

Transparency Report 2012

Grant Thornton Australia Limited & controlled entities
For year ended 30 June 2012



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Introduction

Our Transparency Report is a public statement to clients, audit committees, regulators and the wider public of our commitment to providing quality assurance services to organisations all over the world. Our clients rightly expect us to have policies and procedures in place that mean the quality and level of service they receive is not only exemplary but consistent, irrespective of where they operate.

The Corporations Legislation Amendment (Audit Enhancement) Act 2012, passed in June 2012, introduces a requirement effective in 2013 for the publication of annual transparency reports by audit firms conducting audits of ten or more significant entities (listed companies, listed registered schemes, authorised deposit-taking institutions (ADIs) and insurance companies). As in previous years, Grant Thornton has prepared this transparency report on a voluntary basis.

Statutory audits are conducted by Grant Thornton Audit Pty Ltd, a registered audit company, which is controlled by Grant Thornton Australia Ltd. A small number of audits are conducted by individual Grant Thornton partnerships which are controlled ultimately by Grant

Thornton Australia Ltd.

As part of our commitment to supporting our clients' pursuit of global markets, Grant Thornton Australia Ltd, through Grant Thornton Audit Pty Ltd, has also registered with the Professional Oversight Board of the UK Financial Reporting Council and the Public Company Accounting Oversight Board (PCAOB (US)) and the Canadian Public Accountability Board (CPAB (Canada)).

Our 2012 Transparency Report has been prepared with reference to the requirements of the Corporations Legislation Amendment (Audit Enhancement) Act 2012 and guidance contained in the EU Statutory Audit Directive and the UK Statutory Auditors (Transparency) Instrument 2008.

This report explains how our firm is run and how we ensure that we perform audits of the highest quality. It also describes the expertise, breadth and depth of Grant Thornton Australia Ltd and Grant Thornton International.

The 2012 Transparency Report describes policies and procedures which are effective during the year ended 30 June 2012 and the structure of the firm at this point in time.

On behalf of Grant Thornton Audit Pty Ltd.



Andrew Archer
National Audit Leader
30 September 2012

A message from our Chief Executive Officer

The 2012 Transparency Report for Grant Thornton Australia Ltd is an important demonstration of our commitment to providing high quality audit services. It is designed to provide our stakeholders, including our clients, regulatory bodies, and the public generally, with an understanding of our organisation and the way we do business.

We continue to operate in an economic climate that presents both challenges and opportunities for our firm and our clients. The relative stability of the Australian environment is good news for many, despite our continuing two-speed economy. Contrary to many commentators, we believe that the divide is not so much between the mining and manufacturing industries, but rather between the dynamic organisations and others in every industry sector. Those businesses that are constantly innovating, relentless about customer service, passionate about their products, and committed to investing in the best people continue to succeed. These growing, dynamic organisations are the clients we attract and serve. We understand them because we are one too - a dynamic organisation that's going places.

Our firm has experienced strong growth of 14% in the 2011-12 year. Our firm's total revenue for the 2011-12 financial year was \$171.9m, \$42.3m (25%) of this from our provision of audit and assurance services.

Mergers and acquisitions have been reshaping the accounting and advisory landscape in Australia over the last 12 months, and our firm has played a pivotal role in this industry restructuring. We have completed a major merger, bringing 48 new Partners and almost 400 new people under the Grant Thornton brand in Sydney and Melbourne. This increase in scale in two of our major markets is already paying dividends: we are bringing greater depth and breadth of capability to existing clients and being asked to assist larger organisations deal with a broader range of complex issues.

Our relationship with Grant Thornton International continues to strengthen, and we continue to benefit from being a member of a cohesive, global organisation.

In 2012-13, we will continue to deploy our globally consistent audit methodology to provide the high quality service and insights our clients have come to expect.



Robert Quant
Chief Executive Officer
Grant Thornton Australia Ltd

Statement from the Head of Assurance

High quality performance underpins our assurance strategy. Audit quality continues to be the cornerstone of our business and we have audit quality measures in place for Partners and staff to ensure our overall audit quality objective is translated into actions.

Our strategy is also focussed on providing distinctive client service to all of our clients. This was reflected in higher client satisfaction levels as measured by client surveys during 2011-12. Beyond the robustness of our assurance opinions, our differentiation has been based on the high level of Partner involvement and our attention to client service. This Partner-led relationship model allows us to better understand our clients' businesses and industries. Direct access to senior decision makers and technical resources allows us to communicate in a clear and responsive manner with all of our clients.

The success of this strategy saw our audit practice grow by 13% to \$42.3 million (2011: \$37.5 million) and we have increased our number of listed company audit clients to more than 200. In 2011-12 we also conducted our fifth annual Corporate Governance Survey, and reported on our financial reporting/regulatory reform survey.

On 1 May 2012, Grant Thornton welcomed the Partners and staff of the former BDO offices in Melbourne and Sydney, which doubled the size of our audit practice in those cities. This exciting development offers greater resources, deeper expertise, great industry

experience and enhanced credibility. The merger however has required considerable investment in due diligence, quality control, client re-engagement, methodologies, and training activities to equip our new Partners and staff with an understanding of Grant Thornton's audit methodology and to ensure compliance with our policies. Our audit software and tools were successfully rolled out in May 2012 to our new colleagues, and have been supported by ongoing training, including induction training in May, June and July 2012.

Our National Audit Support (NAS) team, which supports me in the delivery of the firm's audit strategy, has been strengthened and enlarged to support the audit practice. The NAS team refines our audit software and manuals (provided by Grant Thornton International); develops training, technical and industry alerts, practice aids; and provides advice on complex technical issues to support both our clients and audit specialists. The NAS team also undertakes ongoing monitoring and compliance activities with respect to quality and risk management. We also continued to work closely with the professional accounting bodies, the Australian Institute of Company Directors (AICD) and regulators on emerging issues. These activities assist us in developing submissions in response to emerging financial reporting and audit issues, helping us to shape the future of our profession in Australia.

As one of the world's largest

organisations of independent accounting and advisory firms, Grant Thornton International meets at least annually with the International Forum of Independent Audit Regulators (IFIAR) and contributes to the public debate on major industry issues.

During 2011-12 we expanded our industry focus with ongoing activities to support the energy & resources, real estate & construction, life sciences, food & beverage, professional services, retail, aged care and not-for-profit sectors. Our perspectives, analysis and commentary received frequent mentions in the media and resulted in various invitations to address industry forums.

During 2011-12 we participated in the first phase of the Institute of Chartered Accountants (ICAA) quality reviews, using the ICAA's new approach to audit practices of major firms. We are also preparing for the next regular round of regulatory inspections that will be conducted by ASIC and the PCAOB in late 2012. The findings and recommendations of all internal and external inspections are incorporated into our plans for continuous improvement. We will also continue to monitor and respond to ongoing developments in financial reporting and audit, to further deliver improvements in audit quality.

Andrew Archer
National Audit Leader
Grant Thornton Australia
30 September 2012



Legal structure and ownership

Grant Thornton Australia Ltd's national corporate structure enables us to provide superior client service to meet the needs of our clients across Australia and reduce business risks through stronger, more efficient systems and procedures.

We are able to offer a full range of services to dynamic organisations – privately held businesses, not-for-profits, government organisations and listed public companies. This is achieved through dedicated client service Partners who understand the needs of our clients and can coordinate the specialist services required by them.

Being one national firm has enabled us to share information and resources across all of our offices. We can provide better, more distinctive service to our clients no matter where they do business.

Legal structure

Grant Thornton conducts business through Grant Thornton Australia Ltd, as an unlisted public company and with wholly owned special purpose subsidiaries. All shareholders are associated investment entities of the Partners of Grant Thornton. There are no outside shareholders. Statutory audits are conducted by Grant Thornton Audit Pty Ltd, a registered audit company, which is controlled by Grant Thornton Australia Ltd.

A small number of audits are conducted by individual Grant Thornton partnerships which are controlled ultimately by Grant

Thornton Australia Ltd. Grant Thornton Australia Ltd acquired the business assets of the former BDO offices in Melbourne and Sydney on 1 May 2012. 48 Partners and approximately 400 staff joined Grant Thornton as part of the transaction.

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)
- Public Company Accounting Oversight Board (PCAOB) – USA
- Public Oversight Board (POB) – UK
- Canadian Public Accountability Board (CPAB) – Canada
- Company Auditors and Liquidators Disciplinary Board
- Tax Practitioners Board
- Australian Prudential Regulatory Authority (APRA)

Grant Thornton Australia Ltd is subject to reviews by regulatory authorities including the ICAA, ASIC, PCAOB and APRA. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd.

Grant Thornton International

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

Highlights 30 September 2011

- Member firm personnel totalled over 31,000 (29,974 in 2010) of whom 2,600 were partners (2,511 in 2010)
- Member firms of Grant Thornton International achieved combined global revenues of US\$3.774 billion to 30 September 2011 (US\$3.674 billion in 2010)
- More than 100 member firms worldwide (96 in 2010)
- Assurance services account for 45% of global revenues
- Assurance revenues increased by 1.4% to US\$1.713 billion (US \$1.690 billion in 2010).

Grant Thornton International is one of the world's leading organisations of independently owned and managed accounting and consulting firms.

Grant Thornton International Ltd is a private company limited by guarantee, incorporated in England and Wales. It is an umbrella organisation that does not provide services to clients. Services are delivered by Grant Thornton member firms around the world. As at 30 September 2012, Grant Thornton consists of over 100 independent professional services firms. Each member firm is a separate legal entity. Membership in the global organisation does not make any firm responsible for the services or activities of other member firms.

References to "Grant Thornton" are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.

Member firms provide assurance, tax and specialist business advice to privately held businesses, not-for-profits, government organisations and listed public companies. Over 31,000 Grant Thornton people provide clients with distinctive, high quality, personalised service in more than 96 countries.

Each member 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 ownership by Grant Thornton International.

Grant Thornton International strives to speak out on issues that matter to business and which are in the wider public interest. It aims to be a bold and positive leader in its chosen markets and within the global accounting profession.

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 includes:

- 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 (ASQC 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 of Grant Thornton member firms for the year ending 30 September 2011 (the latest period for which financial statements have been prepared) were US\$3.774 billion, which is an increase of 3.1% from the previous year. Revenues from assurance services accounted for 45% of aggregate global revenues.

Grant Thornton International: Governance and management

The Board of Governors appoints 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 the

principal and overriding authority in Grant Thornton International. The Board of Governors is a group of individuals selected from member firms worldwide. Their responsibilities include:

- Approving the global strategic direction and policies of Grant Thornton International as established by the Chief Executive Officer (CEO)
- Approving the criteria in conformity with which the CEO may admit member firms
- Suspending the rights of, or expelling, a member firm
- Appointing and setting the remuneration of the Chair of the Board of Governors
- Appointing, evaluating performance and setting the remuneration of the CEO

After a thorough review of the governance structure and practices, the Board unanimously approved a new governance framework during 2012. Some of the major features include:

- the new structure achieves an increased range of member firm representation, while maintaining the Board at a manageable size from an overall perspective
- outside thought is introduced in the form of external independent Board members (up to three)
- non-Board members will be eligible to serve on the Board's standing committees, resulting in increased

member firm involvement in the governance of Grant Thornton International

Robert Quant, Grant Thornton Australia Ltd's CEO, is our representative on the Board of Governors.

The Board of Governors as at 30 September 2012 is:

Peter Bodin (Chairman)	Sweden
Pascal Boris	External independent member
Scott Barnes	United Kingdom
Stephen Chipman	United States
Jason Chan	China
Vinod Chandiook	India
Ed Nusbaum	CEO, Grant Thornton International
Robert Quant	Australia
Phil Noble	Canada
Daniel Krukdjian	France
Klaus-Guenter Klein	Germany
Satoru Endo	Japan
Paul McCann	Ireland
Hector Perez	Mexico
Frank Ponsioen	The Netherlands

Ed Nusbaum took office as CEO of Grant Thornton International on 1 January 2010. Grant Thornton International's CEO is appointed by the Board for an initial term of five years. The CEO can be reappointed for successive terms of three years each. The CEO is responsible for the leadership of Grant Thornton International and the

development and recommendation of global strategic priorities for ratification by the Board, and then for overseeing the execution of these priorities.

The Global Leadership Team (GLT) develops and drives the execution of the global strategy, and is chaired by the CEO. It is a full time management group dedicated to leading the global organisation.

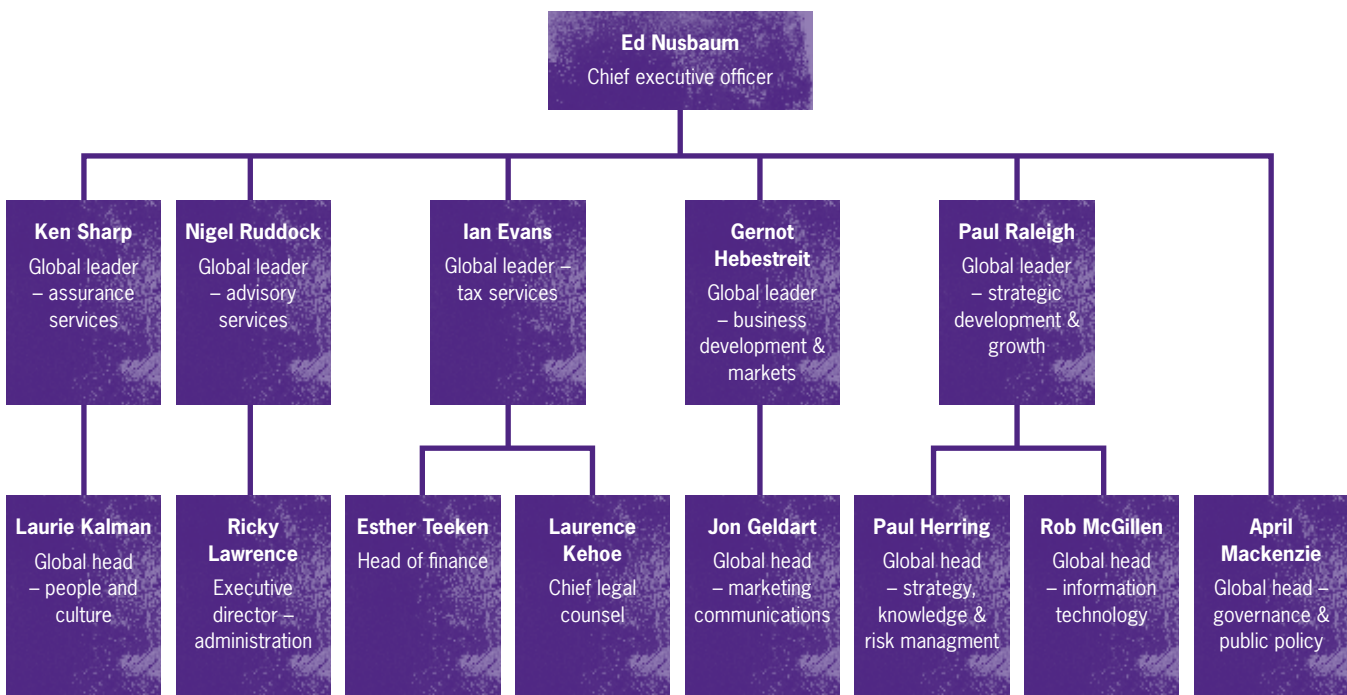
The GLT is appointed subject to the concurrence of the Board of Governors. The CEO and Board of Governors are regularly briefed by GLT members on recommended modifications to global policies and procedures, including those governing international work for the assurance, tax and advisory service lines.

Our vision is to be known throughout the world as the leader in helping dynamic organisations unlock their potential for growth.

More information can be found at www.gti.org



At 1 January 2012 the global leadership and wider leadership teams were comprised of:



Governance and management

Governance

The firm is governed by our Board, comprising an independent Chairman, four Executive Directors elected by shareholders, two transitional Executive Directors elected by Partners from the former BDO practices, a national CEO and two external Independent Directors nominated by Grant Thornton Australia Ltd's Board (the Board).

The Board composition enables the Board to provide sufficient oversight, independent thought leadership and a working knowledge of our environments to maintain our entrepreneurial business culture.

Our independent Chairman guides the policy and strategy to protect the firm's values at a Board level.

The Board maintains four standing subcommittees:

- The Transition Governance Committee
- The Nominations Committee
- The Partner Earnings and Progression Committee (PEP)
- The Audit and Risk Committee

Management

The key roles and responsibilities for management within Grant Thornton Australia Ltd's structure are as follows (this is also depicted in the Reporting Structure Diagram below):

Board of Directors

The Board oversees the governance of the organisation and protects the interests of shareholders.

Board members, other than independents, are elected by shareholders for a term of three years. Persons who directly report to the CEO are not eligible for election to the Board.

The key roles of the Board are:

- Governance
- Setting strategic direction
- Ensuring the CEO executes our business strategy
- Approving plans and budgets to support the strategy



- Monitoring financial performance
- Appointment of the CEO
- Approving major matters in line with the shareholder agreement

As at 30 June 2012, the Board members were:

- Roger Collins (Independent Chairman)
- Anthony Crawford (Independent)
- John Blight
- Simon Hancox
- Greg Keith
- Anthony Maxwell
- Paul Motta
- Robert Quant (CEO)
- Andrew Rigele
- Susan Thomas (Independent)

Chairman at 30 June 2012 – Roger Collins

The Board appoints the Independent Chairman who is one of the independent members nominated to the Board. Anthony Crawford was appointed as Chairman in July 2012 to replace Roger Collins on completion of his term.

CEO – Robert Quant

The CEO, who is charged with the day to day operations of the firm, is appointed by and accountable to the Board.

The key roles of the CEO are:

- Leadership and vision
- Propose and execute approved strategies
- Propose business plans and budgets to support the strategies
- Appoint senior management
- Operate the business in accordance with the strategies and business plan approved by the Board

Partner Earnings & Progression Committee (PEP)

This committee's role is to oversee and approve the annual remuneration and equity allocation for Partners, including directors of the audit company Grant Thornton Audit Pty Ltd. Members of the PEP are comprised of the Chair (a non-executive Board member), two executive Board members and two executive Board members elected under the transitional arrangement to oversee the integration of the former BDO

practices to Grant Thornton.

Audit and Risk Committee

The Audit and Risk 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 receives the information it requires in a timely manner.

The Audit and Risk Committee is also responsible for implementing risk and compliance initiatives. This group has oversight for risk management and compliance across their area of responsibility and hence for ensuring that the business complies with the GTAL Risk Management and Compliance Framework. The National Risk and Compliance Manager directly utilises the members of this group to implement the risk and compliance framework.

Members of the Audit and Risk Committee are:

- Susan Thomas
- Anthony Maxwell
- Simon Hancox

Transition Governance Committee

The Transition Governance committee is of fixed duration and was established to oversee the transition practices that merged into Grant Thornton during the year.

The members of the Transition Governance Committee are:

- Anthony Crawford (Chairman)
- Susan Thomas
- Simon Hancox
- John Blight
- Paul Motta

Nominations Committee

The Nominations Committee ensures effective governance of director appointments to the Board, Board succession, Board remuneration and Board performance, including that of the CEO.

Members of the Nominations Committee are:

- Anthony Crawford
- Greg Keith
- Andrew Rigele

National Leadership Team

The firm is managed by the CEO and the National Leadership Team. This team consists of the leaders of each of our Business Units, namely the :

- Office Managing Partner of each state
- Managing Partner of Operational Advisory
- Managing Partner of Financial Advisory
- Director of People and Culture
- Director of Marketing
- Chief Operations and Financial Officer
- Head of Risk and Quality

The key role of the National Executive is to execute Grant Thornton's strategy and business plan within the annual budget parameters.

The Reporting Structure

Office Managing Partners (OMPs)

As part of the national plan, our office managing partners collaboratively lead our offices' go-to-market strategies to build our brand, attract quality people, deliver distinctive client service and grow revenue to ensure profitable performance in each local market.

Our OMPs in each state are:

- Dean Marsh (Adelaide)
- Rodger Flynn (Brisbane)
- Ian Herman (Melbourne)
- Bill Stephen (Perth)
- Matt Adam-Smith (Sydney)

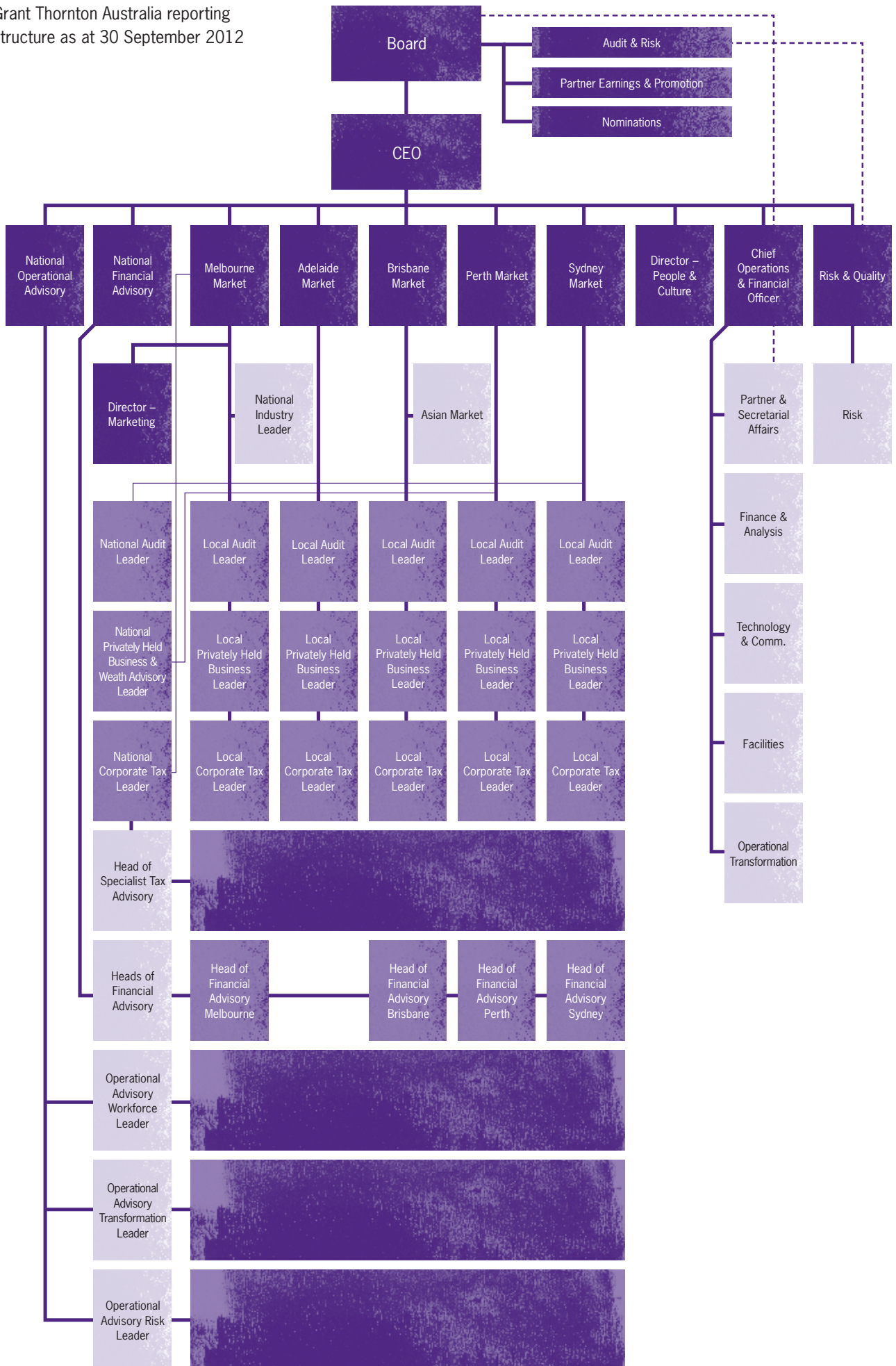
Leaders

Our Leaders establish the vision and define the direction of each service line. Their goal is to develop and leverage our national technical capability, build our market presence and deliver the highest quality service to clients in support of achieving our growth targets and goal of being a leader in our chosen markets.

Our Leaders are:

- Andrew Archer (Audit & Assurance)
- Mark Azzopardi (Tax)
- Paul Billingham (Financial Advisory)
- Rob Hughes (Operational Advisory)
- Michael Pittendrigh (Privately Held Business & Wealth Advisory)

Grant Thornton Australia reporting structure as at 30 September 2012



Quality control

Stringent quality management procedures, internal control systems and risk assessment measures ensure that everyone at Grant Thornton adheres to the high standards we and our clients have come to expect.



Audit quality

In its 2010 strategic review of Audit Quality in Australia, the Treasury of the Australian Government noted seven key drivers of audit quality. These include the five identified by the UK Financial Reporting Council as well as two additional drivers:

- The culture within an audit firm
- The skills and personal qualities of audit partners and staff
- The effectiveness of the audit process
- The reliability and usefulness of audit reporting
- Factors affecting audit quality outside the control of auditors
- Australia's audit regulation framework
- Monitoring

The culture within an audit firm

Grant Thornton's six values – **Collaboration, Leadership, Excellence, Agility, Respect, and Responsibility (CLEARR)** – form the foundation of our firm's approach to audit quality. They are embedded in our Code of Conduct and our policies and processes, and provide daily guidance to management and staff at all levels of the organisation and across our entire business.

This is exemplified by:

- For several years Grant Thornton Australia Ltd has voluntarily prepared and released transparency reports, emphasising our commitment to quality
- Our audit consultation processes and

risk monitoring, help to drive quality

- Our culture, which promotes robust client acceptance and continuance systems and processes that are aligned with Australian legislative requirements and Grant Thornton International's protocols
- Strong ethical practices that are promoted via consistent messages, e.g. annual ethics and independence training, Audit and Risk & Compliance 'Alert' programs and national bulletins and technical training

The skills and personal qualities of audit partners and staff

Grant Thornton staff are recruited not just on technical competency, but also on being a 'good fit' with the firm's values. This includes personal qualities in line with our CLEARR values.

We are committed to continuing the education of all Grant Thornton people through various means, including:

- International, national and local office-based and web-based training
- Firm, industry and service line specific bulletins
- National support staff and industry expertise

The needs of our people are reviewed on a regular basis through a formal supervision and review process and a more informal mentoring program to ensure the appropriate level of support is provided for a successful career at Grant Thornton. Specific training



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.



plans are developed and updated every year, or more regularly as required by changes in legislation, to ensure the right communication is delivered at the right time in each staff member’s career path.

The effectiveness of the audit process

Grant Thornton International has produced and maintained a global audit approach through its Horizon™ audit methodology implemented through the Voyager suite, an integrated set of proprietary software tools including a lead sheet and trial balance program,

TBeam. Using Voyager, audit teams in all Grant Thornton member firms achieve the same level of audit quality. They produce a seamless audit product, whether the audit is performed in one member firm for local purposes or across many member firms for group audits.

Voyager enables audit teams to identify financial statement risks and link them to the processes and internal controls established to address those risks. This allows audit teams to tailor an audit response that is appropriate to the assessed risks and maintain all documentation of the audit process.

Voyager also assists audit teams to document, evaluate and test internal controls. Voyager is linked to Grant Thornton’s TBeam tool to produce lead schedules and analytical analysis for our working papers and financial statements for our clients.

Our global audit process is supplemented by Grant Thornton’s Audit Manual, International Computer Assisted Auditing Techniques (CAAT) program, template working papers and financial statements, checklists and practice aids, all regularly maintained by our National Audit Support team and available to all staff via our national intranet, GTAssist.

The reliability and usefulness of audit reporting

Our audit process is not just about a standard audit report. We strive to enhance our clients’ business. We work to bridge the expectation gap between our audit process and communication with the Audit Committee, Board and those charged with governance. To do this we use tools such as Audit Planning Memoranda and Key Issues Memoranda to provide clarity about the scope of our audit, identified threats and mitigations, key risks and judgements, emerging issues, regulatory changes, and any other findings that must be communicated.

Factors affecting audit quality outside the control of auditors

Any factors identified outside the control of our audit process that may affect our audit quality are identified as

risks within our audit tools. Appropriate responses are put in place to address these risks throughout the audit engagement.

Some examples of factors outside the control of auditors that have the potential to affect audit quality include:

- The client’s culture and their focus on financial reporting
- The resources of the client’s internal finance team and their Audit Committee
- Quality, timeliness and availability of the client’s financial information
- Changes in the regulatory environment the client operates in, including reporting deadlines

Australia’s audit regulation framework

All staff assigned to an engagement are required to adhere to the independence rules prescribed by the Corporations Act 2001, professional standards and codes, relevant foreign legislation and regulations, and our own internal policies, including sign-offs acknowledging staff are free from prohibited financial interests in, and relationships with, our clients, their management, partners and significant owners.

Personal independence is monitored through our Risk and Compliance Group and web-based Global Independence System (GIS).

Part of the National Audit Support monitoring program includes the review of all engagements in compliance with the rotation provisions of the Corporations Act 2001 and the Australian professional and ethical requirements and, where necessary, those of foreign regulators such as the US SEC.

Our policies and processes pertaining to the acceptance of non-audit clients safeguard us from providing prohibited services to our audit clients. Controls are built into our Acceptance and Continuance Tool for non-audit services to trigger the consultation and approval process. In cases where a conflict may arise, the Audit Engagement Partner is consulted to determine the appropriate safeguards, so as to remove threats to independence or ethical concerns.

External monitoring

Monitoring of performance of statutory audit functions

Grant Thornton Australia Ltd is subject to a comprehensive program of scheduled internal and external monitoring of audit quality and independence compliance.

External monitoring under Australia's co-regulatory framework includes:

- Australian Securities and Investments Commission (ASIC) – every three years. Last inspection October 2009 with an inspection scheduled for November 2012
- Institute of Chartered Accountants Australia (ICAA) – every three years. Last inspection August 2007 (ICAA's new inspection approach is in progress at the date of this report)
- PCAOB Review – every three years. Last inspection October 2009 with an inspection scheduled for December 2012

Internal monitoring includes:

- Grant Thornton International Audit Review (GTAR) – at least every three years. Last inspection November 2010
- GTAL Peer Review (IQCR) program – all Audit Partners reviewed over a two and a half year cycle. Last inspection March 2012
- Independence Declaration Compliance Audit – annually

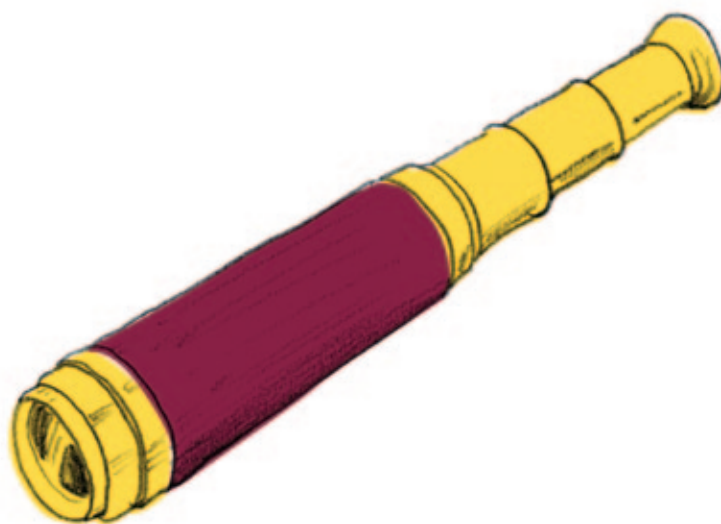
Grant Thornton Australia Ltd does not rely solely on periodic reviews to

monitor our quality framework and performance. Ongoing monitoring is an important part of our commitment to continuous improvement. Other monitoring activities include:

- Audit Engagement Quality Control Reviews where required on specific audit engagements
- Consultation Reviews requested by the engagement team with industry experts within the firm or by our National Audit Support team
- Accounting, audit and methodology technical queries performed by our National Audit Support team or National Head of Professional Standards

Our internal review program extends beyond the review of individual engagement files to incorporate an assessment of the existence and effectiveness of our policies and procedures. Grant Thornton Australia Ltd's Peer Review Programs extend across all service lines. They incorporate a compliance review component to assess performance against a range of compliance requirements including legislation, standards, codes and our own policies.

For example, Grant Thornton member firms use the Grant Thornton International ISQC 1 template to form a basis for internal reviews. Each member firm is required to submit a final



inspection report of its quality control system to Grant Thornton International for monitoring and follow-up. This is in line with the requirements of the following standards:

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

Grant Thornton Australia Ltd's audit review teams are coordinated by the National Audit Support team leader and approved by the Audit Advisory Group (AAG), comprising the National Audit Leader and the local audit leaders in each State across Australia.

Risk issues generated by all review and monitoring activities are assessed to determine an appropriate Management Action Plan (MAP). MAPs are loaded to a central system called Risk Monitor. Our Risk & Compliance team use Risk Monitor to track issues through to completion. Risk Monitor data and information collated from our Risk

Assessment Program are combined to improve quality standards across the firm. Results are provided to management through all levels up to and including the Board. Management is able to use the results of our quality monitoring and risk assessment programs to effectively allocate resources where needed to maintain or improve quality performance.

During the last twelve months no issues have been raised which we believe have had, or have the potential to result in, a material negative impact on the quality of our statutory audits.



Independence practices

Maintaining objectivity and independence of thought is vital to conserving Grant Thornton's 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.

Independence has particular meaning in the audit environment but is equally relevant throughout the whole firm. Independence standards are clearly defined in our Compliance Manual.

Independence compliance is monitored actively, and Partners and managers are required to record their financial interests (and those of their immediate family members) in our automated tracking system, GIS (Global Independence System).

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 independence policy by all of the firm's personnel is checked formally on an annual basis as part of the firm's Annual Independence Declarations process, and a review of a sample of GIS accounts is performed to establish whether suppliers are audit clients of the firm and, if they are, whether a threat to independence might arise.

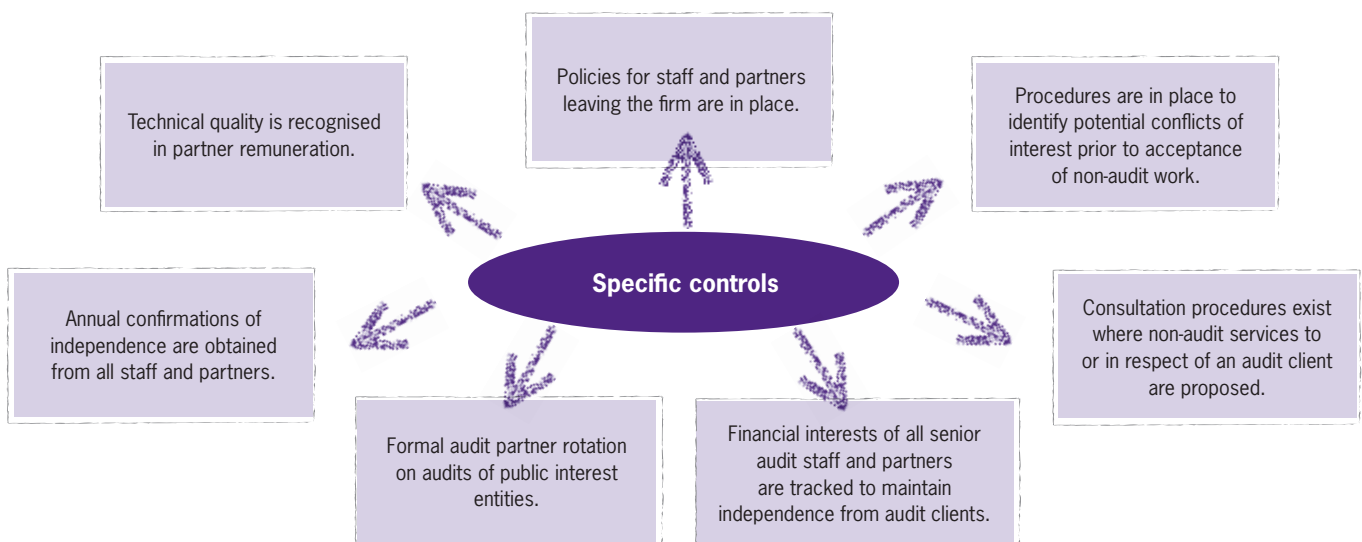
The nature and effectiveness of the firm's procedures for maintaining independence are kept under constant review. We obtain assurance about their operation from annual audits of user accounts in GIS, cold reviews of audit files and internal reviews of non-audit practice areas of the firm. Where

weaknesses or breakdowns are revealed, appropriate corrective action is taken. Our procedures are designed effectively and are generally operating as intended.

Grant Thornton International

In addition to our own independence practices, Grant Thornton International requires member firms to adopt policies and procedures to safeguard the independence of all member firms.

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



Continuing professional education

Grant Thornton Australia Ltd is committed to ensuring all our people are equipped with the necessary skills and expertise to deliver our range of services to our clients.



Continuing professional education

Regular training is crucial. Through this training, partners and staff are made aware of the latest issues and standard requirements so that they are able to address them appropriately.

The ICAA uses Grant Thornton for regular technical updates to its members.

Grant Thornton Australia has invested heavily in national training. All Partners and qualified staff are required to keep up to date with the latest professional standards, including our own risk management, ethical and independence requirements. Staff operating in specialist service lines or dedicated markets including statutory audit must comply with compulsory training requirements. On an annual basis we actively monitor any requirements that need to be met, with each staff member required to submit a continued professional development record.

Internally, technical resources and support are provided through regular electronic updates, training workshops and seminars.

All Partners and qualified staff are required to comply with the Institute of Chartered Accountants in Australia's Continuing Professional Education Requirements. Members are required to undertake a minimum of 120 hours of Training and Development over a three year period. At least 20 hours (including no more than 10 hours of technical reading) must be completed annually.

Partners holding certain registrations

are required to complete at least 40% of their hours in the appropriate specialist area.

Grant Thornton International

While the majority of technical training takes place within member firms, Grant Thornton International makes a significant investment to train auditors in all member firms in the global audit methodology. This methodology, known as Horizon™, is supported by state-of-the-art technology.

Significant effort and resources have been committed to make this training program technically rigorous to support implementation throughout member firms so that the audit needs of public interest and privately held companies and not-for-profits can be met appropriately, regardless of their size or complexity.

Client service

Grant Thornton Australia Ltd prides itself on client service excellence. We want all our clients to experience a consistently high level of service no matter where they do business. 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 advisors.

We believe in working with our clients to understand their objectives and help them reach their goals. Delivering when we say we will and offering value at every opportunity is fundamental to our approach.

Client satisfaction measurement

Our client satisfaction measurement program examines the thoughts and experiences of our clients to regularly monitor and review our client service delivery via a sophisticated online client feedback system. Feedback is used to continuously tailor and improve service levels and refine the training needs of engagement teams.

This client feedback mechanism provides us with an action list for each client so that all members of the client service team understand the client's expectations, can monitor progress and make improvements during the engagement.

We seek to measure client service delivery feedback annually. There are four-steps to this process:

1. Questionnaire delivery scheduled for each client
2. Questionnaires sent by a third-party consultant
3. Responses reviewed by engagement team members to analyse results
4. Follow-up performed with the client to review performance and address concerns

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 meet their objectives.

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.

Andrew Archer

- Australian Public Policy Committee of the Accounting Bodies and major accounting firms
- Australian Securities & Investments Commission, Accounting Liaison Committee
- Institute of Chartered Accountants (ICAA), Member of NSW Council
- University of Technology Sydney, Adjunct Professor

Paul Banister

- The Taxation Institute, Queensland Technical Committee

Nick Burne

- ICAA Public Practice and Advisory Committee (PPAC)

Les Corder

- New Zealand Institute of Chartered Accountants, Sydney Leadership Committee

Michael Cunningham

- Ausbiotech
- BioMelbourne Network

Michelle Fenwick

- Australian Health Service Financial Membership Association (AHSFMA)
- Public Health Association of Australia (PHAA)
- Australian Human Resource Institute (AHRI)

Peter Godber

- The Taxation Institute, Chairman of State Council – Queensland

Grant Layland

- ICAA Chartered Accountants Program Audit and Assurance Module Member Advisory Panel (AAA MAP)
- Auditing and Assurance Standards Board (AuASB), Project Advisory Group (PAG) for the revised GS007

Joseph Lombardi

- ICAA Forensic Special Interest Group

Elizabeth Lucas

- The Taxation Institute, Chair of the Fringe Benefits Tax Subcommittee
- Member of the National Tax Liaison Group Fringe Benefits Tax Subcommittee
- Member of Federal Treasury's Not For Profit Sector Tax Concession Working Group

Michael McCann

- Insolvency Practitioners Association Australia, Director and Vice President
- Insolvency Practitioners Association Australia, Chairman, Queensland Division

Eric Passaris

- Companies Auditors & Liquidators Disciplinary Board, Board Member

Mark Phillips

- Australian Automotive Aftermarket Association (AAAA)

Tony Pititto

- Trinity College at University of Melbourne, Audit & Risk Management Committee

Keith Reilly

- Australian Public Policy Committee of the Accounting Bodies and major accounting firms
- ICAA Technical Research Group
- Institute of Public Accountants Financial Reporting Faculty
- Accounting Bodies Emerging Issues Group
- Australian Accounting Standards Board's Consultative Group
- Auditing and Assurance Standards Board's Consultative Group
- Australian Institute of Company Directors Reporting Committee
- Accounting Professional & Ethical Standards Board Taskforces on Independence and Forensic Accounting
- Australian Securities & Investments Commission's Large Firms IFRS Group, and Liaison Committee
- Business Reporting Leaders Forum
- Macquarie University, Department of Accounting & Corporate Governance Advisory Board

Andrew Rigele

- ICAA National Quality Review Committee, Chairman

Michael Selth

- The Tax Institute, State Council
- The Taxation Institute (Victorian branch), Planning Committee of the State Convention

Liz Smith

- Institute of Chartered Accountants Business Valuation Special Interest Group, Committee member

Simon Trivett

- Australian Business Reporting Leaders Forum

Jeff Vibert

- Australian Securities & Investments Commission's Accounting Liaison Committee (WA)

Stephen J Westaway

- The Tax Institute, Vice President
- The Tax Institute, Chairman of the National Technical Committee
- National Tax Liaison Group (NTLG) (Senior Professional Consulting Body to the Australian Tax Office)

Financial information for Grant Thornton Australia Limited and controlled entities

Turnover

	2012	2011
Fees (turnover) for statutory audits	\$42.3m	\$37.5m
Fees (turnover) for non-audit services charged to audit clients	\$7.8m	\$5.7m
Fees (turnover) for non-audit services to non-audit clients	\$121.8m	\$107.9m
Total Fees (turnover)	\$171.9m	\$151.1m

The above includes fees from the former Melbourne and Sydney BDO since May 2012. Following the merger, total revenue from work now conducted by Grant Thornton on an annualised basis for Grant Thornton Audit Pty Limited is \$63 million and for Grant Thornton Australia Limited is \$232 million.

Other information – as at 30 June 2012

Firm	2012	2011
Number of Partners	141	85
Number of professional staff (full time equivalents)	908	575
Number of non-professional staff (full time equivalents)	237	215
Total	1,286	875

Audit	2012	2011
Number of Partners	37	24
Number of professional staff (full time equivalents)	285	158
Number of non-professional staff (full time equivalents)*	16	13
Total	338	195

*Excludes firm wide shared services (eg IT, HR, Marketing etc)

Partner and related entity remuneration

Grant Thornton Australia Ltd's Partner Earnings and Progression Committee (PEP) is a Board subcommittee to oversee fair and responsible remuneration practice for all Partners.



The Partner Performance and Earnings Policy, effective 1 July 2011, is reviewed and updated annually as required to meet the changing needs of the business. The updated policy is approved by the Board and communicated to all Partners.

Each Partner is attached to a remuneration band that is linked to Enterprise Value.

Each Partner's Enterprise Value is assessed by the National Moderation Committee. The National Moderation Committee is comprised of the CEO, Business Unit Leaders, the Chief Operations and Financial Officer and the Director of People and Culture.

Base remuneration bands are determined by the PEP in consultation with external consultants on an annual basis reflecting the market rate. Movement within the remuneration bands is dependent on a Partner's Overall Performance Score (OPS).

The CEO is the only Partner whose role stands outside the Enterprise Value assessment. Remuneration of the CEO is assessed upon the achievement of objectives and KPIs set and agreed by the Board.

Grant Thornton Australia Ltd is an unlisted public company. All shares in

the company are owned and controlled by entities related to individual Partners.

These entities distribute profits as determined by the company's policies. The company distributes 95% of its profit annually.

The policies provide for three pools:

- Short term incentive (STI)
- Long term incentive (LTI)
- Equity

The STI and LTI pools are discretionary in nature, determined after review by PEP and the Board. Equity pool payments are declared based on shares on issue. These shares hold value and are independently valued annually. They cannot be sold to third parties.

Audit Partners and staff are not remunerated by reference to non-audit services sold to their audit clients.

All profit distributions are approved by the Board, based on the profitability and cash flow of the firm subject to agreed retention levels.

Grant Thornton Audit Pty Ltd, being the registered audit company, has five directors who do not receive any remuneration as directors. The directors do receive Partner base remuneration.

Public interest entities

The following is a list of public interest entities where we are currently appointed as auditors.

3D Oil Limited	Bigair Group Limited	Empired Limited
Adavale Resources Limited	Birimian Gold Limited	Encompass Credit Union
Adcorp Australia Limited	Bisan Limited	Energy & Minerals Australia Limited
Adelaide Energy Limited	Bluglass Limited	Entellect Limited
Advanced Energy Systems Limited	Caesarstone Sdot-Yam Ltd	Enterprise Metals Limited
Advanced Share Registry Limited	CAPE Credit Union	Environmental Group Limited
Air Change International Limited	Car Parking Technologies Limited	Ero Mining Limited
Alara Resources Limited	Carabella Resources Limited	Eromanga Hydrocarbons
Allegiance Coal Limited	CCK Financial Solutions Limited	Excela Limited (Formerly Fox Invest Limited)
Altius Mining Ltd	Central West Gold NI	Facilitate Digital Holdings Ltd
Anteo Diagnostics Limited	Century Australia Investments Limited	First Option Credit Union
Aphrodite Gold Limited	Chalmers Limited	Fission Energy Limited
Arasor International Limited	Circle Credit Union	Flinders Mines Limited
Archer Exploration Limited	Clean Global Energy Limited	Focus Minerals Ltd
Argo Exploration Limited	Clean Seas Tuna Limited	Forge Group Limited
Ark Fund Limited	Clime Capital Limited	Fox Resources Ltd
Asian Centre For Liver Diseases And Transplantation Limited (Formerly Costarella Design Limited)	Clime Investment Management Ltd	Gascoyne Resources Limited
Astron Limited	Clinuvel Pharmaceuticals Ltd	Genera Biosystems Limited
Atech Holdings Limited	Compass Resources Limited	Golden Deeps Limited
Ausmon Resources Limited	Computronics Holdings Limited	Golden Gate Petroleum Ltd
Austin Exploration Limited	Coonawarra Australia Property Trust	Goldminex Resources Limited
Austofix Group Limited	Copper Strike Limited	Goldsearch Limited
Australian-American Mining Corporation Limited	Core Exploration Limited	Green X Global Limited (Ultimate Global Parent Of Mazu Alliance Ltd)
Australian Defence Credit Union	Country First Credit Union	GRG International Limited
Avita Medical Ltd	Crescent Gold Limited	Gujarat Nre Resources NI
Avnet Inc	DWS Limited	Healthlinx Limited
Bandanna Energy Limited	Dyesol Limited	Heartware International, Inc
Bankstown Credit Union	Earth Heat Resources Ltd (Formerly Fall Riv Res Ltd)	Helix Resources Limited
Bass Metals Ltd	Eastland Medical Systems Limited	Holista Colltech Limited
Beach Energy Limited	Ebix Australia	Horizon Credit Union
Bell Ixl Investments Ltd	Eden Energy Limited	Hunter Hall Global Value Limited
Benitec Limited	Ellex Medical Lasers Limited	Hunter Hall International Limited
	Emergent Resources Limited	Hunter Hall Investment Management Limited

Hunter Hall Australian Value Trust	MyCredit Union Limited	Shree Minerals Limited
Hunter Hall Deep Green Fund	National Can Industries Ltd	Sirtex Medical Limited
Hunter Hall Global Ethical Trust	Netcomm Limited	Solimar Energy Ltd
Hunter Hall Charitable Trust	New Guinea Energy Ltd	South American Ferro Metals Ltd
Hunter Hall Value Growth Trust	Northern Beaches Credit Union	Southern Crown Resources Limited
Hunter Hall Integrated Land and Water Fund	Northern Inland Credit Union	Southern Gold Limited
IATIA Limited	Novogen Limited	Stanfield Funds Management Ltd
IGDX Holdings Ltd	Nupower Resources Limited	Strategic Energy Resources Limited
ING Private Equity Access Limited	Nuworld Solutions Ltd (Formerly Datamotion Asia Pacific Limited)	Strathfield Group Limited
Investigator Resources Limited (Formerly Southern Uranium Limited)	Octanex N.L.	Strzelecki Metals Limited (Formerly Primary Resources Limited)
Island Sky Australia Limited	Outback Metals Limited	Sundance Energy Australia Limited
Jatenergy Limited	Pacific Star Network Limited	Sutherland Credit Union
Joyce Corporation Limited	Panterra Gold Ltd	Sword Group
Jupiter Mines Limited	Papyrus Australia Limited	Sydney Credit Union
Kidman Resources Limited	Parker Asset - Enhanced Leaders Trust	Synergy Metals Ltd
Laboratories Credit Union	Pearl Healthcare Ltd	Syrah Resources Limited
Lawson Gold Limited	Pentagon Capital	Tartan Credit Union
Leaf Energy Limited (Formerly Aquacarotene Limited)	Petratherm Ltd	Tasman Resources NL
Legacy Iron Ore Limited	Phosphate Australia Limited	Teachers Mutual Bank Ltd
Legend Corporation Limited	Planet Metals Limited (Formerly Queensland Ores Limited)	Tellus Resources Ltd
Lion Energy Limited	Platgold Pac N L (Ultimate Global Owner of Konekt Ltd)	The Police Department Employees Credit Union
Lysaght Employees Credit Union	PPK Group Limited	Toro Energy Limited
Mako Energy Limited	Praemium Ltd	Transerv Energy Limited
Marathon Resources Limited	Prince Hill Wines Limited	Tranzact Financial Services Limited
Maritime, Mining and Power Credit Union	Property Fox No 2 Limited	Treyo Leisure and Entertainment Limited
Marbletend Group Limited	Prophecy International Holdings Limited	TTA Holdings Limited
Marion Energy Limited	Quay Credit Union	TWT Umbrella Limited
Marmota Energy Limited	Quickflix Limited	TZ Limited
Maximus Resources Limited	Ramelius Resources Limited	UnderCoverWear Limited
McMillan Shakespeare Limited	Rand Mining Limited	United Overseas Australia Limited
Medusa Mining Limited	Ratton Holdings Ltd	Uranium SA Limited
Mesbon China Nylon Limited	Razor Risk Technologies Limited	Vector Resources Limited
Metals Australia Limited	Rectifier Technologies Ltd	Victory West Metals Limited
Metgasco Limited	Refresh Group Limited	Wallace Absolute Return Limited
Metminco Limited	Reverse Corp Limited	Webfirm Group Ltd
Minotaur Exploration Ltd	Robe Australia Limited	West African Gold Limited
Mission NewEnergy Ltd	Rongtai International Group Holdings Limited	WHK Group Ltd
Mithril Resources Limited	RTA Staff Credit Union	Woolworths Credit Union
Moby Oil & Gas Ltd	Sabre Resources Limited	WPG Resources Ltd
Mod Resources Ltd	Select Credit Union	Wyong Credit Union
Monax Mining Limited	Sentosa Mining Limited	Xiaoxiao Education Limited
Montec International Limited	Seymour Whyte Limited	Yanghao International Limited (Formerly Thomas Bryson International Limited)
MRG Metals Limited	Shandong Tianye Australia Limited	Yellow Brick Road Holdings Limited (Formerly ITS Capital Investments Ltd)
Musgrave Minerals Limited	Shell Employees Credit Union	
Mutiny Gold Limited	Shenhua International Limited	
My ATM Holdings Limited		

Contacts

Australian offices and contact details

Adelaide

Level 1
67 Greenhill Road
Wayville SA 5034
Australia
T +61 8 8372 6666
F +61 8 8372 6677
E info.sa@au.gt.com

Gosford

Level 5
131 Donnison Street
Gosford NSW 2250
Australia
T +61 2 4324 7211
F +61 2 4323 1027
E info.nsw@au.gt.com

Melbourne (Collins St)

The Rialto, Level 30
525 Collins Street
Melbourne VIC 3000
Australia
T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com

Sydney

Level 17
383 Kent Street
Sydney NSW 2000
Australia
T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com

Brisbane

Ground Floor
Grant Thornton House
King George Square
102 Adelaide Street
Brisbane QLD 4000
Australia
T +61 7 3222 0200
F +61 7 3222 0444
E info.qld@au.gt.com

Melbourne (Spring St)

Level 2
215 Spring Street
Melbourne VIC 3000
Australia
T +61 3 8663 6000
F +61 3 8663 6333
E info.vic@au.gt.com

Perth

Level 1
10 Kings Park Road
West Perth WA 6005
Australia
T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com







www.grantthornton.com.au

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