



ASIC

Australian Securities & Investments Commission

[PF 223]

Interim auditor's benchmark report

Issued 29/8/2008

Issuers of unlisted and unrated debentures are expected to engage their auditor to prepare a report relating to the disclosure benchmarks contained in Regulatory Guide 69 Debentures—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 and unrated debenture issuer to which ASIC Regulatory Guide 69 Debentures—improving disclosures for retail investors (“RG 69”) applies is expected to engage their auditor to prepare an auditor's report relating to benchmark information based on this interim pro forma at the time that the full year and half-year financial reports are prepared by the issuer.*
- 2. For half-years and full years ending on or before 31 December 2008 (eg years ended 30 June 2008), 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 public record for periods ending on or before 31 December 2008 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 interim pro forma should be sent to Mr James Nott, Senior Analyst, ASIC Melbourne via email at debentures@asic.gov.au.*
- 3. ASIC intends to review the initial experience in using this interim pro forma and issue a final version by 31 December 2008. It is intended that for half-years and full years ending on or after 31 December 2008, the auditor's report relating to benchmark information would be attached to all copies of the financial report provided to any users of the financial report and lodged with ASIC.*
- 4. The following guidance is provided to assist auditors in using the interim pro forma:*

- (a) *The auditor's report for the first year of a debenture issuer that ends after the release of RG 69 in October 2007 need only cover the period from the adoption of the benchmarks until the date of the most recent prospectus or document containing updated information (eg a supplementary prospectus, continuous disclosure notice or quarterly report) issued by the debenture issuer. The report would relate to a prospectus and other documents issued after the adoption of the benchmarks but prior to the end of the financial reporting period;*
- (b) *The auditor need not consider events that have occurred subsequent to the date of the most recent regulated disclosure document (eg prospectus, supplementary prospectus, continuous disclosure notice or quarterly report); and*
- (c) *The auditor's report should be modified as necessary where the issuer has adopted its own modified versions of the benchmarks appearing in RG 69 or has not applied a particular benchmark.*

Pro forma auditor's report

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

Scope

This report has been prepared for [Name of Entity] ("the Entity") to report to the trustee for debenture holders and the Australian Securities and Investments Commission ("ASIC"). This report is intended for limited circulation and should not be provided to persons other than the trustee and ASIC without my/our consent.

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 the Entity dated and the dated [*being each subsequent updating documents such as a quarterly report or supplementary prospectus*] ("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. 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

Our responsibility is to express an opinion on the adequacy of 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 Board,¹ 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 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 noncompliance 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.

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

Review of benchmarks

Our responsibility is to express a conclusion on certain disclosures in relation to the rollover approach, the existence of a credit rating, on lending of funds and the value of property security, based on a review. 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 in accordance with the relevant paragraphs of ASIC Regulatory Guide 69 *Debentures – improving disclosure for retail investors* (“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 be aware of all significant matters that might be identified in an audit. Accordingly, I/we do not express an audit opinion on the matters that are subject to a review.

Qualification

[As appropriate in the circumstances.]

Opinion on controls

In my/our opinion, in all material respects, 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 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 RG 69.38;
- (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 “as if complete” valuation where the loan relates to development

property and 80% of the latest 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, nothing has come to our attention that causes us to believe that:

- (a) The disclosure of:
 - (i) The rollover approach in the Benchmark Information;
 - (ii) 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
 - (iii) 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 RG 69.45, RG 69.58–RG 69.60 and RG 69.68; and
- (b) The Entity does not have a current credit rating by an ASIC recognised ratings agency in accordance with RG 69.49 (unless the lack of a current credit rating by an ASIC recognised ratings agency was identified and reported in the Benchmark Information).

Date

Firm

Address

Partner