

Property Industry Foundation

Annual report - 31 October 2005

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Property Industry Foundation is a trust domiciled in Australia. Its principal place of business is:

Property Industry Foundation
Level 19, 88 Phillip Street
Sydney NSW 2000

Property Industry Foundation
Statement of financial performance
For the year ended 31 October 2005

	Notes	2005 \$	2004 \$
Revenue from ordinary activities	2	1,656,945	1,384,082
Yachting regatta		(175,736)	(149,672)
Annual dinner		(143,698)	(151,345)
PA exclusive campaigns		(15,254)	(668)
Government House cocktail party		(12,934)	(10,453)
National Hard Hat Day		(13,136)	(10,497)
Employee benefits expense		(267,475)	(186,418)
Depreciation	3	(3,989)	(3,304)
Project management expense		(11,519)	-
Computer and internet expense		(12,920)	(6,091)
Office supplies expense		(16,701)	(7,642)
Marketing expenses		(68,819)	(43,903)
Other expenses		(67,256)	(49,511)
		<hr/>	<hr/>
Surplus from ordinary activities before related income tax expense		847,508	764,578
Income tax expense	1a	<hr/> -	<hr/> -
Surplus from ordinary activities after related income tax expense		847,508	764,578
Distributions to eligible charities		(467,930)	(326,657)
		<hr/>	<hr/>
Net surplus		379,578	437,921
		<hr/>	<hr/>

The above statement of financial performance should be read in conjunction with the accompanying notes.

Property Industry Foundation
Statement of financial position
As at 31 October 2005

	Notes	2005 \$	2004 \$
Current assets			
Cash assets	4	1,516,200	1,262,856
Receivables	5	7,599	2,750
Other	6	9,356	2,102
Total current assets		1,533,155	1,267,708
Non-current assets			
Other financial assets	7	565,476	439,726
Property, plant and equipment	8	9,721	2,662
Total non-current assets		575,197	442,388
Total assets		2,108,352	1,710,096
Current liabilities			
Payables	9	41,336	26,913
Provisions	10	17,971	20,664
Total current liabilities		59,307	47,577
Total liabilities		59,307	47,577
Net assets		2,049,045	1,662,519
Equity			
Units issued	11	100	100
Reserves	12	18,032	-
Retained surpluses	13	2,030,913	1,662,419
Total equity		2,049,045	1,662,519

The above statement of financial position should be read in conjunction with the accompanying notes.

Property Industry Foundation
Statement of cash flows
For the year ended 31 October 2005

	Notes	2005 \$	2004 \$
Cash flows from operating activities			
Receipts from donations and fundraising activities		1,547,847	1,380,528
Payments for fundraising activities		<u>(360,758)</u>	<u>(362,418)</u>
		1,187,089	1,018,110
Interest received		60,302	30,000
Managed fund distributions		16,514	7,838
Payments to other suppliers and employees		(440,214)	(266,143)
Distributions to eligible charities		<u>(467,930)</u>	<u>(326,657)</u>
Net cash inflow (outflow) from operating activities	19	<u>355,761</u>	<u>463,148</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(11,048)	-
Payments for investments		<u>(91,369)</u>	<u>(107,159)</u>
Net cash inflow (outflow) from investing activities		<u>(102,417)</u>	<u>(107,159)</u>
Cash flows from financing activities			
Net cash inflow (outflow) from financing activities		<u>-</u>	<u>-</u>
Net increase in cash held		253,344	355,989
Cash at the beginning of the year		<u>1,262,856</u>	<u>906,867</u>
Cash at the end of the year	4	<u>1,516,200</u>	<u>1,262,856</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Urgent Issues Group (UIG) Consensus Views.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The AASB is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS (AIFRS), and the UIG will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of AIFRS will be first reflected in the Foundation's financial statements for the year ending 31 October 2006. Information about how the transition to AIFRS is being managed, the key differences in accounting policies that are expected to arise and the impact of the transition to AIFRS is set out in note 21.

(a) Income tax

The Foundation is exempt from the payment of income tax under section 50-5 of the *Income Tax Assessment Act 1997*.

(b) Revenue recognition

Revenue is recognised for the major business activities as follows:

(i) Functions

Revenue from functions is recognised when confirmations of attendance are received and invoices raised.

(ii) Donations

Amounts disclosed as donation revenues are recognised on a cash received basis.

(iii) Interest and investment income

Interest and investment income is recognised on an accrual basis.

(c) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(d) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Note 1. Summary of significant accounting policies (continued)

(e) Revaluation of non-current assets

Subsequent to initial recognition of assets, investments are measured at fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each investment does not differ materially from its fair value at the reporting date. Annual assessments are made by the directors of the Trustee.

Revaluation increments are credited to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

(f) Other financial assets - Investments

Interests in listed securities and managed fund investments are initially recorded at cost. Dividend income is recognised on a receivable basis and interest revenue and managed fund distributions are recognised on an accruals basis.

Subsequent to initial recognition as assets, investments are revalued to their fair value as described in note 1(e). The Foundation takes a long term view with its investment funds. The investments are managed through a Macquarie Bank portfolio, undertaken in anticipation of better returns than bank deposits.

Change in accounting policy for the measurement of investments

The policy of recognising revaluations through the asset revaluation reserve was adopted with effect from 1 November 2004. The previous policy was to recognise changes in the fair value of assets in net profit. The new policy was adopted to comply with accounting standard AASB 1041: *Revaluation of Non-Current Assets*. Previously the Foundation prepared Special Purpose financial statements and elected not to comply with AASB 1041.

The change in accounting policy resulted in a decrease of \$11,084 in retained surpluses as at 1 November 2004, with a corresponding increase in the asset revaluation reserve.

The restatement of surplus from ordinary activities, asset revaluation reserve and retained surpluses below show the information that would have been disclosed had the new accounting policy always been applied.

Note 1. Summary of significant accounting policies (continued)

(i) Employee benefits (continued)

Employee benefit on-costs, including superannuation and workers compensation, are recognised and included in employee benefit liabilities when the employee benefits to which they relate are recognised as liabilities.

(j) Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(k) Reporting by Segments

The Foundation operates primarily in one segment. The principal activity of the Foundation is to undertake fundraising activities and to donate funds to charitable organisations. The Foundation operates in one geographical area being New South Wales.

(l) Comparative amounts

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented for the current year.

Property Industry Foundation
Notes to the financial statements (continued)
31 October 2005

Note 2. Revenue

	2005	2004
	\$	\$
Revenue from operating activities		
Donations		
Platinum donations	257,600	228,375
Gold donations	240,000	156,400
Silver donations	60,000	51,000
General corporate donations	5,000	2,948
	562,600	438,723
Fundraising revenue		
National hard hat day	170,774	111,188
Annual dinner	293,147	321,341
Yachting regatta	492,126	422,190
PA exclusive campaign	12,377	1,892
Government House cocktail party	21,672	18,964
	990,096	875,575
	1,552,696	1,314,298
Revenue from outside the operating activities		
Interest income	60,302	30,000
Managed fund distributions	43,947	39,784
	104,249	69,784
Revenue from ordinary activities	1,656,945	1,384,082

Note 3. Surplus from ordinary activities

	2005	2004
	\$	\$
Surplus from ordinary activities before income tax includes the following expenses:		
Depreciation of non-current assets:		
Office equipment	3,989	3,304
	2,727	-
Net bad and doubtful debts - trade debtors		
	(2,693)	(3,472)

Note 4. Current assets - Cash assets

	2005	2004
	\$	\$
Cash at bank and on hand	1,516,200	1,262,856

Note 5. Current assets - Receivables

	2005	2004
	\$	\$
Trade debtors	7,599	2,750

Property Industry Foundation
Notes to the financial statements (continued)
31 October 2005

Note 6. Current assets - Other

	2005	2004
	\$	\$
Prepayments	<u>9,356</u>	<u>2,102</u>

Note 7. Non-current assets - Other financial assets

	2005	2004
	\$	\$
Investments – at fair value Managed funds	<u>565,476</u>	<u>439,726</u>

Change in accounting policy

Information on a change in accounting policy for investments is set out in note 1(f).

Note 8. Non-current assets - Property, plant and equipment

	2005	2004
	\$	\$
Office equipment - at cost	19,049	11,218
Less: Accumulated depreciation	<u>(9,328)</u>	<u>(8,556)</u>
	<u>9,721</u>	<u>2,662</u>

Reconciliations

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current year is set out below:

	Office equipment
	\$
Carrying amount at 1 November 2004	2,662
Additions	11,048
Depreciation expense (note 3)	<u>(3,989)</u>
Carrying amount at 31 October 2005	<u>9,721</u>

Note 9. Current liabilities - Payables

	2005	2004
	\$	\$
Trade creditors	7,920	6,000
Other payables and accruals	<u>33,416</u>	<u>20,913</u>
	<u>41,336</u>	<u>26,913</u>

Note 10. Current liabilities - Provisions

	2005	2004
	\$	\$
Employee benefits	<u>17,971</u>	<u>20,664</u>

Property Industry Foundation
Notes to the financial statements (continued)
31 October 2005

Note 11. Units issued

	2005	2004	2005	2004
	Units	Units	\$	\$
Units issued	100	100	100	100

Note 12. Reserves

	2005	2004
	\$	\$
Asset revaluation reserve	18,032	-

Movements in the asset revaluation reserve are set out below:

	2005	2004
	\$	\$
Opening balance at the beginning of the year	-	-
Adjustment resulting from change in accounting policy for investments (note 1(f))	11,084	-
Portfolio increase in managed funds	6,948	-
Closing balance at the end of the year	18,032	-

Note 13. Retained surpluses

	2005	2004
	\$	\$
Retained surplus at the beginning of the year	1,662,419	1,224,498
Adjustment resulting from change in accounting policy for investments (note 1(f))	(11,084)	-
Net surplus for the year	379,578	437,921
Retained surplus at the end of the year	2,030,913	1,662,419

Note 14. Financial instruments

(a) Credit risk exposures

The credit risk on financial assets of the Foundation which have been recognised on the statement of financial position is generally the carrying amount, net of any provision for doubtful debts.

(b) Interest rate risk exposures

The foundation's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the foundation intends to hold fixed rate assets and liabilities to maturity.

Note 14. Financial instruments (continued)

2005	Notes	Floating interest rate \$	Fixed interest maturing in:			Non interest bearing \$	Total \$
			1 year or less \$	Over 1 to 5 years \$	More than 5 years \$		
Financial assets							
Cash and deposits	4	1,516,200	-	-	-	-	1,516,200
Receivables	5	-	-	-	-	7,599	7,599
Other financial assets - investments	7	-	-	-	-	565,476	565,476
		<u>1,516,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>573,075</u>	<u>2,089,275</u>
Weighted average interest rate		4.41%	-	-	-		
Financial liabilities							
Trade and other creditors	9	-	-	-	-	41,336	41,336
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,336</u>	<u>41,336</u>
Net financial assets		<u>1,516,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>531,739</u>	<u>2,047,939</u>

2004	Notes	Floating interest rate \$	Fixed interest maturing in:			Non interest bearing \$	Total \$
			1 year or less \$	Over 1 to 5 years \$	More than 5 years \$		
Financial assets							
Cash and deposits	4	1,262,856	-	-	-	-	1,262,856
Receivables	5	-	-	-	-	2,750	2,750
Other financial assets - investments	7	-	-	-	-	439,726	439,726
		<u>1,262,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>442,476</u>	<u>1,705,332</u>
Weighted average interest rate		2.36%	-	-	-		
Financial liabilities							
Trade and other creditors	9	-	-	-	-	26,913	26,913
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,913</u>	<u>26,913</u>
Net financial assets		<u>1,262,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>415,563</u>	<u>1,678,419</u>

(c) Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Foundation approximates their carrying amounts.

Note 15. Remuneration of auditors

The audit of the Foundation for the year ended 31 October 2005 was carried out by PricewaterhouseCoopers. The audit is performed on an honorary basis and therefore no expense was incurred by the Foundation.

Note 16. Employee benefits

	2005	2004
	\$	\$
Employee benefit and related on-cost liabilities		
Provision for employee benefits - current (note 10)	<u>17,971</u>	<u>20,664</u>
	Number	
	2005	2004
Employee numbers		
Average number of employees during the year	<u>4</u>	<u>4</u>

Note 17. Related parties

Directors of the Trustee

The directors of the Trustee during the year were:

G Paramor
G Munro
G Rothwell
T Ryan
K A Grayson
R G Campbell
W Carpenter (resigned 21 October 2005)

Remuneration of Trustee directors

Trustee directors are not remunerated in connection with the management affairs of the Foundation (2004: nil).

Transactions with Trustee director-related entities

During the year the Foundation has entered into transactions with Trustee director-related entities. However management consider these to be on an arm's length basis and on commercial terms.

Note 18. Charitable Disbursements

During the year the Foundation made distributions to charities totalling \$467,930 (2004: 326,657). In addition the Foundation has approved in the current and prior years a number of projects which are expected to proceed in the 2006 year. The outstanding approvals amount to \$459,000 as at 31 October 2005.

Note 19. Reconciliation of surplus from ordinary activities after income tax to net cash inflow from operating activities

	2005	2004
	\$	\$
Surplus from ordinary activities after income tax	379,578	437,921
Depreciation	3,989	3,304
Non-cash managed fund distributions	(27,433)	(31,946)
Change in operating assets and liabilities		
(Increase)/ decrease in receivables	(4,849)	31,974
(Increase)/ decrease in other assets	(7,254)	(152)
Increase/ (decrease) in payables	14,423	25,519
Increase/ (decrease) in provisions	(2,693)	(3,472)
	<u>355,761</u>	<u>463,148</u>

Note 20. Additional information furnished under the *Charitable Fundraising Act 1991* and the Regulations

	2005	2004
	\$	\$
a) Details of aggregate gross income and expenditure of fundraising appeals		
Gross proceeds from fundraising appeals (i)	990,096	875,575
Total costs of fundraising appeals	(360,758)	(322,635)
Net surplus from fundraising	629,338	552,940

(i) Gross proceeds from fundraising exclude donations

	2005	2004
	\$	\$

b) Statement showing how funds received were applied to charitable purposes

Net surplus from fundraising	629,338	552,940
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This was applied to charitable purposes in the following manner:

Distributions to eligible charities	(467,930)	(326,657)
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Surplus in funds available from fundraising	161,408	226,283
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c) Fundraising appeals conducted during the year

Special events held during the year included National Hard Hat Day, Annual Foundation Dinner, Yachting Regatta, PA Exclusive Campaign and the Government House Cocktail Party.

d) Comparisons of monetary figures and percentages

	2005		2004	
	\$	%	\$	%
Total cost of fundraising/ Gross income from fundraising	360,758/ 990,096	36	322,635/ 875,575	37
Surplus from ordinary activities/ Revenue from ordinary activities	847,508/ 1,656,945	51	764,578/ 1,384,082	55
Total distributions to eligible charities/ Surplus from ordinary activities	467,930/ 847,508	55	326,657/ 764,578	43

Note 21. Impacts of adopting Australian Equivalents to International Financial reporting Standards (AIFRS)

The AASB is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued AIFRS's, and the UIG has issued interpretations corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of AIFRS will be first reflected in the financial statements for the year ending 31 October 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to the comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained surpluses as at 1 November 2004.

The impact of the transition to AIFRS on the Foundation is likely to be minimal. The corporate secretary is managing the transition. The current AIFRS's have been analysed and the accounting policy changes that will be required by the Foundation have been identified.

The known or reliably estimable impacts on the financial report for the year ended 31 October 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are detailed below. No material impacts are expected in relation to the statement of cash flows.

Although the adjustments in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB or IASB. Therefore until the Foundation prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Classification and measurement of financial assets and liabilities

Under AASB 139: *Financial Instruments: Recognition and Measurement*, investments will be required to be classified into one of five categories which will, in turn determine the accounting treatment of the item. The classifications are:

- loans and receivables (measured at amortised cost);
- held-to-maturity (measured at amortised cost);
- held-for-trading (measured at fair value with fair value changes to net surplus or deficit);
- available-for-sale (measured at fair value with fair value changes to equity); and
- non-trading liabilities (measured at amortised cost).

Management have deemed investments held by the Foundation to be available-for-sale as per AASB 139. This method is the same as the current Generally Accepted Accounting Principles (GAAP) treatment of investments as applied by the Foundation. Therefore there is no impact on the financial statements.

Property Industry Foundation
Declaration by the Chairman of the Trustee
31 October 2005

I, Gregory James Paramor, Chairman of the Trustee for the Property Industry Foundation declare that in my opinion:

- a) the statement of financial performance gives a true and fair view of all income and expenditure of the Property Industry Foundation; and
- b) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals; and
- c) the provisions of the *Charitable Fundraising Act 1991*, the Regulations under the Act and the conditions attached to the authority have been complied with; and
- d) the internal controls exercised by the Property Industry Foundation are appropriate and effective in accounting for all income received and applied by the Property Industry Foundation from any of its fundraising appeals.

Gregory James Paramor
Chairman of the Trustee

9 May 2006
Sydney

**Independent audit report to the Trustee
Property Industry Foundation
Qualified audit opinion**

In our opinion, except for the effects on the financial statements of the matter referred to in the qualification paragraph

1. the financial statements of the Property Industry Foundation:
 - present fairly in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and the provisions of the Trust Deed dated 24 October 1995, the financial position as at 31 October 2005 and the results of their operations and cash flows for the year ended on that date; and
 - gives a true and fair view, as required by the *Charitable Fundraising Act 1991* in Australia, of the financial result of fundraising appeals for the year ended 31 October 2005;
2. the associated records of the Property Industry Foundation have been kept in accordance with the *Charitable Fundraising Act 1991* and the Regulations for the year ended 31 October 2005;
3. money received as a result of fundraising appeals conducted by the Property Industry Foundation during the year ended 31 October 2005 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act 1991* and the Regulations; and
4. there are reasonable grounds to believe that the Property Industry Foundation will be able to pay its debts as and when they fall due.

This opinion must be read in conjunction with the rest of our audit report.

Qualification

Cash donations are a significant source of revenue for the Property Industry Foundation (Foundation). The Foundation's committee of management has determined that it is impracticable to establish controls over the collection of revenue from these sources prior to entry into its financial records. Accordingly, as the evidence available to us regarding revenue from cash donations was limited, our audit procedures with respect to revenue from these sources had to be restricted to the amounts recorded in the Foundation's financial records. As a result, we are unable to express an opinion as to whether revenue from cash donations is complete.

Scope

The financial statements and directors' responsibility

The financial statements comprise the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the trustee's declaration for the Foundation, for the year ended 31 October 2005.

The directors of the trustee of the Foundation are responsible for the preparation and presentation of the financial statements in accordance with the Trust Deed. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Foundation. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial statements present fairly, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and the Trust Deed dated 24 October 1995, a view which is consistent with our understanding of the Foundation's financial position and the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors; and
- obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the *Charitable Fundraising Act 1991* and the Regulations.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the directors of the trustee or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

PricewaterhouseCoopers

Brian Hunter
Partner

Sydney
9 May 2006