

PricewaterhouseCoopers, Papua New Guinea

Transparency Report 2011

1. Introduction

This Transparency Report is published in accordance with Article 40(1) and Article 45(5)(e) of the Directive on Statutory Audit 2006/43/EC.

The Transparency Report is in respect of the financial year ended 30 June 2011.

The Transparency Report was approved by the Partner Group of Papua New Guinea (PwC PNG) and signed on its behalf by the PNG Territory Senior Partner, Jonathan Seeto on 28 September 2011.

2. Legal structure and ownership of the firm (Article 40(1)(a))

PricewaterhouseCoopers is a partnership in Papua New Guinea. Whilst PwC PNG is a separate legal entity, it is wholly owned by PricewaterhouseCoopers Australia (PwC Australia) and operates like that of a branch of the Australian partnership firm.

The PNG Partner Group comprises all of the practising partners of PwC PNG, which total 8 at the date of this report.

PwC PNG operates two offices in Port Moresby and Lae, and across three lines of services including Assurance and Business Advisory Services, Internal Firm Services and Tax.

3. Network arrangements (Article 40(1)(b))

'PricewaterhouseCoopers', 'PwC Network' and 'PwC' refer to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate legal entity.

(a) Legal structure of the network

In most parts of the world, the right to practice audit and accountancy is granted only to national firms that are majority owned by locally qualified professionals. Consequently, PwC member firms are locally-owned and managed. This fosters a deep understanding of local markets, and also impacts the structure of the PwC Network.

PwC is a network of separate member firms, owned and operating locally in countries around the world, connected through membership in PwC International and use of the PricewaterhouseCoopers name. The network, which creates a platform on which member firms can share knowledge, skills and resources, enables PwC member firms to provide high quality services on a global scale to international and local clients while operating as local businesses.

PricewaterhouseCoopers International Limited ('PwC International') is a private company limited by guarantee incorporated in England and Wales. PwC PNG is a member firm of PwC International. PwC International does not provide services to clients. It also does not manage or control PwC member firms. Its primary activities are to: identify broad market opportunities and develop associated strategies; strengthen internal services, skill and knowledge networks; promote the PwC brand; and develop and support the application of common risk and quality standards by PwC member firms, including independence policies.

(b) Size of the network

PwC International member firms operate in 766 locations across 154 countries employing 162,000 people and generating aggregate revenues of US \$26.6 billion worldwide for the year ended 30 June 2010. The Global Annual Review, which can be viewed at www.pwc.com/gx/en/annual-review, contains further financial and other information in respect of the year ended 30 June 2010.

(c) Governance structures of PwC International

The governance structures of PwC International are as follows:

Global Board (the 'Board'): The Board, which consists of 18 elected members, is responsible for the governance of PwC International and the PwC network, and oversight of the Network Leadership Team. The Board does not have an external role. Board members are elected by partners from all member firms every four years, with the current board taking up office in April 2009. Board members may serve for a maximum of two terms of four years. The Board meets 4 times a year.

Network Leadership Team ('NLT'): The NLT sets the overall strategy for the PwC Network and the standards and policies to which member firms agree to adhere. The NLT is made up of the Senior Partners of the US, UK and China member firms of PwC International, together with the chairman of the PwC Network and a fifth member appointed by the Board. The chairman and the fifth member may serve on the NLT for a maximum of two terms of four years in their respective capacities. The NLT typically meets monthly and on further occasions as required.

Strategy Council: The Strategy Council is made up of the NLT and Senior Partners of some of the largest member firms of PwC International, who are, subject to approval by the Board, selected by the NLT. The Strategy Council, which meets between two and four times each year, agrees the strategic direction of the PwC Network and helps align its execution.

Network Executive Team ('NET'): This team, which reports to, supports and is appointed by the NLT, co-ordinates key service line and functional areas across the PwC Network, including Risk and Quality, Human Capital, Operations, and Brand and Communications. The NLT meets with the NET three to four times a year. The names of the current members of each of the above bodies can be found at www.pwc.com/gx/en/corporate-governance/governance-structures.jhtml

(d) Key features of the network

It is the strength of the PwC Network that makes PwC distinctive amongst the leading professional services organisations in the world. The existence of this strong network enables PwC member firms to build effective relationships with clients and work with them to create value.

The PwC Network has a set of standards and policies to which all PwC member firms subscribe. These standards cover key areas such as independence, risk management, people management, and brand and communications. In order to use the PwC name, PwC member firms agree to adopt PwC Network standards and participate in reviews. Compliance is monitored regularly.

Each PwC International member firm does not act as agent of PwC International or any other member firm. PwC International is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm can control the exercise of another member firm's professional judgment or bind or control PwC International in any way.

Every PwC member firm is fully responsible for its own risk and quality performance and, where necessary, for driving improvements. To support transparency and consistency, each member firm's Territory Senior Partner signs an annual confirmation of compliance with certain standards. These cover a range of risk areas, including independence, ethics and business conduct, Assurance, Advisory and Tax risk management, governance and data protection and privacy.

There are some common processes to help member firms apply the standards.

Key elements include:

- the way we do business;
- sustainable culture;
- quality policies and processes; and
- quality reviews.

(i) The way we do business

PwC member firms conduct their businesses within the framework of applicable professional standards, laws, regulations and internal policies. These are supplemented by a Code of Conduct for all PwC member firms, their partners and their staff. The PwC PNG Code of Conduct (the 'Code') can be found at www.pwc.com/gx/en/ethics-business-conduct/index.jhtml. PwC people have an obligation to know, understand and comply with the guidelines contained in the Code, as well as the values – excellence, teamwork and leadership – on which the guidelines are based.

(ii) Sustainable culture

To promote continuing business success, PwC nurtures a culture that supports and encourages all our people to do the right thing, especially when they have to make tough decisions. PwC people have ready access to a wide array of networks within their respective member firms both formal and informal; and technical panels to help them reach appropriate solutions. There is also a culture of co-operation between member firms, and consultation supports this culture.

(iii) Quality policies and processes

Each PwC member firm has policies based on global standards and access to a number of common methodologies and supporting materials. These methodologies and materials are designed to assist member firm partners and staff to deliver high quality work. Each client engagement leader selects partners and staff with the appropriate professional competence and experience for a particular engagement.

(iv) Quality reviews

Each member firm is responsible for monitoring the effectiveness of its quality control systems, which includes carrying out, or arranging to be carried out on its behalf, independent reviews both at the management level of the firm's systems and procedures, and at the individual engagement level. Full details of PwC PNG's quality review process are set out in Section 5. If a member firm does not comply with its network obligations, the Network Leadership Team (and in certain instances the Global Board) will take appropriate action.

(e) Network profit-sharing arrangements

There are no profit-sharing arrangements between member firms of PwC International. Each member firm operates its own partner and staff remuneration arrangements, which are independent and separate from all other member firms of PwC International.

4. Governance structure of the firm (Article 40(1)(c))

The Organisational Structure included at Appendix 1 provides an overview of PwC PNG's Legal Relationship and Operational Reporting Lines to PwC, Australia. Whilst PwC PNG is a separate legal entity, it is wholly owned by PwC Australia and operates like that of a branch of PwC Australia.

There are four key groups with responsibility for governance and operational responsibility for quality over the PNG firm:

(a) PwC Australia, Board of Partners

The Board of Partners provide the ultimate governance function for PwC PNG. Membership comprises of 10 elected senior partners within the Australian firm, and the firm's CEO.

Decisions made by the Australian Board of Partners will impact the PNG firm directly and indirectly.

(b) Australian Leadership Team (ALT)

The ALT comprises of 1) Firm Leadership and 2) Line of Service Leadership.

Firm Leadership reports to the Board of Partners and is led by the Australian firm's CEO & Senior Partner - Mark Johnson. The team includes the Australian firm's Chief Operating Officer, National Managing Partner, Human Capital Leader, Managing Partners for Assurance, Advisory, Tax & Legal and SM&C, and a Consulting Leader.

Line of Service Leadership reports to the Firm Leadership, with separate teams led by the Managing Partner for each Line of Service. The Australian Assurance Leadership Team is led by Richard Deutsch.

The PNG firm is monitored by the Assurance Leadership Team as a separate business unit. A PNG Liaison Partner (Matthew Lunn/ Brett Entwistle) specifically appointed by the Australian Leadership Team ensures this monitoring and review of the PNG firm by the Australian firm is carried out effectively.

(c) PNG Partner Group

The PNG partner group (Partner Group) is led by the PNG Territory Senior Partner (TSP), Jonathan Seeto who is ultimately responsible for the management and administration of the PNG firm. The TSP is supported by responsible partners for each of the Assurance and Tax and Legal Services (Business Unit Leaders). The PNG TSP reports directly to the Australian Firm Leadership.

PNG Business unit Leaders and OneFirm R&Q partners report to the PNG Partner Group on day to day operational and risk management matters.

(d) Risk & Quality Group

The PNG OneFirm Risk and &Quality (OFR&Q) Group is responsible for maintaining and monitoring a Quality Control System, and structures its activities around the key components of ISQC1.

The PNG OFR&Q group operates independently at the PNG firm level, but with support from the Australian firm OFR&Q group. Key roles in the PNG OneFirm R&Q Group include the PNG Risk Management Partner, Assurance Risk Management Partner, PNG Partner Responsible for Independence, and PNG Business Conduct Leader.

5. Internal quality control system (Article 40(1)(d))

The following is a summary of the system of quality control that PwC PNG has adopted over its accounting and auditing practice.

(a) Introduction

Member firms of the PwC global network come together through membership of PricewaterhouseCoopers International Limited ("PwCIL"), an English company limited by guarantee, with each member firm being a separate and independent legal entity. As part of the PwC Global Network, all member firms are obliged to abide by certain common risk and quality policies approved by PwCIL and to conduct risk and quality reviews. The PwC global network audit and quality control standards are set out in various policies. PwC PNG's

policies are based on these common policies, which are supplemented to address local professional standards and regulatory requirements.

(b) Quality Control Standards

Compliance with International Standards on Auditing (“ISA”) requires PwC PNG to have a system of quality control over its auditing practice. These controls are embedded as part of PwC PNG’s day-to-day activities. The quality control system is in compliance with International Standards on Quality Control 1 (ISQC1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, issued by the International Federation of Accountants (IFAC). The IFAC standards and requirements and, therefore, PwC PNG’s quality control system, encompass the following six elements of quality control:

- (i) Leadership Responsibilities for Quality within the Firm
- (ii) Ethical Requirements
- (iii) Acceptance and Continuance of Client Relationships and Specific Engagements
- (iv) Human Resources
- (v) Engagement Performance
- (vi) Monitoring

(i) Leadership Responsibilities for Quality within the Firm

PwC PNG’s leadership is committed to audit quality and has established a firm culture embracing high standards in independence and professional ethics. This leadership is embedded throughout the detailed policies endorsed by leadership, including ethical, human resources and engagement performance discussed below. It is also demonstrated by the dedication of resources to quality. There is a partner responsible for risk management and quality control relative to PwC PNG’s client service operations who reports directly to the PNG Territory Senior Partner.

(ii) Ethical Requirements

Integrity and Objectivity: The reputation and success of PwC PNG depend on the professionalism and integrity of each and every partner and employee. All PwC PNG partners and staff are expected to uphold and comply with the standards developed by the PwC global network and PwC PNG. PwC PNG management monitors compliance with these obligations by PwC PNG’s partners and staff.

Upon hiring or admittance, all staff and partners of PwC PNG are provided with a copy of the PwC Global Code of Conduct. They are expected to live by the values expressed in the code in the course of their professional careers.

Independence: PwC PNG has adopted the PwC Global policies and related rules regarding independence and compliance, complemented when necessary by more restrictive local professional and regulatory rules. PwC PNG strictly monitors compliance with regulatory, professional, and PwC independence requirements related to financial interests in and business and service relationships with clients.

(iii) Acceptance and Continuance of Client Relationships and Specific Engagements

PwC PNG has implemented a process to identify acceptable clients based on the PwC global network’s proprietary decision support systems for client acceptance and retention (called Acceptance and Continuance (“A&C”). A&C facilitates a determination by the engagement team, business management and risk management specialists of whether the risks related to an existing client or a potential client are manageable, and whether or not PwC should be associated with the particular client and its management.

(iv) Human Resources

PwC PNG partners and staff regularly receive a thorough orientation to the culture, values and core attributes of PwC – Quality, Trust, Teamwork, Excellence and Leadership. PwC PNG aims to recruit only high quality staff that can operate as accounting and other experts in support of audits and who share in PwC PNG's strong sense of responsibility for auditing. There is a robust assessment of the quality of those people we hire from universities.

Professional Development: Training and development is an ongoing process. Training starts when a person is hired and continues throughout his or her career. Our people participate in a variety of local and regional and international formal training courses and they will also be trained through e-learning, on the job coaching and supervision.

Supervision and Direction: Each engagement partner is responsible, in consultation with others as appropriate, for staffing engagements with partners and staff who have the professional competence and experience required in the circumstances. Further, each engagement partner is ultimately responsible for determining the extent of direction, supervision and review of the work of more junior staff to whom work is delegated.

(v) Engagement Performance

Consistent Global Methodology: PwC PNG uses a consistent global audit methodology and process for audit engagements. The methodology is enhanced as necessary to respond to the changing environment. All audit engagement partners and staff receive ongoing training in this methodology.

Comprehensive Policies and Procedures: To complement the Global policies and procedures, PwC PNG has comprehensive policies and procedures governing our local accounting and auditing practice that are constantly updated to reflect new professional developments and our operating environment, and to address emerging issues, as well as the needs and concerns of the practice. These policies cover not only professional and regulatory standards, but also reflect the guidance that PwC provides to its professionals about how best to implement them. They are available in electronic files and databases, are regularly updated or supplemented for all current developments and are accessible to our people remotely at any time.

Risk and Quality (R&Q): Consultation is a key element to quality control. PwC PNG has formal protocols setting out the circumstances under which consultation is mandatory. PwC PNG is supported by an in-house Technical Department, who consult as necessary with their counterparts in the Australian Firm. They will also track new developments in accounting and auditing and provide updates to the appropriate professional staff. Our consultative culture means that our engagement teams will regularly consult with experts and others beyond those that are formally required.

(vi) Monitoring

PwC PNG is responsible for monitoring the effectiveness of its quality control systems which includes carrying out, or arranging to be carried out on its behalf, independent reviews both at the management level of the Firm's systems and procedures (known as Quality Management Review – QMR) and at the individual engagement level (known as Engagement Quality Reviews) collectively referred to as the "Quality Review" process. The independent Quality Management Review and Engagement Quality Reviews are undertaken so that the firm and significant engagements are reviewed at least every three years. All assurance partners must have at least one of their engagements reviewed every five years. The Quality Review process also involves periodic testing of the effectiveness of PwC PNG's quality controls in functional areas such as hiring, training, advancement and independence.

Quality monitoring is an integral part of the PwC PNG's continuous improvement program. PwC PNG constantly evaluates inputs from formal programs such as this and a variety of informal sources in an ongoing effort to improve policies, procedures and the consistency of the quality of work. Instances of failure to meet performance standards are treated seriously and the partner responsible is counseled to improve performance and appropriate steps are

taken to fully encourage improvement including, where appropriate, the imposition of financial penalties.

The Risk Management Partner and Territory Senior Partner of PwC PNG believes that the quality control environment described above complies with all applicable regulations and provides a reasonable basis for believing that audits carried out by PwC PNG consistently meet the required quality standards.

6. External inspections (Article 40(1)(e))

PwC PNG does not have a regulatory body in Papua New Guinea which conducts inspections of the firm.

PwC PNG is registered as a third country audit firm in the UK by the Public Oversight Board (POB) and, as a result of this registration, it is subject to monitoring by the POB in relation to its audit of the entity listed in Appendix 2.

7. Public interest audit clients (Article 40(1)(f))

A list of public interest audit clients that PwC PNG carried out a statutory audit on during the 30 June 2011 financial year end can be found at Appendix 2.

8. Independence procedures and practices (Article 40(1)(g))

Organisation

PwC PNG has a designated partner – Jonathan Seeto, (known as the “Partner Responsible for Independence” or “PRI”) with appropriate seniority and standing, who is responsible for providing appropriate support and processes such that PwC partners and staff are knowledgeable about independence matters and that they take the actions required of them by the firm’s independence policies and supporting guidance. The partner is supported by a small team of independence specialists. The PRI reports directly to the PNG Risk Management Partner, a member of the firm’s partner group; to the PwC Regional PRI; and to PwC Australia.

Policies and guidance

The PwC Network Independence Policy, which is based on the International Ethics Standards Board for Accountants (‘IESBA’) Code of Ethics for Professional Accountants contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary.

The independence requirements of the United States Securities and Exchange Commission and those of the Public Accounting Oversight Board of the United States are, in certain instances, more restrictive than the firm’s policy which is supplemented to meet these requirements.

PwC PNG supplements the PwC Network Independence Policy as required by applicable independence requirements of Certified Practising Accountants Papua New Guinea (which are in accordance with the IFAC Code of Ethics); and Section 198 of the Companies Act 1997.

The firm’s independence policy covers, among others, the following areas:

- personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements, e.g. bank accounts and loans by partners, staff, the firm and its pension schemes;

- non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services ('SOPS'), which provide practical guidance on the application of the policy in respect of non-audit services to assurance clients; and
- business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business.

Training and confirmations

PwC PNG provides all partners and staff with annual or on-going training in independence matters. Training typically focuses on milestone training relevant to a change in position or role, changes in policy or external regulation and, as relevant, provision of services. Partners and staff receive computer-based training on PwC PNG's independence policy and related topics. Additionally, face-to-face training is delivered to members of the practice on an as-needed basis by PwC PNG's independence specialists and risk and quality teams.

PwC PNG requires all partners and staff, upon joining and at least annually thereafter, to confirm their compliance with all aspects of PwC PNG's independence policy, including their own personal independence. In addition all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that PwC PNG's processes have been followed in accepting these engagements and relationships. These confirmations serve two primary purposes: to identify any threats to independence that may have arisen; and to provide a periodic reminder of PwC PNG's independence policies and procedures. These annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations for PwC PNG's clients.

Independence Systems

The PricewaterhouseCoopers network has a number of global systems to assist PwC member firms and their personnel in complying with independence policies and procedures. These systems include:

- The Central Entity Service ("CES"), which contains information about corporate entities including public interest audit clients and SEC restricted clients and their related securities. CES assists in determining the independence status of clients of the firm before entering into a new non-audit engagement or business relationship. This system also feeds GPS;
- The Global Portfolio System ("GPS") which facilitates the pre-clearance of publicly traded securities by all partners, directors and practice managers before acquisition and records their subsequent purchases and disposals. Where a member firm wins a new audit client, this system automatically informs those holding securities in this client of the requirement to sell the security where required; and
- Authorisation for Services ("AFS") which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, documenting the potential independence threats of the service and proposed safeguards, and acts as a record of the audit partner's conclusion on the acceptability of the service.

PwC PNG also has a number of PNG-specific systems and processes which include:

- A rotation tracking process which monitors compliance with PwC PNG's audit rotation policies for engagement leaders and other key audit partners involved in an audit; and
- A database that records all approved business relationships entered into by PwC PNG. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.]

Internal reviews of independence procedures and practices

Our independence procedures and practices are subject to internal review on an ongoing basis. This is achieved through a comprehensive monitoring and testing programme, which includes the following:

- Quality control reviews of engagements to confirm compliance with risk management processes, including independence (as described in Section 5);
- Personal independence compliance testing of a random selection of partners;
- Compliance testing of independence controls and processes; and
- Annual self-assessment of PwC PNG's adherence with the PricewaterhouseCoopers network's risk management standards, including independence, which is reviewed and evaluated by a partner from another PwC member firm.

In addition, policies and guidance are reviewed and revised when changes arise such as updates to laws and regulations, when PwC Network policies and guidance changes or as a result of the above reviews and of our monitoring and testing programme.

The results of PwC PNG's monitoring and testing are reported to its management on a regular basis with a summary reported to them on an annual basis. This provides assurance that the firm's policies and procedures are being followed.

The investigations of any identified violations of policies also serve to identify the need for improvements in PwC PNG's systems and processes and for additional guidance and training.

Disciplinary policy

PwC member firms are required to have disciplinary mechanisms to promote compliance with independence policies and processes and to report and address any violations of independence requirements.

A partner or staff member may be subject to a fine or other disciplinary action for a violation of independence policy.

9. Continuing professional education of partners and staff eligible for appointment as statutory auditors (Article 40(1)(h))

PwC PNG maintains up-to-date comprehensive reference materials which are accessible by all assurance practice partners and staff. These cover audit policy, procedure and methodology, and include a library of local and international accounting, auditing and ethical standards. To support and keep staff and partners' knowledge up to date, partners and staff receive regular communications on technical and regulatory topics as they arise. Support is available to partners and staff on auditing, accounting and regulatory requirements, including access to subject matter experts in specialist industries.

PwC PNG's internal training curriculum provides a broad range of technical solutions as well as business and personal skills programmes. There are also specialised training programmes available for those with clients in specialist industries. Through their participation in the internal objective setting and related performance appraisal processes, engagement leaders assess their on-going personal development needs and identify any necessary development activities, including in relation to quality. Unsatisfactory work results in reduced performance reward.

The PwC Global Code of Conduct and PwC PNG's Code of Conduct sets expectations of behaviour and values. Mandatory ethics and business conduct training covers the Code of Conduct as well as ethical, accounting, auditing and other regulatory matters.

PwC PNG also monitors compliance with Continuing Professional Development requirements, including the completion of mandatory training programmes, so that PwC PNG's services are delivered by individuals who have the right experience and – where required – are qualified under relevant legislative and other applicable requirements.

10. Financial information (Article 40(1)(i))

An analysis of the total fees received by PwC PNG from public interest audit clients listed on an EU regulated market for which a statutory audit was carried out in the preceding year ended 31 December 2010 is shown below:

	<i>December 2010 USD'000</i>	<i>December 2009 USD'000</i>
Audit services	416	193
Taxation services	129	142
Other services	<u>62</u>	<u>55</u>
Total	<u>607</u>	<u>355</u>

Total fees above, represent less than 3% of total fees received by PwC PNG during the year ended 30 June 2011.

11. Remuneration (Article 40(1)(j))

Partners are remunerated solely out of the profits of PwC PNG. Audit partners are not permitted to be incentivised, evaluated or remunerated for the selling of non-audit services to their audit clients.

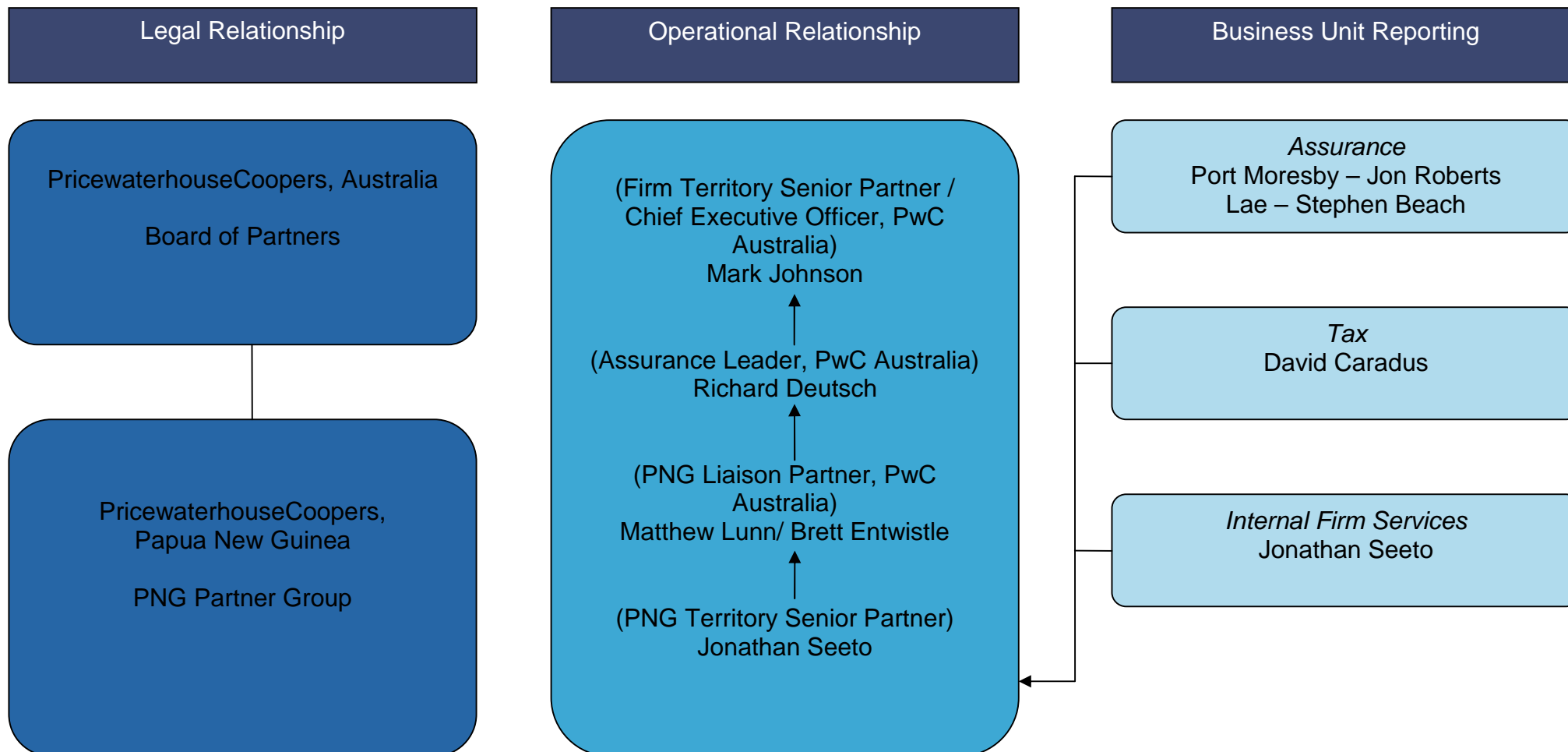
The final allocation and distribution of profit to individual Partners is made by the board of partners of PwC Australia once their performance has been assessed and the annual financial statements have been approved.

Each Partner's remuneration comprises three interrelated profit-dependent components:

- responsibility income – reflecting the Partner's sustained contribution and responsibilities;
- performance income – reflecting how a Partner and their team has performed; and
- equity unit income – reflecting the overall profitability of PwC PNG.

Each Partner's performance income is determined by assessing achievements against an individually-tailored balanced scorecard of objectives, based on the Partner's role and responsibilities. There is transparency among the Partners over the total income allocated to each individual.

ORGANISATIONAL STRUCTURE



APPENDIX 2

LIST OF PUBLIC INTEREST ENTITIES

During the period covered by this Transparency Report, PwC PNG has signed the audit report for the following entity that has transferable securities listed on an EU Regulated Market:

No.	Client name and address	Member state of the EU where transferrable securities are admitted to trading on a regulated market
1	New Britain Palm Oil Limited Bebere Plantation, Mosa KIMBE, West New Britain Province Papua New Guinea	United Kingdom