


Transparency report

30 September 2009



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

Welcome to the Grant Thornton UK LLP (Grant Thornton) transparency report 2009.

This has been produced to enable our stakeholders – businesses, investors, regulators and communities – to better understand our organisation. It explains how Grant Thornton is run and how we provide assurance that Grant Thornton performs high quality audit, tax and advisory services. We offer this report as a demonstration of our commitment to openness and transparency.

The report is in respect of the year ended 30 June 2009, which is the fiscal year end for Grant Thornton. The combined worldwide revenue figures in the Grant Thornton International section, however, are reported to a 30 September 2008 year end.

This transparency report has been prepared in accordance with the provisions of the Statutory Auditors (Transparency) Instrument 2008, issued by the Professional Oversight Board (POB) of the Financial Reporting Council for audit firms that perform assurance work for public interest entities. It outlines the legal structure and governance of Grant Thornton and the tools provided to partners and staff to support them in producing distinctive, high quality client service in the fields of assurance and accountancy, tax and specialist advisory services.

The report explains the quality control system and the independence practices and tools used by the firm. It also highlights the attention paid to client acceptance. Transparency is a key element underpinning the confidence of the world's capital markets in the audit process, and Grant Thornton will continue to play its part in creating a more accountable and robust accounting profession.

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Foreword from the Chief Executive Officer

We understand responsibility – it is one of the core values that underpin our business. Recognising the impact we have on our clients, people and society is fundamental to building a sustainable future. That's why we are committed to maintaining trust in our firm by acting with integrity, openness and accountability. Leading from the top, our strategy and priorities are shared with everyone in our firm. Each person has clarity on how they fit into the delivery of our strategy and their personal responsibility for its delivery.

Underlining this commitment is a desire to exceed the standards set by the drivers of audit quality within the Financial Reporting Council's (FRC) framework. The FRC is committed to improving competition and choice in the UK public company audit market, and at Grant Thornton we share that commitment and remain ready, willing, and able to perform more public company audit work. The FRC's draft Audit Firm Governance Code consultation paper, the 'Murray Report', is a welcome addition to the debate around competition and choice, and we support the aim of the Audit Firm Governance Code.

Our interest in reporting guidelines doesn't stop there: we have welcomed the International Accounting Standards Board's (IASB) newly published International Financial Reporting Standards (IFRS) for SMEs and the European Commission's recent consultation paper on the adoption of International Auditing Standards as massive steps forward in the potential

harmonisation and global adoption of international standards.

Even in these uncertain times we continue to be committed to attracting and retaining high quality people at all levels that are proud to be part of the firm. The majority of our trainees that qualify in audit with us, stay with us. We're also investing for the future by not significantly reducing our graduate recruitment in 2009 at a time when others in our industry have cut back. We believe in our future and are committed to investing in our people and our brand in order to maintain our leading position in our marketplace.



Scott Barnes
Chief Executive Officer



Statement from the Head of Assurance

A key part of our assurance strategy is to be a leader in our chosen markets. By focusing on advancing our reputation and service offerings, the last financial year has seen us maintain a strong position in our chosen markets, despite the challenging environment. We continue to be the number one auditor on both AIM as a whole and in the majority of industry sectors. We are now the third largest auditor of the UK's top 2,500 private companies, and in addition to this recent success we have also become the fourth largest auditor of UK publicly traded companies. We will continue to invest in this marketplace and actively participate in the debate on audit competition and choice in the UK.

We continue to increase our footprint into the public sector and our new contract with the National Audit Office was a significant success for the firm, building on an already strong position as a leading provider to the Audit Commission, Audit Scotland and the Wales Audit Office.

Our Transparency Report summarises our rigorous quality system. Nowhere are these standards more important than in the case of audit: our independence

and audit quality are critical for our clients, professional regulators and maintaining society's trust in our integrity. During the year, the firm was subject to monitoring visits from the Audit Inspection Unit (AIU) of the Financial Reporting Council's Professional Oversight Board, and the Quality Assurance Directorate (QAD) of the ICAEW.

The AIU conducts an annual review of our whole-firm procedures and our audits of public interest entities. The report of the most recently completed review was concluded in July 2009. The AIU has advised us that it will issue a public report on this year's visit to the firm in November 2009. We are confident that again we will have independent evidence as to the quality of our audits and the high standard of our firm-wide quality control system that stand up to scrutiny and comparison with the best in the profession.



Phil Crooks
Head of Assurance

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- We are the number one auditor on AIM overall and in the majority of industry sectors.
 - We are the third largest auditor of the UK's top 2,500 private companies.
 - We are the fourth largest auditor of UK publicly traded 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 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.
 - Accountant of the Year – Growth Company Awards 2009.
 - Short-listed for Audit Team of the Year by Accountancy Age Awards 2009.
 - Highly Commended as Auditor of the Year, in the Large Six accounting firms category – CBI/Real Business Finance Directors Excellence Awards 2009.
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Legal structure and ownership

Legal structure

Grant Thornton UK LLP (the firm) is a single national limited liability partnership (LLP) incorporated under the Limited Liability Partnerships Act 2000, registered in England and Wales with registered number OC307742. Our professional activities are predominantly 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 of the LLP or a 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).

Public interest audit work and firm-wide procedures are examined (currently annually) by the Audit Inspection Unit (AIU) of the Professional Oversight Board, a part of the Financial Reporting Council (FRC).

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

The firm's financial planning and certain corporate finance lead advisory work are 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.

- Grant Thornton is a leading business and financial adviser with offices in 29 locations nationwide and offices in the Cayman Islands and British Virgin Islands.
- We are led by 235 partners and employ approximately 4,000 of the profession's brightest minds.
- We provide assurance, tax and advisory services to over 40,000 clients comprising privately held businesses, public sector entities, a range of intermediaries, public interest entities and individuals.

(Numbers are accurate as of 30 September 2009)



Grant Thornton International

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

Grant Thornton International is a not-for-profit, non-practising, international umbrella membership entity organised as a private company limited by guarantee, not having a share capital, incorporated in England and Wales and does not provide services to clients. Services are delivered independently by the member firms.

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 advisory services to privately held businesses and public interest entities. More than 2,600 partners provide clients with distinctive, high quality service in over 100 countries.

- At the end of September 2008 there were 96 member firms, operating from over 500 offices in over 100 countries.
- Total member firm revenues for the 12 months ended 30 September 2008 were US\$4bn (2007 – US\$3.5bn) a 14% increase on 2007.
- Audit revenues increased by 12% to almost US\$2bn and specialist advisory services generated over US\$1bn for the first time.
- Member firm personnel totalled 30,662 (27,861 in 2007) of which 2,610 were partners (compared to 2,448 in 2007).

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

Chief Executive Officer of Grant Thornton International Ltd

The current Chief Executive Officer (CEO) is David McDonnell. He is responsible for the leadership and management of Grant Thornton International Ltd. The role of the CEO includes the development and recommendation of strategic priorities and of policies and procedures for ratification by the Board of Governors (the Board), together with their subsequent implementation.

The CEO is regularly briefed by the relevant Global Leadership Board members on recommended modifications to the policies and procedures governing international work, including audit, tax and advisory services and risk management.

The CEO has responsibility for appointing the Global Leadership Board (subject to the concurrence of the Board of Governors) to assist him in the day to day management of the organisation. The CEO also has the authority to appoint new member firms in accordance with the criteria agreed by the Board of Governors.



Grant Thornton International continued

The Board of Governors of Grant Thornton International

The Board of Governors comprises a chairman, the chief executive officer (CEO) and 18 additional members, the majority of whom are active senior partners from member firms around the world. It is the highest decision making body within Grant Thornton International. The Board appoints the CEO, sets Grant Thornton International priorities and budget and approves any recommended changes to the organisation's constitutional arrangements based on the recommendation of the CEO. The Board is also responsible for approving the criteria to be met by potential new member firms, as well as the expulsion of member firms. Members of the Board of Governors, with the exception of the CEO, receive no payment from Grant Thornton International Ltd, but expenses incurred as a result of their membership of the Board are reimbursed by the global organisation. The Board of Governors meets twice a year. In 2008/09 the Board met in London in December 2008 and in Ottawa in June 2009.

Members of the Board of Governors of Grant Thornton International (2008)*

Ed Nusbaum, US (Chairman)
Terry Back, UK
Carol Banford, US
Peter Bodin, Sweden
Leonard Brehm, South Africa
Jean-Luc Carpentier, France
Stephen Chipman, China
Michael Cleary, UK
Gernot Hebestreit, Germany
Chikahiko Honda, Japan
David McDonnell CEO,
Grant Thornton International Ltd
Gerard Mulder, the Netherlands
Phil Noble, Canada
Richard Payette, Canada
Hector Perez, Mexico
Robert Quant, Australia
Paul Raleigh, Ireland
Jay Ramesh, Botswana
Mauro Terepins, Brazil
Desmond Yuen, Hong Kong

*From 1 January 2009 – changes as follows: Scott Barnes (from the UK) replaced Michael Cleary. Jean Schnob (from Canada) replaced Richard Payette. Jay Ramesh (from Botswana) stepped down and Luis Marciano (from Puerto Rico) joined.

The Global Leadership Board of Grant Thornton International

The Global Leadership Board comprises the CEO, who acts as chairman, together with seven other members.

The Global Leadership Board members include the global heads of the four practice areas: privately held business services, tax, assurance and specialist advisory services (SAS). The global practice heads support the leadership within member firms in enhancing their ability to service their clients in a consistent way throughout the global marketplace.

The Global Leadership Board met regularly during 2008/09, either in person or by conference call.

Members of the Global Leadership Board of Grant Thornton International

David McDonnell, CEO
Gabriel Azedo,
Global leader – member firm network
Scott Barnes,*
Global leader – specialist advisory services
Ian Evans, Global leader – tax services
Jonathan Geldart, Global director –
marketing communications
Alex MacBeath, Global leader –
privately held business services
Ken Sharp, Global leader –
assurance services

Mike Starr, COO

*Stepped down in December 2008 to take over as managing partner of Grant Thornton UK LLP – his position was taken over by David Fisher from 1 January 2009.

Governance and management

Leadership

High on every partner's agenda is a commitment to a strong ethical culture and the highest level of quality in everything we do. In both words and deeds, our partner group seeks to set the tone for the business and inspire our people to commit to the highest standards of behaviour.

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.

Management of our business

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/CEO) in accordance with the constitution, which gives the CEO 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.

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 CEO, Scott Barnes, 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
- the appointment, appraisal and (where necessary) removal of partners, and determining their remuneration.

National Leadership Board (NLB)

The firm's activities are managed by the NLB. The NLB members are set out on the next page.

The principal role of the NLB is to lead the firm's strategic priorities:

- 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.



Governance and management continued

The responsibilities of the NLB members are as follows:

Scott Barnes – CEO

The CEO, subject to oversight by the Partnership Committee, is responsible for determining the leadership team. The CEO may be appointed for not more than two five-year terms.

Scott has overall responsibility for leading the firm through creating a vision and setting a strategy to achieve it. The NLB has introduced the ‘one firm scorecard’ approach, which activates our strategy in four key areas: Markets, Clients, People and Operations. In summary, we aim to concentrate in four key markets; achieve the highest client satisfaction scores by providing distinctive service through our ‘one firm’ approach; attract and maintain the highest quality talent; and have a relentless focus on profit and operational efficiency in order to invest for the future.

Simon Morris, Chief Operating Officer (COO)

Simon is responsible for the operational management of the firm, with direct responsibility for delivering budgeted profits and managing cash flow. The overall objective is to build a sustainable business, doubling our profitability by 2012.

David Maxwell, Marketing and Industries and Chairman of London

David has a dual role. Firstly to lead the firm’s marketing, business development and industry strategies. Secondly as Chairman of London, to ensure that all London business streams face the market in a coordinated and joined up manner.

Sacha Romanovitch, People and Culture

Sacha’s role is to lead the firm’s activities to attract, recruit, motivate and retain talented people in order to achieve the firm’s strategic and operational goals.

Ian Smart, London Managing Partner

Ian has overall responsibility for the management of the London office. This includes office performance, partner and senior resource development, client service and with David Maxwell the approach to the marketplace.

David Campbell, Regions Managing Partner

David has overall responsibility for the one firm approach to the regional office network. This includes office performance, partner and senior resource development, client service and the approach to the marketplace.

John Mew, Practice Protection and Special Projects

John is responsible for leading the firm’s risk management and compliance strategy to ensure the firm adheres to all applicable professional and regulatory requirements, and that it is in the best position to minimise the impact of external litigation and claims.

Partnership Committee

The main role of the Partnership Committee is to monitor the CEO’s stewardship of the business. The Partnership Committee’s powers include the oversight, appointment, removal and remuneration of the CEO.

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 CEO. The statement of principles is approved by the members.

The Partnership Committee presently comprises 11 members elected by the members of the LLP, together with two additional ex officio members, the CEO 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. The current Chairman is Steve Maslin.

Governance and management *continued*

Assurance management

The Head of Assurance, Phil Crooks, has responsibility for audit quality and for setting the assurance strategy.

The Assurance Strategic Management Group (SMG) was established by Phil in October 2008 to oversee the implementation of the assurance strategy and the members for the period under review include:

Phil Crooks, Malcolm Gomersall, Andrew Howie, Charles Hutton-Potts (Audit Partners); Josephine Jackson (National Audit Technical), Mike Redfern (National Audit Methodology Partner) and Peter Rowley (National Director – Ethics and Assurance Quality Monitoring).

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 CEO has overall responsibility for effective risk management, John Mew – as the NLB member responsible for Practice Protection and Special Projects – 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.

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, Tim Lincoln, and Scott Barnes, CEO.

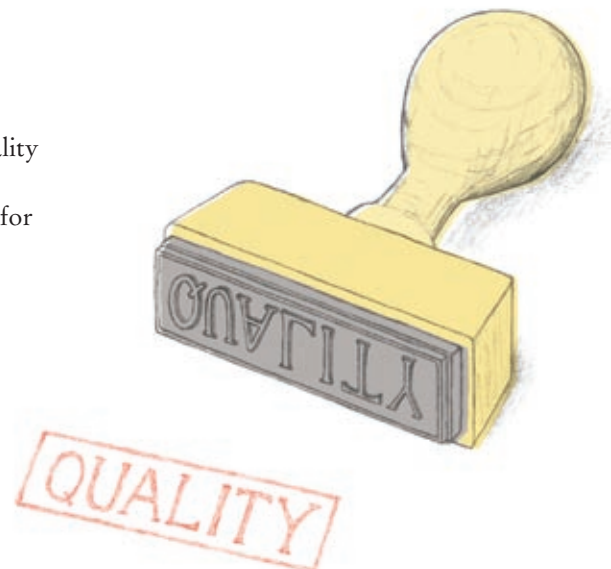
The subcommittee's principal responsibility is to monitor the implementation and effectiveness of the firm's risk management policies and strategy across all areas of the business and specifically to:

- 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 Subcommittee usually meets four times per year. Additional attendees include, the Head of Business Risk and Quality Assurance, the Finance Partner, and the partner with responsibility for Practice Protection. The external auditors also attend three of the meetings to discuss the audit of the accounts and related matters.

Internal audit

Internal audit is an integral part of the firm's risk management processes. It provides high-level assurances to the CEO 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 Business Risk and Quality Assurance, considers the effectiveness of the risk management framework within each business area and its compliance with the firm's mandatory risk management policies and procedures.



Quality control system

One of the pillars of our assurance strategy is to support partners and staff in their delivery of consistent high quality client service worldwide.

Our rigorous quality system is designed to provide us with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements.

Our national quality control system is aligned with:

- The Financial Reporting Council's (FRC) key drivers within the Audit Quality Framework (key aspects of which can be found throughout this document)
- IFAC Code of Ethics for Professional Accountants
- International Standard on Auditing 220: Quality Control for Audits of Historical Financial Information
- ISQC1: International Standard on Quality Control for Firms, which encompasses the following key elements:
 1. Leadership responsibilities for quality
 2. Ethical requirements
 3. Acceptance and continuance of clients and engagements
 4. Human resources
 5. Engagement performance; and
 6. Monitoring activities.

Leadership responsibilities for quality

In accordance with the principles of ISQC1, the NLB has assumed ultimate responsibility for the firm's system of quality control; John Mew is responsible for leading the firm's risk management and compliance strategy to ensure the firm adheres to all applicable professional and regulatory requirements.

As part of the firm's risk management framework, management responsible for each business area is required to demonstrate annually the quality control procedures 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.

The Head of Assurance is accountable to the NLB for the quality of service delivered in that service line.

Ethical requirements

Inspiring our people to fulfil our ethical standards starts at the top. Partners recognise that their behaviours are key to the maintenance of a 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 risk management procedures and in the internal audit review of each business area.

The firm's Ethics Partner reports directly to John Mew at NLB level and has direct access to the CEO should the need arise.

The Ethics Partner is responsible for ensuring that the firm complies with the requirements set by the firm's audit regulator.

Specific controls in place include:

- arrangements for formal audit partner rotation on audits of companies whose securities are publicly traded and certain other centrally monitored public interest entities
- recognition of technical quality in partner remuneration policies
- formal requirements for consultation where it is proposed to provide non-audit services to or in respect of an audit client
- tracking of details of financial interests of partners and directors and other senior staff to avoid financial interests in audit clients
- obtaining confirmations of independence annually from partners and staff and when partners and staff join the firm
- adherence to detailed procedures to identify potential conflicts of interest prior to accepting non-audit work
- policies regarding partners and staff working for clients if they leave the firm.

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.

Quality control system continued



Since 2004, Darryl Whitehead, a senior and experienced partner, has been our Ethics Partner. During the year he was 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 APB Ethical Standards is met. Following Darryl's retirement from the firm on 30 June 2009, the firm has appointed Peter Rowley, the firm's National Director – Ethics and Assurance Quality Monitoring, to the Ethics Partner role.

Independence

Further details of our independence processes can be found on page 15.

Acceptance and continuance of client relationships and engagements

The firm has acceptance and continuance systems in place, together with strong quality management systems 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.

All of our audit engagements are categorised 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. In certain (exceptional) circumstances consultation is also required to take place with Grant Thornton International as part of the acceptance or re-acceptance process.

Quality control system continued

Human resources

Audit team structures

Particular emphasis is given to ensuring we have the highest levels of expertise within each audit team. Substantial partner, director 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 apply considerable resources to appraising and developing all audit team members, including a thorough annual appraisal process, 360-degree feedback, mentoring and professional and personal development courses. The application of technical expertise in delivering audit quality is a key competency in the appraisal of all audit partners and staff.

Further information on professional skills can be found on page 16.

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

Engagement performance

Clear and unambiguous audit reporting

Regular professional training is key to ensuring that partners and staff maintain their knowledge, competency and capabilities, to ensure that our audit reports comply with auditing standards and legislation. However, our objectivity, independence and experience are fundamental to the reliability and usefulness of our audit reports – 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 is critical. All audit opinions on the financial statements of entities whose securities are publicly traded are required to be agreed with the engagement quality review partner. Engagement teams are also required to consult with our national technical department – National Assurance Services – where modifications are proposed to the audit reports of entities whose securities are publicly traded.

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.

Supporting robust audit delivery

Grant Thornton International provides 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.

Quality control system continued

Supervision, review and consultation

We have a strong culture of supervision and support, and partner, director and manager involvement is embedded throughout the audit methodology. Our audit manual has established clear guidelines on supervision, review and consultation. Essential to audit quality is appropriate consultation. The firm has established protocols for consultations including the involvement of a second partner, either to address an identified risk (such as circumstances that may lead to a modified audit opinion), or because of the specific categorisation of the audit engagement. In some circumstances a matter may be escalated to our National Assurance Services department, and ultimately to the Head of Assurance.

Engagement quality review

Clients whose securities are publicly traded are subject to an engagement quality control review. There are also criteria in place in which other engagements are evaluated to determine whether an engagement quality control review should be performed. The firm has robust procedures surrounding the appointment of engagement quality control reviewers (review partners). All review partners assigned to audit clients whose securities are publicly traded are approved by the Head of Assurance.

Monitoring activities

Internal quality assurance reviews

Internal national audit inspections (reviews) are carried out annually to assess the quality of completed 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. Engagements selected for review include all engagement leaders over a review cycle which includes each office location once every three years and all new engagement leaders one year after appointment. At the completion of an office review, the office management are required to develop and implement a targeted action plan to address the findings of the review. Once all office visits have taken place, the findings are summarised centrally and are fed back to offices through training events and other technical update channels.

Each year, the Head of Assurance reports on the findings of the national audit reviews to the NLB, together with planned remedial actions.

The findings for individual engagement leaders impacts on their individual annual audit quality grading that in turn influences their remuneration for the financial year.

For regulated activities, the results are disclosed to the firm's external regulatory bodies' own review teams.

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 (GTAR) programme noted above reviews the conduct of audit work performed by each member firm.

Every member firm is obliged to submit to an inspection of its audit practice by Grant Thornton International. GTAR is a systematic check of the quality of member firms' audit procedures, carried out at least once every three years by independent and suitably qualified partners and managers from other member firms under the overall direction of Grant Thornton International. The inspection process is designed to monitor member firms' compliance with professional standards and

Quality control system continued

Grant Thornton International's audit quality control policies and procedures.

The most recent GTAR for Grant Thornton UK LLP was completed in spring 2007, and no major issues were identified. A further review is planned to begin in late September 2009.

Maintaining quality standards throughout the firm

In accordance with the Transparency Report 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.

Complaints and claims

Audit regulations require the firm to maintain a register of audit-related complaints; these are maintained at operating office level, but there are mandatory arrangements for regular reporting of complaints and possible claims to the firm's central Liability Risk Management team. This team comprises a group of qualified solicitors who are available to ensure that complaints and possible claims are appropriately handled.

Compliance with regulatory requirements and legislation

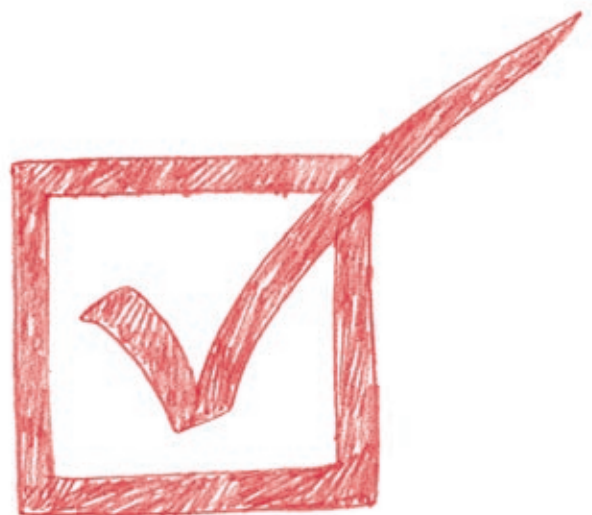
Rigorous procedures and controls are in place to ensure compliance with the requirements of legislation and of each of the firm's regulators. Dedicated partners and staff, including an investment business compliance partner, ensure the control environment is operational and effective across all our business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



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 (currently 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.

The fieldwork for our most recent completed review by the AIU took place between June and December 2008 and the findings were reported privately to the firm in July 2009; the public report has yet to be published; the fieldwork for the latest completed review by the QAD took place in July 2009.

Each visit by the AIU considers the suitability of the firm's audit methodology and of the firm's policies and procedures that are designed to deliver the elements of ISQC 1 (UK and Ireland). It also reviews a number of public interest audit assignment files. The QAD reviews a number of files that fall outside the scope of the AIU reviews, covering the firm's offices on a cyclical basis.

In our Recovery and Reorganisation team, each of the 49 partners and directors who accept insolvency related appointments is licensed by one of the recognised professional bodies

(RPBs), which include the ICAEW, ICAS, BIS and IPA.

As such, these partners and directors are subject to regular monitoring reviews by their RPB. All current appointment takers hold insolvency practitioner licences issued without conditions or restrictions.

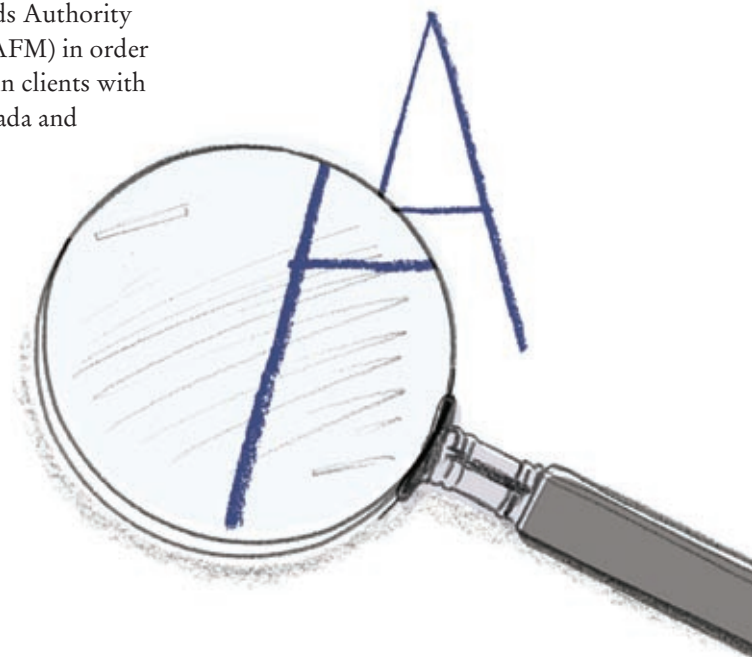
Some of the firm's client services – principally financial planning and certain corporate finance lead advisory work – are regulated by the Financial Services Authority (FSA). The FSA carries out regular assessments of any risks that the firm's relevant activities might pose to their statutory objectives as laid down in the Financial Services and Markets Act 2000. Its most recent visit was conducted in September 2009.

The firm has registered with the Public Company Accounting Oversight Board (PCAOB) and underwent an inspection in summer 2008. The firm is also registered with the Canadian Public Accountability Board (CPAB) and with the Netherlands Authority for Financial Markets (AFM) in order to be able to audit certain clients with securities traded in Canada and the Netherlands.

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.



Independence practices

Maintaining objectivity and independence 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 respond to them appropriately. Sources of potential conflict will include providing additional services to existing audit clients, acceptance of new clients and 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.

Inspiring our people to fulfil our auditing and ethical standards starts at the top. Partners recognise that their behaviours are key to the maintenance of our strong ethical culture.

In addition to our own independence practices, Grant Thornton International requires member firms to adopt policies and procedures to safeguard the independence of all member firms. These policies and procedures include a requirement for member firms to maintain a listing of companies considered 'restricted' as a result of an audit relationship. These restricted companies are required to be maintained on a global restricted list through a system maintained by Grant Thornton International. Professional personnel in member firms have access to this global restricted list via the Grant Thornton International intranet.

The global restricted list serves as a point of reference for member firms considering providing non-audit services to public companies. When the prospective client appears on the global restricted list, consultation is required with the audit partner to ensure that any threats to independence created by the proposed non-audit service can be adequately safeguarded and that the proposed non-audit service is permitted.

Grant Thornton International has also adopted an automated independence tracking system, the Global Independence System (GIS). Partners and client-serving 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 monitors these financial interests against the global restricted list and is designed to

alert the member firm or the individual professional and a national compliance officer in the event that a security held also appears on the global restricted list. The GIS provides a mechanism to assist the individual and the national compliance officer in determining whether the security may continue to be held, based upon the facts and circumstances.

Conducting reviews for potential conflicts of interest and/or threats to independence (jointly referred to as 'relationship checks') prior to proposing on an engagement are important safeguards against threats to objectivity. Grant Thornton International has instituted a policy that establishes a standardised approach to conducting these checks for potential relationships where the client or prospective client has international operations.

Professional skills and values

Objectives and strategy

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

- attracting and retaining quality people at all levels who are proud to be part of the firm
- bringing a depth of industry and technical expertise
- drawing on the strength of member firms throughout Grant Thornton International to bring a global perspective to all we do
- striving to be Number One for client satisfaction – attracting and retaining a high quality client base through our ability to deliver issues-led solutions.

Doing so will enable us to continue to build the reputation of the firm for leadership and excellence in all that we do.

Attracting and retaining 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 strategy and priorities are shared with everyone in our firm. Each person has clarity on how they fit into the delivery of our strategy and their personal responsibility for delivery. Through clear role descriptions, objective setting, regular feedback and formal annual appraisals there is an expectation of a commitment to excellence and continual improvement in all our people. Each person has a clear personal development plan that incorporates ongoing enhancement of their technical skills. We also regularly engage with elected representatives from our employees – to inform, consult and seek feedback on decisions impacting on them and our firm.

The strength that comes from being part of a global organisation with over 30,000 people worldwide enables us to provide challenging opportunities for our people to develop a global mindset to bring to our clients. We take pride in acting as a responsible corporate citizen which recognises the impact of our actions beyond the workplace – this influences our policies in respect of the environment, the workplace, our suppliers and the communities in which we live.

We attract and retain some of the very best talent in the profession and regularly exceed national averages in professional examination results. Our people are drawn from diverse backgrounds and experiences; they bring complementary skills to our team

and effective internal challenge to help ensure that as a team we are stronger than as a group of individuals. Our focus is on what we deliver rather than time put in – 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 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.

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.

Professional skills and values *continued*

Our values underpin our culture

Our values underpin how we do business – they are embedded through our business and set the parameters of how we expect people to behave with their colleagues, clients and the world at large. These values (below) are common through member firms of the Grant Thornton International network.

Collaboration

We are aligned around a common purpose that unites us in providing the same quality experience for our clients and our people, seamlessly across borders.

Leadership

We are committed to the success of our clients, our people, our profession, and our stakeholders at large, demonstrating leadership at all levels.

Excellence

We are distinguished for innovation and our solutions-based approach, created and delivered by talented people with the passion to exceed expectations.

Agility

We have the ability to adapt, anticipate and respond quickly to meet complex client requirements, changes in markets and the profession.

Respect

We build relationships based on confidence and trust. We treat people as individuals, promoting an inclusive environment that values the capabilities and contributions of each person.

Responsibility

We recognise our wider impact on our clients, people and society. We also recognise that decisions we make are investments in a sustainable future. We act with integrity, openness and

accountability to stay true to our purpose and behave in a way that is consistent with our values.

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.

In the profession

We are committed to investing the time of our senior people 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.

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 the International Corporate Governance Network (ICGN)
- Member of the Global Public Policy Committee (GPPC)
- Member of the European Group of International Accounting Networks (EGIAN)
- Chair of the Policy and Regulatory Group (PRG)
(which represents the six largest UK audit firms on matters of public policy on financial reporting and auditing affairs)

David Maxwell

- Chairman of the Forum of Firms (FOF)
- Member of the European Contact Group (ECG)

Marcus Swales

- Member of the Basle II: Accounting and Audit Committee

Carol Rudge

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

Josephine Jackson

- ICAEW Technical and Practical Advisory Committee

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

Robert Carroll

- Member of the Confederation of British Industry (CBI) Financial Reporting Panel
- Member of the London Society of Chartered Accountants Technical Committee
- Member of the ICAEW Financial Reporting Faculty Editorial Board

Joyce Grant

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

Peter Rowley

- Vice-Chairman of the ICAEW Ethics Standards Committee

Professional skills and values continued

Brian Shearer

- Member of the Accounting Standards Board (ASB) Urgent Issues Task Force
- Member of the ICAEW Financial Reporting Committee
- Member of the ICAEW Financial Reporting Faculty Board
- Member of ICAEW Simplification Group
- Member of EFRAG Working Group on SMEs

Francesca Lagerberg

- Chairman of the ICAEW Tax 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
- Member of the CBI Corporate Taxes Committee
- Member of the Editorial Board of Taxation and Tax Journal

Ian Smart

- Chair of the ICAEW Corporate Finance Faculty

Paul Flatley

- Member of CBI Companies Committee

Judith Newton

- Member of the ICAEW Social Housing Technical Committee
- Member of the ICAEW Non Executive Directors Special Interest Group Committee.

Continuing 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 which can include electronic technical updates, training workshops, professional and personal development courses, and access to national technical teams.

While the majority of technical training takes place within member firms, Grant Thornton International makes a significant investment to train auditors in all member firms in the global audit methodology. The audit methodology, known as Horizon, is supported by state-of-the-art technology. Significant effort and resource have been committed to make the training programme technically rigorous to support implementation throughout member firms so that the audit needs of both public interest and privately held companies can be met appropriately, regardless of their size or complexity.

Our client service

Every impression counts. 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.

Ensuring our clients' satisfaction is fundamental to what we do.

Our partners and staff work closely with clients to understand their business, particular challenges and ambitions, and deliver what they need from us.

Our established client care approach enables us to seek regular, independent feedback from our clients. This 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.

A number of clients and intermediaries firm-wide have already participated in our client feedback discussions:

- 89% consider us to be client focused and agree that we go the extra mile when it matters*
- 92% said that working with Grant Thornton was a positive experience*
- 93% scored us positively in terms of demonstrating an understanding of their business.*

*Survey results accurate as at 1 July 2009. Sample size 1,240 respondents.

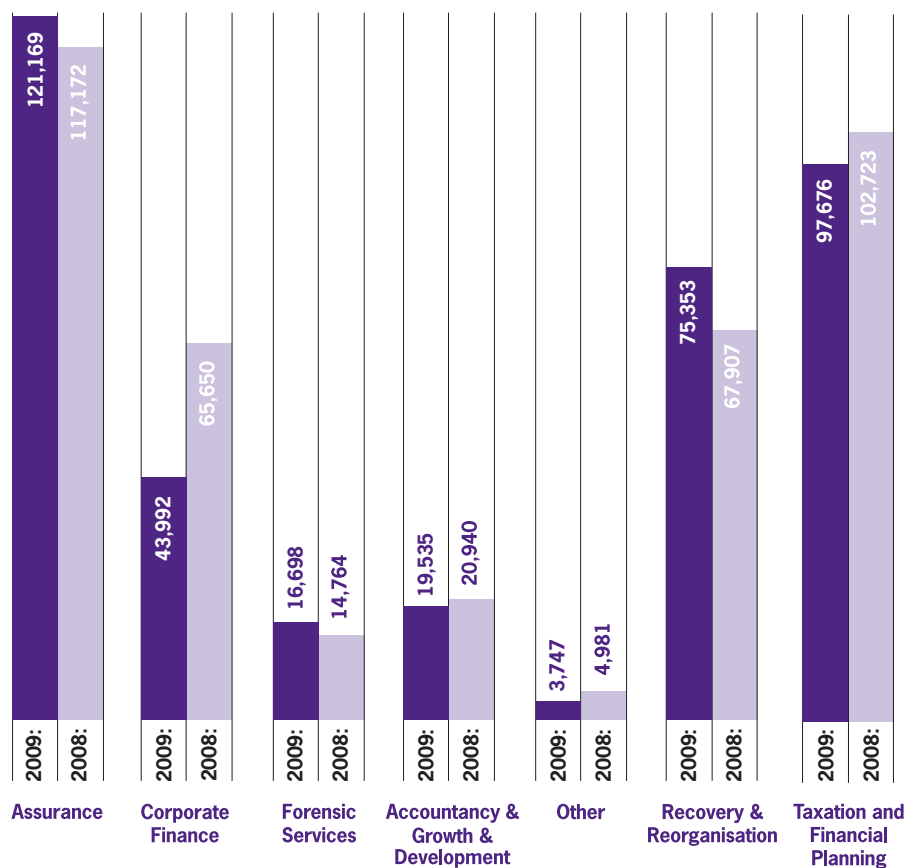
Financial information

The financial information given in respect of the period July 2008 – June 2009 is based on unaudited figures.

The following figures were provided to the Professional Oversight Board in March 2009 to show the relative importance of audit work within the business.

	Year end 30 June 2008	Year end 30 June 2007
Fee income from audit work	£115 million	£81.3 million
Fee income from non-audit work to audit clients	£42 million	£39.9 million

Turnover for each service area



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 CEO, 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 complexity, 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.

Public interest entities in respect of which an audit report has been issued by Grant Thornton UK LLP in the financial year to 30 June 2009

A list of public interest entities in respect of which an audit report has been issued by Grant Thornton UK LLP in the financial year to 30 June 2009 can be found on our website at http://www.grant-thornton.co.uk/about_us/transparency_report_2009.aspx



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