

Transparency Report 2008



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“My director at Grant Thornton has been my trusted adviser and confidante from the very early stages of the development. Knowing that we can rely on the advice we’ve received has enabled us to focus on realising our vision.”

Maha Sinnathamby
Founder and chairman
Springfield Land Corporation

“Grant Thornton has consistently given me good advice and I would never make a key decision now without running it past them first.”

Colin Hughes
CEO
Snow Confectionery

Foreword

It has been a year of momentous change for Grant Thornton in Australia.

On 1 January 2008, our firm changed its corporate structure from an association of five state-based firms to a single national corporation called Grant Thornton Australia Limited (GTAL). In an increasingly complex and regulated environment, we took the opportunity to create a new, exciting and innovative entity which has delivered real, sustainable and growing benefits to our people and clients.

Following the change in structure, we continued to strengthen our position as a market leader by merging with William Buck in Melbourne. This was in addition to our merger with Bentleys MRI, Perth in October 2007 which bolstered our presence in Western Australia. This has enabled us to offer a truly integrated national capability from the key capital cities. Similar strengthening by other member firms of Grant Thornton International has taken place this year as part of a global strategy to further enhance international capabilities.

The past year has seen fee income in Australia rise by 40 per cent to \$151m, which we see as the first step towards our vision to be a \$300m turnover national business by 2011. Key to this target is our commitment to client service excellence. Our people are at the centre of this commitment with the development of existing strengths as well as the attainment of new areas of expertise a continued priority. Growth will also be key, both organic and through acquisition, along with the continued development of our national brand presence and overall pledge for integrity and clarity throughout our organisation.

This transparency report for the year ending 30 June 2008 is the first report of its type produced by Grant Thornton Australia. It has been produced on a voluntary basis to provide a clear picture of our

operations, values and how we uphold confidence in our capabilities as public auditors.

This year we have seized a unique opportunity to change our business and we feel this report represents a benchmark for our national corporation. Based on providing seamless quality service to our clients, adaptability and a commitment to speak out on key issues, we believe Grant Thornton Australia is uniquely placed to carve its own niche in the marketplace.

Robert Quant
Chief executive officer
Grant Thornton Australia

“We pride ourselves on client service excellence. We strive to deliver a consistent level of client experience throughout all states with a common focus on close relationships, communication, and friendly accessible service.”

Robert Quant
CEO
Grant Thornton, Australia

Thought leadership

Grant Thornton Australia is dedicated to providing resources, research and opinion pieces on the issues and challenges to business and those affected by it. With our expertise, journalists regularly seek our opinions on matters of interest. Insolvency, tax, corporate finance and succession options are examples of the topics we have commented on recently.

Below are examples of thought leadership reports produced by Grant Thornton Australia this year, all of which are available on our website www.granthornton.com.au.

Grant Thornton Aged Care Survey

With an ageing population, Australia faces a critical challenge to meet the need of its elderly citizens over the coming years. With the support of Professor Warren Hogan, our survey examined changing trends in the aged care industry and evaluated the extent to which the current funding and policy models promote service quality and choice for Australia's elderly population.

Among the recommendations of the report was for the review of Australia's aged care regulatory and funding arrangements, with particular attention given to aspects of regulation which limit consumer choice and investment. Initiatives introduced to enhance consumer influence should not undermine the accessibility, equity and quality of aged care services.

Corporate governance survey – 2008

Our annual review of corporate governance disclosure by the ASX 300 is a valuable reference document for the Australian market, highlighting trends and reflecting the impact of new and revised guidance.

In a period when businesses are under increasing pressure to perform, the report outlined the importance for businesses to be managed effectively. It examined the good business practices of:

1. Delivering a sustained report of good results.
2. Demonstrating and implementing an effective strategy.
3. Transparently disclosing the actions they take in order to create an environment of strong corporate governance to engender investor confidence.
4. Implementing and disclosing corporate social responsibility initiatives

While share market analysts frequently focus on the first two elements, the purpose of this report is to provide the reader with insight into what companies are doing regarding the third.

Surviving the credit crunch

Our practical guide to the 'credit crunch' was produced with the privately held business in mind and was well received by clients and professional bodies alike. The guide explored a ten point readiness check designed to help businesses take quick and decisive action to turn difficult market conditions to their advantage. The guide examined key concepts such as cash flow management, cost controlling, tax plans, investment plans and protecting personal wealth.

International Business Report

This year was the sixth year of our participation in the Grant Thornton International Business Report (IBR). The global survey examines the thoughts and opinions of over 7,000 privately held businesses in 34 countries, including entrepreneurs, family businesses and non-listed entities which together account for over 98 per cent of businesses worldwide.

Topics this year included examining business confidence and economic prospects, the continued emergence of corporate social responsibility, global trends in recruitment and retention issues, investing in global growth markets and trends in mergers and acquisitions.

Survey of Australia's financial reporting deadlines

Our survey on financial reporting deadlines was conducted as part of our commitment to speaking out on the issues that matter to businesses.

In Australia, we have some of the tightest financial reporting deadlines in the world for both private and publicly listed companies. We also have predominance of 30 June year-ends due to the tax and company legislation.

The survey examined the effects of this clustered reporting schedule and examined options relating to potential changes in legislation. Areas explored included:

1. allowing companies to change their year end dates more easily; and
2. consideration of business size when setting reporting deadlines.



Statement from the head of assurance

Audit quality is the cornerstone on which we've built our audit practice over the last decade. Many see audit as a commodity. But beyond the robustness of our assurance opinions, our differentiation has been based on the service levels and high level of director involvement we provide to our clients.

This director-led relationship model seeks to understand businesses and industries. Delivery is efficient with paramount importance given to deadlines and exceeding our clients' high expectations on service quality. Access to senior decision makers and technical resources is timely, with communication clear and responsive.

As national head of audit and assurance services, I am responsible for all aspects of leading this service line, from delivering financial performance and driving growth to attracting, developing and retaining the best people.

Naturally our delivery of audits complies with the increasingly complex professional standards. High quality, well trained auditors using state of the art audit methodology and tools are fundamental to our success. Our high standards are maintained through our national training model which ensures that staff in all offices obtain regular, consistent training tailored to their experience levels.

We are fortunate to be able to leverage Grant Thornton International's first class global audit methodology (Horizon™) along with its second generation software tool, Voyager, which

we have recently implemented along with member firms around the world. Voyager builds on Grant Thornton International's previous Explorer and auditCARE platforms, which we have been using successfully for more than 10 years in Australia. They will provide us with an even greater competitive advantage against the mid-tier firms who do not have such tools and will be a strong platform to further challenge the Big 4 at the bigger end of town.

With our recent mergers in Melbourne and Perth we now have sizeable, strong audit practices in all five major state capital cities. Our ASX listed audit clients number over 140 and growing. Our focus is now to dispel the myth that only the Big 4 have

the size, depth and capability to audit large, international listed companies. By continuing to build on the expertise gained through our current larger clients, we will continue to make inroads in this area and demonstrate to the market that we are a very real and attractive alternative to the Big 4.

We've made significant progress in achieving these goals in the last 12 months and will continue to grow strongly over the coming years, built upon our commitment to audit quality, client service and the best people using world class audit tools.

Matt Adam-Smith
National head of audit and assurance services
Grant Thornton Australia



Services

Audit and assurance

You might not have a choice whether your business carries out an audit or not, however, you can still choose who you appoint to conduct it.

Why choose Grant Thornton?

At Grant Thornton we pride ourselves on having a director-led service for all our audit clients. We commit to being responsive and spending the time required to understand your business and meet the agreed timeframes. You'll find our directors are very hands on, with this type of work being their passion and the reason they are part of Grant Thornton.

As we are members of Grant Thornton International, when we deal with member firms in other countries (perhaps where you have subsidiaries or other operations) our audit files are easily transferred to minimise coordination costs. Through the international organisation of firms, we deliver a truly seamless global audit in a timely and efficient way.

Nationally, we invest in technical resources and training to ensure our team are up to date with the latest accounting and auditing standard requirements. The Institute of Chartered Accountants in Australia uses Grant Thornton for regular technical updates to members. This means we are not reactive when issues arise. Instead we identify potential problems that may be encountered by our clients and deal with them in a planned and considered way.

Independence

Conflicts of interest and independence are of paramount concern to audit committees and auditors alike. We have a web-based global independence and conflict check system to ensure we are independent of all clients, prior to undertaking work. Any conflicts of interest that may arise are identified immediately.

Right sized replies

The need to gather, assess and act on information is as vital to Grant Thornton as it is to our clients. We know that, in most cases, our clients need short, practical responses. Exhaustive, time-intensive and costly reports are usually not warranted in response to the issues faced by our clients. We commit to always providing a fee estimate before we undertake any significant assignment outside of the scope the year-end audit.

Some of the Audit and Assurance Services we provide include:

Audits of financial reports

Provision of statutory audit services for clients requiring an audit under the Corporations Act 2001, or other relevant legislation. Our industry experience and exposure to different entity structures is very broad. Within Australia our audit clients include 140 ASX listed companies, some of the largest privately owned businesses, right through to not-for-profit entities.

Reviews of financial reports

Provision of review services (less detailed and hence providing a lower level of assurance than an audit) for half year reports of ASX listed companies under the Corporations Act 2001 and other entities, as required.

Internal audits

Provision of an internal audit function, either on a one-off or recurring basis, for organisations of all types.

Systems and controls reviews

One-off reviews of an entity's financial and operating systems and controls, providing an independent assessment of the internal systems and controls. These reviews assist in risk management and corporate governance.

Agreed upon procedure reports

Conducting procedures on specified financial information for a particular special purpose and then preparing a report based on these procedures.

Other types of audits

There are many other types of audits that we undertake such as:

- trust accounts (solicitors and real estate agents)
- grant acquittal statements
- turnover audits for shopping centres.

Tax

Continual changes in taxation law constantly challenge businesses large and small, particularly those operating internationally. How your business meets this challenge can have a significant affect on your bottom-line and the more your business grows, the more complex tax requirements can become.

Through legitimate planning, our Grant Thornton tax team considers issues that arise within specific types of tax, as well as the tax implications of a new project, or a change to the business. We work with you to develop tax-planning strategies suitable for your specific business or individual structure. Our common-sense approach is designed to help you understand and minimise the tax challenges you or your business faces.

Our tax services include:

Corporate tax services

- preparation/review of corporate tax returns
- preparation/review of IFRS tax calculations
- transaction tax advice
- ATO audit assistance.

International tax

- tax-effective international business structures
- advice on the impact of double tax treaties
- expatriate planning
- staff secondment advice
- structuring of inbound and outbound investments
- transfer pricing reports and advice
- withholding tax requirements.

Corporate advisory services

- capital raising tax advice
- advice on tax and structuring matters pertaining to private equity and venture capital transactions
- due diligence reviews
- preparation of reports for inclusion in public documents.

Indirect tax

- GST advice and compliance
- prudential review of GST returns to ensure correct compliance
- stamp duty advice
- land tax advice.
- advice on payroll tax and grouping provisions.

Employment taxes

- prudential review of fringe benefits tax returns to ensure inclusion of all benefits
- salary packaging advice
- fringe benefits tax calculations and compliance indirect taxes
- review of business systems and procedures to identify potential problem areas
- PAYG advice
- advice on the superannuation guarantee charge
- prudential review of payroll records to ensure correct PAYG, superannuation and payroll tax.

Privately held business services

Privately held businesses are the bedrock of the Australian economy and are seen globally as the catalyst for economic growth. It's a progressive segment, with high levels of productivity and innovation, essential to the health of the global economy.

Grant Thornton Australia has built its name on helping privately held businesses achieve their ambitions. We develop a close, long-term relationship with our clients and work with them to understand their needs and aspirations and then tailor our services to meet those goals.

Our collaborative approach achieves maximum results both for the business and, more importantly, the owner. Clients deal directly with our directors who call upon their breadth of technical expertise to benefit businesses through innovative solutions and their passion to understand privately held businesses.



Services offered to the privately held business owner include:

- strategic planning
- structuring advice for the business and owner
- finance/banking reviews
- tax planning
- business profit improvement
- asset protection planning
- specialist business owner audits
- remuneration planning
- franchise services
- owner affairs management
- wealth investment management
- succession planning
- mergers and acquisitions
- estate planning
- retirement planning
- superannuation advice
- ongoing mentoring
- specialist tax advice
- accounting and compliance
- business valuation
- business health checks.

Corporate finance

Are you looking at a merger, making an acquisition, disposing of a business, undertaking a public share offering or raising finance? Whatever your strategic objectives, Grant Thornton can help you achieve them and increase your shareholders' wealth.

Our success is built on the importance we place on developing deep, long-lasting relationships, both with our clients and with third parties such as private equity houses, banks, other financial intermediaries, lawyers and government bodies. The strength of our partnerships and our multi-disciplined team allows us to provide a rapid response, tailored to your particular circumstances.

If you are competing internationally, Grant Thornton offers particular expertise in complex transactions across diverse geographic jurisdictions, particularly in the rapidly changing middle market.

Our capital market, M&A, transaction support services, advisory and valuation teams are represented by member firms in Asia Pacific, the United Kingdom, Europe and the Americas, positioning us ideally to consider both domestic and international requirements of businesses.

Corporate finance teams in member firms worldwide work and train together, sharing industry and technical expertise and a commitment to excellence. With an active secondment program between countries, we can field experienced international and dedicated service teams to suit your needs.

Wherever the geographic location, we apply the same insight, flexibility and relevant experience. We examine each transaction objectively and independently from all angles and work actively to involve all parties including purchaser, vendor, investor and management. This thorough approach ensures you receive the highest quality advice at all times and has gained us an established track record for delivering commercial and profitable solutions.

Corporate finance services include:

Pre deal services

- assurance
- analysis
- mergers and acquisitions
- valuations.

Strategy and planning

- structuring
- tax planning
- project plan
- research
- financial modelling.

Pre bid analysis

- desk top review
- valuation parameters/sensitivities
- gearing scenarios
- fundraising.

Due diligence (DD)

- financial DD
- taxation DD
- vendor DD
- information technology and systems review
- internal controls.



Completion

- completion accounts
- sale and purchase agreement advice
- assistance with lending and funding
- documentation.

Post deal services

- purchase price allocation
- integration
- assurance services
- tax compliance
- M&A
- valuations.

Recovery and reorganisation

The normal lifecycle of every business has peaks and troughs. Just as the successes can exceed expectations, financial difficulties, if left unchecked, can threaten the very survival of any business.

Grant Thornton works directly with companies, law firms and all the major Australian lenders to help anticipate and prevent corporate insolvency. Where it is not possible to turn around a troubled business without formal insolvency proceedings, we are qualified to act as voluntary administrators, receivers, liquidators or trustees in bankruptcy as appropriate and often use these procedures as a restructuring tool.

In every situation we use hard-won experience and commercially proven techniques to address the pertinent issues necessary to turn around a business – from tax advice and compliance through to refinancing, profit improvement and management counselling.

We draw on our experience working with both companies and lenders to broker solutions designed to guide debtors, creditors and other stakeholders towards a successful long-term future. Grant Thornton's recovery and reorganisation team is regarded as one of Australia's leading practices, both domestically and abroad.

Our proven ability to quickly identify underlying performance issues is supported by Grant Thornton's Industry Intelligence Unit. This produces regular industry-specific research papers and articles for publication and undertakes specialist training for Grant Thornton's clients so

they can benefit from our strong sector knowledge.

Outside of Australia, our multi-disciplined international capability enables us to provide integrated cross-border recovery and restructuring solutions to multinational corporations.

Recovery and reorganisation services include:

- restructuring and turnaround
- exit strategy services
- lender support services
- insolvency services
- pre-lending reviews.

Other services

Other advisory services provided by Grant Thornton Australia include:

Business risk services

Directors see the management of business risk as not just about compliance, but as an opportunity. We provide enhanced risk management and compliance services along with IT related risk management to align systems to your business and strategic objectives.

Above all, we are focused on improving business processes and ensuring good governance and control. We work with businesses to set a clear strategy for improvement by helping tackle issues and take advantage of opportunities they present.

Business transformation consulting

Our management consulting services help organisations successfully implement complex initiatives.

Consultants provide key insights and experience to successfully execute on priority business initiatives including market, financial, technology and operational strategies.

Specialist offerings include:

- market sustainability
 - developing and deploying strategic capabilities
- service integration
 - enhancing the operation of businesses support functions.

Outsourcing

Workforce relations are a challenge. Employee agreements, generational change, varied/flexible work entitlements, legislative changes and loss/lack of skilled resources all create complexity.

Grant Thornton Australia offers solutions that assist clients improve how they manage and deploy employees and improve support service delivery. A comprehensive outsourced financial and HR solution – fully supported “back office” infrastructure with timely, practical advice.

The team provides three key services:

- managing workforce deployment to ensure required talent is available cost-effectively
- servicing outsourcing operations from base transactional services (e.g. payment compliance) to premium engagement services (e.g. wealth management)
- providing interim HR/payroll management on a short or long term basis.

Litigation and forensic

Our forensic accounting and litigation support services helps businesses quantify and recover economic losses. We provide specialist investigative financial, accounting and taxation services that assist to build a case against a breach of contract or obtain a settlement on a wide range of disputes.

Our services include:

- investigation and analysis of financial evidence
- development of computerised applications to assist analysis and presentation of financial evidence
- communication of findings (e.g. reports and exhibits) to assist in legal proceedings, including testifying in court as an expert witness and preparing visual aids to support trial evidence.

Grant Thornton International

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd (Grant Thornton International).

Grant Thornton International is one of the world's leading organisations of independently owned and managed accounting and consulting firms. These firms provide assurance, tax and specialist business advice to privately-held businesses and public interest entities. Clients of member and correspondent firms can access the knowledge and experience of more than 2400 partners in over 100 countries and consistently receive a distinctive, high quality and personalised service wherever they choose to do business. Grant Thornton International strives to speak out on issues that matter to business and which are in the wider public interest and to be a bold and positive leader in its chosen markets and within the global accounting profession.

Services are delivered independently by the member and correspondent firms within Grant Thornton International, a non-practising, international umbrella entity organised as a private company limited by guarantee incorporated in England and Wales. Grant Thornton International does not deliver services in its own name or otherwise. Grant Thornton International and the member firms are not a worldwide partnership. Each member and correspondent firm within Grant Thornton International is a separate national firm. These firms are not members of one international partnership or otherwise legal partners with each other (with the exception of certain limited instances), nor is any one firm responsible for the services or activities of any other. Each firm governs itself and handles its administrative matters on a local basis. Although many of the member firms carry the Grant Thornton name, either exclusively or in their national practice names, there is no common ownership among the firms (with the exception of certain limited instances) or by Grant Thornton International.



Highlights

- Member firm personnel in 2008 totalled 27,861 (21,822 in 2007) of which 2,539 were partners (2,448 in 2007).
- Grant Thornton member firms served as primary auditors for approximately 1,500 publicly listed companies in 2007.
- The member firms of Grant Thornton International achieved combined global revenues of US\$4 billion to 30 September 2008, a 14 percent increase on 2007.
- Member firms of Grant Thornton International experienced significant expansion in emerging economies via organic growth and acquisition, for example, the member firm in Brazil experienced 65 per cent organic growth in 2007.
- Mergers in Australia, Hong Kong, Ireland and the United Kingdom have strengthened the global organisation further in 2007 and 2008.
- A new global brand identity was launched throughout the global organisation in 2008.
- Specialist services, such as Business Risk, Corporate Finance, Recovery & Reorganisation, and Public Sector Advisory, increased by 33 per cent in 2007.

Governance and management

In a fast changing world, with increasing regulation, Grant Thornton Australia can be relied on to provide practical and independent advice centred on the highest professional ethics, principles and standards.

New structure

Our national structure allows us to offer a full service of offerings to privately held businesses and public interest entities alike. Something that smaller firms will struggle to offer as the cost of compliance and regulation increases.

Although a unified national firm, our tailored approach to different states has been preserved through a continued local office framework to preserve tailored responses and a local market focus. This allows each office to pursue opportunities within its local market whilst maximising the advantages of being a national entity.

Leadership

We pride ourselves on having a director-led service for all clients. High on each director's agenda is a desire to maintain a collaborative, values-based organisation and to value and leverage individual strengths and passions.

Our people are encouraged to speak out on a wide range of issues relating to our clients and in the public interest. We strive to lead in our chosen markets and support necessary change in our profession. Our directors contribute on domestic and international issues with strong collaboration with professional and industrial associations.

Governance

Grant Thornton in Australia operates directly through, or as subsidiaries of Grant Thornton Australia Limited, as an unlisted public company. Shareholders of Grant Thornton Australia Limited are the directors of Grant Thornton in Australia.

Our new 'single entity' corporate structure enables us to reduce risks through stronger, more consistently applied systems and procedures.

The firm is governed by a board. The board composition is comprised of an independent chairman, two independent directors, five state based executive directors and a national CEO. This composition enables the organisation to provide sufficient oversight, independent thought leadership and working knowledge of local office environments to maintain our entrepreneurial business culture. Our structure enables local offices to have sufficient authority so they are able to respond to their local market as well as having considerable influence at a national level.

Our independent chairman oversees the policy and strategy body to protect the firm's values at a board level. In addition, we will appoint two external directors to contribute business expertise and independent thinking.

Three national committees stand aside from the board:

- the national risk management advisory committee (NRMAC) is established to recognise and manage risk;
- the remuneration and equity committee (REC) oversees fair and responsible remuneration practices; and
- the audit committee assist the board to fulfil its responsibilities in relation to financial reporting, governance and audit functions.

One of our foundation principles is that we have a national service line leader approach to service delivery which provides us with competitive advantage in our markets and protects our entrepreneurial spirit.

Legal structure

Ownership

Grant Thornton Australia Ltd is a single national corporation which is entirely owned by its shareholders, all of whom are employees of the firm.

Within our structure we do not refer to ourselves as partners, but instead we use the title of director, for example: director – taxation.

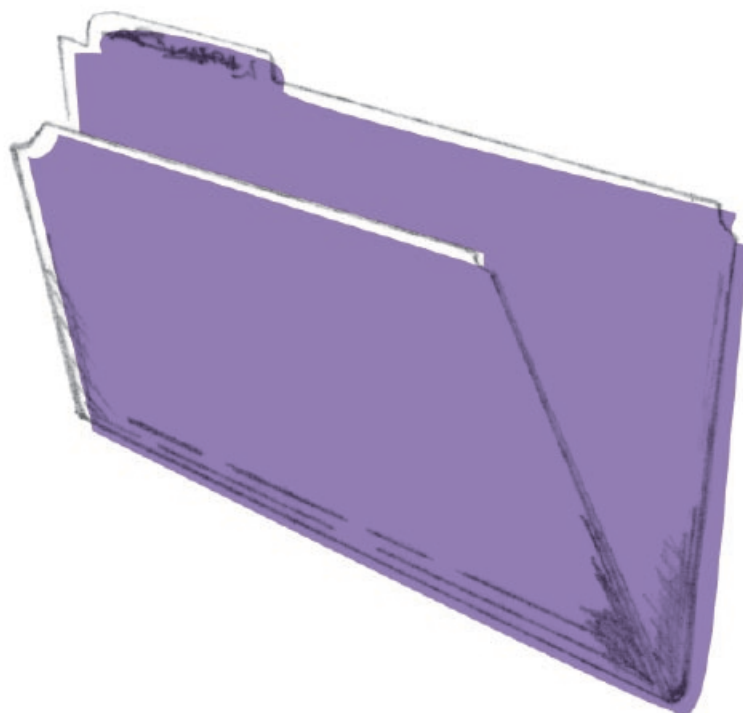
Regulatory body affiliation

Many of the firm's activities are regulated by a number of independent bodies including:

- institute of chartered accountants in Australia (ICAA)
- Australian securities and investments commission (ASIC)
- Company auditors board
- tax agents board
- Australian prudential regulatory authority (APRA).

Grant Thornton Australia Ltd is subject to reviews by certain regulatory authorities including the ICAA, ASIC and APRA.

Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd.



Management structure

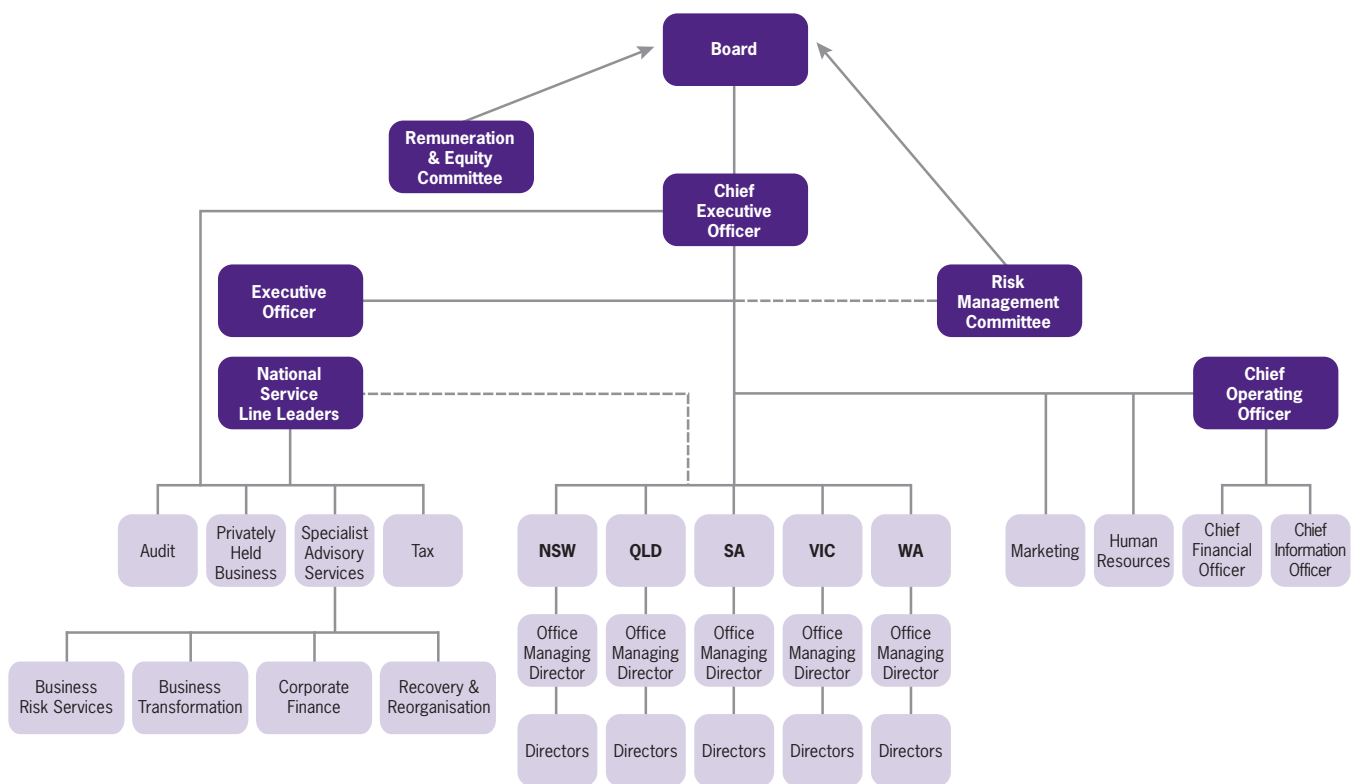


Figure 1: Grant Thornton Australia – reporting structure

The key roles and responsibilities for management under the new structure are as follows:

Board

The principal role of the board is to lead the firm's strategic priorities. The board is responsible for determining national policy, strategy and governance standards. It approves and oversees delivery of the overall vision and strategy for the firm's profitable success

and growth. The board appoint, direct and hold the chief executive officer (CEO) accountable for ensuring the business is operating in manner consistent with the vision and values.

The board consists of the following members:

- independent chairman - Professor Roger Collins
- CEO – Robert Quant
- two external directors to be appointed shortly.

- One representative from each of the five states:
 - New South Wales - Mark Bisset
 - Queensland - Rodger Flynn
 - South Australia - Steve Westaway
 - Victoria - Ian Herman
 - Western Australia - Bill Stephen.

The independent chairman has been appointed to provide direction and support for the delivery of the firm's vision and strategy. The role of the independent directors is to ensure all members of the board are focussed on the national shareholders' best interests and to support executive directors during decision making processes.

Remuneration and equity committee (REC)

This committee's role is to oversee and approve the annual remuneration awards and equity allocation for directors.

National risk management advisory committee (NRMAC)

Approves and monitors the firm's risk management and compliance policies.

Audit committee

The audit committee assists the board to fulfil its corporate governance and oversight responsibilities in relation to the firm's financial reporting, internal control systems, risk management systems and the internal and external audit functions. They objectively analyse firm financial data and ensure the board receive the information they require in a timely manner.

Chief executive officer (CEO) - Robert Quant

The CEO has overall responsibility for:

- building and delivering national strategies for profitable growth and market position
- ensuring the management of the firm is in a manner consistent with the interests of our clients, people and ethical standards
- providing leadership for the values, brand development and stewardship of the firm
- management of the appointment, performance and development of directors.
- The appointment and delegated management of the senior executive team. Office managing directors (OMDs) report to the CEO as do our national service line leaders (NSLLs).

Office managing directors (OMDs)

As part of the national strategy, OMDs collaboratively lead, build and deliver growth and profitable performance in each local market.

- New South Wales - Mark Bisset
- Queensland - Rodger Flynn
- South Australia - Steve Westaway
- Victoria - Ian Herman
- Western Australia - Bill Stephen.

National service line leaders (NSLLs)

Our NSLLs establish the vision and define the direction of each service line. Their goal is to leverage national service line capability and market presence to deliver the highest quality service to clients and to achieve growth and market leadership.

- Audit/assurance - Matt Adam-Smith
- Privately held business - Tony Markwell
- Specialist advisory services & corporate finance - Scott Griffin
- Recovery and re-organisation - Paul Billingham
- Taxation - Peter Godber

Executive officer (EO)

The EO's role is to support the CEO with the secretarial management and co-ordination of the reporting and information requirements across local offices and service lines.

Chief operating officer (COO)

This new role will provide leadership and management of the national support operations. The senior executives in finance, information technology, marketing and human resources will report to and work with the COO to deliver the strategic outcomes required to meet the firm's business and cultural objectives.

National director marketing and business development

Leadership, development and management of the firm's brand, marketing and business development in line with national strategy.

National director of human resources

Leadership, development, management and delivery of the firm's people strategy to ensure we attract and retain the best people to meet our strategic goals.

Chief information officer (CIO)

The CIO will work with the COO in developing and implementing information technology initiatives, technology platforms and systems to deliver the optimum structure for the operations of the firm.



Quality control systems

Quality management and technical excellence

Our success centres on our determination to be leaders in our chosen fields. Stringent quality management procedures, internal control systems and risk assessment measures ensure that everyone at Grant Thornton Australia adheres to the standards that we and our clients have come to expect.

Nowhere is this more important than in our audit services where the quality of work is critical for our clients and professional regulators. To uphold our standards, we have established a range of precautions which oversee our audit procedure and the independence of directors and staff.

Every part of our business is required to be governed by rigorous quality control systems, such as:

- detailed technical manuals – documenting procedures and standards expected of our work
- continual training of directors and staff including comprehensive inductions, yearly appraisals and director peer reviews
- quality control measures – to review and assess each assignment to uphold required standards of quality
- quality assurance processes – these include retrospective reviews to enable feedback into the procedures to continually review their effectiveness.

Grant Thornton Australia operates a risk management framework with management taking responsibility for the quality service line delivery and ensuring that the appropriate processes are in place on an annual basis. Should any areas of weakness be identified, appropriate action is taken with the improvement process monitored throughout. This framework forms part of our internal audit review.

We adopt a quality management approach for auditing and financial reporting which is based on the following components:

- A robust and rigorous risk-based audit approach – we allocate significant resource to ensure audit quality including widespread consultation and on the job technical training.
- Skills and personal attributes of our directors and staff.
- Ethics and integrity – we only accept and act for businesses which we believe exhibit integrity and ethical standards and for whom we consider the risks of acting for to be acceptable.
- Independence and impartiality – throughout the organisation we understand that our reputation relies on the quality of our work and strength of the decisions we take.
- Consultation – we operate a culture where consultation is ingrained in our approach and in relevant circumstances, compulsory.

Client acceptance and continuance

All of Grant Thornton Australia's statutory audit clients are subject to categorisation policies to make sure that the appropriate procedures are applied. That categorisation is used to drive key procedures including:

- the need to consult and acquire specific, external-to-the-office approval prior to the acceptance and continuation with particular new clients
- the requirement of specific team members, with relevant experience, to perform the role of audit director and 'on-site' roles
- for certain categories of audit, to recognise the need to appoint an appropriately experience review director.

Clients are only engaged if we are fully satisfied that we have the required capacity, skills and expertise to enable us to offer the highest possible standards of service and care to meet client expectations. Acceptance of a client must also not prejudice our independence, objectivity or integrity.

High profile appointments are required to be pre-approved by senior management who are independent of the proposed client service team. A similar process is compulsory on an annual basis or if there are any known changes in circumstances.

We maintain strong quality management systems for all service lines to ensure that each individual assignment is delivered to a consistently high level of professional and technical excellence. In addition, we have dedicated central support teams for all service areas who offer practical support and advice to all client-facing directors and staff.

Supporting audit delivery

Grant Thornton International develops resources that assist member firms in delivering a strong 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.

In Australia, our national audit support team provides high quality technical support and guidance on all audit related issues.

Audit team structures

Strong emphasis is given to the requirement to have the highest quality of expertise within each audit team with substantial director and manager involvement encouraged throughout the audit process. This is fundamental to our audit approach and a key differentiator within the marketplace. We also dedicate considerable resources to appraising and developing all audit team members, including mentoring, professional and personal development courses.

Clear and unambiguous audit reporting

Regular mandatory training is crucial so directors and staff are aware of the latest issues in order to address them appropriately within the audit approach. It also means we are able to communicate with client's board and audit committees on matters of relevance to them in a clear, practical and positive manner.

Close consultation is maintained throughout the audit process with audit committees on a range of issues such as initial scoping, through to crucial judgements. Our strategy and key issues memoranda also provide structure for continued interaction with boards and audit committees.

Grant Thornton International audit review

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

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) which are consistent with Australian professional requirements:

- 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 the worldwide director – quality control. Member firms are provided with guidance on the design and implementation of their own quality control systems to support their compliance with all applicable international and local standards. The global Grant Thornton International Audit Review programme (GTAR) reviews the conduct of audit work performed by each member firm.

Internal quality assurance reviews

National audit reviews are carried out annually to assess the quality of the audit work across various areas of activity and industry sectors. The reviews are risk focused and review teams are selected from outside the office under review. Reviews cover each office location once every three years and all new audit directors one year after appointment.

In accordance with the Transparency Report requirements, the above outlines 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.

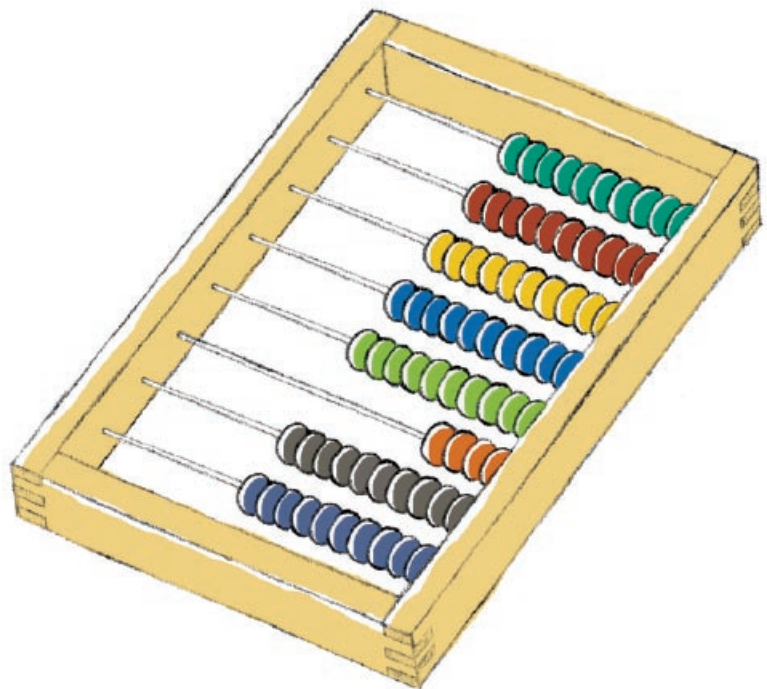
Independent oversight and external quality assurance review

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 Australia (ICAA); and we are subject to inspection of our audit files by the Australian Securities and Investments Commission (ASIC). Each of our offices was inspected by the ICAA in 2007 and ASIC inspected our Adelaide office in 2007 also. No major issues were identified in these various reviews.

The firm is registered with the Public Company Accounting Oversight Board (PCAOB).

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



Risk management

At Grant Thornton we consider risk management to be an integral part of our business activity. A key objective of our approach to risk management and compliance is to achieve our business objectives without surprises and to meet our compliance obligations. To this end we have developed a comprehensive and integrated risk management and compliance strategy which plays a crucial role in our governance framework. This strategy was launched in New South Wales in July 2008 and is being rolled out nationally from December 2008 onwards.

Roles and responsibilities

The board has ultimate accountability for the firm's risk management and compliance outcomes. They are responsible for ensuring that the entity has appropriate systems in place to manage our risk exposures and our compliance obligations. Their commitment to a strong risk and compliance culture is reflected in our risk management and compliance policy statements.

The National Risk Management Advisory Committee (NRMAC), chaired by the national risk leader, is responsible for monitoring our risk and compliance performance against our strategy and advising directors on all elements of risk and compliance. This committee meets bi-monthly and is supported in the business by state based Local Risk Management Advisory Committees (LRMAC's) which are

chaired by the local NRMAC member. The LRMAC's are in turn supported by risk and compliance representatives in the business.

The national risk and compliance manager is responsible for developing the risk and compliance strategy, frameworks and programs and implementing them in the business. The risk and compliance strategy, and its supporting elements, are based on Australia/New Zealand Standards 4360 (Risk Management) and 3806 (Compliance).

Frameworks

Our risk management framework incorporates a fully integrated program which is used to:

- identify risk and controls and allocate responsibilities for them
- measure our inherent and residual risk and set risk tolerance levels
- quantify the impact and likelihood of occurrence
- assess controls for effectiveness of design and performance
- monitor programs for testing controls
- raise risk issue action plans and track them to completion
- report to management on our risk status in order to facilitate informed decision making.

Risk assessments form the basis of our risk management program and are currently being developed for all operational and support service lines.

A formal risk issue and compliance breach reporting program is in place. Reported issues are recorded in a central database and tracked to completion. This involves gathering monthly updates from those responsible for completing the actions, monitoring progress against pre-determined completion dates (set by risk rating), reporting to management on individual and overall status of issues and evidencing completion. Where an issue is a compliance breach, protocols are utilised to manage all liaison with the regulator or professional body. If the issue or breach concerns the assurance area, the national head of professional standards is a key stakeholder in the process.

Testing of controls is performed both internally and externally. External audit results from the GTAR, SASPR, ASIC, ICAA etc. are subject to the reporting protocols.

Further, the "Internal Quality Control Review Program" is undertaken annually across the entire business, including support services. This program involves file reviews (operational service lines) as well as the measuring of compliance with Grant Thornton International requirements, local legislation and other compliance obligations. Management Action Plans resulting from internal reviews are monitored via the risk issue and compliance breach reporting program.

Key controls

Training – a range of technical and compliance training modules are in use across the business. Attendance is monitored and the modules incorporate assessment where appropriate.

Professional indemnity insurance – this cover is in place through Allianz and is supported by escalation and reporting protocols and processes.

Policy – national and local policies are used to set standards and guide behaviour. Policies are subject to a formal approvals process, are periodically reviewed and include an explanation of ramifications in the event of breach.

Process and procedure – various documented processes and procedures are used to support the implementation of policy in the business. Key amongst these are the compliance manual (incorporating EQCM) or local equivalent, specialist advisory services (SAS) manual (undergoing national roll-out), audit manual and tax quality control procedures and policies manual.



Independence practices

Maintaining objectivity and independence of thought is vital to maintaining our reputation. We have a strong system of independence and conflict checks, which is designed to identify potential conflicts of interest at the earliest possible juncture, and deal with them appropriately. Sources of potential conflict 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 directors 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.

Grant Thornton International

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

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

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

Professional skills and values

Our vision and values

Grant Thornton Australia has adopted the Grant Thornton International global vision and values strategy. These values and guiding behaviours are designed to guide daily life within Grant Thornton under one global vision.

Our vision:

“Empowered people providing bold leadership and distinctive client service worldwide.”

Our values:

- unite through global collaboration
 - we are committed to provide the same quality experience for all our clients and people seamlessly across national and international borders
- demonstrate leadership in all we do
 - we are committed to the success of our clients, people, profession and stakeholders by demonstrating clear leadership at all levels
- promote a consistent culture of excellence
 - we are distinguished for innovation and solutions-based approaches created and delivered by talented people with the passion to exceed expectation.
- act with agility
 - we have the ability to adapt, anticipate and respond quickly to meet complex client requirements along with changes within the marketplace and profession

- ensure deep respect for people
 - 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.
- take responsibility for all our actions.
 - 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.

All staff at Grant Thornton have the responsibility to live by this vision and values and promise to make a commitment to “be better tomorrow than we are today”. Grant Thornton Australia will be running a full roll out of the Grant Thornton global vision and values throughout late 2008 and early 2009 with a series of workshops, seminars and communications. These are designed to familiarise Grant Thornton Australia staff with the global vision and values, as well as to get buy in on what the values mean on a more local and personal level, to ensure we “live the values” as a firm on an everyday basis.

Continued professional development

Grant Thornton Australia is committed to make sure all our people are equipped with the necessary skills and expertise to deliver the range of quality services and technical expertise essential to our clients. All directors and qualified staff are required to keep up to date with the latest professional standards, including our own risk management, ethical and independence requirements.

All staff operating in specialist service lines or dedicated markets including statutory audit must comply with the compulsory training requirements. On an annual basis we actively monitor that that any requirements are adhered to with each staff member required to submit a continued professional development record.

On an internal basis, technical resources and support is provided through regular electronic updates, training workshops and seminars.

Client service

Grant Thornton Australia prides itself on client service excellence. We want all our clients to experience a consistent level of service no matter which state they are in. Our common focus is to understand what businesses want, need and value: close relationships, constant communication and a friendly, easily accessible service from their business advisers.

Take Nippy's Fruit Juices as an example. The South Australian fresh juice producers are jointly owned and managed by brothers John and Jeff Knispel. The brothers often have different perspectives on the business and this is where their relationship with Grant Thornton can be most beneficial.

"Grant Thornton's long-term involvement and working knowledge of the business make their input invaluable," John says. "They often help my brother and I resolve issues simply because we value their opinion."

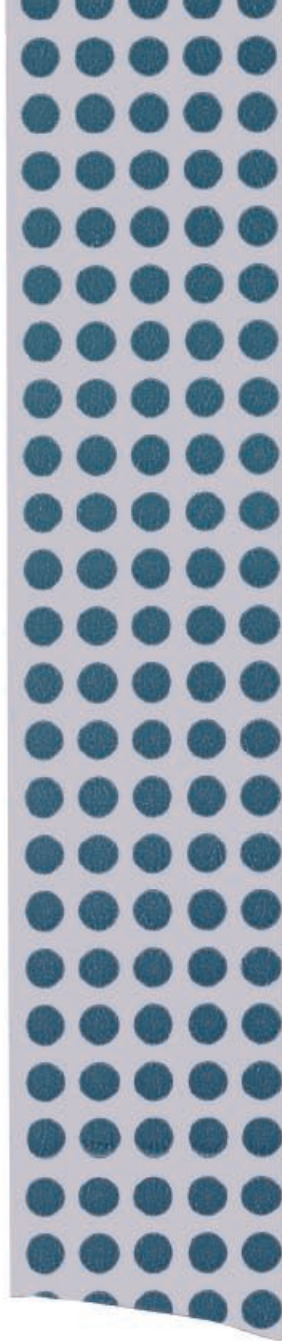
The company now boasts an Australia-wide distribution network, an Asian export market and a production capacity of 25,000 tonnes of citrus fruit each year.

We believe in working alongside our clients to understand their objectives and help them reach their goals. It's about delivering on the basics and sustaining a strong approach. Delivering when we say we will and offering value at every opportunity is fundamental to our approach.

Our client satisfaction research programme examines the thoughts and experiences of our service delivery to regularly monitor, review and tailor our client service delivery. By tailoring and reviewing the 'Grant Thornton experience' we are able to enhance every element of our approach and ensure we constantly offer value and deliver services to help clients to meet their objectives.

"Empowered people providing bold leadership and distinctive client service worldwide."

Our vision
Grant Thornton



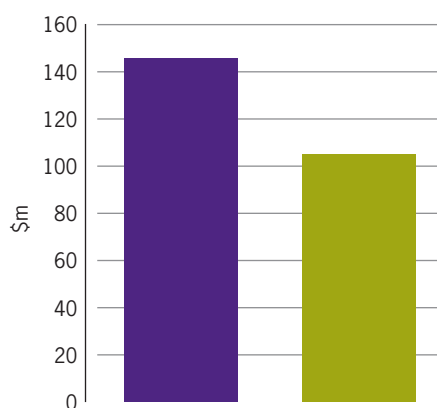
Financial information

Grant Thornton Australia

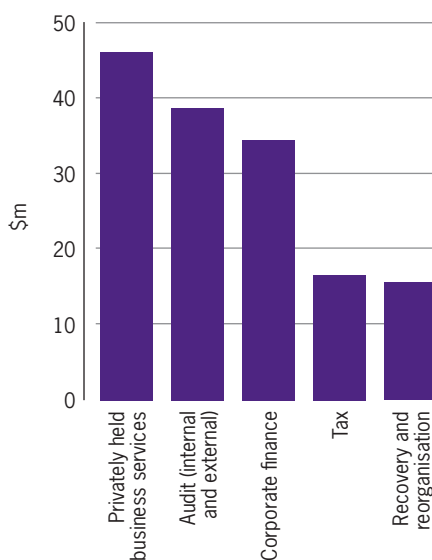
| | |
|--|---|
| Number of offices | 5 (Adelaide, Brisbane, Melbourne, Perth and Sydney) |
| Head office | Sydney |
| Fees 2007-8 (\$) | 151,140,000 |
| Number of directors | 106 |
| Revenue per director (\$) | 1,425,849 |
| Number of professional staff (full time equivalent) | 689 |
| Revenue per professional staff (\$) | 219,361 |
| Total staff (ex-directors, full time staff equivalent) | 821 |

Fee income for financial year ending 30 June 2008 versus 30 June 2007

● 2007-2008
● 2006-2007



Service line fee income 2007-2008



Director remuneration

The Grant Thornton Australia remuneration and equity committee (REC) stands aside from the board and oversees fair and responsible remuneration practice for all directors.

Director's remuneration includes a base salary which is determined by the REC in consultation with external consultants on an annual basis reflecting market rate within each state.

Short Term Incentives are calculated based on the performances of the director's local office, national service line and national firm. These levels are proposed through consultation with OMDs, NSLLs and the CEO respectively. This excludes the CEO which is proposed by the REC. The Director's performance is measured applying a balanced scorecard methodology.

Long Term Incentives are nominated by the CEO or OMDs based on sustained performance against agreed criteria. Performance can be related to contributions to both local and national office.

Dividends are approved by the board, based on profitability and cash flow of the firm subject to agreed retention levels.



Public interest entities

Grant Thornton Australia Limited audits 140 public companies that are listed on the Australian Stock Exchange. This represents just under eight per cent of all listed companies. Beach Petroleum is in the S&P/ASX 200 index, and 13 companies are in the Top 500 by market capitalisation.

| Our 10 largest ASX listed audits by market capitalisation (4/11/2008) | Top public interest entity clients |
|---|--|
| Beach Petroleum Ltd | Southern Health |
| WHK Group | GM Holden Ltd |
| Hunter Hall Global Value | St Vincent's Health Melbourne |
| Hunter Hall International | Royal Children's Hospital |
| Walter Diversified Services Ltd | DMS Holdings Pty Ltd ATF DMS Glass Unit Trust |
| Century Australia Investments Ltd | AI Limited |
| Talent2 International Ltd | Royal Women's Hospital |
| Reverse Corp Ltd | Spotless |
| Sirtex Medical Ltd | Telstra |
| Ramelius Resources Ltd | Melbourne Health |



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