


Transparency report

30 September 2010



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 in respect of the year ended 30 June 2010.

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.

“If we don't have quality we don't have anything. High quality is absolutely paramount among all Grant Thornton global targets”.

Ken Sharp

Global Leader – Assurance Services
Grant Thornton International

Grant Thornton has 4,000 people based in 29 locations in the UK and offices in the Cayman Islands and British Virgin Islands.

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.

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



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Foreword from the Chief Executive Officer

The economic turmoil and ensuing recession of the last two years have highlighted the importance of capital markets and financial systems, and the regulatory regimes that underpin them.

The audit profession is a central element of the system, and its integrity and credibility are of vital importance if investors are to maintain the confidence required for markets to operate effectively.

We have been at the forefront of the debate over the development of auditing standards for public companies for some time, and this has continued as standards have come under the spotlight in the wake of the collapse of a number of significant financial institutions. There is broad agreement on the principle that reporting models must evolve to provide investors with more information on business models, the risks inherent in those models and the critical judgments and estimates.

In July 2010, we hosted an ICAS event in London at which Steve Maslin, Chair of our Partnership Oversight Board, outlined a number of models for increasing transparency and improving the disclosures made to investors. Steve is also the Chair of the public policy group of the six largest audit firms which is also making proposals in these areas.

We have represented the accounting profession to the Public Oversight Board to discuss its approach to regulation and to highlight the policy proposals of the large firms in response to the financial crisis. We have also chaired a meeting between the six largest UK firms and the FSA to exchange ideas on the future direction of communication between the banking supervisor and bank auditors.

We have led discussions on enhancing the role of audit with the FSA, and participated in discussions with the Basel Audit and Accounting Committee in Europe.

In addition we have provided a written submission to the House of Lords Economic Affairs Committee in which we set out three policy proposals for stimulating competition and choice in the large listed audit market, which include the proposal that multiple auditors be used to audit components of large listed groups. We will also champion these proposals on publication of the impending European Commission Paper on the Audit Market.

The governance of public company auditors is important for confidence. While we are in no doubt that the governance of the firm is already strong, we appointed three independent

non-executives – Richard Eyre, Caroline Goodall and Ed Warner effective from 1 October 2010. The Audit Firm Governance Code published in January 2010 applies to eight of the largest UK audit firms. We were the first of the large audit firms to appoint non-executives to their UK governance body. As a result of these appointments and other measures introduced as a result of comparing the principles of the Code against our existing policies and arrangements for making disclosures on our website (including via our transparency report), we are confident that we are compliant with the principles of the Code.

Our commitment to quality across our business is strong. Our willingness to evolve to meet new circumstances will ensure that we maintain our leading position in the market.



Scott Barnes

Chief Executive Officer

Statement from the Head of Assurance

Fostering high quality performance

With increased focus on financial reporting in the wake of the financial crisis, the external audit is more important than ever in enhancing market confidence. The Future of Banking Commission described audit as a foundation stone for the integrity of our capital markets. I agree, in my view, external audits performed in accordance with high quality standards are critical to reinforcing good behaviours in the financial reporting process.

High quality performance underpins our assurance strategy and we have audit quality measures in place for partners and staff to ensure our overall audit quality objective is translated into real, measurable actions. I am pleased to report that all Grant Thornton audits last reviewed by the AIU were found to be satisfactory. We are proud to have been awarded Auditor of the Year (large

six) at the ICAEW/Real Business Finance Directors' Excellence Awards 2010. This award sends a clear message that Grant Thornton is continuing to set the standard when it comes to service delivery.

We are strong supporters of the adoption of global auditing standards and our global audit methodology is based on the new, clarified ISAs. We believe that improvements to the ISAs as a result of the Clarity Project will further enhance the quality of practice, particularly in those areas of increased focus such as fair value accounting and accounting estimates. John Archambault and Josephine Jackson are Member and Technical Advisor respectively on the International Auditing and Assurance Standards Board. Their involvement is part of the Grant Thornton International commitment to high

quality international auditing.

We are acutely aware that we need constantly to re-examine our role. Stakeholders want enhanced assurance and we welcome that debate but it must be built upon the bedrock of instilling good behaviours through accountability of preparers to their stakeholders and the provision of world class service from auditors.



Phil Crooks
Head of Assurance

- We audit 271 companies listed in the UK of which 85 are on the main market. (Hemscott May 2010)
- Our 186 clients make us the **largest auditor of companies on AIM** and we are also the leading nominated adviser to AIM listed companies. (Hemscott May 2010)
- We are the **sixth largest** auditor in the FTSE 250 (five audits)
- We are the **fifth largest** auditor in the Small Cap/Fledgling market
- We are the **third largest** auditor of the UK's top 2,500 privately held companies
- We work with **one in six** of the FTSE 100 in non-audit work

Governance and management of Grant Thornton UK LLP

Leadership

The firm has committed to a strong culture of excellence and ethics. In both words and deeds, our partners set the tone for the business and inspire our people to commit to the highest standards of behaviour. We continually monitor developments in corporate governance and benchmark our performance against them.

Management of our business

The LLP members' rights and obligations, our governance framework, and the key responsibilities for the management of our business are set out in the firm's constitution. All the members vote to confirm the appointment of the chief executive

officer (CEO), which gives the CEO the authority to exercise strong and effective leadership of the business. The CEO is empowered to form the National Leadership Board (NLB) which runs the firm as an executive function. Robust independent oversight on behalf of the members is provided by the firm's Partnership Oversight Board (POB).

The management of the firm is the responsibility of the CEO and his/her chosen NLB and includes:

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

The CEO may be appointed for not more than two four-year terms.

The responsibilities of the NLB members are as follows:



Simon Morris
Chief Operating Officer (COO)



David Maxwell
Marketing and Clients



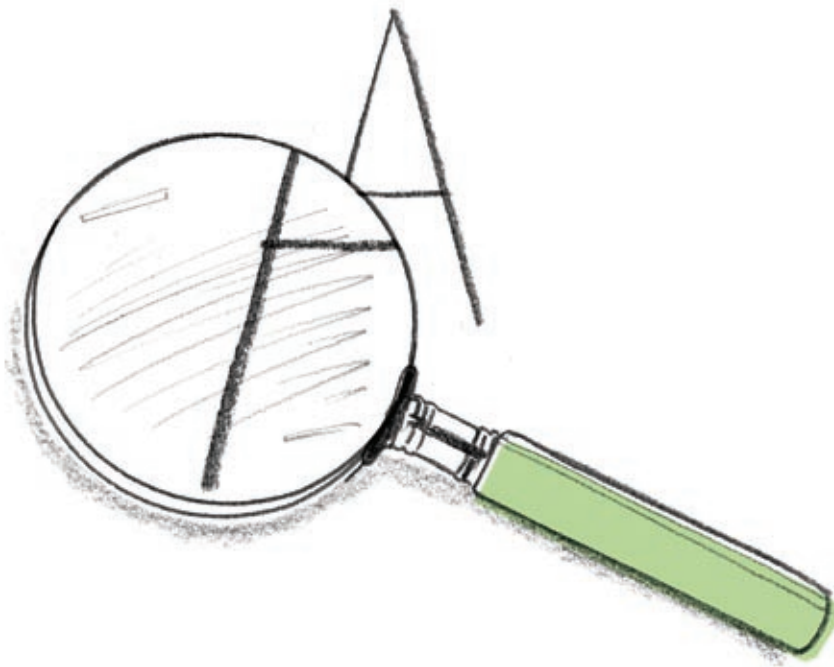
Sacha Romanovitch
People and Culture



Ian Smart
London Managing Partner



John Mew
Practice Protection



Partnership Oversight Board (POB)

The main role of the Partnership Oversight Board is to appoint and remove the CEO (subject to confirmatory vote of the members) and monitor the CEO's stewardship of the business.

The POB approves 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.

This board currently comprises 10 members elected by the members of the LLP, together with three additional ex officio members, the CEO members and two other members of the NLB.

Chair:

Steve Maslin

Elected members:

David Barnes, John Bowler, Clare Hartnell, Tim Lincoln, Paul Flatley, Nick Wood, Geraint Davies, Mo Merali, Terry Back

Ex officio:

Scott Barnes, Simon Morris, John Mew

Outside members, as independent non-executives from 1 October:

Richard Eyre, Caroline Goodall, Ed Warner

Elected members are appointed for a period of three years and may serve for two further consecutive terms if they are re-elected. The powers and responsibilities of its elected chair, currently Steve Maslin, are set out in the firm's membership agreement.

Evaluation of POB members

The effectiveness of the POB and its chair are measured annually via a questionnaire to all partners.

The POB regularly meet members to gain their views and any concerns. POB meeting minutes are circulated to all members and a meetings attendance register is maintained during the year which is tabled at each POB meeting for reference.

As part of its oversight, the POB regularly receives reports on the following:

- Partner remuneration/profit sharing
- Business planning
- Risk profile & internal controls
- Cash funding position
- Partner changes
- The Grant Thornton International organisation
- Property
- People and skills, markets and service lines

Remuneration Committee

The Remuneration Committee, which is a subcommittee of the POB, 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, people leadership and the upholding of ethical and independence standards. The POB oversees the principles and criteria for profit sharing. 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 and audit staff are not remunerated by reference to non-audit services sold to their audit clients.

"Basically, they did what they said they were going to do and they did it on a timely basis. They were utterly professional. I think that, personally, is exactly what you pay for."



Independent non-executives

In line with the recommendations of the Audit Firm Governance Code, we have appointed three independent non-executives (INEs), Richard Eyre, Caroline Goodall and Ed Warner. They will sit and have voting rights on the POB and at least one of them will attend meetings of the POB sub-committees for risk assurance and remuneration.

We were the first in the accountancy profession to place non-executives at the heart of our UK governance body where they can make a real difference. They will have a central role to play in the development of the firm and its relationship with key stakeholders.

The INEs will serve a first term of three years but shall be eligible to re-appointment without restriction, as determined by the elected members of the POB and their contracts have a

break clause after 12 months.

Their duties will include challenging:

- the firm's recognition of its public interest responsibilities and its attitude towards quality
- the firm's approach to risk management and governance.

During the 25-30 days per annum to be spent on Grant Thornton matters, they will:

- be invited to attend all POB and Risk Assurance Committee meetings
- be invited to attend 'all-partner' meetings
- meet with the chair of the POB/CEO periodically.

Ensuring independence

The POB is a 'supervisory board' as envisaged by the APB Ethical Standards for Auditors and therefore non-executive members of the POB are not members of the firm's 'Chain of Command'. As a result, personal relationships and business or financial interests of the INEs do not bear directly on the firm's independence as auditors.

Reports from whistle-blowing calls will be made available to INEs through their membership of the POB and the Risk Assurance Committee. More details on our whistle-blowing procedures can be found on page 13. The firm has appropriate indemnity insurance in respect of legal action against any INE.

If there should be a fundamental disagreement between the INEs and either the POB or the NLB that cannot be resolved following discussions with the chair of the POB and the CEO, and as a result the INE resigns from the firm, the fact there has been such a disagreement would be disclosed in the Transparency Report.

Risk management and internal controls

The NLB has overall responsibility for the management of risk and the establishment of appropriate systems of internal control across the firm.

The internal control systems are designed to manage rather than eliminate risk. Accordingly they provide only reasonable and not absolute assurance.

The NLB has carried out a review of the effectiveness of the systems of internal control in line with the requirements of the Turnbull Guidance. The review has not identified any failings or weaknesses that it has deemed to be significant and therefore no further action is necessary.

Risk management

John Mew as the NLB member responsible for practice protection has specific responsibility for ensuring our risk management strategy, culture and supporting systems drive and underpin our strategic development. The principal methods by which we manage risk and the key systems in place during the year include:

- a dedicated Business Risk and Quality Assurance (BRQA) team
- a Risk Assurance Committee (RAC)

- mandatory quality management systems (QMS), which include: leadership, risk reviews, procedures and technical manuals, training and development, and quality control and quality assurance processes
- an annual assessment of risks by the senior management of each business area
- ongoing (at least quarterly) consideration by the NLB of any new and emerging risks and formal annual review of all business areas' risks
- an internal audit of each business area at least every three years (more frequently if necessary) and report to the NLB on the implementation of key internal controls (including reporting performance against key performance indicators (KPIs).

Principal risks

Our principal risks arise from, or relate to:

- client acceptance and continuance
- compliance with legislation and regulation
- professional negligence claims
- material breach of ethical requirements, including independence
- significant events that disrupt business operations, including major information systems failure.

Internal audit

Internal audit provides high-level assurances to the CEO and the POB (through the RAC) 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 quality management standards and internal controls (including reporting performance against key performance indicators).

The indicators used include: completed appraisals, personal development plans and mandatory training (e.g. information security, money laundering), engagement take on procedures followed, review procedures followed and customer satisfaction review results.

"One of their strengths is that they have maintained continuity of staff, which has definitely benefited the audit process."



Risk Assurance Committee (RAC)

The RAC is a subcommittee of the POB and consists of:

Chair:

Tim Lincoln

Elected members:

Scott Barnes (CEO), Steve Maslin (Chair of the POB), Terry Back, Paul Flatley

Other attendees:

Margaret Bowler (Head of Business Risk and Quality Assurance), Steve Prior (Finance Partner), John Mew (Head of Practice Protection) and one INE

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 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.

Monitor and review the effectiveness of the firm’s internal audit function and address any actions identified.

Review and approve the annual financial statements before submission to the members, and, in particular, critical accounting policies and practices and decisions requiring a major element of judgment.

Between July 2009 and June 2010 the RAC met five times and the external auditors also attended three of the meetings to discuss the audit of the accounts and related matters.

The meetings consider and review the following issues:

- the annual business risk management report and review of the firm’s risk profile
- the appropriateness of the risk management strategies in place
- the adequacy of the internal audit programme
- management’s and internal audit’s reports on the effectiveness of systems for internal financial control, financial reporting and risk management
- management’s response to any major external or internal audit recommendations
- the adequacy of the firm’s professional indemnity cover and supporting processes
- procedures for handling allegations from whistle-blowers.

Quality control system

One of the pillars of our assurance strategy is to support partners and staff in their delivery of consistent high quality clients service worldwide. Our rigorous quality system is designed to ensure that the firm and its personnel comply with relevant 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
- IFAC Code of Ethics for Professional Accountants and relevant national ethical standards
- 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:
 - Leadership responsibilities for quality
 - Ethical requirements
 - Acceptance and continuance of clients and engagements
 - Human resources
 - Engagement performance; and
 - 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.

They appointed Phil Crooks as the Head of Assurance, who has responsibility for audit quality and for setting the assurance strategy.

The Assurance Strategic Management Group (SMG) oversees the implementation of the assurance strategy. The members of the SMG comprise:

Chair:

Phil Crooks

Members:

Malcolm Gomersall, Andrew Howie, Charles Hutton-Potts; Josephine Jackson; Mike Redfern and Peter Rowley

Acceptance and continuance of client and engagements

The firm has acceptance and continuance 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.

All of our audit engagements are categorised to drive appropriate risk management procedures. We only engage with clients where we have the necessary capacity, skills and expertise to meet client expectations, and will not prejudice our independence, objectivity or integrity.

High-profile engagements must be pre-approved by senior management, independent of the proposed client service team.

A similar reacceptance 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 Ltd.

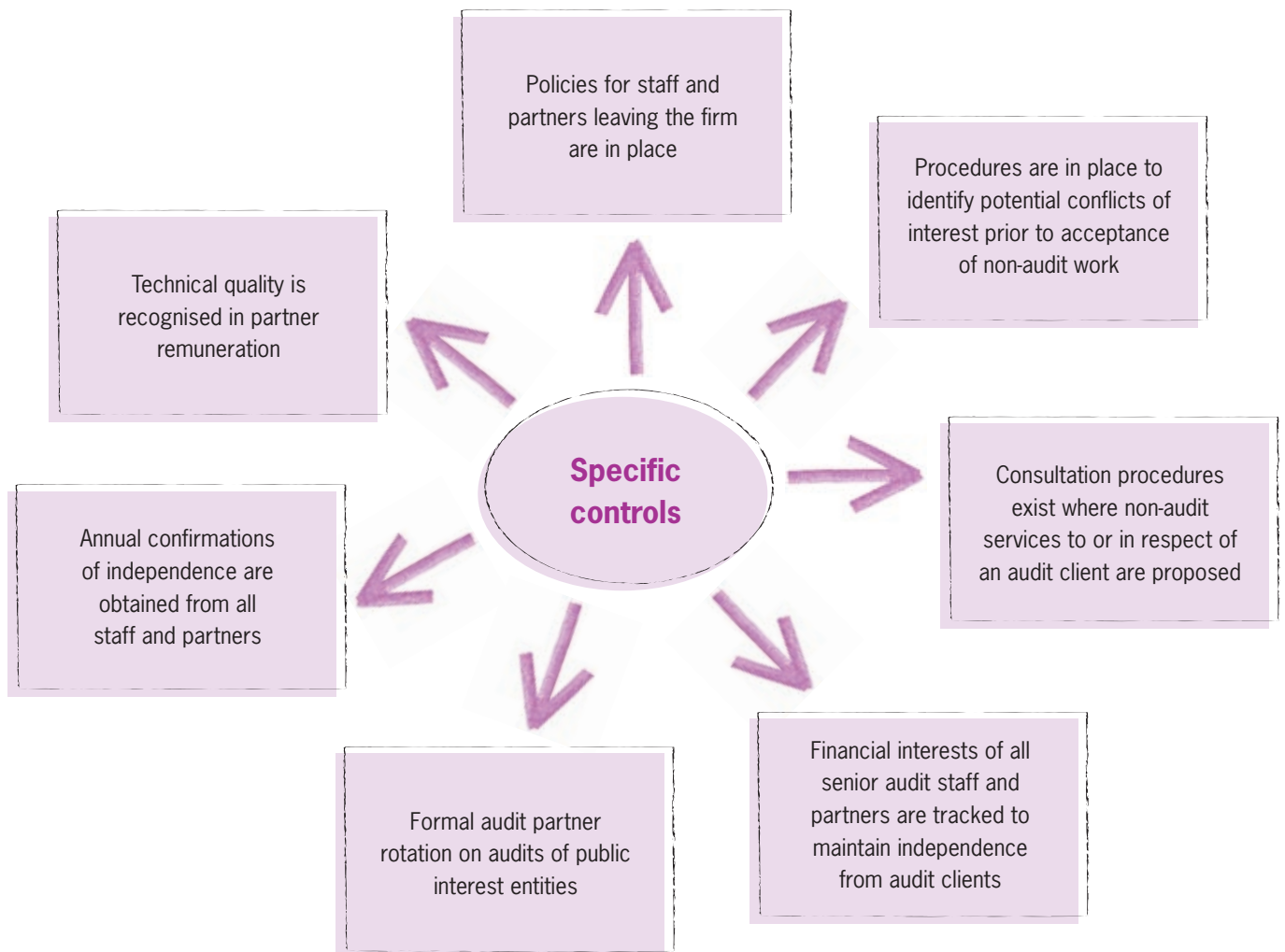
Our firm has a strong culture of consultation, which we believe is vital in maintaining an independent approach, and this is a point of emphasis at the technical interviews of all prospective audit partners and directors.

Ethical requirements

Partners recognise that their behaviours are key to the maintenance of a strong ethical environment and culture. In addition, the internal controls that 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.

Peter Rowley is the firm's National Director for Ethics and Assurance Quality Monitoring, and 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 APB Ethical Standards is met. He reports directly to the Head of Practice Protection and has direct access to the CEO should the need arise. Further details of our independence practices can be found on page 15.



**Human resources
– audit team structures**

We ensure we have the highest levels of expertise within each audit team. Substantial partner, director and manager involvement is encouraged throughout the audit process.

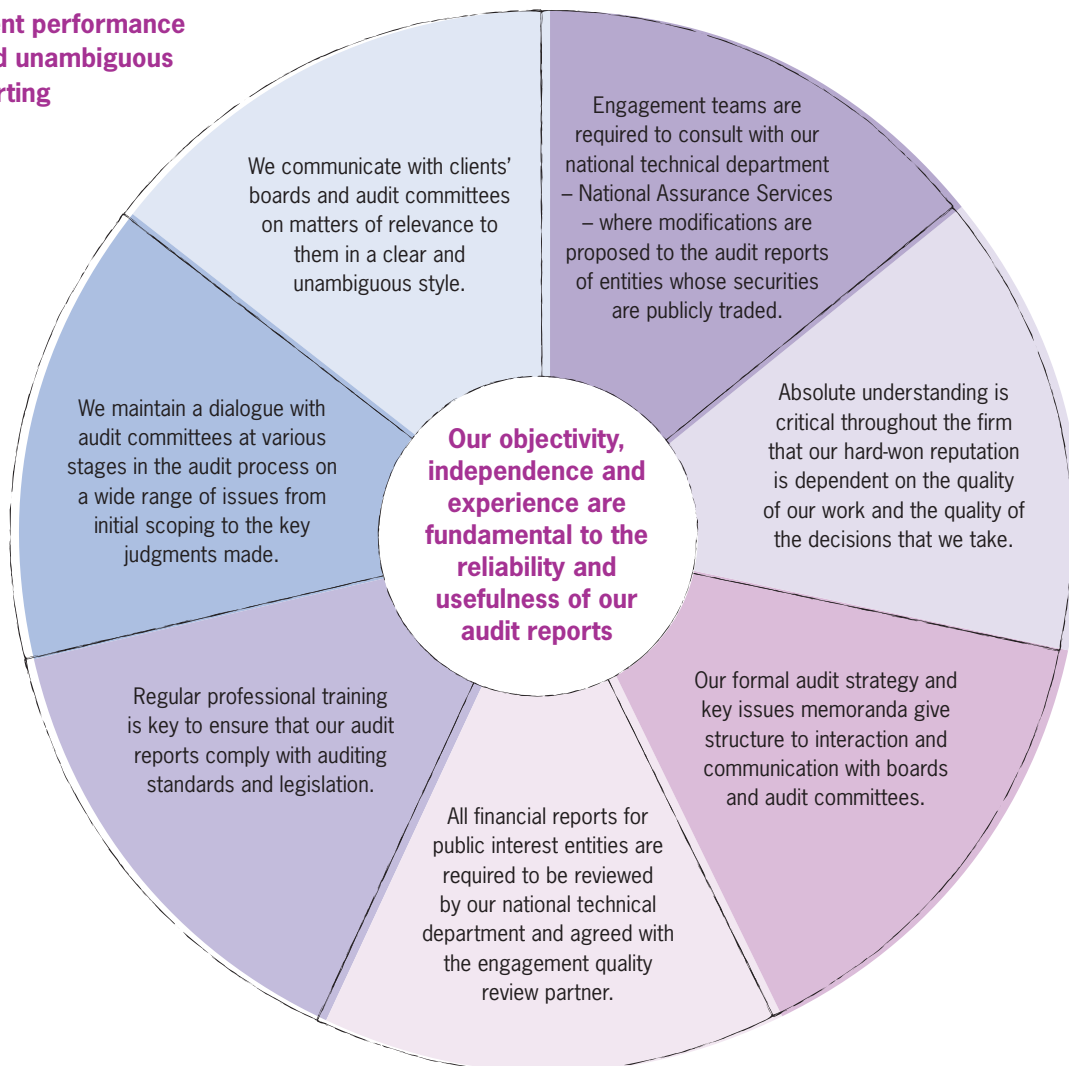
Our trainee recruitment requires a minimum of 300 UCAS points for graduates and 240 for those joining

direct from school and, as with all audit staff, throughout their induction and training programmes, the need for ethical behaviour and quality is reinforced. We also apply a thorough annual appraisal process, 360-degree feedback, mentoring and professional and personal development courses. Applying technical expertise is a key competence in the appraisal of all audit partners and staff.

Key performance indicators used include: completed appraisals, personal development plans and mandatory training (eg information security, money laundering), engagement take on procedures followed, review procedures followed, customer satisfaction results.

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

**Engagement performance
– clear and unambiguous
audit reporting**



Supporting robust audit delivery

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

- the Voyager™ 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.

Supervision, review and consultation

We have a strong culture of consultation, supervision and support, which is embedded throughout the audit methodology. Involvement of a second partner, our National Assurance Services department, and where appropriate the Head of Assurance, provide relevant levels of risk and quality management.

Engagement quality review

All audit clients whose securities are publicly traded are subject to an engagement quality control review by partners who are led by and approved by the Head of Assurance.

Monitoring activities

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 impact on their individual annual audit quality grading, that in turn influences their remuneration for the financial year. The results are disclosed to the firm's external regulatory bodies' own review teams.

In addition to our internal national reviews, the firm is subject to the Grant Thornton International global audit review (GTAR) that is overseen by a worldwide director. Partner audit quality ratings from the GTAR reviews influence their remuneration. The most recent GTAR for the firm was carried out in October 2009.

Maintaining quality standards throughout the firm

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

Whistle-blowing arrangements

We have established a confidential whistle-blowing phone-line which ensures that anyone who has concerns, for example, about how partners or staff are behaving has a means of raising their concerns confidentially. The whistle-blowing phone-line is operated on behalf of the firm by a third party organisation.

Complaints and claims

The firm maintains a register of audit-related complaints and possible claims which is managed by a team of qualified solicitors who are available to ensure that complaints and possible claims are handled appropriately.

Compliance with regulatory requirements and legislation

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

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.

External monitoring

The fieldwork for the last completed review of the firm's audit practice by the AIU covered the period to 31 December 2008. The public report arising from that review was published on 5 November 2009 and can be viewed on the FRC website at:

<http://www.frc.org.uk/images/uploaded/documents/Public%20report%202008-9%20Grant%20Thornton.pdf>

The principal findings of the AIU were as follows:

- the firm has appropriate policies and procedures in place for its size and the nature of its client base in the relevant areas which are subject to its review
- the introduction by Assurance of audit quality measures to be taken into account in appraisals, remuneration and promotion decisions of audit partners and staff for the year to 30 June 2009 was viewed as a positive development that was likely to make a positive contribution to audit quality
- the majority of the overall findings raised in their prior year report had been appropriately addressed; although a number of findings remained outstanding, action plans were in place to address them
- certain areas for improvements in relation to the firm's policies and procedures were identified, including the completion of audit partner and staff appraisals and personal development plans
- the follow-up file review they conducted showed that the issues raised in their review the previous year had been addressed on that audit
- they were generally satisfied, subject to certain comments, with the basis on which significant audit judgments were made on the seven audits they reviewed, and audit procedures were generally performed to a good or acceptable standard.

The AIU is currently conducting its 2009/11 inspection of the firm.

The fieldwork of the last completed review of the firm's audit activities by the QAD took place in July 2009 and the resulting report to the Audit Registration Committee of the ICAEW was issued in April 2010. The QAD carried out its latest review of the firm's audit activities in July 2010, but it has not yet reported its findings.

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

Public interest entities

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 2010 can be found on our website at:

http://www.grant-thornton.co.uk/about_us/transparency_report_2010.aspx

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 include providing additional services to existing audit clients, acceptance of new clients and investments by the firm and staff.

Where weaknesses or breakdowns are revealed, appropriate corrective action is taken. On this basis, we are satisfied that our procedures are designed effectively and are generally operating as intended.

For audit and similar engagements, where independence is a matter of public interest, our procedures are even more stringent. Before a new audit engagement is taken on, searches and enquiries are carried out to identify any existing business, financial or personal relationships that might pose a threat to the independence of the audit. At the beginning of the audit and just before the audit report is approved, all members of the engagement team are required to confirm in the audit file that they are free of personal interests and relationships that might impact on their own independence or that of the firm. After the audit opinion has been issued and before the continuance of an audit appointment is accepted, the responsible audit partner (and, where appointed, the review partner) consider whether any circumstances have arisen that question whether the firm should or can accept re-appointment.

Non-audit service assignments

Whenever the firm is proposing to offer a non-audit service to or in respect of an audit client of the firm, the relevant

audit partner is required to be consulted about the proposed service and formal approval to proceed is given only when the measures proposed to mitigate any possible threats to independence are considered sufficient. Where the non-audit service will include any element of contingent fee, the formal approval of the firm's ethics partner is required before the engagement is contracted.

Where the potential client has international operations, an international 'relationship check' is required to be performed to identify any relationships of other member firms within Grant Thornton International that may present a conflict of interest and/or a threat to independence. When the prospective client is already an audit client of a member firm within Grant Thornton International, consultation is required with the relevant audit partner to ensure that the proposed non-audit service is permitted and that any threats to independence created by the proposed non-audit service can be adequately safeguarded.

Financial interests

Partners, audit directors and members of their immediate family are prohibited from having a direct or material indirect financial interest in any audit client of Grant Thornton UK LLP or a publicly traded audit client of a member firm within Grant Thornton International. (a list of which is available via the Grant Thornton International Ltd intranet). Staff may not have a financial interest in any client to which they provide a professional service.

Compliance is monitored actively by requiring partners, directors and managers to record their financial interests (and those of their immediate

family members) in an automated tracking system known as the Global Independence System (GIS). Financial interests of the firm and its affiliated entities are also recorded in GIS. A list of the firm's audit clients with publicly-traded securities is maintained and can be accessed on the firm's intranet by all partners and staff. Compliance with the policy by all of the firm's personnel is checked formally on an annual basis as part of the firm's Annual Regulatory Statements and Declarations process and an annual audit of a sample of GIS accounts.

Supplier relationships

Whenever the firm is considering entering into a contract for the purchase of goods or services, a check is performed to establish whether potential suppliers are audit clients of the firm and, if they are, whether a threat to independence might arise.

Avoiding undue familiarity

The firm maintains a central record of the firm's public interest clients to which rotation policies apply showing the dates when partners and senior staff were first assigned so that circumstances requiring rotation can be identified in advance and then actioned.

The nature and effectiveness of the firm's procedures for maintaining audit independence are kept under constant review. We obtain assurance about their operation from annual audits of user accounts in GIS, cold reviews of audit files and internal audit reviews of non-audit practice areas of the firm. Where weaknesses or breakdowns are revealed, appropriate corrective action is taken. On this basis, we are satisfied that our procedures are designed effectively and are generally operating as intended.

Professional skills and values

Our firm culture

We have created an environment where all of our people can make a difference:

- our values are shared throughout our global organisation; 30,000 people around the world which enables our people to bring a global mindset to our clients
- our strategy and priorities are shared with everyone in the firm, reinforced by quarterly business updates and office visits by the NLB
- we regularly engage with elected representatives from our employees through our CLEARR forum – to inform, consult and seek feedback on decisions impacting on the firm
- we take pride in acting as a responsible corporate citizen and think carefully about how our actions can impact our environment, workplace, clients and suppliers and the communities in which we live

One high performance team

- our people are drawn from diverse backgrounds and experiences who bring complementary skills to our team – ensuring that as a team we are stronger than a group of individuals
- we focus on delivering great quality solutions for clients rather than on time put in. All of our people are entitled to request flexible working and we empower them to put forward what works for them



Enabling individuals to realise their potential

- 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
- our people have clear personal development plans that incorporates ongoing enhancement of their technical skills
- we are committed to ensuring our people are well rewarded – not just financially, it's about engaging with our people at all levels and providing a truly flexible range of working options, learning and development opportunities and employment benefits

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 the firm's own risk management, ethical and independence requirements.

We have mandatory training requirements, which are actively monitored. 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.

Our CLEARR values underpin our culture and how we do business – they are embedded throughout our business.

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.



94.32% of our clients would recommend us to others



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.

Margaret Bowler

- Member of ICAEW Corporate Responsibility 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

Paul Flatley

- Member of CBI Companies Committee

Joyce Grant

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

Peter Green

- Chairman of the ICAEW (Including Scotland and Ireland) Joint Investment Business Committee

Josephine Jackson

- Member of the ICAEW Audit and Assurance Technical and Practical Advisory Committee.
- Member of the International Auditing and Assurance Standards Board (IAASB) ISA 720, Reviews and Compilations Working Parties
- Technical advisor on the International Auditing and Assurance Standards Board (IAASB)
- Member of the ICAEW ISA Implementation Group

Francesca Lagerberg

- Member of the Professional Tax Forum set up by the current UK government on tax policy
- Member 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

Steve Maslin

- Member of the Audit Quality Forum (AQF) Steering Group
- Member of the ICAS Future of Assurance
- Member of the Global Public Policy Committee (GPPC)
- Member of the International Integrated Reporting Committee, Working Group
- Member of the Financial Reporting Council's (FRC) Advisory Working Group
- Member of the European Group of International Audit 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 Transnational Audit Committee with effect from 1 January 2011

Mark Aldridge

- Member of the ICAEW Audit Registration Committee

Judith Newton

- Member of the ICAEW Social Housing Technical Committee

- Member of the ICAEW Non-Executive Director Special Interest Group Committee

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
- Member of the ICAEW Ethics Standards Committee

Carol Rudge

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

Philip Secrett

- Chairman of London Stock Exchange AIM Advisory Group

Brian Shearer

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

Ian Smart

- Chair of the ICAEW Corporate Finance Faculty

Patrick Storey

- Member of the Chartered Accountants Regulatory Board (Institute of Chartered Accountants in Ireland) Quality Assurance Committee

Marcus Swales

- Member of the Basel II: Accounting and Audit Committee

Michael Thornton

- Member of ICAEW Valuation Special Interest Group

Stephen Weatherseed

- Chairman, South East CBI Council

Structure and ownership

Legal structure

Grant Thornton UK LLP ('LLP') is 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. Within our organisation, the term 'partner' indicates a member of the LLP.

Ownership

Grant Thornton UK LLP is entirely owned by its members. A list of the members of the LLP is open to inspection at the registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

Regulatory body affiliation

The firm's audit practice is regulated by the Institute of Chartered Accountants in England and Wales (ICAEW) and is subject to practice reviews by the ICAEW Quality Assurance Department (QAD) of those activities not otherwise regulated. Public interest audit work and firm-wide procedures are examined 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 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 the Netherlands Authority for Financial Markets (AFM) in order to be able to audit certain clients with securities traded in Canada and the Netherlands. The firm is also registered with the Isle of Man Financial Supervision Commission.

The firm's financial planning activities and certain corporate finance lead advisory work are regulated by the Financial Services Authority (FSA). Our external audit is undertaken by PKF UK LLP.

95.01% of clients see us as a trusted partner



"They are an organisation that can be trusted to do what they say they will at the price that has been quoted. They take the time to ensure that all relevant staff know about us and what we do."



Financial information

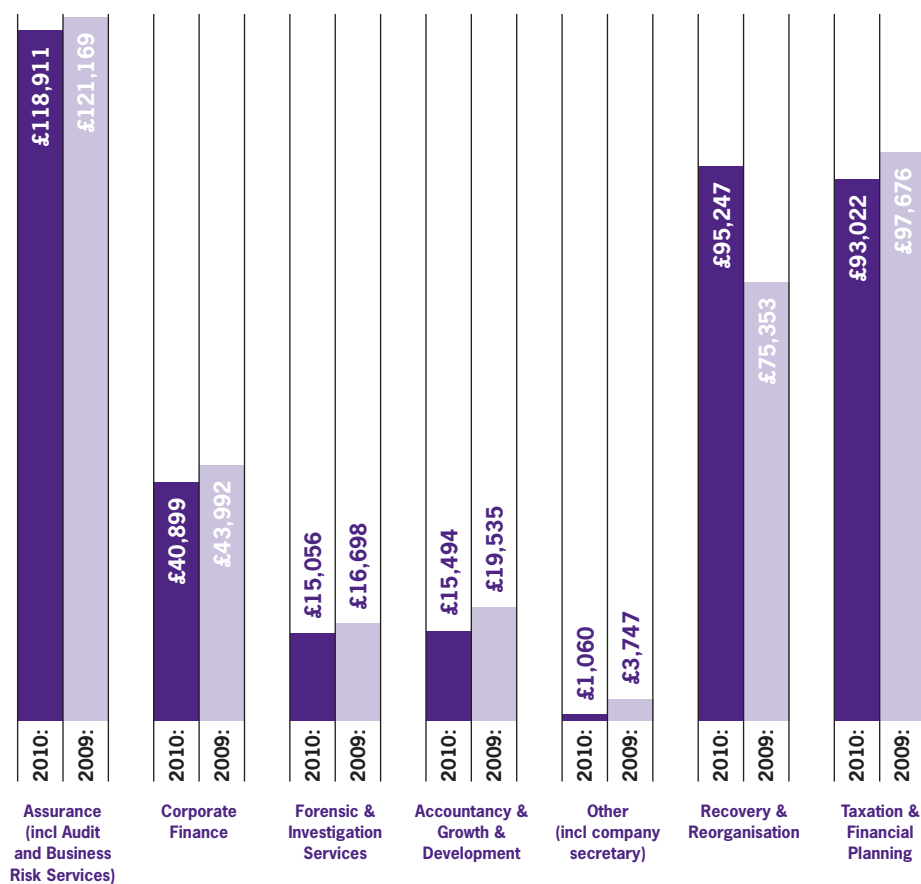
The following figures were provided to the Professional Oversight Board in March 2010 to show the relative importance of audit work within the business.

	Year end 30 June 2009	Year end 30 June 2008
Fee income from audit	£112 million	£115 million
Fee income from non-audit work to audit clients	£40 million	£42 million
Fee income from non-audit work to non audit clients	£226 million	£237 million
Total	£378 million	£394 million

Financial information given in respect of the period July 2009 – June 2010 below is based on unaudited figures.

Turnover for each service area

Figures expressed as £000s



Voluntary code of practice on disclosure of audit profitability

The turnover and operating profit of our audit reportable segment (as defined by the code) for the year ended 30 June 2010 are £103.6m and £25.0m respectively.

The basis on which these numbers are derived is set out below.

Our definition of audit services for this purpose includes any audit required by UK statute and required to be carried out in accordance with the International Standards on Auditing

(UK and Ireland) along with other work that ‘fits naturally’ with the auditor’s statutory responsibilities.

In calculating operating profit we have allocated/charged overheads to the audit reportable segment on the most appropriate basis for each type of overhead. This includes allocating/charging some overheads on an actual basis, and others according to the proportion of fees/turnover or headcount attributable to the reportable segment, as follows:

We have not charged any members’ remuneration in arriving at the operating profit. This is consistent with the treatment of members’ remuneration in our statutory financial statements.

Costs allocated on a direct/actual basis	Costs allocated according to the proportion of fees attributable to the reportable segment	Costs allocated according to the proportion of staff/partners attributable to the reportable segment
Employment and related costs	General management	Finance
Training	Marketing	HR
Technical	PI insurance	IT/IS
Legal and risk		Internal communications

Grant Thornton International

Grant Thornton International is a not-for-profit, non-practising, international umbrella membership entity. It is 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 Grant Thornton member firms.

Membership of Grant Thornton International Ltd does not make any firm responsible for the services or activities of any other. As at 31 December 2009 Grant Thornton International had member firms in 95 countries.

Criteria for membership

In addition to considering the reputation of a prospective firm and its adherence to the highest professional standards, Grant Thornton International has developed a set of criteria that must be met by prospective member firms before they can be considered for membership in the organisation. The criteria for membership include:

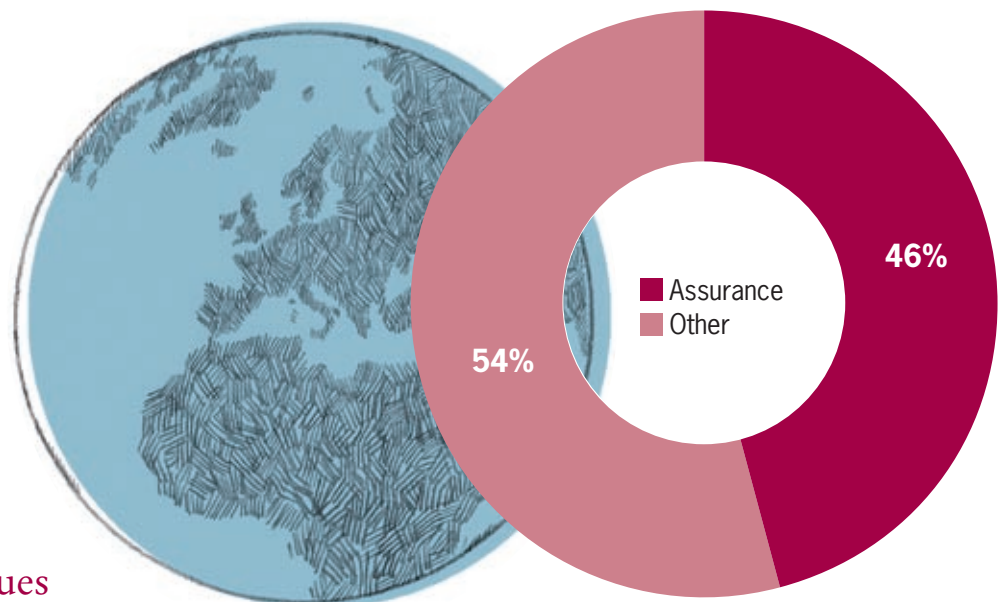
- member firms must adopt Grant Thornton International policies, procedures and methodologies. These include, but are not limited to:
 - service line methodologies and quality controls, including client acceptance and reacceptance
 - engagement protocols
 - ethical and independence policies
- member firms must maintain a system of quality control in accordance with International Standards on Quality Control ISQC 1, and must agree to periodic quality assurance inspections by global teams.

Funding of Grant Thornton International

Grant Thornton International is funded by annual contributions from the member firms. The approved budget determines the aggregate annual contribution which is allocated to member firms in proportion to the member firm's turnover for the 12 months ended 30 September.

The Global Leadership Board submits a proposed budget for the following calendar year to a committee of the board for scrutiny and approval. The board agrees the final budget and the level of member firm contributions required to meet the budget. The combined global revenues to 30 September 2009 were \$3.6 billion. China is now among the 12 largest countries by revenue in the organisation.

Importance of assurance in global revenues



Grant Thornton International Board of Governors

The Board of Governors appoint the Global CEO, who in turn appoints the Global Leadership Board (GLB). The GLB works with member firms to implement globally agreed strategies and programmes including the Grant Thornton Assurance Reviews (GTAR). All members are subject to a GTAR at least every three years.

The Board of Governors is a group selected from member firms worldwide and exercises governance on their behalf. The board has, among other things, responsibility to:

- approve the strategic direction and policies of the organisation as established by the CEO
- approve the criteria in conformity with which the CEO may admit member firms
- suspend the rights of, or expel, a member firm
- appoint and set the remuneration of the chair of the board of governors and the CEO.

The Board of Governors as of 1 January 2010

Peter Bodin – Chair of the board, Sweden

Ed Nusbaum – CEO, Grant Thornton International

Robert Quant – Australia

Phil Noble – Canada

Jean Schnob – Canada

Jean-Luc Carpentier – France

Klaus-Guenter Klein – Germany

Paul Raleigh – Ireland

Chikahiko Honda – Japan

Hector Perez Aguilar – Mexico

Gerard Mulder – The Netherlands

Luis Carlos Marcano – Puerto Rico*

*Elected by member firms from a region by rotation, currently the Americas

Scott Barnes – UK

Terry Back – UK

Stephen Chipman – USA

Carol Banford – USA

Chairman

The new Chair, Peter Bodin was initially appointed for a two-year period commencing 1 January 2010. The role of the chair is pivotal to creating the conditions necessary for a highly effective board focused on the strategic global development of Grant Thornton International.

CEO

Ed Nusbaum took office as CEO on 1 January 2010. The CEO takes office for an initial term of five years and is eligible for successive terms of three years each.

The role of the CEO includes the development and recommendation of strategic priorities and of policies and procedures for ratification by the board, together with their subsequent implementation. The CEO has the authority to appoint new member firms in accordance with the criteria agreed by the board.

More information can be found at www.gti.org



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firms independently.

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to any person acting or refraining from acting as a result of
any material in this publication.

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