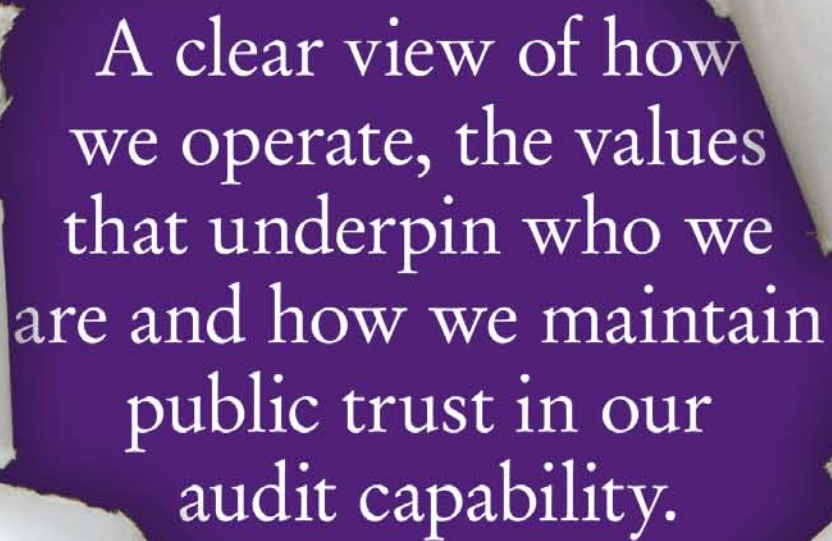


Transparency report

2008 Edition



A clear view of how
we operate, the values
that underpin who we
are and how we maintain
public trust in our
audit capability.

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1. Foreword from the chief executive officer

At Grant Thornton, honesty and integrity have always been at the heart of our business. Dedicated to conducting our work in a responsible fashion, we are proud of our high quality audit reporting and robust independence.

Our Transparency report for the year ended 30 June 2008 has been produced on a voluntary basis this year to meet the requirements of the EU 8th Directive by providing a clear view of how we operate, the values that underpin who we are and how we maintain public trust in our audit capability. With the emergence of six credible international networks, Grant Thornton has and will continue to retain its own identity and culture. However, we believe strongly in the value of cooperation with the other leading firms in the profession where it is in the public interest to do so.

Our merger with RSM Robson Rhodes created a firm that offers greater resource, deeper expertise and enhanced credibility. Similar strengthening of Grant Thornton International member firms has taken place in a number of jurisdictions as part of a global strategy to continue to enhance a genuine international capability. This global strategy has enabled us to work closely with Grant Thornton India, where we have now been involved, in one capacity or another, in almost every corporate listing or admission of

Indian companies on the main market or AIM in the last year.

We continue to go from strength to strength in Audit. We have increased the number of our FTSE 250 audit clients from one to six, we currently audit more AIM-listed companies than any other firm and we are the third largest auditor of the UK's top 2,500 private companies. This year we were also awarded Auditor of the Year Award (Outside the Big Four) 2008 – RealFD Excellence Awards.

We are also one of the principal providers to the Audit Commission, Audit Scotland and the Wales Audit Office, of external audit of public sector bodies. Our major clients include Manchester City Council, Bristol City Council, a number of London Boroughs and a range of significant healthcare trusts, all of which are large and complex organisations. We also work with the National Audit Office and the Northern Ireland Audit Office, as well as auditing a number of NHS Foundation Trusts.

In non-audit services, our standing is equally positive. We work with one in six of the FTSE 100 and many other high-profile organisations, and our people have recently won the 'Best High Net Worth Team' and 'Lifetime Achievement' at the LexisNexis Taxation Awards. Our annual review of corporate governance in the FTSE 350

has become a standard reference document in the market. Our Recovery and Reorganisation team continued its track record of growth as demand for our services began to grow on the back of the economic downturn.

With 300 corporate finance professionals nationwide, Grant Thornton is the number one mergers and acquisitions adviser in the privately-held middle market for deal values up to £50 million and we completed 88 transactions last year. Our Government Infrastructure Advisory team has also been leading the way among the industry's top rated financial advisers. It ranks first place in a number of league tables.

In addition, our specialist Forensic and Investigation team has conducted investigations and provided expert evidence in connection with very large, high profile international audit negligence assignments.

We continue to focus and develop our expertise in a wide range of sectors, from renewable energy to financial services, within which we demonstrate a real depth of industry knowledge.

United by our core values and our passion for building strong working relationships, we constantly seek to exceed the expectations of our clients and our people. We'll achieve this by continuing to develop the depth and breadth of our expertise which is enhanced through our sector focus,

by investing in the quality of our people, and through our commitment to technical excellence and the high standards of independence and objectivity to which we work.

All of this is in line with our strategy, in the UK and globally, to achieve leadership in our chosen markets; leadership based on distinctive client service delivered by a willingness to speak out on issues that matter to business and the wider public.

Michael Cleary
Chief executive officer



Continued major investment

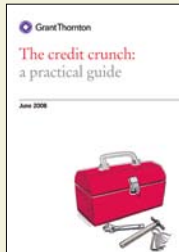
- New and upgraded offices in Bristol, Leeds, Manchester and Southampton
- Leading edge client relationship and staff development systems
- Strengthening of the global brand and the development of a new global strategy

Awards

- Auditor of the Year Award (Outside the Big Four) 2008 – RealFD Excellence Awards
- Best Tax Team in a Large Firm, LexisNexis Awards 2008 – Grant Thornton’s Manchester Tax team
- Best High Net Worth Team in a Large Firm, LexisNexis Awards 2007 – Grant Thornton’s Birmingham Private Client team
- Automotive Services Solutions Company, Institute of Transport Management 2008, for offering the highest level of customer service
- Best Adviser, Local Improvement Finance Trust (LIFT) Awards 2008
- Team of the Year for London and the south-east at Business in the Community (BITC) Community Impact Awards



Thought leadership programmes



The credit crunch: a practical guide



Hidden gems index 2008



Private client

Grant Thornton produces a great many papers, opinion pieces, research materials and thought leadership articles. Because we have so much intellectual know-how and a willingness to share and apply it, journalists regularly seek our views on matters of real interest to business and those affected by it. Tax, competition and choice, global standards, strategic options for growth companies and international restructuring are but a few of the topics on which we've commented recently.





Performance fees: a question of purpose 2008

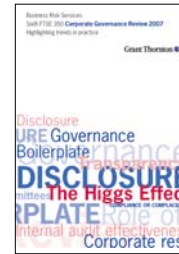
Grant Thornton's study into performance fees was written with the investment company director in mind and has been well received within the industry. Over 45% of listed, mainstream investment companies in the sample now remunerate the manager with some form of performance fee in addition to a basic management fee. Performance fees have therefore become commonplace and are seen to be a good and relatively new development. It is also commonly thought that they must, by their name and nature at least, be in the interests of shareholders and align the manager's incentives with those interests. To some extent the study raises questions about those assertions and seeks to help directors consider in what circumstances they are true and when they are more tenuous.



Private equity report 2008

The private equity industry has become a fundamental driver of the UK economy, with a presence in almost every sector, targeting businesses from start-up to the largest PLCs. While billion-pound deals draw the lion's share of the headlines, private equity-backed management buy-outs and management buy-ins have driven innovation and growth in every part of the economy. Although the focus is often on the motivations and methods of the private equity investors themselves, the people they back – the company directors – are absolutely fundamental to creating value. Their collective views, however, are less well heard.

Grant Thornton's research sets out to offer a voice to those directors who have experienced private equity deals, often several times over. It provides a director's-eye view of how the private equity industry interacts with management teams before, during, and after deals, and it explores the risks and rewards of becoming part of such a process.



Corporate governance survey 2007

Our annual review of corporate governance in the FTSE 350 has become a standard reference document in the market, highlighting trends and reflecting the impact of new and revised guidance. We looked closely at whether companies truly reflect their changing circumstances or merely repeat the same practice, year on year – 'boilerplating'. The last survey assessed 306 companies against the terms of the Combined Code (the Code) and associated guidance, including the revised Turnbull Guidance (issued in 2006).

2. Statement from the head of assurance

Quality. It's the guiding principle that shapes our approach to assurance services and the benchmark by which we judge all of our work.

As head of assurance, I'm charged with maintaining that commitment to quality. To that end, I've sought to instil a culture of unwavering focus on excellence allied with a determination to improve wherever possible.

Underlining this commitment is a desire to not only match the drivers of audit quality set out within the Financial Reporting Council's (FRC's) framework, but to strive to exceed their expectations.

The FRC is committed to improving competition and choice in the UK public company audit market.

At Grant Thornton, we share that commitment and remain ready, willing, and able to perform more public company audit work.

This year, we have strengthened our position as a leading auditor for both public and private companies, as well as becoming the number one auditor for AIM-listed clients. The challenge is to continue to grow while remaining steadfast in our commitment to quality. It's a challenge that Grant Thornton is well placed to meet.

From this solid foundation we have been steadily increasing our audit client base within the FTSE 250 and 350.

In time, we believe that our strategy of building market share from this strong

base will lead to a sustainable and significant presence in the larger corporate audit market.

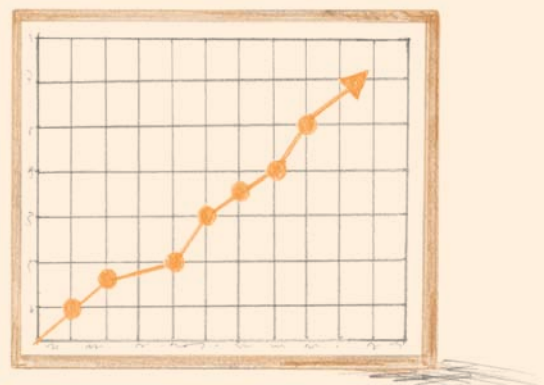
Grant Thornton has the potential to realise even more growth in the coming 12 months. By redoubling its commitment to the highest quality of work, I strongly believe that Grant Thornton can grow its market share and continue to enhance its reputation as one of the UK's leading providers of assurance services.

Phil Crooks
Head of assurance





- We are the number one auditor on AIM in the majority of industry sectors.
- We are the third largest auditor of the UK's top 2,500 private companies.
- We are one of the principal providers to the Audit Commission, Audit Scotland and the Wales Audit Office of external audit of government bodies.
- Our public sector major audits include Manchester City Council, Bristol City Council, a number of London Boroughs and a range of significant healthcare trusts, all of which are large and complex organisations.
- We also work with the National Audit Office and the Northern Ireland Audit Office, as well as auditing a number of NHS Foundation Trusts.



3. Legal structure and ownership



Legal structure

Grant Thornton UK LLP (the firm) is a single national limited liability partnership (LLP) registered in England and Wales with registered number OC307742. All of our professional activities are conducted through the LLP, while certain support and infrastructure activities are carried out through the LLP's wholly owned subsidiaries.

Within our organisation, the term 'partner' indicates a member or senior employee of the firm who is not in partnership for the purposes of the Partnership Act 1890. A list of the members is open to inspection at the registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

Ownership

Grant Thornton UK LLP is entirely owned by its members.

Regulatory body affiliation

A number of the firm's activities are regulated by a variety of independent bodies.

The firm's audit practice is regulated by the Institute of Chartered Accountants in England and Wales (ICAEW).

Each partner and director in the Reorganisation & Recovery team is licensed by one of the Recognised Professional Bodies (RPBs), which include the ICAEW, ICAS, ICAI, DTI, ACCA, and IPA.

The firm's financial planning and certain corporate finance lead advisory work is regulated by the Financial Services Authority (FSA).

In addition, the firm is subject to practice reviews by the ICAEW quality assurance directorate of those activities not otherwise regulated.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd.

4. Grant Thornton International



Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (Grant Thornton International).

Grant Thornton International is one of the world's leading organisations of independently owned and managed accounting and consulting firms. These firms provide assurance, tax and specialist business advice to privately-held businesses and public interest entities. Clients of member and correspondent firms can access the knowledge and experience of more than 2,400 partners in over 100 countries and consistently receive a distinctive, high quality and personalised service wherever they choose to do business. Grant Thornton International strives to speak out on issues that matter to business and which are in the wider public interest and to be a bold and positive leader in

its chosen markets and within the global accounting profession.

Each member and correspondent firm within Grant Thornton International is a separate national firm. These firms are not members of one international partnership or otherwise legal partners with each other (with the exception of certain limited instances), nor is any one firm responsible for the services or activities of any other. Each firm governs itself and handles its administrative matters on a local basis. Although many of the member firms carry the Grant Thornton name, either exclusively or in their national practice names, there is no common ownership among the firms (with the exception of certain limited instances) or by Grant Thornton International.

- Member firm personnel in 2007 totalled 27,861 (24,557 in 2006) of which 2,448 were partners (2,220 in 2006).
- Grant Thornton member firms served as primary auditors for approximately 1,500 publicly listed companies in 2007.
- The member firms of Grant Thornton International achieved combined global revenues of US\$3.5 billion to 30 September 2007, a 25% increase on 2006. This makes Grant Thornton International the fastest growing of all the major global accounting organisations.
- Member firms of Grant Thornton International experienced significant expansion in BRIC economies via organic growth and acquisition, for example, the member firm in Brazil experienced 65% organic growth in 2007.
- Mergers in Australia, Hong Kong, Ireland and the UK have strengthened the global organisation further in 2007.
- A new global brand identity was launched throughout the global organisation in 2007.
- Specialist services, such as Business Risk, Corporate Finance, Recovery & Reorganisation, and Public Sector Advisory, increased by 33% in 2007.



5. Governance and management

It's a fast changing world, subject to growing regulation, but we can be relied on to provide independent advice rooted in the highest professional ethics, principles and standards.

Leadership

High on every partner's agenda is a desire to maintain each individual's commitment to our strong ethical culture. In both words and deeds, partners seek to set the tone for the business and inspire our people to ever higher standards of behaviour.

Above all, our people are encouraged to have the courage to speak out, to take responsibility, to demonstrate integrity and agility. And it's our partners who help to shape the domestic and international debate by actively participating with professional and industry bodies. Together, we work with our peers to support necessary change in our profession.

Governance and risk management

We are committed to the highest standards of governance.

We continually monitor developments in corporate governance so that we can benchmark our performance against them. We adopt best practice in a way that is relevant to our activities, to the risk environment that we face and to the needs of our clients and people.

As an LLP, the firm does not have a traditional board structure. Instead, it is owned by its members, whose rights and obligations are set out in the firm's constitution. The members vote to confirm the appointment of a national managing partner (chief executive officer) in accordance with the constitution, which gives management the authority to exercise strong and effective leadership of the business. This authority is underpinned by robust independent oversight on behalf of the members by the firm's partnership committee.

Management of our business

The firm's constitution sets out the rights and obligations of members and our governance framework, together with the key responsibilities for the management of our business.

The management of the firm is primarily the responsibility of the chief executive officer, Michael Cleary, who is responsible for:

- ensuring that the firm operates within the LLP's statement of principles formulating the firm's strategy and policies
- the profitable management of the firm in a manner consistent with the interests of clients, our people and the firm's values and ethical standards
- the appointment, appraisal and removal of partners, and determining their remuneration.

The chief executive officer is appointed for not more than two five-year terms and, subject to oversight by the partnership committee, is responsible for determining his leadership team.

National Leadership Board (NLB)

The NLB members are set out below. However, with the appointment of Scott Barnes as our new chief executive officer, a revised NLB structure will be announced in the coming months. Scott and his team will assume responsibility for management of the firm from January 2009.

The principal role of the NLB is to lead the firm's strategic priorities. This will enable the firm to develop and grow in an agile and joined-up way and, in doing so, meet our goals:

- To be recognised as a member of a cohesive, genuinely global organisation with leadership in our selected markets
- To be differentiated by our market-facing approach enabling us to create cross-market solutions that offer real value to clients
- To grow our turnover and profits to deliver reward and opportunity to all our stakeholders
- To attract and retain the very best people - people who can make a difference. By creating a great experience for our people, they in turn can give a great experience to our clients
- To maintain a robust approach to professional standards, technical excellence and quality client service

The responsibilities of the NLB (for the year ending June 2008) members are as follows:

• Overall leadership

Michael Cleary, chief executive officer, has overall responsibility for the performance, values (including corporate responsibility), leadership, development and stewardship of the firm.

• Operational management

Simon Morris, chief operating officer, is responsible for the operational management of the firm (the engine room which generates the profits).

• People and skills

Sacha Romanovitch, is responsible for ensuring we attract, retain and develop people to enable us to fulfil our strategic goals.

• National marketing

David Maxwell is responsible nationally for leading marketing and is chairman and senior partner of the London offices.

• Standards and excellence

John Mew is responsible for risk management, quality and the firm's relationships with its regulators.

• Strategic planning and alignment

Malcolm Ward is responsible for the medium and long term business plans and giving consideration to external factors such as the ever-changing market and competitive condition.

• Partners and Directors

Steve Edmonds is responsible partner selection, induction, retraining, career assessment, retirement planning and retirement.



5. Governance and management continued



Partnership committee

The main role of the partnership committee is to monitor the national managing partner's stewardship of the business, including the overseeing, appointment, removal and emuneration of the national managing partner.

It is also responsible for the LLP's statement of principles, which is the firm's highest level statement of objectives, values and philosophy and is binding on the chief executive officer. The statement of principles is approved by the members.

The partnership committee comprises 14 members elected by the members of the LLP, together with two additional ex officio members, the chief executive officer and one other member of the NLB. Elected partnership committee members are appointed for a period of three years and may serve for two further consecutive terms if they are re-elected.

The partnership committee elects its own chairman whose powers and responsibilities are set out in the firm's membership agreement.

6. Quality control systems

Quality management and technical excellence

Underpinning our success is a refusal to settle for second best. Rigorous quality management systems and internal control processes, risk assessment measures and monitoring systems ensure we all live up to the high standards we set ourselves – the standards our clients expect. Nowhere are these more important than in the case of audit: our independence and the quality of our work is critical for our clients and professional regulators. We have established a range of safeguards governing audit appointments and the independence of partners and staff.

Each area of the business is required to have in place rigorous quality management procedures, including:

- technical and procedural manuals – to ensure work is delivered to a consistently high standard
- training and development of all partners and staff (including induction and appraisal)
- quality control procedures – to ensure each assignment meets required standards and quality
- quality assurance processes, including retrospective reviews – to enable management to gain comfort that procedures are in place, are operating and are effective.

As part of the firm's risk management framework, management responsible for each business area is required to demonstrate annually the quality management processes that are in place, and that appropriate action is taken where a weakness has been identified and improvements are monitored. This is checked as part of the firm's internal audit reviews.

Our quality management approach for auditing and financial reporting assignments has several key elements:

- **Ethics and integrity** – we only accept and continue to act for clients we judge to show integrity and for whom we consider the risks of acting to be acceptable
- **A robust and rigorous risk-based audit approach** – with significant resource committed to ensuring audit quality, consultation, on the job and technical training
- **The skills and personal qualities** – of our partners and staff
- **A consultative culture** – where partners and staff are always encouraged and in certain circumstances required to consult
- **Objectivity and independence** – absolute understanding throughout the firm that our hard-won reputation is dependent on the quality of our work and the quality of the decisions that we take

6. Quality control systems continued



Client acceptance and continuance

All of our statutory audit clients are subject to categorisation policies to ensure that appropriate risk management procedures are applied and this categorisation is used to drive key procedures including:

- the requirement to consult and obtain specific, external-to-the-office approval before accepting and continuing with certain new clients
- the need for the audit partner role and ‘on-site’ roles to be performed by team members with relevant experience
- the need to appoint an appropriately experienced review partner for certain categories of audit.

We only engage with clients where we have the necessary capacity, skills and expertise to offer the highest possible standards of service and care, to meet client expectations and ensure that the acceptance does not prejudice our independence, objectivity or integrity. High-profile appointments must be pre-approved by senior management independent of the proposed client service team. A similar re-acceptance process is required on an annual basis or if there are any known changes in circumstances.

The firm has strong quality management systems in place in all service areas to ensure that each client assignment is delivered to consistently high standards of professional and technical excellence. In addition, we have dedicated central specialist support teams in all service areas providing practical support and advice to our client-facing partners and staff.

6. Quality control systems *continued*

Supporting robust audit delivery

Grant Thornton International develops resources that assist member firms in delivering a robust and rigorous audit. They include:

- the Horizon™ audit methodology, with supporting state-of-the-art software, manuals and policies, benchmarked against the International Standards on Auditing, International Standards on Quality Control, and the IFAC Code of Ethics for Professional Accountants
- protocols that enable member firms to consult with audit specialists in other member firms throughout the international organisation
- a comprehensive intranet service that includes up to date information for member firms on relevant professional standards, a worldwide restricted-entity list, an International Financial Reporting Standards help desk, topical alerts, financial statement templates and examples.

In the UK, our National Assurance Services department provides high quality technical support and guidance on all audit related issues.

Audit team structures

Particular emphasis is given to ensuring we have the highest standards of expertise within each audit team. Substantial partner and manager involvement is encouraged throughout the audit process. This is a fundamental aspect of our audit approach and a key differentiator for the firm. We also give considerable resources to appraising and developing all audit team members, including 360-degree feedback, mentoring, professional and personal development courses.



All audit team members receive mentoring, 360-degree feedback, and access to partners as well as personal and professional development courses

Clear and unambiguous audit reporting

Regular mandatory training in specialist areas, such as public company audit work, is key to ensuring that partners and staff are aware of the latest issues and can address them within the audit approach.

It also means that we communicate with clients' boards and audit committees on matters of relevance to them in a clear and unambiguous style.

We maintain a dialogue with audit committees at various stages in the audit process on a wide range of issues from initial scoping to the key judgments made. Our formal audit strategy and key issues memoranda give structure to interaction and communication with boards and audit committees.



6. Quality control systems *continued*

Grant Thornton International quality control procedures

In addition to our own quality control procedures – and in line with the Grant Thornton International founding member status of the Forum of Firms – Grant Thornton International member firms are required to abide by a system of quality control. It encompasses the following standards issued by the International Federation of Accountants (IFAC) (as supplemented by additional Grant Thornton International quality assurance policies):

- International Standard on Quality Control 1: Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements
- International Standard on Auditing 220: Quality Control for Audits of Historical Financial Information
- International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants

One of the pillars of the Grant Thornton International global strategy is to support member firms in their delivery of consistently high quality client service worldwide. Quality control of assurance services is overseen by a worldwide director – quality control. Member firms are provided with guidance on the design and implementation of their own quality control systems to support their compliance with all applicable international and local standards. The global Grant Thornton International Audit Review programme (GTAR) reviews the conduct of audit work performed by each member firm.

Grant Thornton International Audit Review

The Grant Thornton International Audit Review (GTAR) programme is part of the overall quality assurance monitoring procedures of Grant Thornton International, and under this programme every member firm that provides assurance services, whether to publicly- or privately-held businesses, is subject to review at least once every three years. Assessments evaluate policies and procedures of the member firm applicable to its assurance practice, benchmark those policies and procedures against relevant policies and procedures of the international organisation, review financial statements and audit reports that have been issued, review engagement files, and interview partners and staff on various matters. During 2007, Grant Thornton International carried out 49 GTAR inspections. The most recent review of Grant Thornton UK LLP was completed in spring 2007, and no major issues were identified.

6. Quality control systems *continued*

Internal quality assurance reviews

National audit reviews are carried out annually to assess the quality of the audit work across various areas of activity and industry sectors.

The reviews are risk focused and review teams are selected from outside the office under review. Reviews cover each office location once every three years and all new audit partners and directors one year after appointment. For regulated activities, the results are disclosed to the firm's external regulatory bodies' own review teams.

In accordance with the requirements, the above focuses on the procedures that we have adopted to ensure that our assurance work is of the highest quality.

Similar processes are adopted across all client-facing segments of our business to ensure that our reputation is protected and maintained.



7. External monitoring

Independent oversight and external quality assurance review

A number of the firm's activities, including audit, recovery and reorganisation, financial planning work and some aspects of our corporate finance work are regulated by independent bodies.

The firm's audit practice is regulated by the Institute of Chartered Accountants in England and Wales (ICAEW); public interest audit work is examined annually by the Audit Inspection Unit (AIU) of the Professional Oversight Board, a part of the Financial Reporting Council (FRC); other audits are subject to review by the Quality Assurance Directorate (QAD) of the ICAEW.

Each visit by the AIU considers the suitability of the firm's audit methodology, and reviews a number of public interest audit assignment files. The fieldwork for the latest reviews is currently in progress, and the final report is likely to be presented to the Audit Registration Committee of the ICAEW in late 2008. The fieldwork for the latest review by the QAD took place in early summer 2008 and the final report is likely to be presented to the Audit Registration Committee of the ICAEW at the same time as the report from the AIU.

In our Recovery & Reorganisation team, each of the 48 partners and directors who accept insolvency related appointments are licensed by one of the recognised professional bodies (RPBs), which include the ICAEW, ICAS, ICAI, BERR, ACCA and IPA. As such, these partners and directors are subject to regular monitoring reviews by their RPB. All current appointment takers hold insolvency practitioner licenses issued without conditions or restrictions.

Some of the firm's client services – principally financial planning and certain corporate finance lead advisory work – are regulated by the Financial Services Authority (FSA). The FSA carries out regular assessments of any risks that the firm's relevant activities might pose to their statutory objectives as laid down in the Financial Services and Markets Act 2000. Its most recent visit was conducted in September 2006.

The firm has registered with the Public Company Accounting Oversight Board (PCAOB) and underwent an inspection in summer 2008.

In addition, the firm is subject to practice reviews by the ICAEW Quality Assurance Directorate of those activities not otherwise regulated.

Our external audit is undertaken by PKF UK LLP.

Serious consideration is given by senior management and where appropriate, the partnership committee, to any recommendations made as a result of internal reviews or by a regulator and action taken to implement appropriate changes.



8. Risk management

At Grant Thornton, we recognise that risk is an integral part of our business activities. So we are committed to the active management of risk to ensure that our reputation and our business are protected from adverse commercial, legal or regulatory outcomes.

While the chief executive officer has overall responsibility for effective risk management, John Mew – as the NLB member responsible for standards and excellence – has specific responsibility for ensuring our risk management strategy, culture and supporting systems drive and underpin our strategic development.

The key methods by which the firm manages these risks are set out below. Compliance with the corresponding procedures is also checked as part of the national internal audit reviews.

Internal audit

Internal audit is an integral part of the firm's risk management processes. It provides high-level assurances to the chief executive officer and the partnership committee (through the risk assurance subcommittee) that risks are being identified, understood and managed effectively. Each area of the business is subject to an internal audit review over a planned three-year cycle. This review, led by our head of internal audit, considers the effectiveness of the risk management framework within the business area and its compliance with the firm's mandatory risk management policies and procedures.

Risk assurance subcommittee

The risk assurance subcommittee, which is a subcommittee of the partnership committee, comprises five elected members of the partnership committee, including its chairman, Nigel Ruddock, and Michael Cleary, chief executive officer.

The committee's principal responsibility is to monitor the implementation and effectiveness of the firm's risk management policies and strategy across all areas of the business and specifically to:

- monitor and review the effectiveness of the firm's internal audit function and address any actions identified
- monitor the firm's relationship with its external auditors. This includes overseeing the appointment process, approving the fees and assessing independence as well as receiving reports
- review and approve the annual financial statements before submission to the partners, and, in particular, critical accounting policies and practices and decisions requiring a major element of judgment

The risk assurance committee usually meets four times per year. The business risk management partner, head of internal audit, director of finance and representatives from the NLB, including the chief executive officer as a member and the partner with responsibility for standards and excellence, normally attend each meeting. In addition, the external auditors usually attend three meetings to discuss the audit of the accounts and related matters.



8. Risk management *continued*

Compliance with regulatory requirements and legislation

Rigorous procedures and controls are in place to ensure compliance with each of the firm's regulators' and legislative requirements. Dedicated partners and staff, including an investment business compliance partner, ensure the control environment is operational and effective across all our business areas.

Professional indemnity insurance

One of the risks faced by all professional firms lies in being sued for professional negligence. We are committed to the highest standards of technical excellence and client service, but in order to mitigate any remaining risk, the firm arranges appropriate insurance, both through a captive insurance company and the London insurance market.

International work

Where the firm undertakes work of an international nature, there are additional detailed procedures, including a consultation requirement prior to client acceptance and the appointment of client service teams with relevant international experience.



9. Independence practices

Maintaining objectivity and independence of thought is vital to maintaining our reputation. We have a robust system of independence and conflict checks, which is designed to identify potential conflicts of interest at the earliest possible juncture, and deal with them appropriately. Sources of potential conflict will include providing additional services to existing audit clients and acceptance of new clients and to investments by the firm and staff.

For audit and similar engagements, where independence is a matter of public interest, our procedures are even more stringent. We ensure that partners carry out a check of whether other services have been provided that might impact on our independence before engaging with new audit clients. We also require the engagement team to confirm their independence on each audit file. Furthermore, for all publicly quoted clients, we disclose other services provided to the audit committee at the planning and conclusion stages.

In addition to our own independence practices, Grant Thornton International requires member firms to adopt policies and procedures to uphold the independence of other network members. Member firms are required to maintain a listing of companies considered 'restricted' as a result of an audit relationship either with the company or a related company. Those restricted companies that have publicly traded securities are required to be posted no less than monthly to a global restricted list through a system maintained by Grant Thornton International. Professional personnel in member firms have access to this database via the Grant Thornton International intranet.

Grant Thornton International has also adopted an automated tracking system, the Global Independence System (GIS). The GIS is a centralised database that stores information about the identity of publicly traded securities held by member firms and relevant individuals within each member firm. Partners and client-facing managers in member firms are required to maintain a portfolio in GIS of those publicly traded securities in which they have a financial interest.

The GIS is designed to automatically alert the individual professional and a national compliance officer in the event that a security held becomes restricted, and provides a mechanism to assist the individual and the compliance officer in determining whether the security may continue to be held, based upon the facts and circumstances.

National Ethics Partner

The firm has appointed Darryl Whitehead, a senior and experienced partner, as our National Ethics Partner. During the year he actively participated in our professional issues panel, which meets periodically to consider new ethical guidance and emerging issues. He is supported by a team, which must be consulted whenever there are key judgments on potential conflicts. In particular, the team has established specific policies for corporate finance and tax consulting services to audit clients to ensure that the spirit, as well as the letter, of the standards is met.



9. Independence practices continued

Inspiring our people to fulfil our ethical standards starts at the top. Partners recognise that their behaviours are key to the maintenance of our strong ethical environment and culture. In addition, the internal controls we have in place to support our ethical environment are routinely checked as part of the firm's robust risk management procedures and in the internal audit review of each business area.

Ethics and independence

The firm's National Ethics Partner reports directly to the chief executive officer and is responsible for ensuring that the firm complies with the requirements set by the firm's regulators. Specific controls in place include:

- audit partner rotation on publicly traded entities
- recognition of technical quality in partner remuneration policies
- adherence to detailed procedures to identify potential conflicts of interest prior to accepting non-audit work
- application of policies regarding partners and staff working for clients when leaving the firm.

In addition, all partners and managers maintain a real time record of investments held on the global database (GIS) and the ethics team ensures that any potential conflicts are identified and resolved.

Our firm has a strong culture of consultation, which we believe is vital in maintaining an independent approach, and this is a point of emphasis at the technical interviews of all prospective audit partners and directors.



“Our global and national independence practices are best in class. They are designed to ensure independence and protect the perception of independence of our teams, our staff and our opinions.”

Darryl Whitehead
National Ethics Partner

10. Professional skills and values

Our values

We are proud of the way we do business. We strive to support our values in dealing not only with clients, intermediaries and other business partners, but with each other. We believe that our approach, based on sustainable working relationships and robust professional independence, sets us apart from our competitors and helps us attract the best people.

Our brand position in the UK embodies a series of values that supports the ideas of human perspective, and a focus on relationships but with robust independence. It represents a fast growing firm with special people and something to say – one that's ready to speak out and make a difference.

Grant Thornton is evolving. We are speaking out on commercially relevant issues that connect business with the interests of society at large. Our values represent the way we conduct ourselves personally, and they underpin how we do business. Through all of us, they are key to our success.

Objectives and strategy

The firm's overall aim is to retain and continually enhance its position as a highly profitable, innovative and entrepreneurial professional financial services business, which upholds the highest professional and ethical standards and excels in its chosen market sectors by:

- acting for high quality clients
- attracting and retaining quality people at all levels who are proud to be part of the firm.

Crucial to us achieving this ambition is developing our people so that they are able to provide our clients with the skills and expertise they need to find appropriate solutions to their problems. Doing so will enable us to continue to build the reputation of the firm for leadership and excellence in all that we do.



10. Professional skills and values continued

Our quality people

We've created an environment where all of our people can make a difference – to themselves and their career, to their teams and to the success of our firm and our clients.

Our people thrive on high achievement and innovative thinking. This provides our clients with the best possible standards of service and advice. We are committed to ensuring that all our people have the skills and expertise necessary to provide the range of quality audit services and technical excellence required by our clients. Our dedicated residential training centre, Bradenham Manor, is testament to that commitment.

Our learning management system enables our people to take control of their careers, wherever their path may lead them in the firm. We encourage all our people to seize the opportunities to build their business and personal skills – to grow as individuals. And our approach is clearly striking a chord with new graduates: this year, for the second time, we featured in The Times Top 100 Graduate Employers Survey, voted for by students.

We are also committed to ensuring all our people are well rewarded. It's not just about financial reward: it's effective inductions, high quality appraisals and excellent learning and development opportunities, including secondments within the UK and overseas. It's about engaging with our people at all levels and providing a truly flexible range of working options and employment benefits.

All our people are entitled to request flexible working and we empower them to put forward what works for them, their team and above all our clients.

We support everyone at Grant Thornton to achieve their best. Our people thrive on working with some of the market's most interesting organisations on challenging and professionally rewarding assignments.



- **Tax Lecturer of the Year, LexisNexis Awards 2008 – Francesca Lagerberg**
Presented to the CPE lecturer who presents detailed and comprehensive lectures in an engaging and interesting way.
- **Lifetime Achievement Award, LexisNexis Awards 2007 – Mike Warburton**
Presented to an individual who has made a sustained and significant impact in tax during their career. He was commended for “making eloquent points in defence of the profession without distorting or misunderstanding what the profession is up against.”
- **Business Service Award, First Women Awards 2008 – Sacha Romanovitch**
Presented to pioneering business women.
- **Best Accountant in Practice Award 2008, South West ICAEW – Ian Gorham**

In the profession

We are committed to investing our senior partners' time in professional leadership positions. This ensures that our clients have access to excellent technical support and awareness of emerging issues and that their interests are properly represented as public policy is developed. Specifically, we invest in people who will help drive public policy debate that affects our clients. Therefore, many people within Grant Thornton hold professional positions outside the firm.

Steve Maslin

Chair of the Joint Audit Committee
Member of the Audit Quality Forum (AQF) Steering Group
Member of ICAEW Audit & Assurance Faculty
Member of the International Corporate Governance Network (ICGN)
Member of the Global Public Policy Committee (GPPC)

David Maxwell

Chairman of the Forum of Firms (FOF)
Member of the European Contact Group (ECG)
Member of the European Group of International Accounting Networks (EGIAN)

Carol Rudge

Appointed to the SORP Committee by the Charity Commission
Member of the ICAEW Charities Technical Subcommittee

Glyn Williams

Member of the Audit Registration Committee of the ICAEW

Sue Nyman

Member of the APB's SIR (Statement of Investment Reporting) Subcommittee

Correspondent member of the International Auditing and Assurance Standards Board (IAASB) Prospectuses Task Force

Member of the ICAEW Corporate Finance Faculty Technical Committee

Sue Almond

Member of the Technical and Practical Audit Committee of ICAEW
Member of the World Economic Forum Partnering Against Corruption Initiative (PACI)
Deputy Chair of ICAEW ISA Implementation Group

Mick Biles

Vice Chairman of the ICAEW Professional Indemnity Insurance Committee

Robert Carroll

Member of the Confederation of British Industry (CBI) Financial Reporting Panel
Member of the London Society of Chartered Accountants Technical Committee

Joyce Grant

Member of the Accounting Standards Board (ASB) Technical Partners Forum
Member of the Investor Relations Society, Policy Committee

Peter Rowley

Deputy Chair of the ICAEW Ethics Committee

Brian Shearer

Member of the Accounting Standards Board (ASB) Urgent Issues Task Force

Francesca Lagerberg

Chairman of the ICAEW Technical Committee
Member of the Council of the Chartered Institute of Taxation (CIOT)
Member of the HMRC Administrative Burdens Advisory Board
Member of the HMRC Powers Advisory Board

Ian Smart

Chair of the ICAEW Corporate Finance Faculty

10. Professional skills and values *continued*

Continued professional development

We are committed to ensuring that our people have the skills and expertise necessary to provide the range of quality services and technical excellence required by our clients. All partners and qualified staff are required to keep up to date with professional guidance, including the firm's own risk management, ethical and independence requirements.

All those within specialist disciplines or serving specialist markets including statutory audit must comply with mandatory training requirements, which are actively monitored.

On an annual basis, all our people are required to prepare a training plan and, where relevant, submit continuing professional development returns, which the firm actively monitors.

Internally, we provide technical resources and support through our technical communities which can that include electronic technical updates, training workshops, professional and personal development courses, national technical teams.

Our client service

First impressions count. And we want all our clients to experience a consistently high level of service wherever we are doing business, be it in Leeds or London, Belfast or Cardiff.

We get to know our clients, to engage, interact and develop a deeper understanding of who they are, what they want and how we can help them to meet their requirements. In doing so we provide innovative, professional and pragmatic solutions.

We build a long-term relationship with each of our clients and seek a joint commitment from them to develop our relationship – together.

Take one of our clients, Eurostar. By focusing on long-term strategy as well as day to day operations, we helped them identify changes to their risk profile following the move from Waterloo to St Pancras. Eurostar's finance director, Ian Nunn, described it as a "refreshing approach."

It's about working alongside our clients by understanding their objectives and helping them achieve their goals. This means doing the basics really well, maintaining a robust approach, adding value at every opportunity and delivering our services on time – doing what we say we'll do and having the integrity to stand by our decisions.

Ensuring our clients' satisfaction is fundamental to what we do. Our partners work closely with clients to understand their particular challenges and ambitions and deliver what they need from us.

Our new customer satisfaction programme enables us to seek regular, independent feedback from our customers. Our fresh approach provides us with real opportunities to build on what we are doing well and to continue to strengthen all our relationships. By regularly seeking feedback and tailoring our approach to fit our clients' individual needs, we are constantly working together to enhance every element of the Grant Thornton experience for our clients.

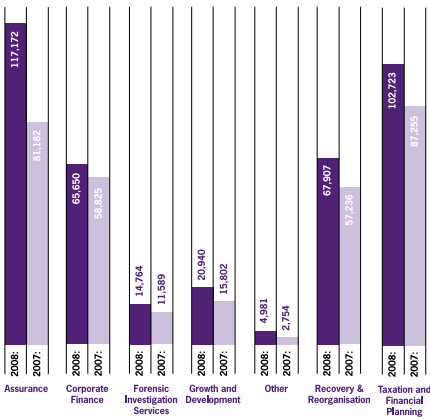


Top 100 Graduate Employers 2008, The Times



11. Financial information

Growth in turnover for each service area



We are totally committed to delivering technical excellence through all of our market-facing groups. The financial information given in respect of 2008 is based on unaudited figures. The figures for 2007 represent the turnover of Grant Thornton UK LLP prior to its merger with RSM Robson Rhodes LLP without restatement. Because of the structure of the merger, whereby certain of the assets and parts of the business of RSM Robson Rhodes LLP were not included, and because other parts of the business acquired were reorganised in the merger, it is not meaningful to supply aggregated figures for the two firms to give as a comparative.



The figures in the table to the right were provided to the Professional Oversight Board in March 2008 to show the relative importance of audit work within the business.

	2007	2006
Fee income from audit work	£81.3 million	£71.4 million
Fee income from non-audit work to audit clients	£39.9 million	£35.7 million

12. Partners' remuneration

Remuneration committee

The remuneration committee, which is a subcommittee of the partnership committee, is responsible for setting the remuneration framework applicable to the chief executive officer, dependent upon the achievement of predetermined objectives.

Members' remuneration

The firm's profits are distributed either as a fixed profit share or in accordance with members' profit sharing units, which are allocated depending on role and assessed ability, and by reference to members' and teams' performances having regard to areas such as financial performance, client service, risk management, technical performance and the upholding of ethical and independence standards.

Audit partners are remunerated by reference to the risk and quality of the work for which they are responsible, in addition to a number of other criteria. Audit partners are not remunerated by reference to non-audit services sold to their audit clients.



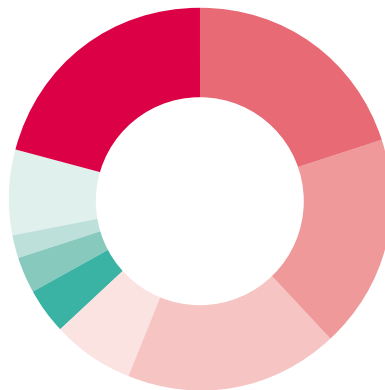
13. Public interest entities

A list of our publicly listed audit clients can be found on our website at www.grant-thornton.co.uk

Grant Thornton remains the UK's market-leading audit firm for AIM-listed companies with clients from a broad range of sectors. In the FTSE 250 market we have increased our client base to six, and now audit 30 publicly quoted clients with a market cap in excess of £100 million.

Percentage share of all audited main listed companies

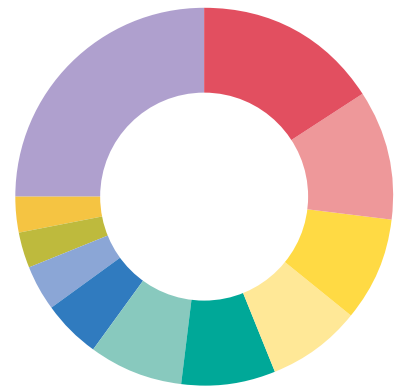
Source: Hemscott, as at 8 September 2008



- Pricewaterhouse Coopers LLP **21%**
- KPMG **20%**
- Ernst & Young LLP **18%**
- Deloitte **18%**
- Grant Thornton UK LLP **7%**
- PKF (UK) LLP **4%**
- BDO Stoy Hayward **3%**
- Baker Tilly **2%**
- Other **7%**

Percentage share of all audited AIM-listed companies

Source: Hemscott, as at 8 September 2008



- Grant Thornton UK LLP **16%**
- BDO Stoy Hayward LLP **11%**
- KPMG **9%**
- Pricewaterhouse Cooper LLP **8%**
- Deloitte **8%**
- Baker Tilly **8%**
- Ernst & Young LLP **5%**
- PKF (UK) LLP **4%**
- Mazars **3%**
- Nexia Smith & Williamson **3%**
- Other **25%**

Top 10 (by market cap) Grant Thornton's publicly listed audit clients

Source: Hemscott, as at 20 October 2008

Company	Market cap (£ millions)
Templeton Emerging Markets Inv Tr PLC	£846.975m
PV Crystalox Solar PLC	£555.286m
Fidelity European Values PLC	£510.165m
Candover Investments PLC	£339.876m
KSK Power Ventur PLC	£277.090m
Sports Direct International PLC	£223.375m
Eros International PLC	£268.021m
Indus Gas Ltd	£251.507m
Helical Bar PLC	£262.688m
Utilico Emerging Markets Ltd	£208.175m



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