurtrie, Managing Director,
Link Market Services Ltd

Australian Administration Services (AAS) has over 800 employees and administers more than five million superannuation member accounts in an atmosphere of significant legislative change and increased service demands from trustees, employers and members. AAS was acquired by Link Market Services Limited in 2006, not long after Telstra Limited acquired AAS as part of the KAZ Group Limited.

AAS's clients include the Retail Employees Superannuation Trust, CARE Super, TWU Super and LegalSuper. The administration provider is responsible for welcoming new members to the relevant funds; processing contributions, rollovers, death and other insurance claims; as well as paying pensions and other forms of benefit payments. In addition, AAS provides full financial reporting, compliance and risk management reports, and customer relationship management services.

The company exists in a very competitive environment, with employers and fund members demanding higher levels of service to match ever-increasing account balances.

PwC has worked closely with AAS since 2001 when KAZ Group Limited acquired AAS from AMP Limited. Through various changes in ownership, PwC has continued to provide consistent and reliable business analysis and other advisory-related services to the company. PwC's team assists in auditing AAS's internal controls, providing a controls opinion on the administration systems and verifying member account balances at 30 June each year. The reports PwC produces are provided to AAS's clients, external auditors and regulators, enabling fund trustees to meet all of their annual reporting obligations with confidence.

Insurance

The financial position of the insurance sector remains solid, despite growing pressure from lower premium rates.

In 2008, simplifying processes and operating models will become increasingly important as a means of remaining buoyant and strong; management will seek out additional efficiencies, grow and cross-sell existing customers and source high-quality talent at all levels; and life insurance companies will continue to explore new solutions for streamlining distribution, with call centres and online channels playing an increasingly important role.

The \$7.5 billion merger of Promina Group Ltd and Suncorp Metway Ltd in March 2007 saw the creation of another heavyweight in the sector, with the Australian Competition and Consumer Commission (ACCC) pointing to the

formidable strength of small and medium rivals in approving the transaction. Medibank Private is likely to remain a favourite of the media in the wake of the Federal election, while the trickle-down effects of the NIB initial public offering and BJPA/MBF merger will also continue to have implications for the wider sector.

The competitive balance of the market will continue to shift and fluctuate to accommodate these and other changes to the insurance landscape. Overall, the insurance industry appears vibrant and in robust health, with 2008 looking to be another fascinating and challenging year.

Case Study

03

Insurance

Wesfarmers

“The PwC team provided an insightful external review and specific recommendations designed to help us achieve a best-in-class compliance framework.”

Robert Scott, Managing Director,
Wesfarmers Insurance Division

Since its formation as a Western Australian farmers' co-operative in the early 1900s, Wesfarmers Limited has grown into one of Australia's largest and most versatile public companies. Its broad insurance division includes three general insurance companies, three general insurance brokers, two premium funding businesses, superannuation and financial planning services, and an insurance software developer.

Wesfarmers Insurance Division experienced rapid expansion through multiple acquisitions between 2003 and 2007. At the conclusion of this period, PwC was approached to examine the risk and compliance framework of the combined businesses to assess the effectiveness, compare with industry benchmarks, and identify areas of risk and improvement. The board and senior management were especially focused on improving efficiency of compliance programs across the group.

The PwC team began the engagement with a collaborative approach to understanding the practicalities of the different compliance frameworks. Once areas of potential inconsistency and areas for enhancement were identified, the team made recommendations for achieving greater operational effectiveness and consolidating the compliance programs.

Wesfarmers Insurance Division is now confident its entities' various compliance programs and reporting processes are on the way to becoming user friendly, robust and delivering outcomes aligned with industry best practice.

Private Equity

A year of two distinct halves, 2007 looked to become the biggest year ever for mergers and acquisitions. Global deal activity rose by 62 per cent to US\$2.7 trillion mid year, and private equity was involved in 24 per cent of these global deals with transactions valued at US\$644 billion.

However, private equity deals collapsed in the US and Europe following distress in the US sub-prime mortgage market, and banks are reputedly still struggling to clear a backlog of loans and bonds. Until this pipeline is cleared, bank appetite for further mega-leveraged buyout deals will remain subdued.

While in Australia a lower level of completed merger and acquisition activity in 2007 was private equity-related, the value of private equity as a proportion of total merger and acquisition transactions has nevertheless been increasing – calendar 2007 was dominated by some landmark trade bidder transactions, such as the \$20 billion Coles bid and the pending activity around BHP Billiton's bid for Rio Tinto. Australian listed companies are still under-levered compared with those in the US and UK, pointing to potential for an uplift in mega deal flow once leveraged debt markets achieve some level of normalcy, possibly towards the end of calendar 2008.

Competition for public to private transactions and auction processes has been fierce between trade and financial buyers. Through 2007, EBITDA multiples have been at decade-high levels, notwithstanding increases in debt costs, leading to an increased focus on value-creation initiatives, such as maximising portfolio company returns. Sectors that have recently come under the private equity (PE) spotlight include listed property trusts and investment management, infrastructure and resources.

In 2008, there has been renewed PE activity around distressed assets, and it is obvious that there will be ongoing pressure for cashed-up PE funds and institutions to deploy funds, potentially at lower debt leverage levels. The impact of higher-priced debt has partly been reflected in equity prices, but vendor price expectations are still higher than the adjusted internal rate of returns (IRR) might justify. We expect that this and the lower debt leverage multiples available may continue to depress new

deal flow activity, particularly in the listed market. However, mid-cap public to private deals are still progressing, albeit with trade buyers making the most of their comparative advantage to access funds.

PE funds will nevertheless continue to innovate and explore new investment structures and strategic alliances to work around the current debt impediments.

Case Study

04

Private Equity

Norfolk Group

“It was an extremely tight timeline from when the fund decided to divest from the group, and one which posed a number of challenges. It was the PwC team’s proactive approach and long hours spent working with the company that enabled the deal to succeed and resulted in a successful listing.”

Anthony O’Shannessy, CFO,
Norfolk Group Limited

In September 2006, PwC Transaction Services were approached about the divestment of Norfolk Group Limited, a portfolio company held within a private equity fund.

Norfolk Group Limited has an annual revenue of over \$800 million, operating through three divisions that offer leading electrical, heating, ventilation and air conditioning, communications, passive fire protection and property services across key Australasian markets.

The divestment was to occur as either a trade sale or a listing (IPO) on the Australian Securities Exchange. This meant that all due diligence and other preparatory work had to be conducted as a dual-track process that would support either outcome. PwC’s key deliverables were a detailed vendor due diligence report that could be provided to potential buyers and (ultimately) an Investigating Accountant’s Report for inclusion in a prospectus. Our work comprised a cross-firm approach to providing financial due diligence, technical advice and assistance around the design of employee share and incentive schemes.

The detailed work for the project commenced in February 2007 and was conducted in an extremely tight timetable, with Norfolk Group’s year-end audit in Australia and New Zealand right in the middle of the project. This required careful project management and close liaison with Norfolk corporate and division management, as well as external advisers to the client.

Norfolk Group successfully listed on the ASX in July 2007.

Resources

The Australian share market rose significantly during the 2007 calendar year, largely owing to the commodities boom. Between December 2006 and December 2007, the ASX 200's market capitalisation increased by 25 per cent, supported by the likes of BHP Billiton, whose market capitalisation increased more than 60 per cent over the same period.

This current upward trend is in its fourth year, underpinned by the demands of an industrialising China. However, resource companies face a number of challenges around top-line growth owing to the significant talent, resource and capacity constraints confronting the industry. The soaring value of the Australian dollar has also exposed exporters to increased risk and uncertainty.

In line with the successful Babcock and Brown/Singapore Power International \$7.4 billion bid for Alinta, major consolidation of the market is expected to continue in 2008. After the sale of the government-owned Queensland retail utility businesses in 2006, it seems likely the trend will extend to New South Wales, which would result in further consolidation in the Australian energy

utilities sector. A critical success factor in this consolidating market is that management of the new entities is able to swiftly deliver on the proposed synergies and cost savings to derive the anticipated shareholder benefits.

Climate change is clearly on the industry's agenda. The fact that both of the major political parties have committed to implementing an emissions trading scheme has provided further momentum to this business issue. In the short term, there is likely to be renewed interest in renewable energy and increased investment in gas-fired power generation in the Australian market. Natural gas is the most likely transition fuel to meet the increasing energy demand as the industry moves along the path to clean coal technology.

Given the importance of natural gas globally in a carbon-constrained environment, Australia will benefit from its ability to export liquid natural gas (LNG) across the region. As a result, we will continue to see large investments in the development of LNG facilities, building on those already made in Western Australia.



Resources

Anglo Coal Australia

“I congratulate PwC on the high quality of their team. They both engaged effectively with our people and added their own insight throughout the project. In less than three months, PwC helped us put in place a high-quality set of guidelines for this critical part of our business.”

Rob Reeson, Head of Studies,
Anglo Coal Australia

Anglo American's Australian Coal division produces more than 16 million tonnes of coal annually, earning revenue of around \$3 billion from their six major mines in Queensland and New South Wales. In line with Anglo's global initiatives, Anglo Coal Australia asked PwC to assist in developing and implementing a new stage gate process for their major capital projects in 2007.

The PwC team established a detailed set of guidelines for every phase of project development, from strategic concept through to various feasibility stages and post-green light evaluation. This required synchronising all Anglo Coal Australia project review stages with the global Anglo American Investment Review Board stages. The project's aim was to produce practical and comprehensive guidelines that would ensure best practice on all future projects, independent of changes to personnel or organisational structure.

Following the successful implementation of this new stage gate process, PwC was asked to undertake development of a further set of best practice guidelines for the commissioning of major new mine site projects. This engagement should be completed by April 2009.

The key to the successful delivery of these projects has been the willingness of the Anglo Coal team to work collaboratively at the concept and execution level with the PwC team. This relationship has ensured that the new Anglo Coal guidelines are the correct blend of PwC best practice methodologies and Anglo Coal Australia's collective experience and global standards.

Construction and Transport

Companies operating in the construction, engineering and industrial services marketplace continue to enjoy strong demand pressures. A combination of factors are driving this, including heavy investment in Australian and Asian mining capacity, and road, rail and port infrastructure, as well as an increasing propensity for governments and corporations to outsource maintenance and service activities.

Growth rates in the industry are high, reflecting not only organic growth in core markets but also continuing 'bolt on' acquisitions. Key challenges remain in aligning people and systems to the demands of the customer.

Attracting the right talent, achieving operational excellence and managing commercial and operational risk in complex contracting arrangements are areas of strong need. The IT and operational systems needed to support these changes are, in many cases, still to be put in place. In transport and logistics, the industry players are continuing to adapt to the new market dynamics, appreciating the imperative to develop a stronger competitive model for their

own business, or exit by selling to another party. A common feature in to the current year is the increasing recognition that government, community, customer and employee response to climate change will require changes in business operations.

Transport accounts for in excess of 14 per cent of Australia's carbon emissions – with those emissions growing faster than any other sector. As a result, transport is set to become Australia's second largest source of emissions, behind electricity generation. Major consumers of transport and logistics services are focusing on this sector as a source of emissions reductions for their own footprint.

Industry leaders are looking for strategies that will allow them to continue meeting demand for their services in a carbon constrained economy.

We predict two questions will be asked a great deal in the next 12 months: "What is my carbon abatement cost profile?" and "Does this investment proposal factor in a price for carbon?"

Construction and Transport

Asciano

“We have been delighted with the support we have obtained from PwC – they offer prompt and practical advice, which, when you are building a new company from the ground up, is just what is needed.”

Austen Perrin, CFO,
Asciano Limited

Few start-ups are launched overnight into the ASX Top 50 with \$8 billion in assets and infrastructure from three world-class companies, but such was the case with Asciano. The company’s management faced the unusual challenge of working to maintain stability across several established businesses, while identifying how to move the new company forward as a whole.

PwC’s relationship with Asciano began many years before the company existed, as auditor to the then listed Patrick Corporation. In May 2006, Patrick was taken over by transport logistics giant Toll, to which PwC had been providing a range of advisory services unrelated to the acquisition.

After the transaction, Toll found itself controlling a significant portion of Australia’s land transportation and shipping infrastructure, with consequential oversight from regulators, including the ACCC. A review of its strategic direction and the differing requirements of its

disparate activities led Toll to separate its businesses – hence Asciano was created, taking Pacific National, most of Patrick and Toll’s ports assets with it.

The former relationship as Patrick’s auditor and advisor to Toll made PwC the natural choice for helping management get Asciano off the ground. The team started from scratch, providing a whole range of assistance, including providing accounting services, establishing an internal audit framework, giving advice on human resources and conducting a strategic review of Asciano’s IT systems.

The PwC team continues to work closely with management to identify further synergies and efficiencies as the company matures.

Government

Three state government elections, the sudden resignation of the Queensland premier and the Federal election made for a changed political landscape in 2007. Across government, there are several trends emerging for which PwC is assisting to create innovative and practical solutions.

Health and related government spending continued to increase well above the consumer price index (CPI) in 2007. New and expensive health treatments, an ageing and growing population, increases in illnesses requiring lifetime care and heightened community expectations have all placed intense pressure on budgets.

Infrastructure renewal and development – and how governments foot the bill – has also risen to the forefront. With a growing realisation that climate change may shorten the economic life of existing infrastructure, governments are now investigating various funding alternatives.

There is a strong movement at all levels of government to improve service delivery to public and private businesses. The identification and reduction in red tape is continuing to gather pace, in addition to the philosophy of customer-centric delivery.

Corporate governance processes are also appearing in progressive government departments, especially in the areas of outsourcing internal audits and managing risks.

PwC is a global thought leader in government practice. To bring this thought leadership together and share our experience with governments around the world, PwC has established the Public Sector Research Centre (PSRC). The PSRC will join with leading think tanks and PwC experts to produce innovative reports, and inform and educate government professionals.

Government

DEECD

“PwC is a highly valued partner, providing us with the confidence that we will deliver a unique online teaching and learning environment that will fundamentally transform education in Victoria and possibly the international community.”

Darrell Fraser, Deputy Secretary,
Office for Government School Education,
Department of Education and Early
Childhood Development

The Victorian Government and the Department of Education and Early Childhood Development (DEECD) have embarked on the development of the Ultranet – an innovative information and communications technology system that will be implemented in every Victorian government school throughout 2009 and 2010. The Ultranet will deliver a virtual classroom and school to Victoria's 540,000 students, their teachers and parents.

The Ultranet is an intuitive, student-centred, electronic learning environment that supports high-quality learning and teaching; connects students, teachers and parents; and enables efficient knowledge transfer. It will provide teachers, students and parents with access to curriculum plans, learning materials, and information about assessment, student attendance and school operations.

In late 2006, the Department called on PwC to help translate this vision into a functional project. The team, led by PwC, facilitated the rigorous tender

documentation and management process, ensuring consistent stakeholder and resource commitment by aligning the interests and objectives of the Government, the Department and future 1.5 million users.

PwC provided a broad range of support including large-scale project management, risk and quality insights, tender and procurement skills, and change management services. On 1 August 2007, the request for tender (RFT) was released to the market and generated significant interest from companies around the world. The PwC team is now leading the evaluation of tenders and continues to provide ongoing advice and support to the Department.

Once released, the Ultranet will provide Victorian parents, teachers and students with access to the classroom 24 hours a day, seven days a week.

Significant global threats continue to test the competitiveness and sustainability of the industrial products sector. The dollar remains at record highs, limiting export growth and intensifying the pressure from imports on the market.

In addition, low-cost producing countries, innovation and the skills shortage are forcing major players to address the increasing margin squeeze and rethink the way they do business.

In 2007, manufacturing and sub-sectors such as basic metals and construction materials; forestry, paper and packaging; and chemicals, machinery and equipment experienced a great deal of fluctuation.

After the era of consolidation, companies are now struggling to regain effectiveness and simplify their operating structures. In a time of such intense global threat and patchy domestic demand, agility and efficiency are crucial to survival. These businesses will continue to seek new ways to source supply, new markets and products internationally.

Climate change also became a corporate reality in 2007 and will have an increasing impact on the market. Manufacturing companies are especially feeling the pressure to address and respond to the impact environmental changes are having on their industry, clients and suppliers.

Case Study

08

Industrial Products

Incitec Pivot

“PwC’s support has been fantastic, on target and critical to our success. The team is always there for us and is considered a valuable part of Incitec’s ‘kitchen cabinet’ of trusted advisors.”

James Fazzino, CFO,
Incitec Pivot

Incitec Pivot Limited (IPL) is an Australian-owned agribusiness involved in the manufacture and supply of fertilisers to farmers across eastern and southern Australia. The company operates manufacturing facilities in Queensland, Victoria and New South Wales, and has additional distribution networks in South Australia and Tasmania.

IPL was created in 2003 as a merger between Incitec Fertilizers Limited and Pivot Limited. Incitec Fertilizers Ltd was an ASX listed company, 70 per cent owned by Orica, while Pivot was a farmer’s co-operative. The company listed on the ASX on 28 July 2003, with Orica still owning 70 per cent of the merged entity.

PwC worked closely with Incitec Pivot, providing tax and due diligence support, as well as helping the company establish its own identity and culture in the wake of the merger. With a thorough understanding of the business, the PwC team has been

able to provide pragmatic, commercial and practical guidance that has assisted in securing the more than \$30 million in annual synergy benefits that underpinned the merger strategy.

With PwC’s assistance in 2007, Incitec made the list of Australia’s top 100 companies, successfully purchased 13 per cent of explosives company Dyno Nobel and is currently working on an approach to international expansion and diversification.

The technology industry experienced yet another strong year, with mid-tier services companies and entrepreneurs especially flourishing. Between September 2006 and September 2007, the information technology sector gained 14 per cent total return on the S&P/ASX 200.

While this performance has lagged in comparison with other Australian sectors, vitality is evident in the consistent growth and number of start-ups the market is willing and able to support.

The Australian life science sector passed the milestone of \$30 billion in market capitalisation during a strong start to 2007. While the sector did rebound following the market downturn in August, there has been a significant flight to quality and more established companies in the market.

This year saw \$1 billion in capital raised, with one-third generated by new listings – a promising sign for future growth. The majority of secondary raisings occurred on the back of progress in late-stage clinical trials.

Considering there continues to be a significant disconnect between the performance of the life science majors and the majority of the sector, analysts are waiting for a real and sustained flow-on effect from the heavyweights into the wider sector.

As a whole, the technology industry will have to face up to increasing competition, domestic resource availability and stakeholder expectations for rapid growth. If results are to continue into 2008, companies will need to continue multi-sourcing and find innovative ways to find and retain staff.

Case Study

09

Technology

Vodafone

“PwC has partnered with us at many points across the operational and strategic spectrum of activities during the last three years, always offering the best people prepared to take those extra steps that make the difference. PwC and Vodafone are both high-performing, value-based organisations, and that has underpinned the success of our relationship.”

Russell Hewitt, CEO,
Vodafone Group

Vodafone Group is the world's leading mobile telecommunications company with a significant presence in Europe, the Middle East, Africa, Asia Pacific and the United States. Operating under the names Vodafone and Verizon Wireless, and through various partner network agreements, the group services more than a quarter-billion customers worldwide with a total market capitalisation of approximately \$221 billion at 31 December 2007.

The 23-year-old company's diverse regions of operation and expansion into integrated mobile and PC communications present many opportunities for the operating companies to be supported by PwC on a global basis.

By building and sustaining trust-based relationships through a mix of local and global efforts, PwC has established a strong network of international contacts and developed a greater ability to understand Vodafone's need and bring in the best people to address the issues.

Over the past three years, dramatic competitiveness and reduced growth in the Australian mobile telecommunication market have put increasing pressures on margins. Vodafone has had to be ahead of the game in outperforming the growth of its two larger rivals through a mix of innovation and agility. Based on a long and strong PwC tax relationship, Vodafone has engaged PwC to assist on specific initiatives to implement this strategy.

The local PwC team's ongoing focus remains to assist in Vodafone's quest to outperform the market and improve the returns from the business.

The entertainment and media sector's overall momentum is projected to continue relatively ahead of inflation, with fluctuations between individual mediums.

PwC expects significant growth will remain steady in areas of new media while traditional outlets such as print, radio and free-to-air will parallel or lag slightly behind inflation. An exception this year was free-to-air advertising, which buoyed slightly in the lead-up to the 2007 Federal election.

As we move into 2008 and beyond, we will see companies that own traditional media looking to expand, make strategic acquisitions or invest in new products as the growth rates diverge. Australian media organisations have found great support from PwC in their

journey to understand changing consumer behaviour and strategies for confronting the evolving market. In response, these organisations have begun to develop new business models that hedge established products against newer acquisitions.

The changes to the foreign and cross-media ownership laws have set into action a steady flow of transactions as proprietors chase economies of scale and cross-platform premiums for advertising. This is likely to continue as the market further explores and adjusts to the implications of the legislation.

Case Study

10

Entertainment and Media

destra

“The success of this relationship has been through engaging with the PwC team holistically, rather than transaction by transaction. This has opened the service offering to broader possibilities, enabling the PwC team to be a sounding board on matters that aren’t necessarily related to a specific engagement.”

Richard Wingrove, CFO & Company Secretary,
destra Corporation Ltd

destra Corporation Ltd went public during the wake of the dot.com crash and in only seven years became Australia’s largest independent digital media and entertainment company, with clients including Big W, Coles and HMV. However, destra’s aggressive expansion strategy and timeline presented a number of inherent challenges for management. PwC was called on to assist and has supported destra in 10 acquisitions since early 2006.

From the outset of the engagement, the PwC Advisory and Tax team adopted a hands-on, detail-oriented approach to transaction support and due diligence for each acquisition. By treating the relationship as a long-term knowledge transfer to build sustainable capacity within the company, the PwC team enabled growing efficiency and speed around an ever-increasing number of deals.

As management begins to explore international opportunities, the Australian team has also leveraged experts in the US and UK firms to provide advice tailored to destra’s specific interests. Through assisting destra in deciding whether to proceed on some deals, abandon others and renegotiate when necessary, PwC continues to help the company protect itself from unnecessary commercial and tax risk both at home and abroad.

Up until early 2008, consumer sentiment continued to be buoyant as reflected by strong sales and profits in the Australian retail and consumer sector. However, a number of successive Reserve Bank interest rate increases finally had their intended effect, and consumer sentiment fell.

If sustained, this slow down will ultimately impact retail sales and exacerbate the gap between winners and losers. Demand for more efficient supply chains and cost-reducing technology is increasing as the focus shifts to enhanced customer service. Retail and consumer goods companies will continue to invest in new point of sale solutions, data warehouses and analytics to better understand and react to changes in customers and markets.

Those companies owned by private equity organisations are compounding this trend in

customer focus and driving continual changes in the performance of organisations. This need to drive high performance across the board is continuing to raise the bar for all competitors and stakeholders in the sector.

Clearer battle lines are also being drawn between retailers and suppliers as retailers become brands themselves and target markets fragment, making it more difficult to reach consumers.

Grocery, department, fashion and DIY stores are continuing to be shaped by the empowered consumer.

Retailers in the United Kingdom and United States have shown that a clear, long-term, multi-channel strategy is needed to thrive in the digital age. Companies must identify new channels to market and take advantage of them to meet customer needs and growth objectives. A flexible, agile and efficient infrastructure is critical to meeting consumers' needs and demands and to surviving in an increasingly competitive market.

Case Study

11

Retail and Consumer

Independent Grocers Alliance

“PwC exceeded expectations throughout the engagement, while providing us with a valuable and strategic framework for the future. It was of real substance and a reality check that both confirmed and dispelled myths. It will be a key reference point for us moving forward.”

Lou Jardin, CEO,
IGA Distribution

The Australian Independent Grocers Alliance (IGA) is currently the world's largest voluntary supermarket network with global sales of over \$37 billion annually across 41 countries. The Australian retailers operating under the IGA banner have annual sales of about \$8 billion.

Metcash Trading Limited Australasia (Metcash) is a leading marketing and distribution company operating through three business pillars, one being IGA Distribution. Through this arm, Metcash maintains a close partnership with the IGA, transporting consumer goods and providing retail system support with a range of specialist services.

In 2007, Metcash and IGA jointly engaged PwC to explore how the organisations could strengthen their business model and market viability in the future. It had proven difficult for management to establish an accurate baseline of profitability for the entire group, as each

IGA retailer is an independent business with private financial data.

The PwC team bridged this gap, simultaneously managing the interests and objectives of more than 1,300 separate stakeholders. As an independent third party, the team was able to gain oversight across IGA's activities and present a comprehensive assessment of the network's profitability, strengths and challenges.

“The engagement of PwC allowed us to verify that we do have a very successful model that can be built on and enhanced through collaboration with IGA Distribution to strategically map our future growth and strength,” said IGA National Chairman Mick Daly.

A strategy was developed to outline how the group could achieve greater collaboration and trust throughout the joint operating model, while capturing additional market share and growing profits.

Private Client Services

In 2007, we achieved a number of successes across the nation for our clients, including entrepreneurs and businesses from the *BRW* Top 500 Private Businesses, *BRW* Fast 100, *BRW* 200 Rich and *BRW* Young Rich lists and Anthill Cool Companies. We continue to work closely with a diverse range of Australian business and their owners to ensure strong growth, low risk and sustainable profit.

Each Private Client Services (PCS) representative builds relationships around cost-effective services. Our dedicated relationship partners invest time in understanding each business, its lifecycle and the ambitions of the owners. Whether a client is entering a new market or passing the family business on to a new generation, PCS offers access to the knowledge and skills of 130,000 people in 148 countries through a single relationship.

Our people's proactive business acumen and access to industry and technical insights ensures our advice is commercial and appropriate for our clients. We focus on delivering beneficial outcomes and bringing value to businesses through representation across regions, territories, states and nations.

Whether structuring a new business, making personal finance plans or raising capital, PCS continues to meet the demand for compliance and advisory services tailored to individual challenges and solutions.



Case Study

12

Private Client Services

Carman's

"I am so thrilled with the service that PwC has provided my company over the past five years. Their ability to help plan for growth and apply best practice, often just before we need it, has been crucial to our rapid growth success."

Carolyn Creswell, Founder,
Carman's

In 1992, at 18 years of age, Carolyn Creswell was making muesli part-time while studying at university. When she was told the business was to be sold and she would lose her job, she seized the opportunity, bought the tiny business herself and Carman's was born.

Today, Carolyn still runs Carman's, which is now a thriving Melbourne-based company, wholesaling muesli and muesli bars to thousands of outlets Australia-wide, including major Australian supermarket chains and airlines. She has recently started successfully exporting to Asia, the UK and the US, receiving Australia's national Young Entrepreneur of the Year award.

Greg Hodson, PwC Private Client Services Partner in Melbourne, approached Carolyn five years ago. Greg was a consumer of Carman's and had been reading about Carolyn and her entrepreneurial drive. Initially, Greg met with Carolyn quarterly to set action plans covering all aspects of her business, from markets to operations and finance.

Greg worked to help Carolyn spread her risk through new products and new markets, raising the profile of the brand to ensure the supermarkets would find it difficult to ignore. The planning was also designed to bring more people into the business so Carolyn could focus *on* it and not *in* it.

PwC's role with Carman's has evolved over the years and now includes monthly meetings to explore ways to further focus the business along with formal reporting, analysis of results and future planning. The firm's global network and experience is currently helping her expand in the UK market.

People Relationships Matter*

**At PwC we build teams
of well-rounded people.**

We are convinced that the organisations that win in the future will be those that develop, attract and retain the best talent. Over the last few years our firm has undergone a cultural transformation to deliver a distinctive experience to all our stakeholders. Our aim is to share and collaborate, and to put ourselves in each other's shoes. This is how we deliver insight and create value for clients, while providing our people with life-expanding challenges and opportunities to achieve their goals.

We place ourselves in our clients' shoes so that we can best help, support and inspire them.



Praveena Karunaharan and Michael Morris
at Bankstown Airport.



Our people make the difference

At PwC, our focus is on becoming the distinctive professional services firm of our time. We strive to do this by building strong relationships and creating unique experiences for our teams and clients – the PwC Experience.

It is our people who create the experience of PwC for our clients and ultimately make us distinctive. Our clients all over the world select us and judge the quality of our service by the people working with them on a day-to-day basis.

Our
people
number...



6,093

Our People

The PwC Experience

We have been progressively building on our cultural journey – the PwC Experience – for more than five years.

The PwC Experience is a pioneering culture change program, which recognises that being truly distinctive means ensuring our team and client relationships are as important as our technical expertise. To achieve this balance, we have focused on embedding a consistent set of behaviours and practices across our whole business.

The PwC Experience is a core element of our firm strategy. It has had such a profound impact on the Australian firm that it is being implemented as a global PwC initiative.

Next phases

In 2007, we identified and implemented the next phase of our cultural change journey – Ten Early Wins. This initiative ensures we continue to respond to, innovate and shape our internal environment. The actions tied to Ten Early Wins include all PwC teams participating in a regular recognition program, having a coach and a development plan, receiving briefings on strategy, and having PwC Experience behaviours reinforced in practical ways.

When we surveyed our people, we found that most of them saw evidence of these actions in their teams; more than 70 per cent either agreed or strongly agreed they were being used effectively.

In support of these practices, we began to roll out our key development program – Inspiring Leaders Workshops I and II – which equips people with the skills and tools they need to use the PwC Experience behaviours consistently.

We are also beginning to implement our 2008 Next Ten Priorities. These include taking a proactive approach to talent management, continuing to build coaching and networking effectiveness, and ensuring consistency in sharing and discussing business strategy within our teams.

Measuring success

The investment we have made in our culture has been pivotal to PwC's success. We know that by delivering personal success through offering our people challenging and rewarding careers, as well as the opportunity to develop both personally and professionally, we are also enhancing our clients' experience of working with us.

Our surveys support this. In the 2007 Global People Survey, 95 per cent of respondents said they were proud to be associated with the firm (the industry norm is 73 per cent) and 85 per cent said they would recommend PwC as a good place to work (the industry norm is 72 per cent).

Our client feedback also indicates we are hitting the mark. PwC's ECLIPSE program, in which partners and managers visit clients to gather their views on key aspects of the services they receive, was established to improve customer service. In FY07 we conducted 825 client visits and 32 per cent of respondents gave us a perfect five rating – more than double the number of the previous year. We have also been recognised with the *BRW* Client Choice Awards for best large accounting firm and market leader for the third year in a row.

Attracting and retaining talent

The global war for talent means that attracting and retaining high-calibre people has become increasingly difficult. This has led us to constantly refresh and evolve our resourcing strategies.

In 2007, we reviewed our entire recruitment methodology. In terms of graduate recruitment, we identified the competencies consistently present in high-performing graduates who pursue long-term careers with us and built these into our selection process. We also encouraged applications from students from non-accounting degree disciplines, such as arts, engineering and law, to increase the size of our potential talent pool and attract a broader skill set, more in line with our diverse business offering.

In addition, we launched a student development program – the first of its kind – called PwC Preview. Preview helps students to bridge the gap between university and the workforce while allowing us to identify high-calibre applicants early in the process. Over their summer break, students attend a series of workshops focusing on employability, business, communication and mentoring skills while working with one of our PwC Foundation charities and experiencing our Corporate Responsibility values.

Measuring recruitment

Given the level of competition in the marketplace and our commitment to attracting only high-calibre candidates, we are proud that in 2007, 84 per cent of PwC graduate employment offers were accepted and that we welcomed over 600 students into our organisation across Australia. We are also proud that, for the fifth year running, we attracted over 10 times the number of applications for positions available.

The results of the 2007 Universum Employer Branding Survey, which collates responses from students across Australia who have either been offered or accepted a graduate role, confirm that PwC is at the forefront of students' minds when they think of future employers. Significant achievements in the 2007 results include:

- Most Impressive Recruitment Activities on Campus – PwC ranked number one in students minds for visibility on campus
- Best Recruitment Ad Campaign – PwC ranked number two as the top of mind recruitment ad campaign
- Best Recruitment Experience – PwC ranked number two at the forefront of student's minds when it came to the best recruitment experience.

Global opportunities

At PwC, we have a well-established global mobility program in which approximately 500 people are seconded into and out of the Australian firm each year.

We recently introduced a new program called EPIC, which aims to attract, retain and develop our best and brightest staff during the early years of their career. Each year, some 20 per cent of our graduates have the opportunity to apply for a secondment, which encourages a culture of mobility within PwC, promotes international exchange and offers a career progression that combines travel and secondments.

Finding eEquilibrium

At PwC we support our people in all life stages as they progress through their career. Over 80 per cent of staff agree that PwC is committed to improving the wellbeing of its employees and their families.

One way we do this is through our award-winning eEquilibrium program, which helps us create an environment in which all our people can achieve a balance between work and life. Specifically, the program aims to support personal choices, create flexible work solutions, encourage family engagement and build leadership role models.

For example, on any given day some of our people will be working part-time or from home, job sharing or working flexible hours in order to pursue personal goals or family responsibilities. Many of our working families take advantage of our Child Care or Elder Care Referral Services, on-site carers' facilities or 14 weeks parental leave.

Either way, they have the option of seeding support from our Mavens, experts who are drawn from a wide range of backgrounds across the firm and act as role models offering their time, knowledge and understanding to colleagues on how to best to use eEquilibrium. The network has grown by nearly 40 per cent this year to over 80 Mavens across PwC nationally.

We also offer our people a range of other support, including wellbeing seminars, purchasable annual leave, subsidised gym membership, paid study leave and subsidised health care.

We aim to attract, develop and retain the best people to help us create a truly distinctive PwC Experience for our clients.

Our People

Diversity

PwC is proud of the way we listen and respond to our people's different needs, regardless of their life stage, gender, race or age. We are committed to maintaining a workplace that provides the best environment for our people and our clients.

In support of this we run diversity and equal opportunity education sessions online and face-to-face. This year we introduced our partners to a new way of delivering diversity training by using actors to create a fun and interactive way to bring role-play experiences to life.

PwC women

Women make up half of PwC's workforce at the recruitment level. Through our eQuilibrium program, we continued this year to fortify our ongoing investment in developing our female leaders and increasing the number of high-calibre female partners. While we still have work to do in this area, our efforts are having an impact – our ratio of female partners has increased by 45 per cent since 2004.

In 2006, we recognised that women have difficulty finding a mentor owing to a lack of role models. This year we established Women's Mentoring Circles across our firm, a group executive coaching experience that involves women sharing their experiences and stories in a network of peers, and using their strengths to build mentoring skills, increase confidence and provide female role models. We are also piloting other initiatives.

Globally, PwC has also invested in the development and retention of our female partners and staff. Through the Global Gender Advisory Council we are researching, identifying, and recommending specific actions and initiatives to assist in developing women for leadership and to improve succession planning and talent management.

Developing our people

Our learning and development strategy is underpinned by the PwC Experience – all initiatives and programs are ultimately designed to increase team and client capability, while promoting a tailored approach to each person's development. Our focus is on developing the whole person, not just their technical expertise.

Developed together with a coach or manager and aligned with specific objectives for each person, our learning solutions blend self-directed and on-the-job experiences, coaching and mentoring, as well as instructor-led programs. Our approach is designed to empower the individual to take primary responsibility for their own development and career direction, with appropriate support and external expertise as required.

World-class programs

The breadth and quality of PwC's development programs is world class. Alliances with key corporate education specialists including Harvard Business School, INSEAD and the Melbourne Business School, coupled with our significant internal capability, are testament to this. Many of our internal programs (such as I-Challenge and YLT) are requested by our clients across the globe.

From day one we help each graduate plan their journey through the firm with an individual career map. Each graduate is also assigned a personal mentor to advise on training and development opportunities.

Our Markets Academy program develops the knowledge and skills our high-potential senior managers and directors need to become client lead partners (CLPs). Through a partnership with Harvard, our CLP Business School is a strategic development program for promising CLPs, while SUMMIT accelerates development and improves the calibre of directors on track to becoming partners.

I-Challenge

Our iconic graduate program is I-Challenge, in which new graduates from our firm and our client organisations apply innovative thinking skills to a real business challenge. The program aims to deliver actual value to PwC within six months. In 2007, 470 participants, 70 buddies and 70 guides participated nationally in I-Challenge. Many of this year's ideas had a green theme to give staff better access to green initiatives, channel green business to our clients, build the PwC green brand and reduce our global environmental footprint.

YLT

Our market-leading programs for high-potential talent include our Young Leadership Program. This program fast-tracks the leadership skills of our high-potential managers and senior managers by providing an intensive personal development experience and exploring ways to build inspirational leaders.

Genesis Park

For our highest calibre managers and senior managers we offer Genesis Park, a five-month residential leadership development program run concurrently in the US and Germany. Founded in February 2001, the program has received external recognition as a best practice by the Harvard Corporate Leadership Council.

Diversifying career paths

We endeavour to open up career paths for all of our people and to provide an alternative career destination to partnership. Towards this end, in 2007 we introduced the role of Executive Director. This role recognises highly specialised, senior technical experts and the important role they play in the market and for our business.

Pinnacle

Reinventing a career, changing roles or retiring from the firm all represent challenging work-life transitions. Mindful of our people at all life stages, our ground-breaking Pinnacle program is now in its second year, with 12 senior partners and their spouses attending the weekend residential. In the program, partners reflect on their past, celebrate their contribution, and take time to share and explore how they want their future to unfold both within and outside PwC.

Valued business partners

Our Relationship Management team partners with our business to achieve real business outcomes. It provides specialist talent management expertise to our business, including calibre analysis, coaching, change management, performance management, remuneration and employee relations. PwC's commitment to transforming our culture into one of coaching has been a particular focus. The aim is to equip managers to build strong relationships and ultimately to help create the PwC Experience.

**By developing our people
we are enhancing each client's
experience of working with PwC.**

“

I saw myself as the glue between the three parties in this project. It was a really rewarding experience and I created strong working relationships with all of them.

”

Jo Needham

Taking the initiative

Jo Needham works in Human Capital and has a passion for helping others. Jo’s ability to build relationships resulted in undergraduates, the PwC Foundation and Mission Australia working effectively together on a project that benefited everyone.

Jo has only been with PwC since May 2007, but she soon knew she wanted to bring her personal interest in the community into her professional life. It didn’t take long before she took ownership of the PwC Preview Program’s competition, which provides students with skills training to take into the workplace.

Rather than inventing a fictitious case study for the students to work through, the Preview team decided to work with the PwC Foundation to develop a genuine

not-for-profit business case – one faced by Mission Australia, a charity partner of the PwC Foundation.

Jo fostered a mutually beneficial partnership between the three groups. The students gained important skills and understanding about the not-for-profit sector; Mission Australia benefited from the students’ ideas; and the PwC Foundation was able to educate students about its focus on supporting our charity partners to build capacity.

Jo’s story is a great example of how people at PwC are finding ways to make a difference.

“

As a firm, we are very good at being flexible.

”

Carma Du Plooy

Carma's flexible life

Carma Du Plooy is a director in Private Client Services. Since joining PwC in South Africa in 1995, she got married, moved to Australia, had two children along the way and climbed the corporate ladder – with PwC supporting her all the way.

Carma describes her life as an evolving plan. Apart from her career, she is an involved mother of two young daughters, has a busy husband, is renovating her house, keeps fit and has an active social life.

Carma says she could not have done all of this without the flexible work options PwC offers. She has taken parental leave, worked part-time, chosen flexible hours and regularly

works from home. “My flexible working hours don’t impact my clients as I’m always available to both them and my work team.”

She says that building good relationships with her clients, work team, friends and others is critical to managing her life, along with having a positive attitude and being focused. “Because life is so full on, it’s teamwork. You can do it by yourself

some of the time, but not all of the time.”

Making use of PwC’s flexible work options has not affected Carma’s career progression. She has participated in many development programs and provides support for others through our mentoring program. As for her future, Carma aspires to be a partner.

A Gen Y attitude

After exploring her options, Barbara Hung decided to join PwC after university because she liked the people, found the opportunities were greater and enjoyed the autonomy she was given to get the job done.

Barbara speaks English and Teochew fluently, as well as some Mandarin, Cantonese and German. She is a keen Manga cartoonist, was an Ambassador for Rotary International and was selected to attend the Rotary-sponsored National Youth Science Forum.

Barbara participated in PwC’s Vacationer program over the summer of 2005–06. During that time, she received another

offer from a mid-tier firm. PwC let her cut short her program to get an insight into working for another firm so she could make the right decision.

In the end, she chose PwC saying, “I just had so much fun here! I met great representatives at the campus evenings who were cheerful and passionate about working at PwC. I liked that people trusted me to get the work done and the opportunities were a lot greater here.”

Since joining PwC in early 2007, Barbara has managed to maintain her work-life balance and has been able to continue her extracurricular activities. On her future, Barbara says, “I intend to reach my full potential by leveraging off the world of opportunities PwC presents.”

Firm Relationships Matter*

Our mission is to create an organisation whose every interaction demonstrates our values and behaviours on a consistent basis.

It is through our commitment to thought leadership, governance, sponsorship and the environment that we deliver a memorable and quality experience for our clients, our people and our communities. This is why we have made responsible leadership an integral part of our culture and everyday practices.

We focus on value,
tailoring our services
to clients' needs.



Rosalie Wilkie and Chris Rogaris
at the Sydney Fish Markets.



Leadership Team



Tony Harrington
CEO and Senior Partner



Leigh Minehan
Deputy CEO



Paul Bendall
Assurance Leader



Merran Dawson
Service Innovation Leader



Pat McKeon
Advisory Leader



Phil O'Prey
Regional Market Council Leader



Mark Johnson
National Managing Partner, Businesses



Joseph Carrozzi
National Managing Partner, Markets



Richard Deutsch
National Assurance Leader



Dennis Finn
Human Capital Leader



Luke Sayers
Tax & Legal Leader

Office Managing Partners

Adelaide	Jim McMillan
Brisbane	Robert Baker
Canberra	Richard J Stewart
Melbourne	Tony Peake
Newcastle	John Campion
Perth	John P O'Connor
Sydney	Tom Fenton
Townsville	Roy Peterson

Board of Partners

PwC's Board of Partners has responsibility for governance within the firm. Its role includes having input into the firm's strategy and making decisions about local and global governance issues that affect a range of individual partners.



Board of Partners

Standing: Tony Peake, Paul Brasher (Global Chairman), Catherine Howard (Sec.), Tony Harrington (CEO and Senior Partner), David Prothero, Craig Hamer, Colin Dunn. **Sitting:** Tony Clemens, Bruce Morgan (Board of Partners Chairman), Paul Carter, Sue Bannatyne, Bill Edge.

Recognition

PwC continues to listen and respond to the needs of our people, our clients and our community. Our distinction in these areas, as both an employer and professional services provider, was honoured by a number of achievements and awards throughout 2007.

Accounting services firm of the year

In October 2007, PwC was named *CFO* magazine's Accounting Services Firm of the Year, recognising exceptional performance across the entire practice. In presenting the award the judges highlighted our clear leadership in the market including:

- our high-profile client audit appointments
- our leadership in relation to the total tax contributions of Australian companies
- our community leadership in the areas of climate change and sustainability
- the strength of our client relationships as part of our commitment to service excellence and the PwC Experience.

Best large accounting firm and professional services market leader

For the third year in a row, PwC was awarded Best Large Accounting Firm and Professional Services Market Leader in the *BRW* Client Choice Awards.

The awards were based on an independent survey conducted by Beaton Consulting. The survey gathers feedback from more than 10,000 clients, and encompasses more than 170 Australian firms operating in accounting, legal, engineering, architecture, actuarial and IT services.

The win demonstrates that our efforts to create the PwC Experience continue to have an impact with our clients.

Outstanding service award

OneFirm Risk & Quality leader, Bill Edge, received a Meritorious Service Award from the Institute of Chartered Accountants in November for outstanding service to the profession and in particular to the Institute. The award is unsolicited and is presented to only a few individuals nationally.

Foundation award for innovation

The PwC Foundation was honoured by Social Ventures Australia (SVA) in July when it received their award for courage, innovation and leadership in corporate community investment. Specifically, the award recognised the Foundation's ongoing support for SVA and its leadership in the social enterprise sector.

Advisory global recognition

Advisory's work for Southbank TAFE on their education and training precinct redevelopment project was named Global Public Private Partnership of the Year by the UK's *Public Private Finance* magazine in their annual awards in June last year. These awards are the biggest and most prestigious event in the public-private partnership calendar.

Best printed materials for graduate recruits

In November 2007, PwC won the Best Printed Materials category of the 2007 AAGE Graduate Recruitment Industry Awards.

The award recognises the outstanding work of our Graduate Recruitment team in what is a tough recruitment market. In 2007, 84 per cent of our employment offers were accepted and PwC welcomed 600 students into the Australian firm.

PwC an employer of choice

PwC emerged again this year as a top place to work after being selected as a finalist in the Australian HR Industry Awards, specifically the Davidson Trehare Corpsych Award for Employer of Choice, which recognises current and innovative employer of choice strategies that support the country's top talent. We were the only professional services firm selected as one of the five finalists.

We also received a High Commendation for our eEquilibrium initiative at the ACCI/BCA Work & Family Awards, the only such firm in this category, in recognition of our focus and commitment to work-life balance for all individuals as well as our family orientation.

Our latest survey showed that 85 per cent of people in our Australian firm would recommend PwC as a good place to work, compared with the Australian industry norm of 72 per cent.

Advisory excellence award

On 22 February 2007, PwC's Infrastructure, Government and Utilities team was named winner of the Advisory Excellence Award from the peak body for the infrastructure sector.

The 2007 National Infrastructure Awards celebrates and acknowledges innovation and excellence through expertise and leadership in the industry and a demonstrated commitment to the future of Australian infrastructure.

Information award

PwC Chief Information Officer, Graham Andrews, was highly commended in the *ZDNet Australia* CIO of the Year awards. He was recognised for meeting the challenge of being responsible for the information technology in an organisation full of 'experts'.

Leading Australian tax adviser

PwC was named in the top tier of the International Tax Review's leading Australian tax advisers survey in early 2008. This award reinforces the position of our 1,000-strong Australian Tax practice as the country's leading tax adviser.

We deploy our best
experience, innovative
solutions, courage
and adaptability to
help our clients.



Debra Eckersley and Matt Graham
at Middle Creek Reserve, Narrabeen Lakes.



Thought Leadership

At PwC an important part of our relationship with our clients and the wider community is to identify and explore the issues that affect them. This makes us a more knowledgeable, engaged, understanding and trustworthy business partner and community member. Whether we are developing new thinking around current issues, such as climate change, facilitating dialogue within the business community, lobbying government or bringing issues to the forefront in the media, our commitment to making a difference is evident in everything we do.

Climate Change

The issue of climate change is penetrating all aspects of Australian business life. It has the potential to be a great source of business risk but also presents significant opportunities.

Released in early 2008, PwC's *Carbon Countdown* gives a timely assessment of Australian business's readiness for the new carbon-trading environment. The survey found that while Australian businesses believe the greenhouse gas market is a good policy mechanism for reducing carbon emissions, they have a long way to go before they are ready for the new regime. Around 78 per cent are not yet formally assessing climate change as a risk to their business, while only 22 per cent have taken actions in response to climate change.

A separate December 2007 report, *Greenhouse Gas Market Sentiment Survey*, shows a continued strong sense of confidence and progress in the greenhouse gases market worldwide. Most respondents

expect the market to continue, with more than half looking forward to significant growth in the next year and 90 per cent believing the market will continue beyond 2012. For Australia, preparing for the new carbon economy is a mammoth challenge.

Carbon Value, released in August 2007, advises businesses on how to protect and enhance shareholder value in response to climate change. It advises that the best way for businesses to protect themselves is to design and implement a robust and effective carbon management strategy to enable them to understand, manage and maximise their carbon value. If not, they risk placing shareholder value at risk. There is also an opportunity for businesses to translate the growing demand for products and services that offset the negative effects of climate change into a new market.

Also on emissions, *Building Trust in Emissions Reporting*, released in early 2007, makes the case for urgent and coordinated action to develop a framework of generally accepted principles and practices in emissions reporting across the world.

This will contribute to building trust and efficiency in emissions trading, which is important because deficient, flawed or fraudulent processes could undermine confidence in markets and regulation, and jeopardise the crucial goals they are designed to address. In Australia, we lack practical business experience in managing climate change, but the development of quality data to underpin policy and development here could be a competitive advantage.

We also released *Best Practice Environmental Social and Governance Reporting*, which offers advice on simple and practical ways to improve narrative and financial reporting on climate change matters. The report is based on a global PwC report called *Report Leadership*, but goes one step further by explaining to key stakeholders the importance of their company's environmental, social and governance information in evaluating the long-term health of their business.

01

Regulatory Reform

PwC conducted Australia's first-ever comprehensive examination of our entire business tax system, finding significant room for improvement.

PwC surveyed 92 of Australia's largest companies on total tax contribution for a report called *Tax Nation: Business Taxes and the Federal-State Divide*, which was released in April by the Business Council of Australia and the Corporate Tax Association. The survey, which utilised our Total Tax Contribution Framework to enable businesses to make accurate calculations, is based on the number, type and total amount of taxes the companies paid over the last two years.

Tax Nation confirms that our taxation system has the potential to have a significant impact on the immediate and long-term prosperity of Australia. It found there is a reliance on fewer than 100 companies to contribute a

significant share of tax revenue to Australian governments, and that the complexity caused by the fiscal arrangements between our various levels of government in Australia creates an additional weight that Australian business must carry when they compete with the world's best.

The report recommends a major rethink of business tax across all levels of government in Australia. It stresses that the impact of current tax arrangements on the competitiveness and vibrancy of our business sector – and therefore on the long-term security of revenue sources – must be a consideration. Australia needs to act strategically now before weaknesses and limitations in policy and economic performance emerge. In short, in an increasingly global and competitive world we need to be positioned well when economic conditions become more challenging.

Partner Tim Cox stressed these points again in an opinion piece in the *Australian Financial Review* last November. He said the new

Labor Government must seize the day on business tax reform, which is complex, unwieldy and lacks transparency. While the challenge is big, reform will be a win-win for both business and government as it will also help address the challenges of Federal-State relations, the impact of red tape and the issue of our global competitiveness, while helping encourage international investment.

Another area PwC has been vocal on concerns mandatory audit firm rotation, which some people suggest would improve the quality of audit and financial reporting. In a piece for *Charter* magazine in May, National Managing Partner – Businesses, Mark Johnson, argued that experience and analysis support a conclusion that mandatory audit firm rotation might on the contrary result in a significant reduction in audit quality, increase the cost of audits and eliminate the choice of audit committees.

02

Entertainment and Media

03

The pace of change quickened in the media and entertainment industry this year.

Convergent technology is playing a greater part in Australians' lives. They are spending more time online and less time with traditional media. As a result, the greatest new revenue last year came from digital, and there is demand for new and individually tailored content delivery platforms.

The other key development in the industry is that restrictions on foreign and cross-media ownership were relaxed. Since then the big players have continued to jockey for position to ensure they stay in touch with the real sector powerbrokers: consumers.

The *Australian Entertainment and Media Outlook: 2007–2011* provides detailed analysis of the unique social, technological, economic, political and regulatory drivers that influence consumer spending and advertising across 11 segments, allowing PwC to forecast revenues for the next five years.

Total Australian entertainment and media expenditure grew by 6.8 per cent last year, as consumer spending on content rose, offsetting a slower advertising market. The industry will continue to grow – by 2011 it will be worth \$28.7 billion, up from \$22.4 billion in 2006.

Resources

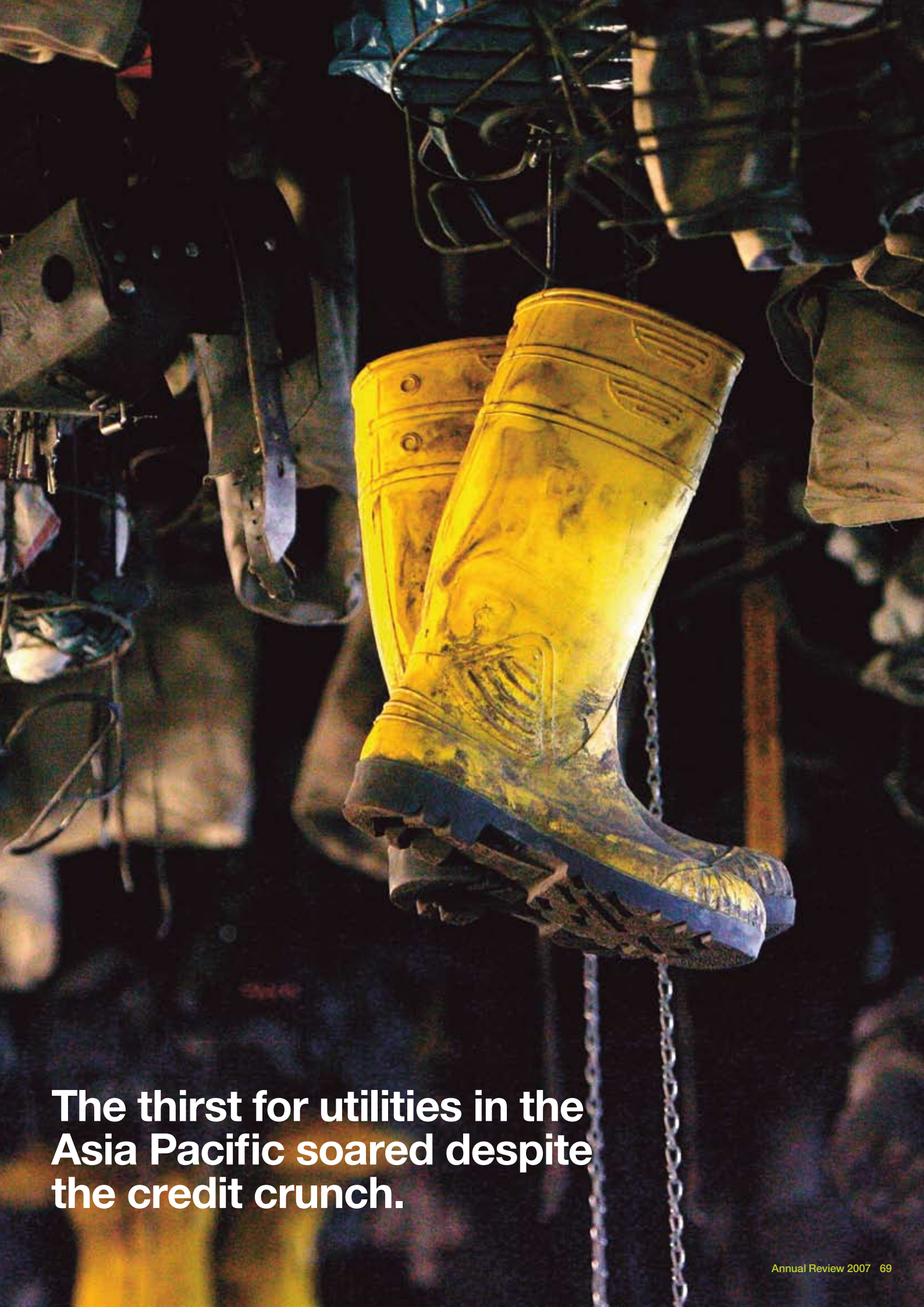
04

The Australian resources boom continued for a fourth year, with total revenue reaching over \$288 billion, an increase of 30 per cent on 2006.

PwC reported in *Mine – Riding the wave*, which aggregates the results, cash flows and balance sheets of 40 of the world's largest mining companies, that 2007 was another spectacular year for the global mining industry. The big question is what could end the boom?

Power Deals, our annual analysis of merger and acquisition activity across the global gas and electricity utilities sectors, showed that Australia continued to dominate utility deals in the Asia Pacific for the third consecutive year. The thirst for utilities in the region soared to new heights despite the credit crunch.

Our Energy and Efficiency – Utilities global survey 2007, a survey of 119 senior executives from 114 utility and utility investor companies across 44 countries, found that concerns about security of supply are intensifying, especially in Australia, but that the sector appears ready to make changes around climate change.



The thirst for utilities in the Asia Pacific soared despite the credit crunch.

The time
is right for
Australian
retailers to
reconsider
using internet
technology to
drive growth.

Retail and Consumer

05

Private equity, green issues and e-retailing are driving revolutionary change in the retail and consumer goods sector in Australia.

There are two main drivers of revolutionary change in the retail and consumer goods sector. The first is consumers, whose consumption decisions and investment strategies are increasingly being influenced by businesses' environmental behaviour. This will become a competitive issue as more environmental performance data becomes publicly available.

Consumer demand is also leading the re-emergence of e-retailing. The time is right for Australian retailers to reconsider using internet technology to drive new growth opportunities through e-business and multi-channel retailing, or risk losing

consumers to retailers that offer them what they want.

The second driver of change is private equity. The sector has seen a dramatic increase in mergers and acquisitions, which looks set to continue. The result is an industry revolution as investors introduce global best practice and address supply chain and operational issues.

PwC's *Retail & Consumer Outlook 2007* gauges the prospects for Australia's retail and consumer goods companies in a changing marketplace. It examines 12 key issues and offers practical advice.

Financial Services

06

The sub-prime mortgage slump, retaining talent, environmental sustainability and systemic weaknesses are some of the challenges facing the financial sector.

PwC Banking and Capital Markets Leader Mike Codling said with foresight in *Australian Banking & Finance* in November that Australia was not out of the woods with the US sub-prime mortgage slump. While significant structural differences exist between our markets, the related debt market turmoil will cause pain to banks and businesses alike for some time to come.

Two months earlier, partner Peter van Dongen wrote in *Asset* that some investors looked set to lose money, and that the crisis was highlighting weaknesses in the 'advice value chain'.

This year's *Investment Management Survey* of 34 organisations in this industry

representing over \$1 trillion in assets, found CEOs expect success to continue despite higher margins. Losing quality people topped the list of threats to future profitability.

Last November's *Perspectives – Major Banks Analysis*, containing annual results for Australia's five major banks, found they have shown resilience during the global credit crunch to report combined cash earnings growth of 14.7 per cent. Their robustness allowed them to avoid the reputation damage suffered by some of their large global counterparts. However, there are now some dark clouds on the horizon for our majors in the short term.

Global Economic Crime Survey

07

Half of all Australian businesses experienced economic crime in the last two years and almost a quarter of these involved direct losses of over \$1.5 million.

Economic crime is a persistent reality in Australia that exists in all industries and across all levels of organisations. Its cost extends beyond monetary loss to collateral damage.

Asset misappropriation remains the most common economic crime risk to Australian businesses followed by intellectual property infringement. Other risks are increased exposure to global markets, legislative changes and the rising sophistication of economic crime.

Interestingly, an awareness gap exists around some issues, such as the risk of exposure to foreign corruption, and there are

misperceptions about how fraud is best detected. The single most effective means is not by external audit, as many companies believe, but by fraud risk management.

The *Global Economic Crime Survey*, based on a survey of 5,400 companies across 40 countries, is published every two years. It provides valuable insights into economic crime in Australia, the Asia Pacific and around the world, gives practical advice on protection and is accompanied by an Australian report based on a sample of over 100 companies.

Middle Market and Private Business

08

Private businesses named funding as their key challenge, while mid-sized businesses saw culture and people as their key internal resource for growth.

In two surveys conducted with private and mid-sized businesses, PwC found that as they rode the wave of a strong economy and pursued further growth and expansion, companies also faced important challenges.

Our inaugural *Private Business Barometer* reported that in 2007, Australian business success was buoyed by sound company strategy and new technologies, while funding was the sector's greatest pressure, along with being able to take advantage of the plentiful opportunities available.

Our report compiled comprehensive data on the performance of the sector and the issues it faces based on the views of

750 private businesses with an annual turnover of \$10–\$100 million.

The *Business Insights Survey* of chief executives and financial officers from over 600 private and public businesses with an annual turnover of \$20–\$500 million, found that competition and discounting, followed by labour shortages, are the most pressing issues for companies. Culture and people are the key internal resources for growth.

Transformation Programs

09

Challenges Australian CEOs face during large-scale change programs include leadership style, customer focus, good communication and early board buy-in.

Australian CEOs told us that transformation programs typically require them to fundamentally reassess their business model, and that it takes them three to five years to design, execute and manage this process, often reaching a cost of tens of millions of dollars.

In order to succeed, CEOs said they need to both lead and be actively involved in the design and execution of change programs, and that their individual style was also an important ingredient. They stressed the number one focus should be on the customer.

CEOs also believe that investment in internal and external communications is vital to keep stakeholders engaged, and that early buy-in from boards on the vision and roadmap are important, as is measuring benchmarks.

These and other findings are included in *Insights into Transformations*, a study which identifies critical success factors for large-scale change programs. Results are based on face-to-face meetings with 40 clients, including ASX top 100 Australian CEOs and government department heads. It is the first of its kind in Australia.

Global CEO Survey

10

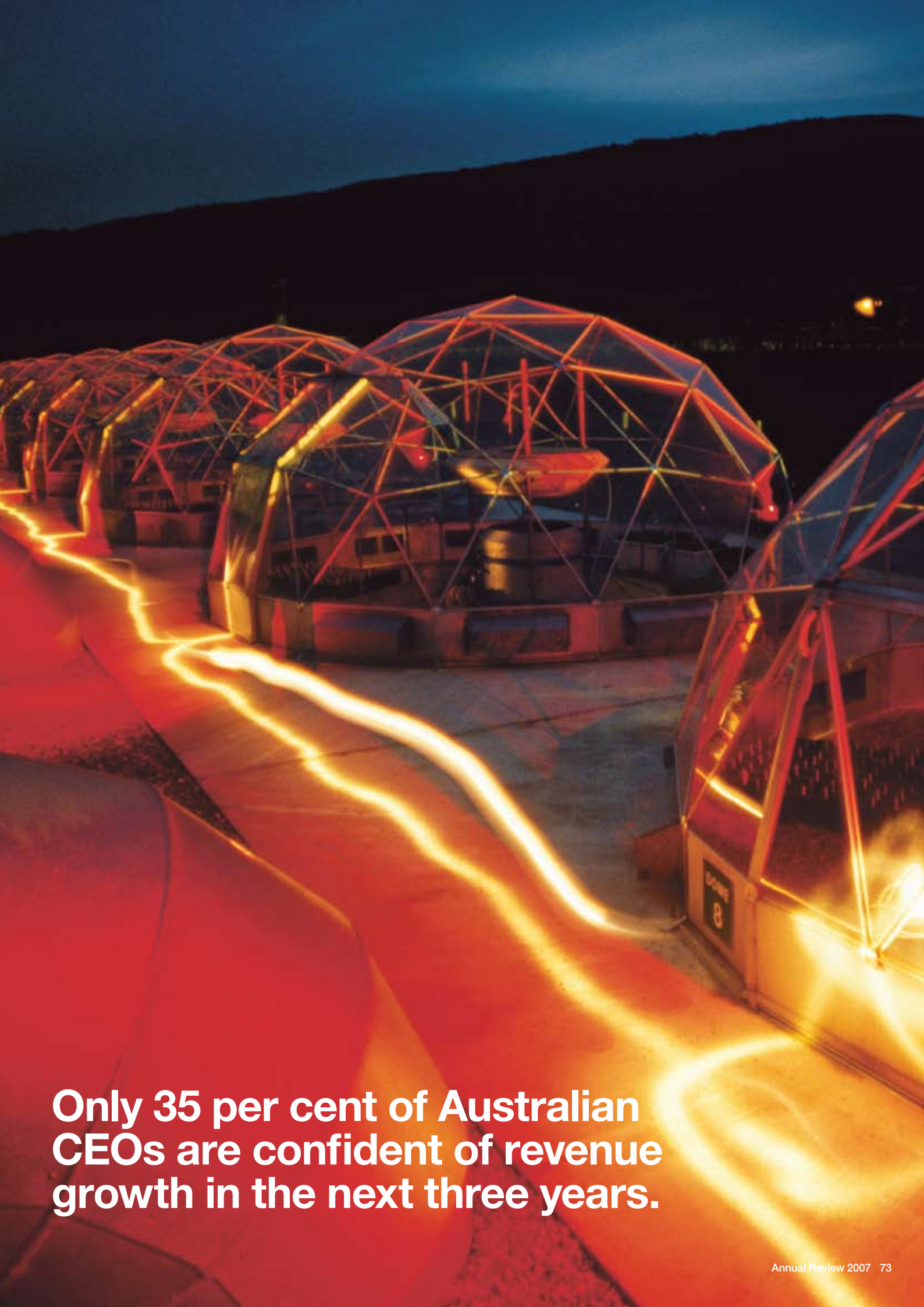
CEO business confidence is in decline both in Australia and overseas for the first time in 11 years.

CEO confidence on the prospect for business growth is in decline according to PwC's 11th *Annual Global CEO Survey*, released in January 2008 at the World Economic Forum in Davos. In fact, it is not only at its lowest since 2003, but this is the first time it has dropped in 11 years.

In Australia, over 52 per cent of CEOs are very confident about revenue growth in the next 12 months. However, their confidence drops to 35 per cent over a three-year horizon – more than their global counterparts at 41 per cent. Overall, fear of a worldwide recession is seen as the major threat to growth.

Conversely, CEO business confidence in Asia Pacific, Latin America, and Central and Eastern Europe remains on the rise. This demonstrates a split in confidence levels and the beginning of a decoupling of developed and emerging economies.

Also of note is that Australian respondents are most concerned about the availability of skills in the future, while their global counterparts are more worried about over-regulation.



**Only 35 per cent of Australian
CEOs are confident of revenue
growth in the next three years.**

Firm Governance

PwC insists on strong and effective standards of governance across the firm as we work to fulfil our role of helping to underpin the integrity of financial reporting in the capital markets. We continue to work hard to establish new governance initiatives and improve existing ones. We embed these governance practices deeply in our firm to build a robust and sustainable performance culture. Our ongoing focus is to ensure our governance activities not only support pure regulatory compliance, but also strike the right balance – for our clients and ourselves – between conformance and performance.

OneFirm Risk & Quality Group

PwC's OneFirm Risk & Quality Group is responsible for the Australian firm's methodologies and technologies, risk management, quality control and independence compliance.

It is led by a fulltime senior executive partner, Bill Edge, whose work in the governance area, and more broadly, is acknowledged both within PwC and in the wider community. This year, Bill was awarded The Institute of Chartered Accountants in Australia Meritorious Service Award for outstanding service to the profession. This national award is unsolicited and is presented to only a few individuals.

OneFirm Risk & Quality comprises five partners and 30 staff. Its mission is to identify the best risk and quality practices from PwC in Australia as well as globally, and to establish enduring governance practices that help create a better firm and ensure the future of the PwC brand.

While the group's focus continues to evolve, its efforts are directed towards making governance an integral part of PwC's culture to allow our people to concentrate on delivering high-quality services with the comfort of knowing they are also complying with PwC's high standards and policies. This is an important strategic shift to ensure the right balance between conformance and performance.

In addition to a commitment to inspiring best service and achieving best quality, the OneFirm Risk & Quality Group is committed to developing the best talent. This includes running a secondment program for staff from around the practice to work with the group for set periods of time. These secondments help build relationships across the firm and provide staff with unique development opportunities they might not otherwise get. In 2007, six staff were seconded into the group while one OneFirm Risk & Quality manager was seconded to an audit development team in the US.

PwC's governance activities currently centre on the following four key areas:

Streamlining and simplifying our processes

Streamlining and simplifying our processes not only improves efficiency and makes adhering to standards easier, but it also frees up our staff so they can focus on providing better client service. Some of our important initiatives in this area include:

Improving our technology systems

We have developed and implemented individual automated dashboards. These enable our partners and staff to see, at a glance, whether their team is complying with risk and quality standards, and to tackle any issues quickly and expertly if required.

We have also advanced the management of our relationship and conflict checks. These ensure the work we do for any one client across our firm does not create a conflict of interest. This year, we rationalised and improved the efficiency of our technology in this area, allowing us to respond to more requests for checks with less disruption to daily work.

Incorporating new standards

We have incorporated various new governance requirements and standards – not only fulfilling our obligations but realising the opportunity to simplify our messages and ease the time burden of compliance on our staff.

For example, we instigated a wide range of initiatives to incorporate the new Australian Standards on Auditing, as well as the new requirements for non-audit assurance engagements, into our policies and procedures. They included specific steps into our audit methodology to ensure these changes were easy to find and simple to use.

We also developed clear and simple procedures for managing our engagements with potentially competing parties in response to increased activity around mergers and acquisitions. This helps prevent actual and/or perceived conflicts of interest.

Improving our performance quality

Much of our governance is based on delivering high-quality services and improving the performance of our people against both our own and external standards. This includes:

Access to experts

All staff now have easy access to experienced individuals when they need advice. This was achieved by embedding our OneFirm Risk Management Partner Network across our organisation. The network is made up of experienced partners who support teams by sharing their knowledge on how to apply standards and give expert service to clients.

We continue to provide direct technical assistance to our staff through our Enquiries Database, giving them the knowledge required to complete their work to a high standard. The database, which is run by the OneFirm Risk & Quality Group, resolved a record number of governance enquiries from our people in 2007 – up almost 100 per cent on the previous year.

We also gave all our partners and senior staff across PwC appropriate face-to-face training in governance and quality matters through our Moving Forward programs and national Auditing Standards roadshow. This was important in ensuring our partners and staff have the knowledge and understanding they need to both achieve compliance and deliver valuable services.

Assessing performance

We also gave our partners the information required to assess their adherence to governance and risk standards by providing each one with individual quality metrics. We then extended the partner level metrics program to senior staff to also drive their behaviours to support our governance objectives.

In addition, we made our Code of Conduct – or the way we do business – more accessible and user friendly for everyone, reflecting our belief in the importance of adhering to the code. We piloted new and successful e-learning modules, which have proven to be convenient and time-efficient for staff, while embedding testing into our culture and practices.

We continue to introduce and strengthen initiatives that support the application of the Code of Conduct and associated resources, including our ethics hotline, training and activities on personal and team development, and the inclusion of integrity assessment in staff appraisals.

We also use e-learning to get across our diversity and equality, and health and safety policies. This not only provides valuable training for our people but includes advanced monitoring applications, which have been well received as useful tools.

Taking leadership

We are proud to be a leader in the governance debate and to have developed sustainable governance solutions that will benefit our organisation, clients and community for many years to come. Some of our leadership activities have involved:

Leading external debates

We worked closely with key stakeholders and subject matter experts to identify issues affecting audit committees. We updated our *Audit Committee Handbook*, which is provided to the chairs of our clients' business audit committees, to ensure it continues to provide current, practical and targeted guidance for users.

We also promote open communication between our profession, the business community and regulators through incoming CEO Mark Johnson's chairmanship of the Australian Securities and Investment Commission (ASIC) Standing Committee on Accounting and Auditing. This facilitates better understanding of the issues facing these groups. Mark's work in this area continues to be supported by the OneFirm Risk & Quality Group.

In addition, we continue to be active and influential on governance in wider professional and business arenas through our representation on numerous government, professional and business bodies such as the Australian Accounting Standards Board, Financial Reporting Council, and Auditing and Assurance Standards Board. Our goal is to promote best quality standards for Australian markets.

Developing sustainable solutions

We have strengthened our Assurance Platinum program, which focuses on improving our relationships with key audit clients by providing best practice reports to our clients and meeting regularly with them to share ideas and insights. Feedback has been excellent.

We also developed leading governance solutions for the global PwC network to benefit a wider range of PwC staff in the future. Our OneFirm Risk & Quality partners and staff are members of many global PwC groups responsible for sharing and developing best practice in governance across the organisation.

We are proud to have received recognition for the role the Australian firm plays in providing governance expertise and management with the appointment of David Lawson as Global Independence Operations Leader in New York. A new independence partner, Niamh Scanlon, was also appointed to our Australian firm.

Monitoring effectiveness

We support monitoring by external bodies of the application of our governance initiatives activities. We have also put a number of internal processes in place including:

Managing external reviews

We assist the external inspections of our firm by ASIC, the Audit Quality Review Board (AQRB) and the Financial Reporting Council (FRC). These cover elements of our governance systems as well as some specific audit work procedures. We ensure we meet each body's requirements and that we deal with all enquiries successfully. We are proud that we have received no significant adverse findings.

We have also supported a global initiative that introduced compliance reporting against core firm policies and procedures. As well as assessing and reporting on our own compliance, we contribute to the wider program by evaluating the compliance of other firms within the PwC network.

Managing the application of our own initiatives

We conduct internal reviews on our delivery of services to our clients and the application of our governance procedures. These include Real Time Reviews that concentrate on helping teams before they finish their work. These have increased, reflecting the growth in our business, the broader range of initiatives that need to be monitored and the inclusion of more types of services in our review programs. We use the review process and findings to identify areas for improvement, raise awareness, develop staff indicators and correct application issues.

Changes have also been necessitated by three significant audit appointments – the Commonwealth Bank of Australia (CBA), AXA Asia Pacific and Amcor Limited. As external auditors, we were required to be completely independent of these businesses and we executed the necessary actions in a timely and efficient manner.

Sponsorship

One of the ways PwC invests in its relationship with the community is to sponsor activities and events in the arts, business, sports and the wider community. This year we are truly proud to have sponsored the PwC North Pole Expedition 2008 to highlight the issue of climate change. We also sponsored, for the third year in a row, the world-class Australian Chamber Orchestra.

North Pole Expedition – 2008

On 1 April 2008, PwC Partner Ben Wheaton (a long-time corporate champion of climate change and personally trained ambassador for Al Gore's Global Climate Project) along with Matt McFadyen (the youngest Australian to have reached the North Pole) set out on a 13-day expedition to reach the North Pole.

While drawing attention to the detrimental impacts of climate change, the adventure allowed one of our people to use PwC's flexible work arrangements to meet a great personal challenge and supported a keen young adventurer to try to become the first Australian to complete a solo return expedition from the North Pole.

In the event, Ben and Matt battled extraordinarily cold temperatures of minus 40 degrees Celsius, strong winds and a southerly ice drift of 1 kilometre per hour. Despite skiing for an average of seven hours a day over six days, they were 8 kilometres behind where they originally started at the end of day six. The decision was made to fly the remaining 35 kilometres by helicopter. Regardless, the team felt great pride in being the only Australian team to make it to the North Pole during this International Polar Year.

The vivid images and stories Ben and Matt gathered will help PwC spread climate change messages to our people, clients and the Australian public by drawing a very real and direct link between Australian behaviour and the melting Arctic. Ben and Matt made sure that all carbon outputs from the team's flights were neutralised and that they left only ski tracks behind on the icy terrain.

The Australian Chamber Orchestra

In 2007, audiences again experienced something very special as the renowned Australian Chamber Orchestra (ACO) delivered 11 awe-inspiring and leading-edge performances during its Rapture tour of seven locations around Australia.

PwC was proud to continue its relationship with the organisation as Principal Innovation Partner for the orchestra. We are constantly inspired by the artistry and passion behind the ACO's never-ending process of invention and re-invention.

For the firm, there is a true synergy between the relationship the ACO and PwC both have with the world. Their constant pushing of creative boundaries and pursuit of perfection closely reflects our need for breakthrough, innovation and distinction in the ever-changing global business environment.

Our commitment
Corporate Responsibility
reflects our
that relationship

ment to
responsibility
core belief
ships matter.

Community

PwC believes it is our responsibility to get involved and make our community a better place. One of the key ways we are doing this is through the PwC Foundation. During the last five years, its role has evolved from making ad hoc charitable donations to working with not-for-profit organisations towards lasting social change. This means Corporate Responsibility is now an integral part of our daily business and long-term strategic focus. In 2007, our Foundation distributed \$2.6 million to charity partners and our people spent 16,000 hours – 2,000 work days or 5.5 years – on 301 community activities.

The world is changing at an unprecedented rate. The phenomenon of globalisation, with its opening of mass communications, travel and international trade, means we are now part of a much more interconnected and interdependent community. As a result, we are each increasingly aware of, and responsible for, global issues such as climate change, poverty, security, education and health.

As the world has evolved, so has PwC's place in it. We recognise that as a member of our community we need to take a leading role in supporting social change. We understand this requires more than just business skills – it requires broader social and emotional awareness – or, in other words, responsible leadership. The establishment of the PwC Foundation five years ago and our ongoing strategy to develop responsible leaders are two important components of our commitment to our community.

The Foundation's work began with one-off philanthropic gestures by individuals. However, we soon realised we could have a more enduring impact on our community by sharing our skills, expertise and resources in a sustainable way.

We began to develop strategic relationships with not-for-profit organisations, which quickly evolved into close partnerships based on trust, integrity and our shared values and vision. These partnerships have helped us to better understand and work together with the not-for-profit sector to tackle the root causes of social problems, rather than just the symptoms.

Since our people started giving time and expertise, social awareness, social responsibility and community engagement have become ingrained in PwC's culture. Through this work, we have gained a richer understanding of the social challenges facing our community, which in turn has added significant value to our team and client relationships. Our core business strategy and Corporate Responsibility goals are now aligned to create better value for everyone involved.

The Foundation has contributed to our practice in other ways too. For example, it was the PwC Foundation that initiated discussions about our organisation's impact on the environment. This led to our decision to become carbon-neutral and the early move to expand our client service offerings in the area. The Foundation and our broader approach to Corporate Responsibility also continue to help us attract and retain young staff. These opportunities cater to those who want to both be part of a responsible organisation and have the professional opportunity to play a meaningful role in the community.

Through our Foundation, we hope to influence other businesses to contribute in more meaningful ways to the community. There is growing evidence that businesses that take an active role in the community are more inclined to innovate, develop new products and services, access new markets, and recruit and retain a more diverse and talented workforce – therefore minimising risk. In this way, the relationship between business and the community becomes mutually beneficial.

Innovation is a key element of our Foundation's success because it allows us to maximise the benefits of our work. For example, two years ago PwC Australia helped establish Global Communities, a PwC network that gives a central and collaborative focus to the many diverse community contributions our people make around the world. Through our four pillars – providing professional services, volunteering in our communities, offering corporate community leadership and giving – our people use their expertise and skills in their local communities while contributing to a wider understanding of how we can create ongoing change across all our communities. This is having a considerable impact. In 2007, PwC contributed globally an estimated 218,000 hours of volunteer time and donated more than US\$33 million to the not-for-profit sector.

One example of how Global Communities works is the inaugural Australian 2008 PwC Transparency Awards. This initiative was modelled on a successful program in PwC in Germany and the Netherlands that improved the quality and transparency of reporting across the not-for-profit sector. In collaboration with our sponsor, the Institute of Chartered Accountants, our goal is to play a key role in developing best practice benchmarks for not-for-profit reporting. This helps our individual charity partners achieve their objectives and satisfies the Foundation's aim of positively impacting the sector in a broader and more sustainable way.

While it is unlikely PwC Australia or our global firm can effect big changes in the world overnight – or perhaps even in a year or decade – we are making a real contribution to defining and shaping a better future. In the process, we are getting a better sense of what action needs to be taken and how to measure the impact of our efforts to establish benchmarks for the future.

The following is a snapshot of some of the ways the PwC Foundation is contributing to social change across our five cause areas.

Poverty

The Foundation's work with Social Ventures Australia (SVA) is a good illustration of how our firm has moved from individual charitable donations to working with the not-for-profit sector to achieve sustainable outcomes.

Since 2002, SVA has been developing a model for social enterprise – where businesses re-invest profits back into the community – with the aim of creating opportunities for marginalised people. As a business leader, PwC believes it is important to be involved in shaping and developing this emerging sector.

In 2007, the Foundation participated in a joint venture with SVA and the Brisbane City Council to open a Social Enterprise Hub. The hub offers services and support networks to social enterprises providing employment and training to disadvantaged people excluded from the mainstream workforce. PwC provides mentors to assist each social enterprise leader in forming a vision, devising plans and managing their finances to maximise the impact and efficiency of their business.

Our relationship with Urban Seed, which works with marginalised people in Melbourne's CBD, is another example of a relationship with a not-for-profit organisation blossoming into a full-blown partnership, benefiting both the organisation and the community.

This year, our Foundation moved beyond providing funding, volunteering and free tax clinics to donating support to allow Urban Seed to continue its work in the long term. We identified and then provided expertise in the areas of guidance and training in fundraising and finding sustainable revenue streams. In doing so, we helped Urban Seed improve its bottom line and establish a broader network of community and corporate relationships.

Health

PwC recognises the importance of mental as well as physical health. In 2007, we worked with beyondblue, the national depression initiative, to create greater recognition of depression as a serious health problem impacting Australian families and workplaces.

This year, we assisted beyondblue's depression awareness training program in the workplace by contributing to the production of tip sheets and advising managers and supervisors on how to help colleagues with depression and understand the legal obligations for employers and employees. In the process, our staff engaged in the issue and learnt where to find support, which is important given that this problem will affect many people in our community either directly or indirectly.

In addition, we ran Movember, during which many of our male staff grew moustaches to raise funds for beyondblue and increase general awareness about depression in men, who are much less likely to seek help for their problems than women. Two-hundred and forty of our people

participated nationally, raising over \$324,000.

PwC staff also eagerly became involved in other health causes, such as the World's Greatest Shave, which raises money for the Leukaemia Foundation. This year one of our participants – self-confessed long-haired and bearded hippie Graham Andrews, who is also a partner and our Chief Information Officer – was gently cajoled into sacrificing his hair for this cause. He would not do so for anything less than \$20,000, but in the end he raised an impressive \$60,000. This gave him great personal satisfaction and provided inspiration for others to do the same next time around. PwC is the Leukaemia Foundation's number one corporate sponsor, donating more than \$1.2 million over the last four years.

The environment

At 7 pm on 31 March 2007, an estimated 2.2 million Sydney residents and 30 per cent of ASX 100 businesses turned off their lights as part of Earth Hour. PwC was not only the first business to commit to the event, we also played a pivotal role in making it a success.

As a long-term partner of World Wildlife Fund (WWF), our Foundation was dedicated to making Earth Hour a reality, lending WWF three employees for two months to provide expertise in project planning, collaborative partnerships and event management. Our assistance bolstered Earth Hour's impact and supported WWF's broader mission of countering climate change. The fact that we collaborated with WWF again in 2008 for Earth Hour 2 demonstrates the depth and focus of our ongoing partnership.

PwC announced in December 2006 that we would become carbon-neutral by 1 July 2008, at the latest, through the extension of our


emissions reduction program and the offset of any remaining emissions. We were the first professional services firm in Australia to take such action.

Since then we have been measuring our carbon emissions and other environmental impacts, and have developed a management plan. Along the way, our staff are learning first hand how to address this challenge and are also establishing best practices that our clients can apply to their own businesses. PwC and our Foundation are literally leading the community by example.

01

02

03

A man in a dark suit and yellow tie stands with his arms crossed in front of a vibrant, abstract mural. The mural features bold black outlines, blue and yellow shapes, and circular patterns. The man is looking off to the side with a thoughtful expression.

“
Corporates are the real generators of wealth. They create the jobs, the economic opportunities and the markets. We cannot win a war on poverty – in Australia or beyond our shores – without the drive, innovation and problem solving of businesses.”

Tim Costello, CEO World Vision



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Corporate Respon
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Tony Harrington, CEO



Youth

PwC joined the Australian Business and Community Network (ABCN) in 2006 to influence the development of our future workforce by increasing opportunities for disadvantaged schools and students. The idea is for businesses to collaborate with educators and students in practical and innovative education programs that create positive social change.

This year, we participated through two initiatives. The Partners in Learning program matched PwC senior business leaders one-on-one with school principals in Sydney and Brisbane, providing them with the opportunity to share experiences, solve problems and explore leadership challenges together. We are currently expanding the program to Perth and Melbourne.

Through the GOALS mentoring program, our volunteers gave Year 9 students the opportunity to meet people working outside their immediate community so they could consider wider vocational and educational options. In structured sessions, the students and mentors have private discussions, complete joint activities and participate in group discussions on issues such as goal setting and building rapport.

Elevate is a joint project developed with charity partner Mission Australia. It matches some of PwC's high-performing coaches with young people aged between 15 and 19 who show leadership potential and come from mixed socio-economic backgrounds. These young people pick up leadership,

employability and enterprise skills while our coaches exercise their leadership skills, broaden their social awareness and learn the worth of helping others.

In addition to providing our charity partners with financial support and time donations, PwC contributes our skills and expertise to not-for-profit organisations at highly discounted rates. This capacity building work helps our charity partners to better achieve their goals and allows PwC staff to use their skills while making a tangible impact in the community. For example, Youth Off The Streets (YOTS) needed a business plan to develop a clear strategy, institute changes, identify challenges and develop leadership skills needed to better support chronically homeless and drug-addicted young Australians. PwC staff supported the development of this plan, for instance by running three workshops that garnered greater participation and enthusiasm from YOTS staff in the process.

04

Children

PwC raises ongoing funds for the Good Start Breakfast Club, an Australian Red Cross initiative that helps more children across Australia to jump start their day with a good meal.

Schools tell us that children are receiving improved nutrition and are better able to concentrate, meaning improved classroom behaviour, greater camaraderie and less truancy. The Foundation also gave an additional \$10,000 this year to establish breakfast clubs for a year in two Melbourne schools. The money was raised by the PwC Foundation Café in the foyer of our Melbourne office.

Another way PwC staff helped children this year was through our partnership with Save the Children. Together with the local community we have been giving the only school in the tiny fishing village of Naherengue in Mozambique a substantial makeover. This involves building three classrooms, drilling a well for clean water, constructing toilets and providing training

aids for teachers. The long-term aim is to increase the participation of children, especially girls, in primary school so they can learn new behaviours and generate positive changes in their community. By involving the whole community, the benefits extend well beyond the children.

05



“
PwC’s relationship with Mission Australia plays a crucial role in helping young people stay resilient while confronting a range of challenges.”

Toby Hall, CEO Mission Australia

We stand ready to help our clients achieve the best outcomes from the challenges and opportunities ahead.



Ben Wheaton and Matt McFadyen
at the Kurnell sand dunes where
they trained for their North Pole trek.





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For further inquiries regarding this
Annual Review contact:

PricewaterhouseCoopers
Darling Park Tower 2, 201 Sussex Street
New South Wales 1171 Australia

Mail address:
GPO Box 2650 Sydney NSW 1171 Australia



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