

Transparency Report 2009

Grant Thornton Australia Limited
For year ended 30 June 2009



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“Gloria Jean’s Coffees International were introduced to Grant Thornton Australia through another client. The recommendation has proven extremely valuable. They ensured knowledge of our business needs and core values before recommending structures and solutions to our international tax issues.”

Rudi Selles

Global Franchise Development Manager
Gloria Jeans



“The fact that Teachers Federation Health has remained a client of Grant Thornton Australia for so long is testament to the great service they provide. They have provided us with a holistic service, not just reactive compliance. The audit team members are always helpful, proactive and easy to work with. They also understand that because of our specific industry requirements, consistency of team members is important, and they’ve delivered that.”

Brad Joyce

CEO
Teacher’s Federation Health



“We extended the scope of our engagement with Grant Thornton because they demonstrated that they really understood our business, as well as the commercial issues and implications inherent to the fashion/retail industry.”

David Briskin

CEO
sass & bide

Foreword

It is now over a year since Grant Thornton Australia's 5 state-based firms joined forces to become a single national firm, and a year-and-a-half since we strengthened our position as a market leader by merging with William Buck in Melbourne. We have made a lot of progress but there is still work to do.

The year has been tumultuous. We experienced much change, largely due to the Global Financial Crisis and us all adapting to our new national model. Our clients too have faced challenges in the extreme economic circumstances and consequently we saw a shift in their demand for our services. We were forced to respond proactively, creatively and with insight.

For all of this we have grown 4.54%. This is a fantastic in light of these circumstances. We have made advancements in the following areas:

- National tendering and panel opportunities
- Industry specialisation
- Client feedback and satisfaction measurement
- Synergies and economies of scale in equipment, insurances and banking, as well as operational and support services like Finance, IT, Marketing, HR and Risk Management
- National learning and development programs
- Staff resource sharing and mobility
- The rollout of our global vision and values

We are still well on track toward our



vision to be a \$300m turnover national business by 2011. Key to this target is our commitment to client service excellence. This year saw the adoption of our client satisfaction measurement program, a sophisticated feedback system that further embeds client service excellence within our firm culture. Our people are also 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 be key - both organic and through acquisition - along with the ongoing development of our national brand presence and overall pledge for integrity and clarity throughout our organisation.

This transparency report is in respect of the year ended 30 June 2009 and is the second annual report of its type produced by Grant Thornton Australia. It has been produced on a voluntary basis to enable our stakeholders - businesses, investors,

regulators and communities - to better understand our business. It explains how the firm is run, how we ensure that we perform audits of the highest quality, and describes the expertise, breadth and depth of our firm and of Grant Thornton International. Transparency of audit firms is a key element underpinning the confidence of the world's capital markets in the audit process and Grant Thornton will continue to play its part in creating a more accountable and robust accounting profession.

We are looking forward to and are confident about our prospects for 2010 and beyond. Through the challenges we have faced in 2009, we have become a stronger organisation that is poised for success.

Robert Quant
Chief Executive Officer
Grant Thornton Australia
February 2010

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 and discussions released by Grant Thornton Australia this year, all of which are available on our website www.grantthornton.com.au.

Real world solutions for testing times

The challenging economy in late 2008 and early 2009 put many businesses under stress. Grant Thornton Australia responded with a practical solutions

guide, highlighting the “big questions” that all businesses – public interest and privately held alike – should be asking themselves to help identify key management priorities during this difficult period. The guide was well received. It examined fundamentals like cash flow, funding barriers, profit margins and workforce issues. The guide provided focus in a time of disarray, to give businesses under pressure more room to manoeuvre. For some, it even flagged opportunities to realise ambitions more quickly than planned.

International Business Report

This year was the seventh year of our participation in the Grant Thornton International Business Report (IBR). The global survey examines the thoughts and opinions of over 7,200 privately held businesses from 36 economies, including entrepreneurs, family businesses and non-listed entities.

Topics this year included business confidence and economic prospects, business environmental practices, employment issues, trends and experiences in raising finance, women in management and trends in mergers and acquisitions.

IFRS Survey: Four years on – where to from here?

Since adoption of International Financial Reporting (IFRS) in Australia four years ago, 2009 was an opportune time to consider the impact of reporting under IFRS to date and the expectations of those affected by IFRS going forward.

Grant Thornton Australia conducted and released the results of a survey that considered the opinions of a broad cross-section of those not only involved in the financial reporting preparation, but also users of these financial reports. Issues investigated include:

- whether IFRS implementation was successful
- whether there is a need for IFRS simplification
- the desire for and nature of future reforms
- the perceived role of IFRS in the current global financial crisis (GFC).

This survey represented the first real quantified study of Australian market attitudes to IFRS, and its message was clear: reform and simplify.



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 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 mergers in Melbourne in 2008 and Perth in 2007 now fully bedded down and integrated into our methodologies and culture, we now have sizeable, strong audit practices in all five major state capital cities utilising our common tools. Our ASX listed audit clients number around 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 & Assurance Services
Grant Thornton Australia



Services

Audit and assurance

Grant Thornton Australia delivers a responsive director-led service for audit clients, taking the time to understand each client's business.

Our investment in technical resources and training empowers us to proactively identify potential issues that may be encountered by our clients and deal with them in a planned and considered way.

As members of Grant Thornton International, we deliver a seamless and efficient global audit utilising a common audit methodology and our state of the art Voyager software platform globally, with audit files easily transferred between Grant Thornton member firms to minimise coordination costs for international clients. We use a web-based global independence and conflict check system to ensure independence, prior to undertaking work.

Some of the audit and assurance services we provide include:

- Statutory audits of financial reports
- Reviews of financial reports
- Internal audits
- Systems and controls reviews
- Agreed upon procedure reports
- Other types of audits:
 - trust accounts
 - grant acquittal statements
 - turnover audits.

Tax

Continual changes in taxation law challenge businesses large and small, particularly those operating

internationally. Through legitimate planning, the Grant Thornton Australia tax team considers the 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 clients to develop tax strategies suitable for specific business and individual structures.

Our tax services include:

- Business tax planning
- Corporate tax risk management services
- Goods & services tax and indirect taxes
- Fringe benefits tax
- Employment taxes
- International tax, including transfer pricing
- Expatriate taxes
- Research and development
- Corporate advisory

Privately held business services

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 the needs and aspirations of both the business and the owner.

Services offered to privately held businesses and their owners include:

- strategic planning
- accounting, taxation compliance and advice
- business health checks
- structuring advice & asset protection planning

- finance/banking reviews
- remuneration planning
- franchise services
- wealth investment management
- succession planning
- superannuation advice
- estate planning.

Corporate finance

The corporate finance team at Grant Thornton Australia supports complex transactions, particularly in the rapidly changing middle market.

We foster deep relationships with clients, private equity houses, banks, other financial intermediaries, lawyers and government bodies. This allows us to actively involve all transaction parties - purchaser, vendor, investor and management – so we can respond rapidly and deliver tailored solutions.

For those competing internationally, Grant Thornton member firms around the world position us ideally to address cross-border requirements.

Corporate finance services include:

- Mergers & acquisitions
- Valuations
- Transaction advisory services
- Capital market services

Recovery and reorganisation

Grant Thornton Australia works with companies, law firms and major Australian lenders to help anticipate and prevent corporate insolvency. We broker solutions guiding debtors, creditors and other stakeholders towards a successful long-term future.



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 and often use these procedures as a restructuring tool.

Recovery and reorganisation teams at Grant Thornton member firms around the globe enable us to provide integrated cross-border recovery solutions to multinational corporations.

Recovery and reorganisation services include:

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

Business risk services

We provide enhanced risk management and compliance services along with IT related risk management.

Risk management is about more than compliance - it's an opportunity to align business systems with strategic objectives. We are focused on improving business processes and ensuring good governance and control, working with clients to set a clear strategy for improvement, identifying and tackling issues to take advantage of opportunities presented.

Business transformation consulting

Our management consulting services help organisations successfully implement complex initiatives.

Consultants execute 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

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:

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

Litigation and forensic

Grant Thornton Australia's forensic accounting and litigation support services help 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 applications to assist analysis and presentation of financial evidence
- communication of findings (e.g. reports and exhibits) to assist in legal proceedings, including expert witness court testimony and preparation of visual aids to support 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. More than 2,600 partners provide clients with distinctive, high quality and personalised service in over 100 countries.

Grant Thornton International Ltd (Grant Thornton International) is a not-for-profit, non-practising, international umbrella membership entity organised as a private company limited by guarantee, not having a share capital, incorporated in England and Wales. Each member 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, nor does membership within Grant Thornton International thereby make any firm responsible for the services or activities of any other. Each firm governs itself and handles its administrative matters on a local basis. Although many of the member firms carry the Grant Thornton name, either exclusively or in their national practice names, there is no ownership among the firms or by Grant Thornton International.

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.



Highlights

- Member firm personnel in 2009 totalled 30,662 (27,861 in 2008) of which 2,610 were partners (2,448 in 2008)
- Grant Thornton member firms served as auditors for over 1,700 publicly listed companies in 2008
- The member firms of Grant Thornton International achieved combined global revenues of US\$3.6 billion to 30 September 2009
- Member firms of Grant Thornton International experienced significant expansion in key strategic markets, for example, a new member firm and merger in China created a firm with 60 partners and around 1,500 staff
- Assurance services grew 5 per cent
- Specialist services (such as Business Risk, Corporate Finance, Recovery & Reorganisation, and Public Sector Advisory) continue to account for 25% of total revenues.
- For the first time since formation 30 years ago, more than half of Grant Thornton global revenues were generated by member firms outside the US and UK.

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.

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

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 industry associations.

Governance

Grant Thornton in Australia operates directly through, or as subsidiaries of

Grant Thornton Australia Limited, as an unlisted public company. All shareholders are employees of the company. There are no outside shareholders.

Our '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 comprises an independent chairman, 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. Next year, 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
- the audit and risk committee assists the board to fulfil its responsibilities in relation to financial reporting, risk, 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 company.

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

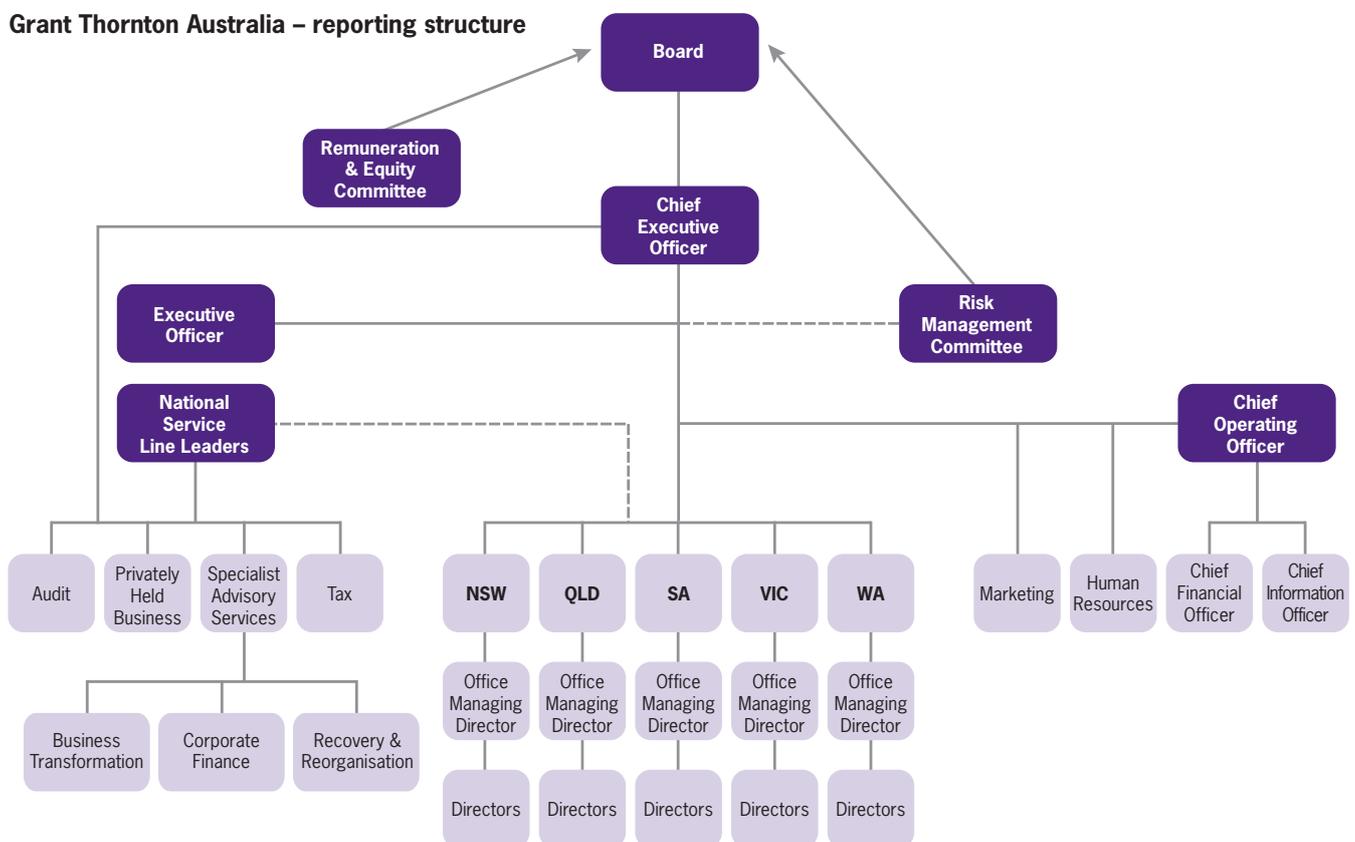
Regulatory body affiliation

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)
- Public Company Accounting Oversight Board (PCAOB) – USA
- Company Auditors and Liquidators Disciplinary Board
- Taxation Registrations Board
- Australian Prudential Regulatory Authority (APRA).

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

Management structure



The key roles and responsibilities for management with Grant Thornton Australia's 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 a manner consistent with the vision and values.

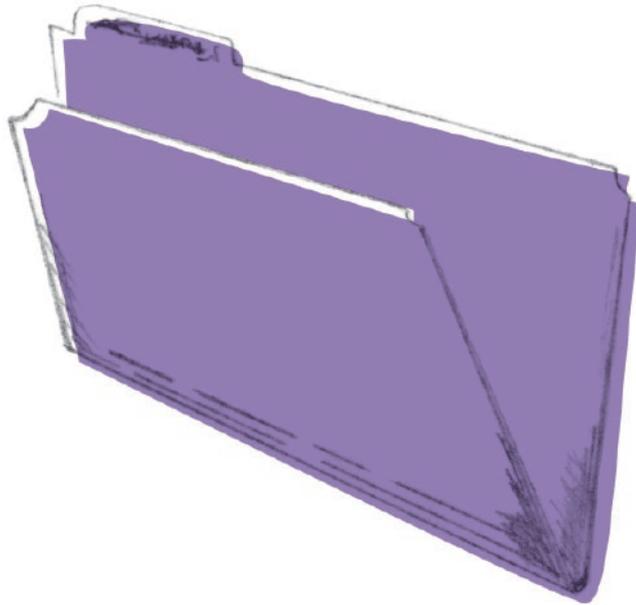
The board consists of the following members:

- 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 – Matt Adam-Smith
- 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 and risk 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 – Matt Adam-Smith
- 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 services - Matt Adam-Smith
- Privately held business - Tony Markwell
- Corporate finance - Scott Griffin
- Recovery and re-organisation -

Paul Billingham

- Business Transformation – Rob Hughes
- 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 role provides leadership and management of the national support operations. The senior executives in finance, information technology, marketing and human resources work with the COO to deliver the strategic outcomes required to meet the firm's business and cultural objectives.

Chief Financial Officer (CFO)

The CFO manages the firm's financial affairs including budgeting, record-keeping and financial reporting to the CEO and board.

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 works 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.

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 procedures

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 also abide by Grant Thornton International's Key Assurance Assignment Acceptance and Re-acceptance (KAR) Policy, which is designed to identify and assess those assurance assignments that could present significant risk to Grant Thornton International Ltd and its member firms. The KAR Policy applies to assignments for prospective and existing assurance clients that meet one or more defined criteria. These criteria are based around appropriate size and fee thresholds, industries, prospect operational jurisdictions and subsidiary/parental company relationships

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 robust audit delivery

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

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

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



Clear and unambiguous audit reporting

We communicate with clients' board and audit committees on matters of relevance 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.

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.

Grant Thornton International quality control procedures

In addition to our own quality control procedures, as a member firm of Grant Thornton International we are required to abide by a system of quality control that encompasses, at a minimum, the following standards issued by the International Federation of Accountants (IFAC) (as supplemented by additional Grant Thornton International quality assurance policies):

- International Standard on Quality Control 1: Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements
- International Standard on Auditing 220: Quality Control for Audits of Historical Financial Information

- International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants.

Grant Thornton International Audit Review

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

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.

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). Our firm was inspected by the ICAA in 2007 and by ASIC in 2009. No major issues were identified in these various reviews.

The firm is registered with the Public Company Accounting Oversight Board (PCAOB). The PCAOB conducted a review of our firm in 2009.

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.

Independent external audit

As an unlisted public company, our business and annual financial statements are subject to external statutory audit under the Corporations Act. Edwards Marshall Chartered Accountants are our auditors. The audited financial statements are lodged with ASIC.



Risk management

At Grant Thornton we consider risk management to be an integral part of our business activity. We have developed a comprehensive and integrated risk management and compliance strategy which plays a crucial role in our governance framework.

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 is supported in the business by office 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 ISO 31000 (Risk Management) and AS 3806 (Compliance Programs).

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 ASIC, ICAA, Grant Thornton International 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 and service line specific manuals.



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

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

Grant Thornton International has also adopted an automated independence

tracking system, the Global Independence System (GIS). Partners and client-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 monitors these financial interests against the global restricted list and is designed to alert the member firm or the individual professional and a national compliance officer in the event that a security held also appears on the global restricted list. The GIS provides a mechanism to assist the individual and the national compliance officer in determining whether the security may continue to be held, based upon the facts and circumstances.

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

Professional skills and values

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:

Our values are based around the acronym “CLEARR”:

- 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

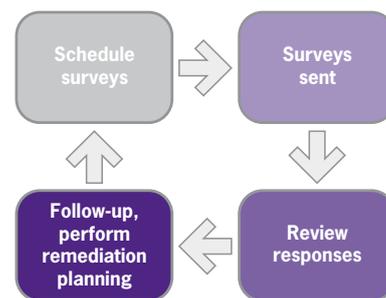
- ensure deep **respect** for people
 - we build relationships based on confidence and trust. We treat people as individuals, promoting an inclusive environment that values the capabilities and contributions of each person.
- take **responsibility** for all our actions.
 - we recognise our wider impact 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 conducted a full roll out of the Grant Thornton global vision and values in late 2008 and early 2009 with a series of workshops, seminars and communications. These familiarised Grant Thornton Australia staff with the global vision and values and gained cultural 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.



The four phases of the SQM cycle.



Continued professional education

Grant Thornton Australia is committed to make sure all our people are equipped with the necessary skills and expertise to deliver our range of services to clients. Regular training is crucial so directors and staff are aware of the latest issues and standard requirements in order to address them appropriately. Indeed the Institute of Chartered Accountants in Australia uses Grant Thornton for regular technical updates to its members.

Grant Thornton Australia has invested heavily in national training. 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. 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 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.

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. The audit methodology, known as Horizon™, is supported by state-of-the-art technology. Significant effort and resource has been committed to make the training programme technically rigorous to support implementation throughout member firms so that the audit needs of both public interest and privately held companies can be met appropriately, regardless of their size or complexity.

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.

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.

Client satisfaction measurement

Our client satisfaction programme examines the thoughts and experiences of our services to regularly monitor and review our client service delivery via a state-of-the-art online client

feedback system. Feedback is used to continuously tailor and improve service levels and also to refine the training needs of engagement teams.

Grant Thornton’s client feedback mechanism provides us with an action list for each client so that all members of the client service team understand 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 to meet their objectives.

Financial information

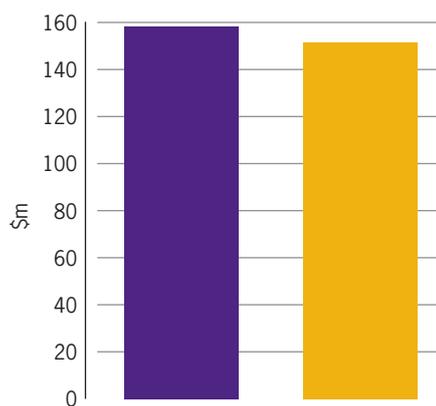
Grant Thornton Australia

Number of offices	5 (Adelaide, Brisbane, Melbourne, Perth and Sydney)
Head office	Sydney
Fees 2008-9 (\$)	158 million
Number of directors	108
Revenue per director (\$)	1,462,963
Number of professional staff (full time equivalent)	671
Revenue per professional staff (\$)	235,469
Total staff (ex-directors, full time staff equivalent)	928

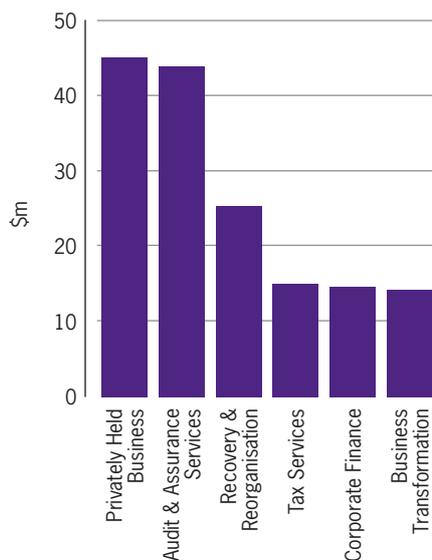
Fee income

● 2008-2009
● 2007-2008

The following figures relate to the financial year ending 30 June 2009 compared to 30 June 2008.



Service line fee income (\$)



Director remuneration

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

Director's remuneration includes the following components:

- base salary
- short-term incentives (STIs)
- long-term incentives (LTIs)
- dividend payments.

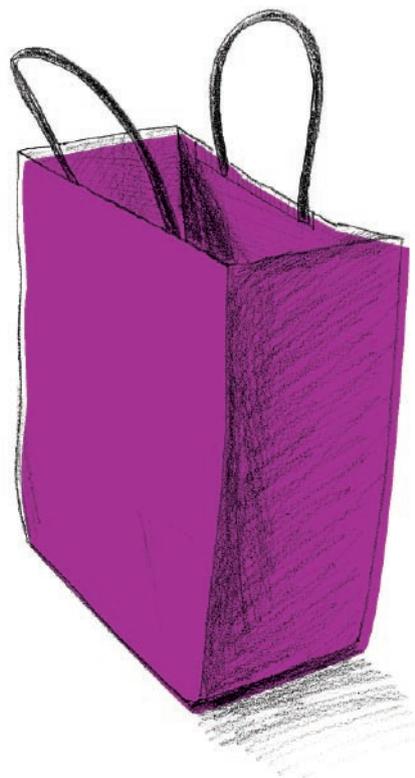
The base salary is determined by the REC in consultation with external consultants on an annual basis reflecting market rate within each state.

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 directors' performance is measured applying a balanced scorecard methodology, which considers key factors such as:

- Financial Performance - Individual/team contribution, practice profitability
- Leadership - strategic thinking, collaboration, leading others, business development
- Client Service - client satisfaction, client relationships, commerciality
- Quality, Knowledge and Solutions - innovation, technical excellence, risk management
- Ethics & Values - personal leadership, shared values, trust & openness

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.

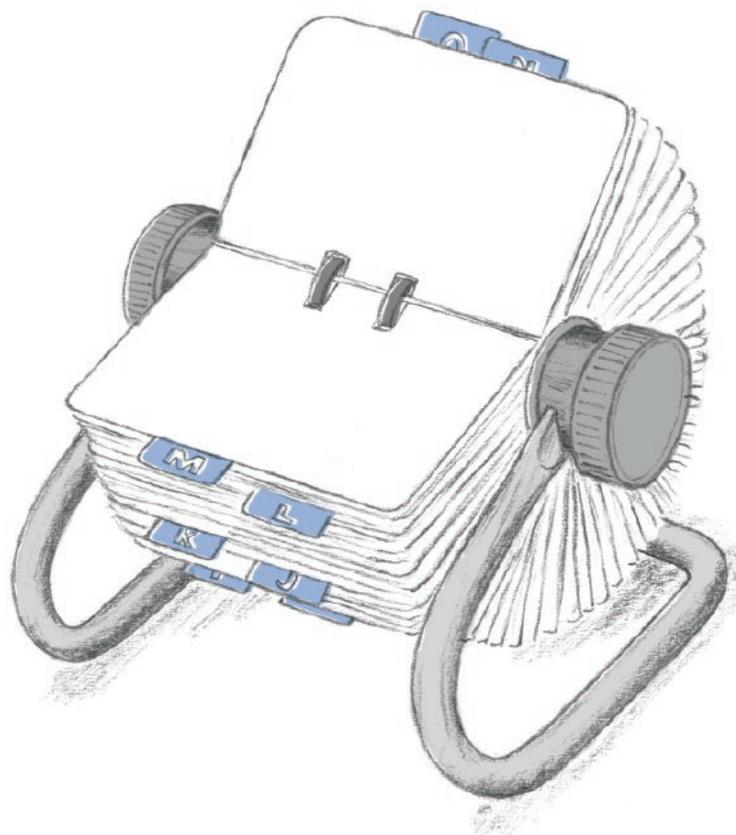
Dividends are approved by the board, based on profitability and cash flow of the firm subject to agreed retention levels.



Public interest entities

Grant Thornton Australia Limited audits approximately 140 public companies that are listed on the Australian Stock Exchange.

Our 10 largest ASX listed audits by market capitalisation (as at November 2009)	Top public interest entity clients
Beach Petroleum Ltd	Southern Health
Medusa Mining Limited	Royal Children's Hospital
SIRTEX Medical Limited	St Vincent's Health Melbourne
Heartware International, Inc	Royal Women's Hospital
McMillan Shakespeare Limited	Ambulance Victoria
WHK Group Limited	Autodom Limited
Flinders Mines Limited	Mercy Health
Hunter Hall Global Value Limited	GM Holden Ltd
WDS Limited	AWB Limited
United Overseas Australia Limited	Telstra



Contacts

Australian offices and contact details

Adelaide

Level 1
67 Greenhill Road
Wayville SA 5034
T 08 8372 6666
F 08 8372 6677
E info@gtsa.com.au

Brisbane

Ground Floor
Grant Thornton House
King George Square
102 Adelaide Street
Brisbane QLD 4000
T 07 3222 0200
F 07 3222 0444
E info.qld@grantthornton.com.au

Melbourne

Level 2
215 Spring Street
Melbourne VIC 3000
T 03 8663 6000
F 03 8663 6333
E info@grantthorntonvic.com.au

Perth

Level 1
10 Kings Park Road
West Perth WA 6005
T 08 9480 2000
F 08 9322 7787
E info@gtwa.com.au

Sydney

Level 17
383 Kent Street
Sydney NSW 2000
T 02 8297 2400
F 02 9299 4445
E info.nsw@grantthornton.com.au



www.grantthornton.com.au

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