



ASIC

Australian Securities & Investments Commission

[PF 223]

Auditor's benchmark report

Issued 26 October 2010

Issuers of unlisted debentures or unsecured notes are expected to engage their auditor to prepare a report relating to the disclosure benchmarks contained in Regulatory Guide 69 Debentures and unsecured notes—improving disclosures for retail investors (“RG 69”). Pro Forma 223 sets out the information the auditor's report should contain.

Background information

1. *Each unlisted debenture or unsecured note issuer to which ASIC Regulatory Guide 69 Debentures and unsecured notes—improving disclosures for retail investors (“RG 69”) applies is expected to engage their auditor, for financial years ending after 1 September 2010, to prepare an auditor's report relating to benchmark information based on this interim pro forma at the time that the annual financial report is prepared by the issuer.*
2. *PF 223 issued on 29 August 2008 continues to apply for financial years ending on or prior to 1 September 2010.*
3. *The issuer should provide the auditor's report to ASIC and the trustee at the same time that the financial report is lodged with ASIC. The reports will not be on the public record and should not be attached to the financial reports lodged with ASIC that will appear on the public record. Instead, the auditor's report based on this pro forma should be sent to debenturesandnotes@asic.gov.au*
4. *The following guidance is provided to assist auditors in using the pro forma:*
 - (a) *The auditor's report is not required to be prepared on a half-yearly basis;*

- (b) *The auditor's report for a debenture or unsecured note issuer need only cover the period commencing on the later of the date of adopting the benchmarks and the start of the financial year and ending on the date of the last prospectus or latest updating document issued prior to the end of the financial year;*
- (c) *The auditor's report is not required where the issuer does not have debentures or unsecured notes on issue at the end of the relevant financial year;*
- (d) *The auditor need not consider events that have occurred subsequent to the date of the prospectus or latest updating document issued prior to the end of the relevant financial year; and*
- (e) *The auditor's report should be amended as necessary where a particular benchmark does not apply to the issuer or where the period of the report covers a financial year ended where the issuer's disclosure under the benchmarks was made under more than one version of RG 69.*

Pro forma auditor's report

INDEPENDENT AUDITOR'S ASSURANCE REPORT IN RELATION TO BENCHMARK INFORMATION TO THE TRUSTEE FOR [DEBENTURE OR UNSECURED NOTE] HOLDERS OF [NAME OF ENTITY]

I/We have:

- (a) audited the design and operating effectiveness of certain internal controls over the benchmark information appearing on pages ... to ... of the prospectus of *[Name of entity]* ("the Entity") dated and the dated *[list each regulatory document, such as a quarterly report or supplementary prospectus, issued in the period from the start of the financial year to the end of the financial year]* ("the Benchmark Information") to support the opinion below; and
- (b) reviewed the disclosure of certain Benchmark Information to support the conclusion below.

Directors' responsibilities

The directors of the Entity are responsible for the preparation and presentation of the Benchmark Information in accordance with ASIC Regulatory Guide 69 *Debentures and unsecured notes – improving disclosure for retail investors* ("RG 69"). The directors are also responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the Benchmark Information, and for monitoring compliance with the benchmarks.

Auditor's responsibilities

Audit of controls over benchmarks

My/Our responsibility is to express an opinion on the adequacy of the design and operating effectiveness of the internal controls in relation to the equity ratio of the Entity (being the ratio of total equity to the sum of total equity and liabilities), cash flow projections of the Entity and lending by the Entity that are relevant to achieving the control objectives in the opinion below.

My/Our procedures have been conducted in accordance with applicable Standards on Assurance Engagements issued by the Auditing and Assurance Standards Board¹, except that the effect of events occurring after *[date of the last regulated disclosure document referred to above]* up to the date of this report have not been considered. The Standards on Assurance Engagements require

¹ Refer to Standard on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Information*.

that I/we comply with the relevant ethical requirements relating to assurance engagements and plan and perform the audit to obtain reasonable assurance whether the internal controls have been designed and operated effectively to achieve the control objectives in the opinion below. My/our procedures have been undertaken to form an opinion whether in all material respects, the internal controls in relation to the equity ratio of the Entity, cash flow projections of the Entity and lending by the Entity were adequately designed and operated effectively to support the opinion below.

Because of the inherent limitations of any internal control structure it is possible that fraud or errors may occur and not be detected. I/We have not audited the overall internal control structure and no opinion is expressed as to its effectiveness. An audit is not designed to detect all weaknesses in control procedures or all instances of non-compliance as it is not performed continuously throughout the period and the tests performed are on a sample basis having regard to the nature and size of the Entity.

Any projection of the evaluation of internal control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Review of benchmarks

My/Our responsibility is to express a conclusion on certain disclosures in relation to the rollover approach, on lending of funds and the value of property security, based on a review.

I/We conducted our review in accordance with applicable Standards on Assurance Engagements, except that the effect of events occurring after *[date of the last regulatory document referred to above]* up to the date of this report have not been considered. Our review was conducted, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the matters specified in the conclusion below are not presented, in all material respects, in accordance with the relevant paragraphs of RG 69.

A review is limited primarily to inquiries of company personnel, review of documented policies, and analytical procedures applied to relevant financial data. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the matters that are subject to a review.

I/We believe that the review evidence we have obtained is sufficient and appropriate to provide a basis for our review conclusion.

[Basis for modified conclusion]

[If a modified conclusion is appropriate in the circumstances, explain why the auditor needs to modify the report]

Opinion on controls

In my/our opinion, in all material respects, *[except for the effects of the matter described in the Basis for modified conclusion paragraph]* the internal controls of the Entity were adequately designed and operated effectively during the period from *[the later of the date of adopting the benchmarks and the start of the financial year]* to *[the date of the last prospectus or latest updating document issued prior to the end of the financial year]* to achieve the control objectives below:

- (a) The equity ratio of the Entity was appropriately monitored and instances where the ratio was less than 20%/8% *[as appropriate]* were identified and reported to the directors;
- (b) The Entity had at all times a cash flow projection covering at least the following 3 months in accordance with paragraph 37 of RG 69;
- (c) The Entity had calculated the cash flow projections referred to in (b) on the basis of the assumptions the entity adopted for those projections;
- (d) Minimum loan to valuation ratios of 70% of the latest complying valuation where the loan relates to development property and 80% of the latest complying market valuation for other loans were met; and
- (e) Loans to property developers were only provided in stages based on external evidence of progress of the development.

Review conclusion

Based on our review, which is not an audit, *[except for the effects of the matter described in the Basis for modified conclusion paragraph]* nothing has come to our attention that causes me/us to believe that the disclosure of:

- (a) The rollover approach in the Benchmark Information;
- (b) Where the Entity on-lends funds, policies and other information provided in the Benchmark Information in relation to loans and lending (including lending to related parties); and

- (c) Where the Entity lent money for property-related activities, policies and other information provided in the Benchmark Information in relation to the value of property security;

were not presented, in all material respects, in accordance with paragraphs 45, 52 to 54 and 62 to 63 of RG 69.

Restriction on distribution

This report has been prepared for the Entity for the purpose of providing the report to the trustee for [*debenture holders or unsecured note holders*] and the Australian Securities and Investments Commission (“ASIC”). This report is intended solely for the trustees and ASIC and should not be distributed to or used by parties other than the trustee or ASIC.

Date

Firm

Address

Partner