



Grant Thornton

An instinct for growth™

GRANT THORNTON UK LLP

TRANSPARENCY REPORT 2016

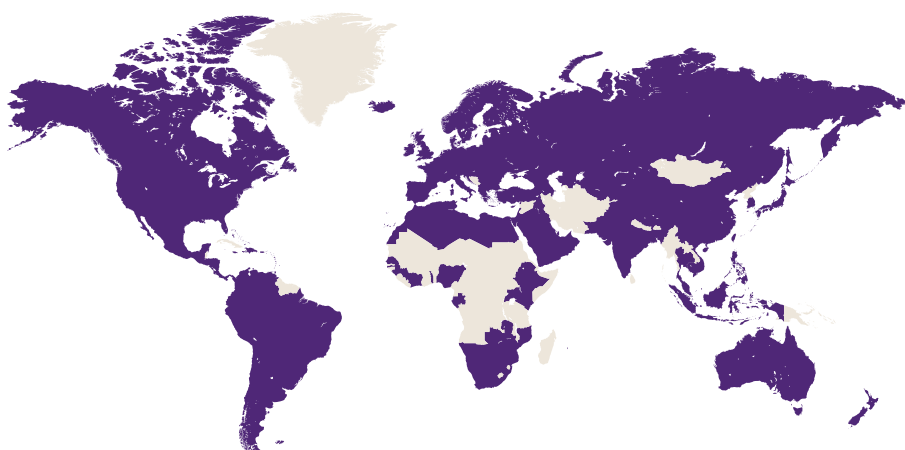
QUALITY, ETHICS AND EXCELLENCE





GET TO KNOW GRANT THORNTON

Grant Thornton UK LLP is part of a global network of independent Grant Thornton member firms which has 729 offices around the world. Together we have created a global strategy – Growing Together 2020 – which leverages our combined strengths to deliver global solutions for our clients.



\$4.6BN

GLOBAL REVENUES OF \$4.6BN

\$1.95BN

RESULT OF AUDIT OF ANNUAL
AND CONSOLIDATED FINANCIAL
STATEMENTS

MORE THAN 42,000

MORE THAN 42,000 GRANT THORNTON
PEOPLE WORLDWIDE

ONE OF TOP 50 WORLD'S MOST ATTRACTIVE GLOBAL EMPLOYERS

AWARDED BY UNIVERSUM ANNUAL
STUDENT SURVEY IN 2015

GRANT THORNTON UK LLP EMPLOYMENT STATISTICS

85%



OF OUR PEOPLE ARE PROUD
TO BE PART OF THE FIRM
AND MORE THAN 8 OUT OF 10
WOULD RECOMMEND OUR SERVICE

94%



OF OUR PEOPLE ARE ENCOURAGED TO
DELIVER HIGH QUALITY WORK

85%



OF OUR PEOPLE FEEL THAT OUR
STRUCTURE IS SET UP IN THE RIGHT
WAY TO TAKE RESPONSIBILITY
FOR OUR ACTIONS

83%



OF OUR PEOPLE FEEL THEIR TEAM
FOSTER THE CULTURE OF QUALITY
AND EXCELLENCE



DISCLOSURES MAPPING

This transparency report sets out how the firm complies with the disclosure requirements of the Audit Firm Governance Code, being the benchmark for good governance, and also the steps we have taken to drive audit quality by reference to the Audit Quality Framework. As a UK statutory auditor of public interest entities, we welcome the opportunity to share the information included in this transparency report which covers the year ended 30 June 2016. The table below maps the requirements of the disclosures relating to the Audit Firm Governance Code to our Transparency Report. We acknowledge the provisions of the current code and are working towards adopting the provisions of the updated Audit Firm Governance Code for next year's report.

AUDIT FIRM GOVERNANCE CODE

REF	NARRATIVE	PAGE
A.1.2	THE FIRM SHOULD STATE IN ITS TRANSPARENCY REPORT HOW ITS GOVERNANCE STRUCTURES AND MANAGEMENT TEAM OPERATE, THEIR DUTIES AND THE TYPES OF DECISIONS THEY TAKE.	16 - 19
A.1.3	THE FIRM SHOULD STATE IN ITS TRANSPARENCY REPORT THE NAMES AND JOB TITLES OF ALL MEMBERS OF THE FIRM'S GOVERNANCE STRUCTURES AND ITS MANAGEMENT TEAM, HOW THEY ARE ELECTED OR APPOINTED AND THEIR TERMS, LENGTH OF SERVICE, MEETING ATTENDANCE IN THE YEAR, AND RELEVANT BIOGRAPHICAL DETAILS.	16 - 19, 46 - 47
C.2.1	THE FIRM SHOULD STATE IN ITS TRANSPARENCY REPORT ITS CRITERIA FOR ASSESSING THE IMPACT OF INDEPENDENT NON-EXECUTIVES ON THE FIRM'S INDEPENDENCE AS AUDITORS AND THEIR INDEPENDENCE FROM THE FIRM AND ITS OWNERS.	18
D.1.3	THE FIRM SHOULD STATE IN ITS TRANSPARENCY REPORT HOW IT APPLIES POLICIES AND PROCEDURES FOR MANAGING POTENTIAL AND ACTUAL CONFLICTS OF INTEREST.	31
D.2.2	THE FIRM SHOULD STATE IN ITS TRANSPARENCY REPORT THAT IT HAS PERFORMED A REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL, SUMMARISE THE PROCESS IT HAS APPLIED AND CONFIRM THAT NECESSARY ACTIONS HAVE BEEN OR ARE BEING TAKEN TO REMEDY ANY SIGNIFICANT FAILINGS OR WEAKNESSES IDENTIFIED FROM THAT REVIEW. IT SHOULD ALSO DISCLOSE THE PROCESS IT HAS APPLIED TO DEAL WITH MATERIAL INTERNAL CONTROL ASPECTS OF ANY SIGNIFICANT PROBLEMS DISCLOSED IN ITS FINANCIAL STATEMENTS OR MANAGEMENT COMMENTARY.	34
D.2.3	IN MAINTAINING A SOUND SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT AND IN REVIEWING ITS EFFECTIVENESS, THE FIRM SHOULD USE A RECOGNISED FRAMEWORK SUCH AS THE TURNBULL GUIDANCE AND DISCLOSE IN ITS TRANSPARENCY REPORT THE FRAMEWORK IT HAS USED.	34

This Transparency report was approved by the Strategic Leadership Team of Grant Thornton UK LLP on 30 September 2016 and signed on its behalf by Sacha Romanovitch.



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1.

EVERYTHING WE DO STARTS AND ENDS WITH US...

...our collective energy, commitment and intelligence. We're a firm with a unique culture and brand who do things differently, yet what really distinguishes Grant Thornton is our people. We personally understand that delivering high quality service is critical to our future success. I believe in all of our people, trusting each and every one to live our values, make choices and do what is the right thing by our firm. After all, as a shared enterprise, it's in all of our best interests to share ideas and share responsibility in order to share the reward.

This Transparency Report records the progress we have made in 2016 within our Quality, Ethics and Excellence agenda and sets out how we comply with the requirements of the Audit Firm Governance Code, as well as the steps we have taken to drive audit quality by reference to the Audit Quality Framework. 92% of the assurance team feel encouraged to deliver high quality audits. We believe this report demonstrates that Grant Thornton has the capabilities to conduct high quality audits objectively and effectively and to provide high quality services to its clients.

Our purpose is about shaping a vibrant economy where business and people can thrive. This translates into who we work with, what we do with them, what we speak out on and how we are as a business. It is clear that audit and assurance is fundamental to trust and integrity in markets – and this is why we do this work. According to Edelman's

global trust index, last year saw public trust in business hit a five-year low. While this year it seems to have improved moderately, the trust gap between the informed public and wider population is growing, driven in part by income inequality and divergent expectations for the future. This is why playing our part in helping to create trust and integrity in markets is so important.

Sharing responsibility is about making a commitment to each other and understanding the consequences of falling short on this. Our new Code of Conduct forms a large part of that commitment, providing clarity on what's expected of us as Grant Thornton people and as a firm. While it can't govern every possible situation – it's a key part of our wider stewardship, governance and risk management culture – and has evolved to reflect our newly defined purpose – to shape a vibrant economy.

Along with the ever-changing needs of our clients, our markets and wider society, we have a responsibility to exercise professionalism and good judgement every day.

In 2016, audit and assurance services accounted for 28% of the firms' revenues and remain a key area for our firm. We currently provide audit services to approximately 8,500 companies, including 190 listed entities.

SACHA ROMANOVITCH
CHIEF EXECUTIVE OFFICER,
GRANT THORNTON UK LLP



2.

REPORT FROM THE INDEPENDENT CHAIR OF THE PARTNERSHIP OVERSIGHT BOARD

This is my first report as Independent Non-Executive Chair of Grant Thornton UK LLP's Partnership Oversight Board (POB). I was appointed in April this year and am the first 'outside' Chair of the POB – although having been a Non-Executive member of the Board for five years, Grant Thornton is an organisation I already know well and have enormous affection and respect for. It is a firm with bold ideas and great ambition, and I'm pleased here to be able to give our wider stakeholders an insight into the role of our Non-Executives in the way it is governed.

Our three Independent Non-Executives (INEs) are central to the oversight of Grant Thornton's leadership team, performing a role that has many parallels in the governance of public companies, albeit with a particular eye to the specific requirements of a professional services partnership that is owned entirely by its working partners. Our role involves a mixture of looking after the interests of the partners and other stakeholders in the business, being a mentor for and providing constructive challenge to the CEO, her Strategic Leadership Team and executive management, and ensuring good corporate governance of the firm's business and of its people. In bringing independent oversight, we try to provide a different viewpoint both inside and outside the boardroom.

Two of our INEs are members of the Risk and Assurance sub-committee of the Board – one of whom will take over as Chair of the sub-committee this financial year – while I am Chair of our Remuneration Committee.

All three of us make up the Profit Sharing sub-committee, alongside one of the partners who is an elected member of the Board. Together these committees undertake much of the heavy lifting of the governance work of the Board, ensuring that the firm's controls are effective, its approach to risk management is suitably balanced, its leadership is properly assessed and rewarded, and the financial interests of the partners are fairly determined.

As Non-Executives, we have a particular responsibility to ensure that Grant Thornton's public interest audits are of the requisite quality, as assessed by the regulator, but more widely by our stakeholders in the marketplace. In discharging this responsibility we participate in various internal and external reviews and policy consultations. As part of the annual profit-sharing process, we ensure that the quality grades of all audit partners are appropriately taken into account in determining their profit shares.

We meet regularly as members of the Partnership Oversight Board, the body which holds the firm's executive leadership to account, and also separately with members of the leadership team to address current issues. Business leaders and partners regularly attend informal meetings with the Independent Non-Executives and the elected members of the Board. This, together with the firm's inclusive spirit, has created a strong system through which the Non-Executives gain access to all relevant information necessary to pursue our public interest role under the Audit Firm Governance Code, as well as ensuring the interests of all stakeholders in the firm are taken into account in executive decision making.

Audit Quality Reviews and the firm's wider quality agenda have continued to be our principal focus over the last twelve months. The scores achieved by Grant Thornton in the AQRT process this year, and public sector audit reports, have improved.

However, there remains more work to be done and we will continue to closely monitor this. Internal regular meetings are held with the Head of Audit and Assurance to ensure that good practices are embedded and remain on track for the delivery of high quality audits by the firm and that internal controls in this area are effective.

We also continue to monitor and review the quality of the non-audit practices of the firm, and in this regard client take-on and continuance procedures have been examined. There remain lessons to be learned in client selection and improvements to be made in this area.

We have reviewed the firm's process of partner grading and the awarding of incentives to ensure alignment with the firm's quality agenda, looking at technical skills and ability, sector knowledge, commercial judgement and compliance with the firm's values and culture.

The new Ethical Standard introduced this year has created an opportunity to review the policies and processes of the firm's quality and ethics function, bringing the quality and ethics agenda across the firm's practices together. Conducting business in an ethical way, being clear about who the firm works with and why,

is vital to its future reputation and in turn its success.

We have regularly reviewed the leadership team's implementation of the firm's new shared enterprise programme. The introduction of this programme is central to the executive's long term strategy. A key principle has been to consult with all levels of the firm so as to ensure the programme satisfies the aspirations and expectations of all interested parties.

After the CEO and Strategic Leadership Team changes which took effect at the beginning of the financial year, we oversaw the handover and transition to a new team with a refreshed strategy. Subsequent to the executive team changes, the final term of the Board's Chairman, Steve Maslin, came to an end and a succession plan and selection process was carried out for the role of POB Chair. I was appointed as Chairman following the conclusion of this process and I am the first Independent Chairman of the POB.

One of our first non-executives, Richard Eyre, stood down after five years' service during this financial year. The firm conducted a selection process for a new Non-Executive, during which the balance of independence and skills amongst the Independent team was widely discussed

and it was decided that its next member should have the audit experience necessary to understand in detail the firm's audit business as well as having experience of publicly listed company finance. Deena Mattar was duly appointed. She is a qualified accountant, has been finance director of a listed entity, and she now has extensive experience as a non-executive.

Looking forward to the current year, we anticipate a few further role changes within our oversight team. We will continue to support the partnership closely, raising areas of concern, looking at issues that are likely to cause an impact on the business and in turn affect objectives, remuneration and allocation of profits. We will continue to focus on the quality and ethics agenda not only in the context of the audit practice but also across the other practices of the firm.

ED WARNER
CHAIRMAN OF PARTNERSHIP
OVERSIGHT BOARD
GRANT THORNTON UK LLP

“We will continue to focus on the quality and ethics agenda not only in the context of the audit practice, but also across the other practices of the firm.”





3.

FOREWORD FROM THE HEAD OF QUALITY, ETHICS AND EXCELLENCE

Although I have only been in post a short while, I am already in a position to make some preliminary observations in my newly created role of Head Quality, Ethics and Excellence.

Firstly, I am really buoyed by the enthusiasm expressed by the teams for whom I have responsibility, their commitment as well as the commitment of the entire firm, to embrace the Quality, Ethics and Excellence agenda. Our approach encompasses all of our service lines, support functions, teams and people within our business. In Grant Thornton we embrace Shared Enterprise and this brings with it responsibilities; all of our people have a responsibility to themselves, each other and the firm to ensure that the Quality, Ethics and Excellence agenda becomes firmly embedded as part of our cultural DNA.

Secondly, and most critically, the measures and policies that we are developing, and in some cases have already implemented, are showing signs of making a big difference. Looking at the key components of our agenda there are three broad strands, one each for Quality, Ethics and Excellence.

QUALITY In terms of Quality, we regard this as very much relating to our infrastructure, our people, our systems and our processes. Our strategy is to ensure that our people have the best tools at their disposal to develop themselves and our business into being the first choice firm for Assurance, Advisory and Taxation services.

For our people, this strategy is underpinned by the quality of our training, professional development and awareness of, and compliance with, regulatory and legal requirements. We regard it as really important to be crisp in the definition of Quality and that the progress in our level of Quality can be measured over time. Two examples are:

- We are overlaying Quality measures in the Assurance business with a Root Cause Analysis of matters identified by both internal and external file reviews in order that better identification, remediation and eradication measures can be implemented and we can share good practice.
- We are responding to observations by regulators in respect of our recording and monitoring of relationships and financial interests that could impact our ability to act objectively or independently. The requirement to complete our Global Independent System on a timely basis has been given high priority and more robust follow through policies are being applied.

These form part of a number of measures being adopted in our commitment to continuous improvement in Quality.

As a firm, our senior leaders believe that we have a duty to make sure that all of our people have the best possible environment to develop, progress and be effective. This will be driven by myself, the Head of Quality, Ethics and Excellence reporting directly to our CEO. The firm wide team also makes promises to each other to do the right thing, to comply with the rules and to build trust and integrity in markets. The Quality agenda is being set to ensure that we all comply with our shared obligations.

ETHICS Reputations are hard won and easily lost and therefore as a firm we work hard to ensure that we manage risks to our reputation that inevitably arise from doing business. We are therefore extremely keen that risks arising as a consequence of ethical connotations are managed effectively.

We have already introduced a more fundamental Ethics Training module across the whole business, featured the new Ethical Standard training into our Assurance Conference and are currently developing Ethics modules for inclusion into all core training delivered by the firm. Roll out and implementation will take place during the current financial year.

However, we regard Ethics as being much broader than formal procedures and compliance set by legislation and regulators. One of the first steps taken in my new role as Head of Quality, Ethics and Excellence was to undertake a revamp of our Code of Conduct. In this we emphasised that we expect our people to be professional, honest and trustworthy, complying with all applicable ethical and professional standards and regulatory requirements; it is important to us that we not only do what is lawful but that we do what is right. Part of this will involve heightened procedures around take on of our people and clients.

Our reputation is the firm's most valuable asset and the Ethics agenda is being shaped to ensure that all of our people recognise that they create and own that reputation. The Code of Conduct highlights the key role that they have to play in ensuring that they behave in a manner conducive with the firm's benchmark. It also involves working with clients who fit our culture, treat our colleagues and people outside of the firm fairly, support those who need help and be honest and straightforward with people who are not doing the right thing. This is an integral part of our Ethics agenda.

EXCELLENCE This is the third element of our agenda and we regard this as relating to the services we deliver, the robustness of the advice and recommendations we give, the quality of the audits we undertake and the value-add in all our clients' experiences.

We want to be regarded as the vibrant firm at the heart of growth and for building trust and integrity in markets. Specifically, we consider the circumstances of a particular client situation, the direction of travel of their organisation, the focus on management of the business and their appetite and commitment to implementing change. This is then set alongside an assessment of our capability, ability to influence, whether our people would want to work for the client and whether we can deliver the work at a suitable return to ensure we can dedicate the right level of resources to delivering high quality work and advice.

Therefore, our first step is to make sure that we act for clients that we want to act for and that we properly know our clients before we enter into formal engagements. We are also passionate about our service levels and regularly monitor our performance by client service reviews (CSRs) seeking always to maximise our scores. One measure of Excellence is exceeding client expectations in terms

of timing of delivery of our work ie by not over promising and under delivering. The monitoring of, and profile given to, CSRs will be a key feature of our Excellence agenda this forthcoming year.

Excellence also requires us to have the right skills to fulfil assignments. We will achieve this by increasing the profile of our specialist Industry Groups and by applying cross line of service teams (where practical and permissible) and collaborating in a way that our people and clients enjoy the best experiences. Increased awareness through communications from the Quality, Ethics and Excellence team will ensure that adherence to firm wide policies.

In an increasingly changing and volatile business environment, professional advisors are expected to create value for clients and deliver consistent Excellence by applying innovative and exciting solutions. We want to secure our standing as the firm that is known for its ethical compass whilst creating value by seizing opportunities in a connected world.

ADRIAN RICHARDS
HEAD OF QUALITY, ETHICS AND EXCELLENCE
GRANT THORNTON UK LLP

"We are committed to continually developing our systems, processes and people in a direction aligned with our purpose. This will differentiate us from our competitors, underpinned by Quality, Ethics and Excellence in all that we do and I look forward to reporting on our further progress in our next report."





4.

MESSAGE FROM THE HEAD OF AUDIT AND ASSURANCE

We remain committed to enhancing the quality of our audits and delivering assurance services to best support clients with real value and choice. Our investment in people, audit technology and methodology is bearing fruit and we are broadening our wider assurance offering to support trust and confidence in the market. As I complete my first year in this role, I reflect on the personal commitment to quality from Sacha as CEO and the challenge and support of our INEs that contribute to an environment of continual improvement to ensure that our services address the needs of our stakeholders and that our work further improves our reputation for audit capability and quality.

KEY ACHIEVEMENTS IN 2016 In 2016 we have continued in our efforts to implement best practices across the audit workspace:

AUDIT DELIVERY MODEL Our dedicated support team in Belfast has grown to 60 staff and is now being fully implemented in the practice. This team means that audit engagement teams have the right support and have been freed up to focus on the more complex issues. The embedded centralised processes now mean that there is more consistency in the delivery of our audits and the overall quality.

TECHNOLOGY We have adopted an iCloud based enterprise system to support audit engagement teams and facilitate better connections with clients and their needs.

PEOPLE DEVELOPMENT We have invested in our eLearning platform with structured training days and dedicated materials to assist in self-development of our people. We have established a programme of quarterly reviews of our Responsible Individuals (RI) and further aligned incentive schemes to the delivery of high quality audits.

CLIENT TAKE-ON AND CONTINUANCE

We have invested in a team of 28 professionals to augment our independence checks and processes as well as establishing an engagement quality control review team to increase the consistency and client experience.

QUALITY ASSURANCE We have engaged with our stakeholders and have incorporated feedback, particularly in areas such as root cause analysis which contribute to our continual improvement.

EXTERNAL QUALITY ASSURANCE

At Grant Thornton we are inspected by a number of regulators, details of which are given in section 11 of this report. We are on an annual inspection cycle by the FRC's Audit Quality Review (AQR) process. AQR assesses the quality of the audits of listed and other major public interest UK entities and the policies and procedures supporting audit quality. We were pleased with the results of our latest published inspection report. Of the seven examples of our audits reviewed in the 12 months to December 2015, six were rated as "Good with limited improvements required". One was rated "improvements required". None of our audits were assessed as "significant improvement required". This improvement is consistent with the quality improvements reported by the Quality Assurance Department (QAD) and Public Company Accounting Oversight Board (PCAOB) based on their review visits in 2015 and the Public Sector Audit Appointments limited (PSAA) annual review in 2016, we need to ensure that this trend remains consistent. These reviews give us a strong indication that we're moving in the right direction and consistently placing quality and excellence at the heart of what we do. It also reflects the major investment we have made in technology

and training in recent years and the hard work of our dedicated audit teams. We fully recognise the need to maintain focus and execution in individual audit assignments and within the firm's systems in order to continually develop and demonstrate our quality.

INTERNAL QUALITY ASSURANCE

We continue to run a substantial internal audit quality review process to ensure that our people are held accountable for producing high quality audits. 38% of all engagement leads were subject to audit quality reviews in 2015. As a result of these reviews:

- 32 audit partners or directors received enhanced reward for achieving high standards of audit quality
- 13 audit partners or directors had their profit share (or bonus) reduced due to audit quality results falling below the firm's benchmark.

PRIORITIES FOR 2017 AND BEYOND

Grant Thornton International Limited (GTIL) member firms are progressing a watershed project, investing approaching US \$100m to redesign and develop of a new global audit and analytics technology, with supporting audit methodology and learning. The project will ensure that

achieving high quality audits is easier, we deliver deeper audit insight for our clients, and we increase the satisfaction and enthusiasm of our people.

We will continue to invest in our people so that our work remains independent and robust as well as continuing to focus on developing the broad business skills that will allow deeper insight, enhanced scepticism and deliver excellent service.

Looking further out our vision for 2020 is to be the go-to firm for assurance services for dynamic organisations, delivering trust and confidence to the market. Our Vibrant Economy purpose is creating meaningful conversations with key stakeholders across all sectors, providing wider stakeholder engagement on market needs and opportunities.

SUE ALMOND
HEAD OF AUDIT AND ASSURANCE
GRANT THORNTON UK LLP

"High quality audits and the delivery of value enhancing wider assurance services is the bedrock of creating trust & integrity in markets. This is a key aspect of our wider purpose, and the investments we have made in our people and processes will continue as we work to ensure we are always delivering the best for our clients."





5.

LEGAL STRUCTURE, OWNERSHIP AND THE INTERNATIONAL ORGANISATION

LEGAL STRUCTURE GRANT THORNTON UK LLP

The firm is incorporated under the Limited Liability Partnerships Act 2000, and registered in England and Wales (registered number OC307742). In this report, Grant Thornton UK LLP is referred to variously as: the firm, the LLP, Grant Thornton, we, our and us.

OWNERSHIP The firm is entirely owned by its members (normally referred to as partners). At 30 June 2016, there were 179 members (2015: 184). A list of the members is available for inspection at the firm's registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

OUR BUSINESS Grant Thornton is a leading financial and business advisory firm focused on working with dynamic organisations. We are structured along geographical, industry and service lines enabling us to offer our clients a great depth of expertise delivered in a distinctive and personal way. Our principal services are audit and assurance, tax and advisory services. A full list of our services can be found on our website.

At 30 June 2016, the firm employed 4,629 people (2015: 4,461), and operated from 26 offices (2015: 26)

throughout the United Kingdom. In addition, we have branch offices in the British Virgin Islands and the Cayman Islands. Our website has a current list of our office addresses.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

Set out below is a list of the principal subsidiary undertakings of Grant Thornton UK LLP at 30 June 2016, along with details of their principal activity.

COMPANIES	PRINCIPAL ACTIVITY
Grant Thornton Business Services	Employment of personnel
Grant Thornton Specialist Services (Cayman) Limited	Insolvency and restructuring advisory services
Grant Thornton (British Virgin Islands) Limited	Insolvency and restructuring advisory services
Fulwood Insurances Limited	Insurance services
Grant Thornton Debt Solutions Limited*	Personal insolvency services
Geniac UK Limited	Management of business support functions
The Local Futures Group Limited	Licencing of intellectual property services

LIMITED LIABILITY PARTNERSHIP	PRINCIPAL ACTIVITY
Grant Thornton Services LLP	Employment of personnel
Grant Thornton Employee Benefits LLP	Employee benefits consultancy services

* Grant Thornton Debt Solutions Limited is a joint venture in which the firm owns 50% of the called up share capital. The remaining 50% is owned by Grant Thornton Holdings Limited, a company registered in Ireland.



THE INTERNATIONAL ORGANISATION

Grant Thornton UK LLP is the UK member firm of Grant Thornton International Ltd (GTIL). GTIL 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 member firms around the world using common methodologies ensuring the clients of all member firms have a consistent experience and standard.

At 30 September 2015, GTIL had 140 independent member firms (2014: 130) with aggregate revenues of US\$4.6 billion (2014: US\$4.7 billion), and more than 42,000 people.

A full list of Grant Thornton member firms across the world is available on our website. The total turnover from Grant Thornton member firms across the world resulting from the audit of annual and consolidated financial statements is US\$1.953 billion.

MEMBER FIRM ADMISSIONS Prospective member firms must meet a number of criteria in order to be considered for membership, which include:

- the prospective firm's reputation for quality and its adherence to high standards
- adoption of global policies, procedures and methodologies, including methods and quality control systems for providing services to clients, engagement protocols, and ethical and independence policies
- maintenance of a system of quality control that meets or exceeds International Standard on Quality Control 1 (ISQC 1)
- agreement to the periodic evaluation of the system of quality control by the global quality monitoring teams.

GOVERNANCE AND LEADERSHIP

The key governance and leadership bodies of GTIL are the Board of Governors and the Global Leadership Team (GLT). Their roles and responsibilities are set out, in summary, below.

INTERNATIONAL BOARD OF GOVERNORS

The Board of Governors (the Board) is the principal and overriding authority in GTIL. The Board is a group selected from Grant Thornton member firms worldwide and exercises governance on their behalf. The Board comprises the chief executive officer of GTIL, managing partners from the largest Grant Thornton member firms, managing partners elected from Grant Thornton member firms which are not amongst the largest and independent directors. The Board aims for a reasonable balance of representation from different geographical areas, including emerging markets. The Board's responsibilities include:

- providing input into the strategic development of GTIL and approving the global strategic direction and policies of GTIL as established by the CEO
- overseeing the implementation of the global strategy
- overseeing membership matters, (including approving new member firms, suspending the rights of, or expelling a member firm)
- appointing and setting the remuneration of the Chair of the Board
- appointing, evaluating performance and setting the remuneration of the CEO
- approving the budget and member firm fees
- overseeing the financial health of GTIL
- overseeing global enterprise risk management

- overseeing general governance matters, such as the composition and performance of the Board. GTIL's year end is 30 September, so the latest available data is therefore to 30 September 2015.

The Board members as at 30 June 2016 are:

- Scott Barnes, Chair, board member
- Peter Bodin, Sweden
- Pascal Boris, independent board member
- Vishesh Chandiok, India
- Marivic España, Philippines
- Gagik Gyulbudaghyan, Armenia
- Arnaldo Hasenclever, Argentina
- Xu Hua, China
- Emilio Imbriglio, Canada
- Vassilis Kazas, Greece
- Greg Keith, Australia
- Daniel Kurkdjian, France
- Kevin Ladner, Canada
- Mike McGuire, US
- Ed Nusbaum, CEO, Grant Thornton International Ltd
- Sacha Romanovitch, UK
- Judith Sprieser, independent board member



**GRANT THORNTON INTERNATIONAL**

LIMITED GTIL assists all Grant Thornton member firms in delivering consistent, robust, rigorous and high quality audits. This is achieved through the provision of a global audit methodology and software; protocols to facilitate consultation with audit specialists in other member firms; a comprehensive intranet service with up-to-date information on relevant professional standards; a worldwide restricted-entity list; an International Financial Reporting Standards help desk; and topical alerts. GTIL does not provide any services to clients itself.

CHAIR OF THE BOARD The Chair of the Board (the Chair) is a proactive role with a focus on ensuring that the Board functions as a coordinated group in support of the CEO on global strategy, including but not restricted to provision of distinctive client service by the member firms.

The current Chair is Scott Barnes and his current term runs to December 2017. The role of the Chair is pivotal to creating the conditions necessary for a highly effective Board, focused on our strategic global development.

CHIEF EXECUTIVE OFFICER The CEO is appointed by the Board for an initial term of up to five years renewable once for a further period of up to three years. The CEO, Ed Nusbaum, is responsible for the leadership of GTIL. The role of the CEO includes the development and recommendation of global strategic priorities for ratification by the Board, together with overseeing execution of these priorities. The CEO has responsibility for appointing the Global Leadership Team (GLT) subject to the concurrence of the Board. The GLT assists the CEO in the execution of the global strategy. The CEO works closely with the GLT in maintaining global policies and procedures, including those governing international work for the assurance, tax and advisory service lines.

THE GLOBAL LEADERSHIP TEAM

The GLT drives the execution of the global strategy and is chaired by the CEO. It is a full-time management group and its current members are:

- Ed Nusbaum, CEO, GTIL
- Ken Sharp, global leader, assurance services
- Paul Raleigh, global leader, growth and advisory services
- Francesca Lagerberg, global leader, tax services
- Gernot Hebestreit, global leader, business development and markets
- Stephanie Hasenbos-Case, global leader, People and Culture
- Robert Quant, global leader capacity and effectiveness





AUDIT QUALITY GTIL views excellence as essential to the network's brand, with a particular focus on audit quality. To that end, global resources are provided to assist member firms in maintaining audit quality, including:

- an audit methodology, with supporting state-of-the-art software, that is used globally
- policies and procedures contained in audit manuals that are benchmarked against international auditing, quality control, independence and ethics standards
- protocols that enable member firms to consult with the global auditing standards team and, if necessary, with audit specialists in other member firms
- protocols that enable member firms to consult with GTIL's International Financial Reporting Standards (IFRS) helpdesk
- a comprehensive intranet service that includes up to date information for member firms on auditing, financial reporting, ethics and independence standards and guidance on applying them effectively.

AUDIT QUALITY MONITORING A key component of the global strategy is to promote the delivery of consistent, high quality client service worldwide. To support this objective, a dedicated quality monitoring programme was developed to support the assurance practices of the member firms. This global monitoring programme uses the Sentinel software application and focuses on the six elements of ISQC 1. Under this programme, member firms are provided with feedback on the design, implementation and operation of their assurance practice quality control systems.

Each member firm is obligated to submit to an inspection of its quality control system, referred to as the Grant Thornton Audit Review (GTAR), at least once every three years. The GTAR process is designed to monitor member firm compliance with professional standards and global audit policies and procedures.

The GTAR is conducted by independent and suitably qualified partners and managers from other member firms under the overall direction of the global audit quality control leader.

GTAR inspection teams review the conduct of audit work performed by each member firm. The inspection process includes an evaluation of policies and procedures of the member firm applicable to its assurance practice, benchmarking those policies and procedures against relevant policies and procedures of the international organisation. The inspection team reviews financial statements, audit reports and engagement work papers and files. The inspection team also interviews partners and people on various matters.

The GTAR inspection team member assess whether a member firm's system of quality control is designed, implemented and operated to provide the member firm with reasonable assurance that the member firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and the reports issued by the member firm are appropriate in the circumstances. These include leadership responsibilities for quality, ethics and independence, client acceptance and continuance, human resources, engagement performance and monitoring.

The inspection team, as part of evaluating engagement performance, also reviews a sample of assurance engagements. On conclusion of each GTAR, the global organisation issues a report based on the inspection findings. The report on a member firm's quality control system will report one of the following:

- suitably designed and operating effectively (an unqualified report)
- suitable designed and operating effectively except for one or more significant deficiencies (an except for report)
- having material weaknesses in the design or operation of the quality control system (an adverse report).

When the GTAR identifies a deficiency, the member firm is expected to address the deficiency and document their action plan to address the findings within a reasonable period of time and submit appropriate documentation. When follow-up actions are required by member firms to address findings identified during the GTAR, a further visit or remote assessment is made to review progress in implementing these actions.

There are equivalent review processes for other network services.



SECTION 6

LEADERSHIP AND GOVERNANCE

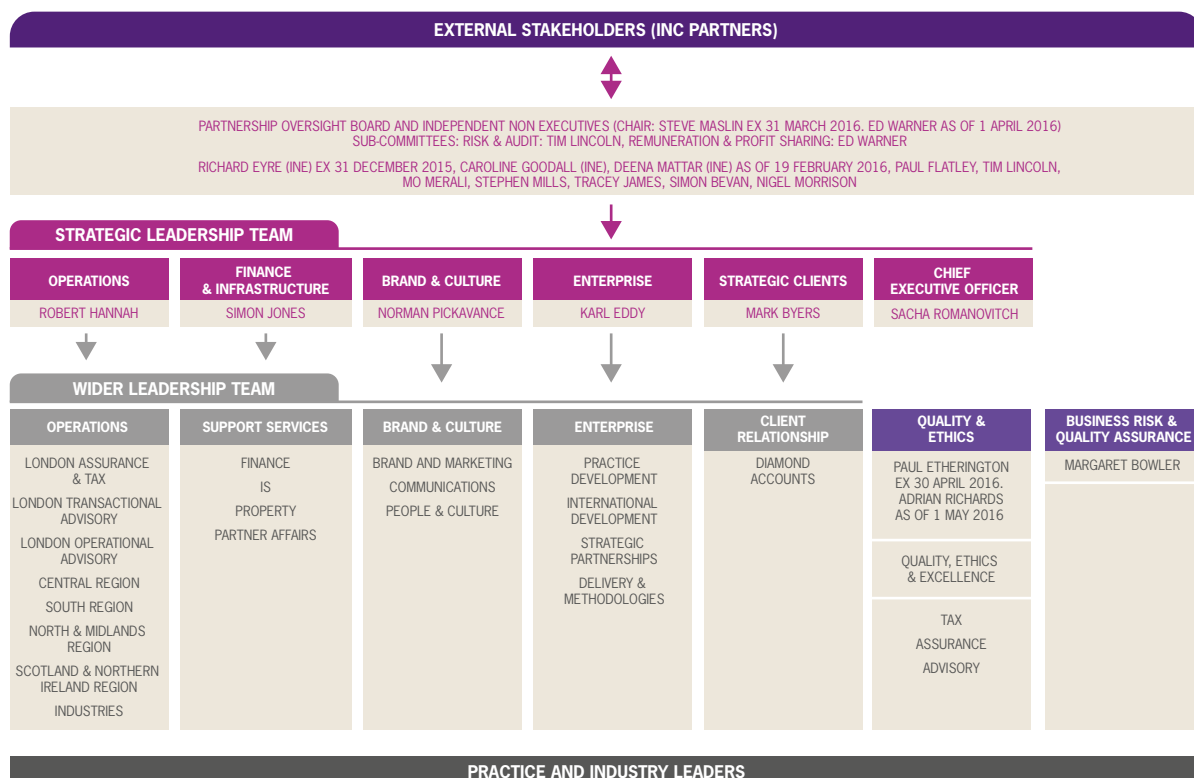
For the year ended 30 June 2016 the firm's principal leadership and governance bodies were the Strategic Leadership Team (SLT), which runs the firm as an executive function, and the Partnership Oversight Board (POB), which provides oversight of the SLT on behalf of the members (the 'partners').

The firm's membership agreement sets out the members' rights and obligations, the firm's governance framework and the key responsibilities for the management of our business.

MANAGEMENT OF OUR BUSINESS
CHIEF EXECUTIVE OFFICER The CEO has full executive authority for the management of the business. Nominated by the POB, the appointment is confirmed by an all-partner vote. The CEO may be appointed for no more than two

four-year terms. Sacha Romanovitch was appointed CEO for a first term on 1 July 2015. The CEO is bound by the firm's Statement of Principles, which is the firm's highest level statement of objectives, values and philosophy.

FIRM'S LEADERSHIP AND GOVERNANCE STRUCTURE FROM 1 JULY 2016





This is developed with the POB and approved by the members at least every three years. The partners voted to defer updating the Statement of Principles to later in 2016 to allow the new SLT to complete its Strategic Review.

STRATEGIC LEADERSHIP TEAM

The CEO appoints the SLT, which is responsible for:

- ensuring the firm operates within the LLP's Statement of Principles
- protecting the goodwill and reputation of the firm
- developing and implementing the firm's strategy
- appointing, appraising and (where necessary) removing partners, and determining their remuneration
- ensuring the firm complies with all relevant regulatory and legal requirements
- ensuring that quality is central to our work and our approach
- driving a profitable and sustainable firm.

The SLT for the year ended 30 June 2016 consisted of the following partners: Sacha Romanovitch, CEO; Mark Byers, Strategic Client Relationships; Karl Eddy, Enterprise; Robert Hannah, Operations; Simon Jones, Finance and Infrastructure; Norman Pickavance, Brand and Culture. All were in post throughout the year to 30 June 2016.

PARTNERSHIP OVERSIGHT BOARD

The POB is responsible for the protection of partners' interests, standards of governance within the firm, and the oversight of the SLT. Its principal duties are:

- development of the firm's Statement of Principles
- appointment (and, if required, the removal) of the CEO, subject to the vote of members

- monitoring the CEO's stewardship of the business
- oversight of remuneration of the SLT
- overseeing the principles and criteria for profit sharing
- oversight of risk and quality policies and procedures
- recognising that we have a public interest role that extends beyond the short-term interests of the partners.

The POB consists of eight members elected by the partners, three independent non-executive members (INEs), and three ex-officio non-voting members (being the CEO and two others – members of the executive management team. Elected members are appointed for a period of three years, and may serve for two further consecutive terms if re-elected.

Brief biographies of the POB members at 30 June 2016 are set out in section 15. Their appointment dates and meeting attendance records during the year are set out later in this section.

CHAIRMAN OF THE POB The chairman of the POB, until 31 March 2016 was Steve Maslin. On 26 November 2015 following a majority vote of POB members it was agreed to appoint Ed Warner as the next chairman of the POB. Ed Warner is the first independent chairman of any major accountancy firm in the UK. This was confirmed by a vote of more than 75% of all partners voting on a resolution issued on 15 December 2015. Ed Warner formally took over as an independent chairman on 1 April 2016 for a three-year period. Ed is responsible for chairing POB meetings and for providing guidance to the CEO on actual and potential matters of concern to the partners.

EVALUATION OF POB MEMBERS A formal review of the effectiveness of the POB and its chair was carried out in 2013, led by one of the INEs. This review consisted of an online confidential questionnaire to all partners and will be repeated periodically. During 2015/16 the POB held all partner meetings, lunches and dinners with partners across the whole firm to seek their feedback on issues of concern to the partners. In addition during February and March 2016 Ed Warner visited nine office locations to meet with partners prior to formally taking on the role as chairman to seek partner feedback on the role of the POB. The minutes of POB meetings are also circulated to all partners in the firm.

INDEPENDENT NON-EXECUTIVES

The firm has three INEs with a wide range of experience and skills, including experience of professional partnerships, corporates and the investor community, and with experience covering a wide range of industries including professional services, financial, technology, retail, charity, and media industries.

The INEs are 'outside members' of Grant Thornton UK LLP as defined by the firm's membership agreement, and as such are part of our POB with voting rights which are only exercised by the INEs when to do so would not compromise their independence. Each INE serves an initial first term of three years, and is eligible for reappointment without restriction, as determined by the elected members of the POB.

On 31 December 2015 Richard Eyre retired as an INE having served five years. Deena Mattar was appointed an INE on 19 February 2016.



The INEs bring their considerable expertise to the POB and are responsible for contributing to the overall governance of the firm, and specifically:

- the firm's recognition of its public interest responsibilities and its attitude towards quality
- the firm's approach to risk management and governance
- issues raised under whistleblowing policies and procedures.

The INEs attend all POB meetings and are invited to attend partners' meetings, and to meet with the CEO and the chair of the POB periodically. Our INEs also meet with key representatives from the institutional investor community from time to time. In addition to their representation on the POB, Caroline Goodall is also a member of the Risk & Audit Committee and Profit Sharing subcommittees, Ed Warner is Chair of the Profit Sharing subcommittee and a member of the Remuneration Committee, and Richard Eyre, now replaced by Deena Mattar, is a member of the Profit Sharing subcommittee. Our INEs contribute to audit quality through their involvement in the Profit Sharing subcommittee and Risk & Audit Committee (RAC) which included reviews of the process to ensure quality gradings of all audit partners are appropriately taken into account in determining partner profit share. During the year the INEs have also participated in other ad hoc subcommittees as required, for example in relation to significant property transactions, reviewing a proposed business acquisition, and the CEO succession planning process.

IMPACT OF INES ON THE FIRM'S

INDEPENDENCE The POB is a 'supervisory board' as envisaged by the Auditing Practices Board (APB), Ethical Standards for Auditors issued by the FRC and, therefore non-executive members of the POB are not members of the firm or its 'chain of command'. As a result, personal relationships and business or financial interests of the INEs do not bear directly on the firm's independence as auditors. However, the firm is mindful of the impact of public perception, so we require the INEs to comply with the independence requirements of partners and specifically:

- on a quarterly basis the INEs confirm to the chair of the POB that they have no financial interest or directorships with any of the firm's audit clients listed in the firm's prohibited investments list
- on an annual basis they confirm in the firm's annual declarations process that they understand and have complied with the firm's key ethical policies including independence, confidentiality, market abuse, gifts and hospitality, and whistleblowing.

In the event that there was a fundamental disagreement between an INE and either the POB or the SLT that could not be resolved following discussions with the chair of the POB and the CEO, and as a result the INE resigned from the firm, the fact that there had been such a disagreement would be disclosed in this transparency report. No such disagreement has occurred to date

SUBCOMMITTEES The POB has two main subcommittees that deal with key aspects of governance: the RAC and the Remuneration Committee. The POB's oversight of management and the establishment of separate RAC ensure that the firm complies with appropriate corporate governance, risk management and quality standards.

RISK & AUDIT COMMITTEE

The RAC is responsible for ensuring that the firm's quality and risk management framework is appropriate and operating effectively. Its specific duties include:

- overseeing policies and procedures on quality and risk management (including ethics and independence)
- monitoring and reviewing the effectiveness of the firm's internal audit function and the timeliness and effectiveness of management's corrective actions
- overseeing management's response to any major external or internal audit recommendations
- monitoring the firm's relationship with its external auditors and external regulators
- reviewing the firm's financial statements.

The RAC consists of four elected members of the POB, the CEO and at least one INE. The head of Business Risk and Quality Assurance, the national director of finance and the Head of Quality, Ethics and Excellence are invited to attend as appropriate. In addition, representatives of the firm's external auditors, Mazars (UK) LLP, are invited to attend.

The RAC met six times last year, and three of these meetings were attended, in part, by the external auditors.

REMUNERATION COMMITTEE (RemCo)

The RemCo is responsible for setting the remuneration of the CEO and the remuneration framework of the SLT, dependent upon the achievement of predetermined criteria and goals. The committee, which consists of three elected POB members and at least one INE, met three times last year. Further information on the remuneration of audit partners is included in section 13.



MEETING ATTENDANCE: YEAR TO 30 JUNE 2016

		MEETINGS			
	APPOINTED	SLT	POB	RAC	REMC0
NUMBER OF MEETINGS IN YEAR		9	6	6	3
STRATEGIC LEADERSHIP TEAM					
MARK BYERS	1 JULY 2015	6			
KARL EDDY	1 JULY 2015	9	1		
ROBERT HANNAH*	1 JULY 2015	9	1		
SIMON JONES*	1 JULY 2015	9	6	6	
NORMAN PICKAVANCE	1 AUGUST 2015	8	1		
SACHA ROMANOVITCH*	1 JULY 2015	9	6	5	3
PARTNERSHIP OVERSIGHT BOARD					
SIMON BEVAN	1 JULY 2015		5		2
PAUL FLATLEY	1 JULY 2009		5	5	
TRACEY JAMES	1 SEPTEMBER 2015		6		
TIM LINCOLN	1 OCTOBER 2006		6	6	
STEVE MASLIN (CHAIR)	1 JULY 2007		6	6	2
MO MERALI	1 JULY 2009		4		3
STEPHEN MILLS	1 JULY 2014		6	5	
NIGEL MORRISON	1 JULY 2015		6		
INDEPENDENT NON-EXECUTIVES					
RICHARD EYRE	RETIRED ON 31 DECEMBER 2015		2		
CAROLINE GOODALL	15 SEPTEMBER 2010		5	5	
DEENA MATTAR	FROM 19 FEBRUARY 2016		2	1	
ED WARNER	15 SEPTEMBER 2010		6		3

Coloured to represent 'attendance by invitation'

* Members of previous National Leadership Board

7.

REPORT FROM THE CHAIRMAN OF THE RISK & AUDIT COMMITTEE

The Risk & Audit Committee (RAC) is the governance body which reviews the preparation and audit of the firm's financial statements and reviews the standards of internal control, quality assurance and risk management of the firm's business.

It is a standing sub-committee of the Partnership Oversight Board (POB). The members of the RAC are all drawn from the POB and appointed by the Chair of the POB. As at 30 June 2016 the members of the Risk & Audit Committee were as follows:

- Sacha Romanovitch
- Paul Flatley
- Simon Jones
- Tim Lincoln
- Steve Maslin
- Stephen Mills
- Caroline Goodall

TERMS OF REFERENCE Executive management led by the SLT are responsible for setting the tone of the firm's attitude to quality and risk. The RAC's primary responsibility is to act as an oversight of the firm's risk management and internal audit functions and to review the external audit process. The terms of reference of the RAC, which are regularly reviewed and updated to reflect the challenging and changing environment in which we operate, are available on our website.

Given the nature of the services that our firm provides, and the competitive marketplace in which we operate, the quality of our services, particularly in audit, is of key importance to the RAC.

MEETINGS The RAC typically meets five to six times a year and reports directly to the POB on its activities. Minutes of the RAC meetings are made available to all partners. In addition to the RAC members, also in attendance for at least one committee meeting per year, as appropriate, were:

MARGARET BOWLER - Head of Business Risk and Quality Assurance

OWEN BROOKMAN - General Counsel

PAUL ETHERINGTON - Quality & Professional Affairs Leader (ex-officio member of the POB) Replaced by Adrian Richards Head of Quality, Ethics and Excellence as of May 2016.

MALCOLM NORTHOVER - Retired and replaced by Mark Reddy - National Director of Finance as of April 2016

ROY WELSBY - Partner Quality & Professional Standards and Money Laundering Reporting Officer

Our activities and areas of focus during the year to 30 June 2016 are set out as follows.

AUDIT QUALITY Audit quality is of paramount importance to the firm and to the RAC. In order to ensure that the firm is appropriately responding to the output from all internal and external regulatory reviews, during the financial year to 30 June 2016 the RAC has received and considered ICAEW reports following the ICAEW practice assurance visit and from our internal National Assurance Services team in respect of its National audit file reviews. The RAC also receives updates following FRC Audit Quality Review team (AQR) reports and international audit file reviews.

We have discussed the results of these reviews with management as appropriate to ensure quality remains a priority management objective, and continue to monitor this area to ensure progress is made in areas of concern or where weaknesses are identified. More details on the output of reports from our external regulators are set out in section 11.

In addition to the above quality assurance reviews, the POB give consideration as to how management ensure that audit quality gradings are reflected in audit partner and director remuneration both positively and negatively.



REVIEW OF EFFECTIVENESS OF INTERNAL CONTROLS

The RAC activities during the year provide the context for our review on the effectiveness of the firm's system of internal controls. The review comprises discussions with management at each of our meetings throughout the year, consideration of the Annual Business Risk and Quality Assurance plan and review of the external auditor's conclusions on internal controls, following their audit of the firm's financial statements, with the response from management.

BUSINESS RISK MANAGEMENT AND INTERNAL AUDIT

The SLT has been responsible for the identification of gross risk, mitigation of such risks and for the ongoing review and implementation of responses to the firm wide risk register. During the year the CEO led a review of key risks, updated the firm's three lines of defence methodology for managing risk, and assigned responsibility for specific areas to the members of the SLT. The SLT has also been responsible for ensuring appropriate communication and monitoring of the firm's key risks and, in this regard, quality and risk sessions are incorporated into partner conferences, firm wide graduate orientation programmes and service line conferences, including audit. In addition, each service line (Assurance, Tax and Advisory) now has a Head of Quality and Risk Management at National Director level supporting the service line leaders.

A report on the SLT's activities in this area (the Business Risk and Quality Assurance (BRQA) report) is provided to our committee on a regular basis and, in particular, when changes arise in the nature, likelihood or impact of the identified risks. The 2015 annual BRQA

report was provided to the RAC during the year to brief us on the progress of the firm's business risk management (BRM) process and to obtain and record the approval of the RAC on the firm's risk profile and assessment of the adequacy of the control environment.

The Business Risk and Quality Assurance review throughout the year focused on:

- consolidation and agreement of the revised quality and risk framework
- consultation with new service area leaders to develop quality and a risk approach specific to each new service area
- BRM reviews of potentially high risk areas (eg new service offerings)
- follow up internal audit reviews of areas previously assessed with 'limited' assurances
- the annual review of individual business area risks.

In addition to the above, a BRQA and Internal Audit report is circulated ahead of each RAC meeting, which typically covers:

- the latest firm wide risk register, including any consideration by the SLT of new risks or movement in significance of a risk
- reviews of particular service areas undertaken by the BRQA team
- the programme of internal audits, results and follow up of recommendations
- any incidents or breaches, for example in health and safety, whistle blowing, business continuity or information security
- updates on processes and compliance with the Bribery Act, anti-money laundering, independence checks, CPD returns, Annual Declarations

- plans for training all partners and employees on matters such as the Data Protection Act and Bribery Act.

Further, during the year the General Counsel reported to the Committee on the status of key reputational matters and provided a regular update on the Professional Indemnity insurance renewal process and the outcome.

Where appropriate individual service line leaders, department heads or members of management are requested to attend RAC meetings to present on certain matters. The Committee also had a meeting with the Head of Business Risk and Quality Assurance without the other SLT members present. I am pleased to report that the RAC has been satisfied with management's internal controls in respect of business risk management.

**ETHICS, CULTURE AND WHISTLEBLOWING**

The RAC receives updates on how management are embedding the right attitude to ethics and whistleblowing across the firm. A report from the firm's independent, externally hosted whistleblowing helpline showed that one such notification had been received during the year.

Further, our committee has given consideration as to how management embed culture, values and 'tone from the top' to ensure that quality and the firm's values are embedded in everything the firm does. These are reflected in the remuneration criteria (overseen, in the case of partners' remuneration by the Profit Sharing sub-committee of the POB) and in firm wide processes and systems. I am pleased to note that in this respect the RAC has seen an improvement in the areas of completion of performance review forms in respect of our people, CPD compliance returns and Annual Declarations. We are pleased to note also that management has implemented a policy of zero tolerance in these areas, with implications for partner remuneration where appropriate compliance levels are not reached.

CONCLUSION Based upon the oversight activities set out above, the wide ranging inputs and direct access to management, our internal audit function, and those involved with key risk areas in the firm, the RAC is pleased to report that, in our view, the firm's risk management, quality control and internal audit functions are appropriate and working as expected.

TIM LINCOLN
CHAIRMAN ON BEHALF OF THE RISK
AND AUDIT COMMITTEE

8.

QUALITY AND INTERNAL CONTROL

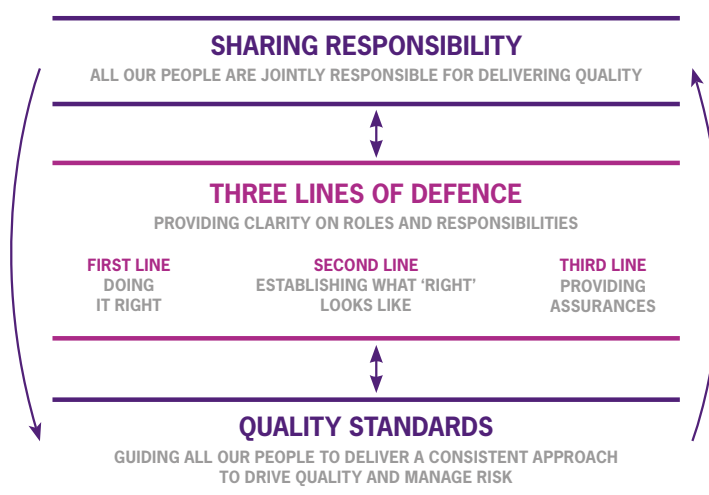
Our reputation stands or falls on the quality of our people and the work we do.

We recognise we all share responsibility for adhering to the quality standards we set ourselves, to create value for our clients and deliver consistently great quality work. We know it is key that we understand our clients, their needs and their business, and that we develop deep and long-term sustainable relationships where there is respect and confidence for robust challenge. At the same time we are mindful of the risk of any actions that could impair our objectivity or independence and which may be at the expense of our strong ethical code or the effective management of risk.

Quality is also about the environment we create for our people. We want our people to be challenged and inspired, encouraged to build their skills and to question the status quo, and to share ideas and seize opportunities to make a difference. That is why we promote an environment where quality is valued and rewarded.

We continuously invest in systems and infrastructure that drive efficiency and compliance and which support our people in the pursuit of excellence. The policies and procedures that drive our internal quality control systems are embedded in every part of our business.

OUR QUALITY FRAMEWORK We have developed a quality framework to provide clarity around everybody's role in driving quality and managing risk in our shared responsibility environment. It is focussed on a three lines of defence approach underpinned by our Quality Standards – a set of principles which guide our leaders and people in delivering quality.



LEADERSHIP RESPONSIBILITIES FOR QUALITY The ultimate responsibility for delivering quality, and the first line of defence, lies with each and every one of us. Our culture, values and collaborative approach mean that each person recognises their individual responsibility to understand the firm's key policies and procedures, and take personal responsibility for delivering quality at all times.

The Strategic Leadership Team has overall responsibility for the quality of services across the whole business and for the

management of risk and the development of appropriate internal control systems.

The CEO has taken personal ownership of the quality agenda given its role in building trust and integrity in markets and the reputation of our firm. The CEO is supported by the new Head of Quality, Ethics and Excellence, Adrian Richards who was appointed during the year with specific responsibility for ensuring that our ethical, quality and risk management strategies, our culture and various supporting systems, drive and underpin our strategy and vision.



Adrian is responsible for the second line of defence and is supported by Roy Welsby, leader of the national Quality & Professional Standards team, Margaret Bowler, Head of Business Risk & Quality Assurance team and the three service leaders: Assurance, Tax and Advisory: Sue Almond, Jonathan Riley and Mark Byers.

NATIONAL QUALITY & PROFESSIONAL STANDARDS (QPS) TEAM The national QPS team incorporates the Ethics function, the Client take on team, and the Regulation and compliance teams which includes Financial crime and investment business compliance teams. The role of each team is to develop policies and procedures to ensure that the firm complies with relevant regulatory, professional and legal requirements, and to create an environment where our people understand those policies and their individual responsibility for compliance and quality.

SERVICE LEADERS The leader of each service area (and business support function) has responsibility for driving quality and delivering excellence within their service area and specifically for developing policies and procedures which comply with the firm's quality and risk management framework and the requirements of the wider QPS team.

Each client service offered falls under one of the three service areas, and has a dedicated quality and risk management team to support the client service teams in the delivery of quality services for clients.

BUSINESS RISK & QUALITY ASSURANCE The BRQA team is responsible for:

- driving the annual risk review across all business areas
- developing the firm's quality standards to be used across the business
- providing assurances to the SLT through its internal audit function that the quality standards are in place and risks are managed.

The head of BRQA has direct access to the SLT and the RAC and meets regularly with Adrian to consider the firm's quality and internal control environment.

RISK MANAGEMENT All parts of the business are required, at least annually, to identify and assess the risks they face and to report to the SLT on those risks, the key controls in place to mitigate the risks and action plans to address any weaknesses. On a regular basis, the SLT formally considers the firm's key risk profile and any new, emerging or changing risks which could have a material effect on the achievement of our business objectives. A SLT member takes ownership of each key risk and works with individuals responsible for the development of appropriate policies and procedures and associated key internal controls to manage those risks and monitor activities. These internal controls form a key part of the firm's quality standards (QS) which are mandatory across the business and which are an integral part of the basis of the firm's internal audit reviews.

QUALITY STANDARDS The firm's QS are a set of principles which guide our leaders and people in delivering quality. They set out the minimum standards which must be met by each part of the business to drive quality, manage risks and meet legislative and regulatory requirements. They reflect the standards set by our regulators, including the Institute of Chartered Accountants in England and Wales (ICAEW), and the FRC, and comply with the International Standard on Quality Control 1 (ISQC1).

The QS apply to all parts of the business and cover the following areas: leadership, risk management, skills and competence, client take on and continuance, operations, document management, quality control, quality assurance and monitoring.

INTERNAL AUDIT The third line of defence and an integral part of the firm's quality and risk management framework is the on-going monitoring of our quality control systems. The BRQA team carries out an internal audit of each area of the business on a rolling cycle, and reports to the SLT on the assurance gained that business areas are complying with the QS and implementing key internal controls and managing risks. This includes reporting against key performance indicators reflecting the firm's internal controls such as: completed performance reviews, personal goals, essential training, engagement take-on procedures and client satisfaction reviews.

The firm's QS set out how the firm delivers excellence by creating an environment where all our people recognise their shared responsibility to quality and risk management.

OUR QUALITY STANDARDS



1 LEADERSHIP The leader of each service line has specific responsibility for promoting a culture where quality and risk management are at the heart of how we operate. Each service line has dedicated quality and risk management professionals responsible for developing policies and procedures which comply with the requirements of the QPS team (specifically the firm's QS).

2 RISK MANAGEMENT All parts of the business are required, at least annually, to identify and assess the risks faced and report to the SLT, through the BRQA team, on those risks, the key controls in place and actions taken to manage them.

3 SKILLS AND COMPETENCE We recognise that our success depends upon developing and nurturing people with the skills, ability and experience to drive and deliver excellence to our clients. Our people management systems cover

all aspects of the employee life cycle including attracting and recruiting, orientation, appraisal and coaching, development and reward.

The firm's QS include the following people management controls:

- orientation programme covering role responsibilities, firm's culture and values
- job descriptions for each role
- essential training on joining, on ethical and legal topics including anti-money laundering, bribery, confidentiality and information security
- annual performance reviews for all partners and employees
- annual goal setting and personal development plans
- compliance with regulatory and continuing professional development requirements

- licensing/badging for practice areas (eg listed company audit work, sector specialisms).

4 CLIENT TAKE ON AND CONTINUANCE

We only take on and continue to work with clients aligned to our purpose and positioning and once all legal, commercial and ethical requirements have been met. Our centralised take on team ensure for all new potential clients and any new assignments the firm's acceptance and continuance processes are being adhered to and documented.

All new assignments require approval by the appropriate partner and in certain cases the head of service line or a member of the SLT and (in certain exceptional circumstances) consultation with Grant Thornton International Limited, before the appointment is confirmed with a formal letter of engagement or contract.



5 OPERATIONS Each business area is required to develop up-to-date policies, procedures and systems to drive high quality work and ensure work done complies with all relevant legal, regulatory and professional requirements and our own internal standards.

The procedures must cover planning, supervision and review, reporting, and quality control. These requirements ensure a consistent and rigorous approach to the quality of our work and our commitment to client service, and also promote a coaching and learning environment and a culture of continuous improvement.

6 DOCUMENT MANAGEMENT All areas of the firm are required to ensure we manage our information and records to protect confidentiality, maintain integrity, ensure accessibility and support work done.

7 QUALITY CONTROL Each business area must have in place appropriate systems to satisfy itself that assignment quality control procedures have been applied consistently and that the review and supervision of the assignment have been adequate and effective.

In most cases this will be the responsibility of the engagement leader and manager but, where the nature of the client and/or the scope of the work is complex or considered to be high risk, an experienced professional, independent of the assignment team, is required to carry out the review.

8 QUALITY ASSURANCE: MONITORING

In addition to assignment-based quality control reviews each part of the business is required to carry out annual quality assessments in order to gain assurance that the firm's and the business areas' quality control systems have been operating consistently throughout the period.

These reviews will normally be carried out by the service line quality and risk professionals, supported where appropriate by senior skilled personnel.

The outputs of these reviews are communicated to the assignment teams and recurring themes including examples of best practice and any shortcomings in internal controls identified are communicated across the service lines. In addition, the BRQA team checks the output of the reviews and the actions taken.



AUDIT QUALITY

REPORTING The key deliverables of our audit are usually the Audit Plan, the formal audit report and the Audit Findings report. Our audit reports comply with auditing standards and legislation and are only signed by the RIs after appropriate review of all work done and compliance with the firm's consultation and second RI review requirements.

The Audit Plan and Audit Findings report provides those charged with governance and management bodies of clients with the main audit approach considerations, judgements and results of our audit. The content and format is tailored to the particular client's needs and will include the scope and approach of our audit, an explanation of any ethical or independence matters (together with any safeguards in place), the principal audit judgements and an outline of any control weaknesses identified.

REPORTING TO THE STRATEGIC LEADERSHIP TEAM The Head of Assurance meets with the CEO on a monthly basis, and reports back in a process of continual improvement, the findings of the national audit file reviews and the planned actions. The results are also disclosed to the firm's external audit regulatory bodies. The findings for individual engagement leaders arising from both the firm's reviews and external quality assurance reviews impact on their individual annual audit quality grading, which in turn influences their remuneration. Where an engagement review reveals findings that give cause for concern, the engagement leader's work is subject to a root cause analysis by the quality monitoring team who ensure that agreed actions are taken.

EXTERNAL FACTORS The quality of a client's corporate governance and the robustness of its financial reporting systems are critical to audit quality. Concerns about a client's corporate governance procedures identified through our client acceptance and continuance procedures require careful consideration as to whether we should continue to act for that client. During the audit, if we identify weaknesses in governance and internal control systems, we recommend possible means of improvement.

CONTINUING PROFESSIONAL DEVELOPMENT In addition to developing their broad business insight, all of our people are required to maintain their technical competence and comply with relevant regulatory and professional development requirements. This is reviewed by people managers annually, alongside an individual's personal goals.

Within the Assurance service line, there are annual and quarterly technical updates, as well as courses on financial reporting, company law, ethics and auditing matters, limited company and sector-specific training. We have increased the number of days of structured learning our people attend during the year and invested in a new eLearning platform that enables our auditors to access new learning material on-demand, when they need it.

We continually review the skills and competence of all our people and ensure they meet the needs of their clients.

We support people's development not only through structured learning programmes, but also through a variety of tools including 360-degree feedback, mentoring, on-the-job coaching, and a wide range of secondment opportunities.

We aim to create an environment where our people are passionate about what they do, feel able to challenge the status quo, perform to their best ability, and have the opportunities and support to continually develop their knowledge and skills.

PARTNER AND PEOPLE DEVELOPMENT AND EXPERTISE Substantial partner, director and management involvement is required throughout the audit process, including coaching and mentoring, encouraging consultation, giving feedback and providing on-the-job learning. Our recent people survey indicated that 83% of our audit people understand the tools and processes that help them get things done. Further, 63% said that our processes encouraged them to actively manage risks.

Technical excellence, audit quality, critical thinking and ethical behaviours are reinforced to everyone involved in audit during their orientation and throughout subsequent learning programmes. Partners and our people who are involved in the audit of certain clients can only do so following suitable accreditation (eg following attendance at specific learning programmes) – examples of this are clients in the financial services industry or listed entities.



NATIONAL AUDIT REVIEW (NAR) PROCESS

As a firm we also run a continuous cycle of internal audit quality reviews to ensure that the audits we deliver are of a consistent high quality. The process ensures:

- each Engagement Lead is subject to internal review at least every three years
- Engagement Leads with files reviewed falling below expected standards are subject to further file reviews within 12 months of the initial review
- all new Engagement Leads are reviewed around the first anniversary of their first appointment as Engagement Lead
- operating procedures in each office location are reviewed on a three-yearly cycle
- engagements for review are selected with a bias towards those considered to be more complex or of higher risk
- the setting of file grades is moderated by the National Assurance Services (NAS) Audit Quality Monitoring team to ensure consistency of results between different reviews and with the approach taken by external reviewers
- the office Audit/Assurance Leader is required to develop and implement a targeted action plan to address the findings of the review.

For ease of reference, we have sought to align our NAR review grades with those of the AQR. The result of our most recent NAR was 55 audits reviewed were either Good with limited improvements required or had some Improvements required (2015: 50). Audits requiring Significant improvement were six (2015: 16). This again shows an improving trend, and further improvements are required to satisfy our targets for audit quality.

On an annual basis the NAR findings are summarised centrally and reported to the SLT. Any themes are communicated to the audit community through training events, conferences and other technical update channels.

The results are also disclosed to the firm's external audit regulatory bodies, who subject the review process and results to scrutiny during their review, in particular by ensuring that our processes are sufficiently robust.

QUARTERLY AUDIT QUALITY MEASURES

We also perform quarterly audit quality reviews based upon detailed NAS guidance. The review findings are communicated to the audit practice and directly to the individual teams so that any learning points can be addressed. Each member of the audit team has an individual quality objective set as part of their yearly performance review, and this timely review ensures that everybody takes a personal responsibility and commitment to performing each audit to the highest standards.

INVESTMENT IN OUR PEOPLE AND OUR SYSTEMS

PEOPLE We develop our people using a 70:20:10 model, whereby 10% of learning is conducted via structured "classroom" based learning, 20% through formal coaching and mentoring and 70% during the conduct of live work assignments. Specific structured development activities which we have carried out in the period included:

- annual two day technical learning for assistant managers to partners using the University of Warwick's facilities, including a formal exam
- quarterly half-day technical learning for all assurance people
- seven 1.5 hours International Standards on Auditing eLearning modules for all assurance people, including seven tests which must be passed (including specific modules on applying Professional Scepticism, a key focus area for the profession)
- between 6-8 weeks' classroom based technical learning for all assurance people studying for their professional exams (circa 2/3 of all assurance people).

We undertake regular people "PULSE" surveys to test out audit team's satisfaction and confidence in terms of: independence, length of service, scepticism, regulation, materiality, sampling and training as regards to their delivered services. Going forward these PULSE surveys will be expanded to also track an individual's feedback on aspects of training adequacy, time and encouragement to deliver high quality audits.

SYSTEMS AND PROCESSES During the year we have invested significantly in our systems to support our assurance practice and clients:

- continued progress on our US\$100 million investment programme by GTIL member firms in the design and development of a new global audit and analytics technology, and supporting audit methodology. The project will complete in 2017 with the objective to make delivering consistently high quality audits easier, deliver deeper audit insight for our clients, and increase the satisfaction and enthusiasm of our people
- new Learning Management System and creation of significant content including eLearning covering International Standards on Auditing, International Financial Reporting Standards and FRS 102, allowing easier central monitoring and targeting of required learning
- new national audit delivery model, including a new 55 person strong support team and IT platform, to enhance the quality and consistency of our audits across the UK
- new client take-on process and team of 28 specialists to further enhance audit independence assessments.

9.

ETHICS AND INDEPENDENCE

The firm is subject to ethical and independence standards set by the Financial Reporting Council (FRC), the Institute of Chartered Accountants in England and Wales (ICAEW), and the International Federation of Accountants (IFAC). We recognise the impact of our individual and collective behaviours on our reputation. So we help our people to understand their ethical responsibilities by providing clear policies and procedures, efficient and intuitive systems, a strong culture of support and consultation, regular training and awareness programs.

The policies and procedures set out below are those that were in operation for the year ended 30 June 2016. On 17 June 2016 the new EU Regulation and Statutory Audit Directive came into effect through a combination of a Statutory Instrument (The Statutory Auditors and Third Country Auditors Regulations 2016) and revised standards and guidance from the FRC. This brings about significant change in Audit Regulation in the UK. As part of this, under the banner "Enhancing Confidence in Audit" the FRC has issued "Ethical Standard (2016)" which replaces its existing ethical standards. The new standard introduces some important changes to the current ethical regime for auditors. It is generally effective for accounting periods beginning on or after 17 June 2016 and the firm is in the process of updating its policies and procedures to take account of these changes. These changes will be fully reflected in next year's transparency report.

LEADERSHIP The firm's Quality, Ethics and Excellence Partner provides guidance and support on the application of UK and international ethical standards. Succeeded by Adrian Richards, Peter Rowley was the firm's Ethics Partner until his retirement in July 2016. The Ethics Partner is supported by the firm's ethics team (together the Ethics Function) which provides advice on ethical issues and concerns and enables our people to obtain advice on sensitive, high-risk or complex issues on a confidential basis. The firm is currently in the process of increasing resources in the Ethics Function and making a number of changes to its structure to ensure that it is properly equipped to provide the appropriate level of guidance and support under the new ethical regime.

POLICIES AND PROCEDURES The firm's Core Manual summarises our key policies and procedures in a concise and easy to understand way. It provides guidance on the fundamental principles of the Code of Ethics of the ICAEW, which require all our people to:

- behave at all times with integrity
- maintain objectivity
- work with due care and competence
- respect confidentiality
- behave professionally
- avoid conflicts of interest.

As part of the Quality, Ethics and Excellence initiative we are currently in the process of upgrading the intranet site to provide more detailed guidance and support.

OUR CLEARR VALUES We know that the best businesses pay attention to both what they do and how they do it. Our culture, is built around our CLEARR values:

C COLLABORATION
Ask for help, give help.
We work together well.

L LEADERSHIP
Have courage and inspire others.
We challenge each other to be the best we can be.

E EXCELLENCE
Find a better way every time.
We never get complacent.

A AGILITY
Think broadly, act quickly.
We thrive in change.

R RESPECT
Listen and understand,
be forthright. We create honest relationships.

R RESPONSIBILITY
Use influence wisely.
We own our actions.

CODE OF CONDUCT Our Code of Conduct provides a clear set of standards for our business, and creates an ethical and behavioural framework for how we apply our values to guide our people's response to the decisions they are required to make each day. Based on the foundations of our values it has recently been updated and now covers:

- **OUR PURPOSE:** Shaping a vibrant economy. At the heart of our firm is our purpose, shaping a vibrant economy. We impact society through who we work with, what we do for them, what we speak out on and how we are as a business. The three areas in which we believe we can make the most impact and deliver our purpose are building trust and integrity in markets, unlocking sustainable growth in dynamic organisations and creating environments where businesses and people flourish
- **BEHAVING WITH INTEGRITY:** We play a range of roles in supporting efficiency, trust and integrity in markets. Fundamental to this is preserving our reputation as people who can act without self-interest and for the diversity and quality of our services. We expect our people to be honest, trustworthy and straightforward, doing not simply what is lawful but also what is right
- **WORKING WITH CLIENTS AND OTHERS:** Our firm is built around our clients and our success depends on their success. We thrive on creating value for clients and delivering consistently great quality in this volatile, changing world. We develop networks that share skills, insight, ideas and resources unlocking their potential for growth through new, innovative and exciting solutions

- **WORKING TOGETHER:** We are committed to creating an environment where we treat each other with respect and trust each other to make the right choices. We encourage and embrace the value that different perspectives bring and appreciate everyone's contribution to shaping a vibrant economy and the firm's success.
- **PROTECTING OUR BUSINESS:** Each of us share responsibility for protecting the firm's reputation, safeguarding our people, keeping our assets safe and delivering our shared rewards
- **GETTING SUPPORT:** Our firm's unique and innovative culture of shared enterprise means each of us need to be clear about, and deliver on, the commitments we make to one another. Our Code of Conduct sets out the guiding principles for expected behaviours and we have a shared responsibility to challenge each other on the commitments we have made.



TRAINING AND AWARENESS On joining the firm, all partners and employees are provided with the Code of Conduct and experience our orientation programme including online training programmes on key policies such as anti-money laundering, confidentiality and information security, and The Bribery Act.

Our ethical approach is being embedded across all learning and communication programmes. Recently we have introduced a refreshed Ethics Training module across the whole business and are currently developing Ethics modules for inclusion into all core training delivered by the firm. In addition, on an annual basis, everybody is required to confirm their understanding of, and compliance with, relevant ethical requirements and key policies as summarised in the Core Manual and the guiding principles set out in the Code of Conduct.

IDENTIFYING CONFLICTS OF INTEREST

Historically the firm has used an electronic Notice Board listing all potential new client engagements and required relevant personnel to confirm whether or not they knew of any existing or prior relationships. The firm has now developed and implemented a new search tool to integrate a suite of databases where potential relationships could be identified. Individuals are only now asked about relationships where the database search identifies a possible match. In support of this new approach, new databases were created to ensure that all relevant relationships could be identified.

Where the potential client or any of its related entities has international operational activity, enquiries are made of the GTIL member firm in the relevant jurisdictions using the GTIL International Relationship checking process. The International network maintain databases of restricted entities and other relationships that could create a conflict. These are searched as part of the process.

The International network maintain an electronic Global Independence System to match the investment holdings of all relevant personnel with restricted entities to avoid personal investments impairing audit independence.

DEALING WITH CONFLICTS

If a potential conflict is identified, appropriate procedures are put in place to obtain the informed consent of the interested parties, to protect confidential information and to ensure potential conflicts are, and are seen to be, effectively managed. In exceptional circumstances the relevant head of service line and the firm's Ethics Partner must be consulted.

NEW CLIENT TAKE-ON PROCESS

The firm continues to invest in enhancing its take on processes. There is now a central team to handle client take on and continuance and the administration of take on is being transferred into that team over a period of time. The team currently undertake client verification for anti-money laundering purposes for all new and existing clients and conducts family tree research for international operations and database searches underpinning our relationship checking processes. The firm is also developing a new business process management tool to create a common platform for running the process. This has been piloted in part of the Advisory practice and will be rolled out across the firm over the next 18 months.

NON-AUDIT SERVICES TO AUDIT CLIENTS

Before offering a non-audit service to any audit client of the firm, the relevant RI's approval must be obtained. This approval is only given after careful consideration of any possible threats to the firm's independence, the adequacy of any plan to mitigate such threats and consultation and confirmation with the Ethics Function and the Head of Advisory Quality and Risk Management.

CONTINGENT FEES Where a proposed non-audit service to, or in respect of, an audit client will include any element of contingent fee, the formal approval of the firm's Ethics Function is required.

POTENTIAL CLIENTS WITH INTERNATIONAL OPERATIONS

If potential clients have international operations, an international relationship check is performed to identify any relationships of other member firms of GTIL that may present a conflict of interest and/or a threat to independence. When the prospective client is already an audit client of a member firm of GTIL, consultation is required with the relevant audit engagement leader to ensure that a proposed non-audit service is permitted, that any perceived threats to independence created by the proposed non-audit service can be adequately safeguarded and (where required) the circumstances will be communicated to the audit client's audit committee.

FINANCIAL INTERESTS Prior to the introduction of the FRC's new Ethical Standard, partners, other Responsible Individuals and members of their immediate families, were prohibited from having any direct or material indirect financial interest in an audit client or the parent company of any audit client of Grant Thornton UK LLP, or in any publicly traded audit client (or publicly traded parent of an audit client) of a member firm of GTIL. The prohibition has now been widened under the new Ethical Standard to include covered persons (broadly a person in a position to influence the conduct or outcome of an engagement, including certain persons with wider firm supervisory, management or other oversight responsibilities) and any persons closely associated with any partner or covered person. Full details of the firm's audit clients with publicly-traded securities, and those of other member firms of GTIL, are maintained on the firm's intranet.

Further, partners and employees may not have a material financial interest in any client to which they provide a professional service. Partners, directors, associate directors and managers involved in client service are required to record their financial interests (and those of their immediate family members) in the firm's automated tracking system, Global Independence System (GIS).

Financial interests of the firm and its affiliated entities are also recorded in the GIS, as these could have an impact on the independence of the firm or other member firms of GTIL.

OTHER ETHICAL CONSIDERATIONS **ROTATION OF SENIOR AUDIT**

TEAM MEMBERS Engagement leaders and other senior team members responsible for audits of listed companies and certain other public interest clients are required to rotate off the engagement after specified periods of time, depending on their role. The circumstances requiring rotation are identified when individuals are first assigned to a client, and are recorded on the firm's central record of public interest clients. The firm's policy concerning the rotation of key audit partners and people requires that:

- an audit lead may serve as the RI on the audit of a listed company for a period of five years. In certain circumstances, and subject to the approval of the firm's Ethics Partner and the disclosure by the company to its shareholders, the period may be extended to a maximum period of seven years. In these circumstances, the review by the independent review partner will be enhanced to safeguard the independence of the audit. At the end of their period of service, the RI must then rotate away from the engagement. For a minimum of five years the firm's policy dictates that they must not normally have a client facing role with that particular client
- a partner may serve as independent review partner ('Engagement Quality Control Reviewer') on the audit of a listed company for a maximum period of seven years. They must then rotate away from the engagement for a minimum of five years. The firm's policy is that they must not normally have any client-facing role during that period

- where a partner serves on the audit of a listed company in a combination of roles as audit partner, independent review partner and/or a 'key partner involved in the audit', the total period (either continuously or in aggregate) may not exceed seven years, followed by a minimum period of five years within which they may have no involvement in the audit
- periods of service as audit partner before a client became listed are included in the total. However, if the client becomes listed when the partner has already served for four or more years, they may serve for a maximum of another two years.
- 'key partners involved in the audit', which can include the partners responsible for significant affiliates of the listed company, can act for seven years in aggregate and then must rotate off the engagement for at least two years
- other partners and people who serve in a senior position on the audit of a listed company should not act for more than seven years in that role unless safeguards are put in place. The normal safeguard is rotation off the engagement, but a change of role within the engagement team or an independent review of the individual's work are other available safeguards.

The new Ethical Standard (2016) changes some of the requirements on rotation. In particular, "key audit partners", can now act for five years, rather than seven, and after that period have to rotate off the engagement for at least five years, rather than two. The firm will be implementing these changes in line with the permitted transitional arrangements.



HOSPITALITY AND GIFTS The firm's policy on gifts and hospitality has been updated to reflect the enhanced requirements of the new Ethical Standard. Revised limits have been set for maximum permitted amounts of gifts and hospitality given to, or received from, all clients and third parties. There are also specific requirements that need to be recorded in the firm's hospitality register and for obtaining prior approval before acceptance.

MONITORING We monitor our people's compliance with ethical and independence requirements through:

- annual declaration which all our people are required to confirm in the firm's Annual Declarations process that they understand and have complied with the firm's policies relating to independence, confidentiality, market abuse, gifts and hospitality, and whistleblowing
- quality control and quality assurance reviews of assignment files across all service lines check compliance with internal controls and specifically engagement acceptance procedures and independence policies
- the GIS accounts of 10% of partners and 5% of managers are reviewed annually against evidence to support their recorded financial interests
- the firm's internal audit function reviews compliance with key internal controls across every service line on a three-yearly basis and reports to the SLT and the POB through the RAC
- we encourage our people to consult with others when faced with a difficult decision or to speak up on areas of concern. If for whatever reason they feel unable to do so, we provide an externally hosted, confidential whistleblowing hotline. Reports of the hotline's activity are reviewed by the RAC.

COMPLAINTS AND CLAIMS

We have robust procedures in place for dealing with complaints. A register of all complaints and possible claims is maintained by the firm's Legal department, under the direction of the Head of Quality, Ethics and Excellence, which investigates all complaints and ensures all potential claims are handled appropriately.

SUPPLIER RELATIONSHIPS

Our independence requirements extend to our relationships with suppliers. Checks are carried out before we enter into a supplier contract, to establish whether they are an audit client, and if they are, special consideration is given to whether a threat to independence might arise. Where applicable the firm's Ethics function must be consulted.



10.

STATEMENT ON THE FIRM'S INTERNAL QUALITY CONTROL SYSTEMS

The Strategic Leadership Team has ultimate responsibility for the firm's quality management systems and the establishment of appropriate internal control systems.

The internal quality control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, or in the case of financial controls, to eliminate the risk of material misstatement of our financial statements.

The SLT has carried out a review of the effectiveness of internal quality control systems in line with the requirements of the section C2 of the UK Corporate Governance Code 2014, 'Risk Management and Internal Control.' (Previously the Turnbull Guidance).

The review has taken into account:

- the findings from regulatory inspections
- reports from the firm's external auditors

- reports from Grant Thornton International Limited (GTIL) on the firm's quality control systems
- the findings of the firm's internal audit function on the operation of quality management systems and the management of risk across the firm.

Based on the review, discussions held and feedback from our regulators, the SLT recognise that there are opportunities to strengthen specific elements of our control systems and are committed to implementing the recommendations made.

However, they remain of the view that no failings or weaknesses identified are of such significance that they undermine the effectiveness of our internal control systems or our ability to identify and rectify any controls weaknesses.

On this basis, the SLT is satisfied that the firm's internal quality control systems are operating effectively.



11.

EXTERNAL QUALITY ASSURANCE

The firm's Audit and Assurance practice benefits from review by a number of external bodies. We take the output of these external reviews seriously and we are committed to learning from these reviews and implementing continual improvement as well as investment to ensure that we deliver the highest quality.

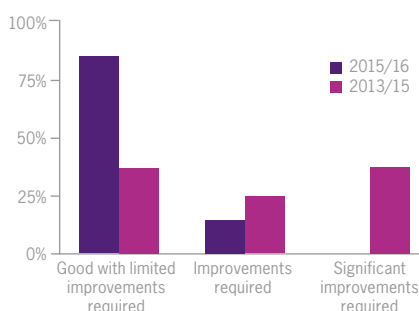
The firm is registered and authorised to undertake statutory audit work by the Institute of Chartered Accountants in England and Wales (ICAEW). The Financial Reporting Council's (FRC) Audit Quality Review (AQR) team and the ICAEW's Quality Assurance Department (QAD) complete an annual inspection of the firm. Thematic reviews are also completed across all the major audit firms by the FRC. The firm has been appointed by Public Sector Audit Appointments Limited (PSAA) as auditors to local government, police and local NHS bodies. PSAA complete an annual inspection of the firm. NHS Improvement is the regulator for NHS Foundation Trusts. NHS Improvements arrange for the QAD to review NHS Foundation Trusts on an annual basis.

The firm is also registered with overseas regulators which are subject to periodic inspection. In the United States of America, the firm is registered with the PCAOB and in Canada with the Canadian Public Accountability Board.

FINANCIAL REPORTING COUNCIL – AUDIT QUALITY REVIEW The AQR team of the FRC undertakes independent inspections of the quality of the firm's auditing function in relation to listed and other major public interest entities. It also reviews the firm's policies and procedures that are relevant to audit quality.

The AQR's report on the findings of its 2015/16 inspection of the firm was published in May 2016 and is available on the [FRC's website](#).

ASSESSMENTS OF QUALITY OF AUDITS REVIEWED



The report focused on the key areas requiring action by the firm to safeguard and enhance audit quality. It does not seek to provide a balanced scorecard of the quality of the firm's audit work. The findings cover matters arising from reviews of both individual audits and the firm's policies and procedures which support and promote audit quality.

The areas in which the AQR suggested in its last inspection report that the firm should pay particular attention in order to enhance audit quality and safeguard auditor independence were as follows:

- raise its audit quality benchmark for partners
- strengthen its audit quality monitoring arrangements
- improve awareness and monitoring of ethical and independence matters
- strengthen procedure related to the direction, supervision and review of group audits

- improve the accuracy or precision with which audit procedures are described in audit reports
- improve the quality of communications with the audit committee.

The AQR's 2015/16 review is currently in progress and we take the findings seriously and have an action plan to address any findings.

FINANCIAL REPORTING COUNCIL – THEMATIC REVIEWS The FRC thematic reviews look at firms' policies and procedures in respect of a specific area or aspect of the audit or firm wide procedures to make comparisons between firms with a view to identifying both good practice and areas of common weakness.

In 2015/16 the FRC completed their thematic reviews into:

- firms' audit quality monitoring
- engagement quality control reviews

Our firm's policies and procedures have been updated for the findings arising from the thematic reviews.

The FRC are conducting the following thematic reviews:

- root cause analysis (issued September 2016)
- quality control
- data analytics

Once the results are known the firm's policies and procedures will be updated as necessary.



INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES - QUALITY ASSURANCE DEPARTMENT

The QAD of the ICAEW is responsible for performing reviews of most audits that fall outside the scope of work of the AQR. The findings are reported privately to the firm and are not publicly available.

The firm is reviewed each year with detailed audit file inspections generally completed every other year. The Audit Registration Committee (ARC) in April 2015 requested that detailed audit file inspections were completed in 2015. The results of the last detailed audit file inspections that took place in November

2015 are detailed below, the results of which were reported to the ARC in May 2016 and the firm is now back on the two year cycle of detailed audit file inspection.

The table below sets out the grades that were awarded by the QAD in its latest three reviews:

GRADE	2015 VISIT	2014 VISIT	2012 VISIT
1 SATISFACTORY	4	3	3
2A GENERALLY ACCEPTABLE	6	3	4
2B IMPROVEMENT REQUIRED	0	4	3
3 SIGNIFICANT IMPROVEMENT REQUIRED	1	0	0
TOTALS	11	10	10

As part of the 2015 visit a follow-up review was also undertaken on one audit that was reviewed in the prior year. The QAD concluded that the issues raised had not been satisfactorily addressed.

Specific actions were put in place for the subsequent audit to ensure that the issues raised had been satisfactorily addressed. A new follow-up process has been put in place by the firm for QAD reviews to ensure all findings have been satisfactorily addressed for all reviews.

The QAD stated that the firm's audit work was of a generally good standard. The principal areas in which the QAD had findings from its 2015 visit included the following:

- actions to address evidence issues identified on previous review were not yet completed or followed up
- the technical consultation on FRS 101 eligibility did not take place
- recording review of audit work on a timely basis
- disclosure omissions in the financial statements.

The QAD stated that much of the firm's work is of good quality and well documented and that none of its findings indicated systemic weakness in audit quality.

The 2016 review was carried out in September 2016 and the next detailed audit file inspections will take place in the second half of 2017.

PUBLIC SECTOR AUDIT APPOINTMENTS LIMITED The PSAA undertakes independent inspections of the quality of the firm's audit in relation to local government, police and local NHS bodies.

The PSAA's report on the findings of its 2015/16 inspection was published in June 2016 and is available [on the PSAAs website](#).

The overall assessment of PSAA was that the firm is meeting the PSAA standards for overall audit quality and regulatory compliance requirements. PSAA uses a red, amber, green indicator for overall audit quality and regulatory compliance. For 2015/16, Grant Thornton's combined audit quality and regulatory compliance rating was amber.

The firm has maintained its performance against the regulatory compliance indicators since last year, with all but one of the 2015/16 indicators scored as green. However, the firm's overall weighted audit quality score has decreased slightly from last year.

The satisfaction survey results show that audited bodies are satisfied with the performance of Grant Thornton as their auditor.

The areas for improvement as identified in the PSAA report were:

- ensuring there is sufficient documentation on file to support materiality judgements
- ensuring that when undertaking sample testing that an appropriate and reliable basis is applied upon which the entire population is capable of selection for testing
- ensuring that sufficient audit procedures are undertaken in relation to pension assets
- giving appropriate consideration to IT controls.

NHS IMPROVEMENT (PREVIOUSLY MONITOR) - QUALITY ASSURANCE DEPARTMENT

NHS Improvement has from 1 April 2016 taken over from Monitor as the body responsible for overseeing Foundation Trusts. The QAD are engaged by NHS Improvement to review audits performed on Foundation Trusts.

The QAD report the results of its review privately to NHS Improvement, there is no public report. NHS Improvement inform the Engagement Lead and the NHS Foundation Trust of the results of the inspection. Two NHS Foundation Trusts were inspected in 2015/16 and the results were addressed in the subsequent audit.

OVERSEAS REGULATORS In the United States of America the firm is registered with the Public Company Accounting Oversight Board which inspects firms on a periodic basis designed and performed to provide a basis for assessing the degree of compliance by a firm with applicable requirements related to issuer audit work.

The last inspection was completed in 2015 and the final report was issued on 26 May 2016. The inspection report can be located [on the PCAOB website](#).

The review was completed on one direct issuer and two other engagements in which the firm played a role but was not the principle auditor. The review did not identify any audit performance issues that, in the inspection team's view, resulted in the firm failing to obtain sufficient appropriate audit evidence to support an audit opinion or to fulfil the objectives of its role in other engagements.

In addition to evaluating the quality of the audit work performed on specific audit engagements, the inspection included review of certain of the firm's practices, policies and procedures related to audit quality. The inspection team did not identify anything that it considered to be a quality control defect that warrants discussion in a Board inspection report.

In Canada the firm is registered with the Canadian Public Accountability Board. No inspection has been completed.

FINANCIAL REPORTING COUNCIL – EXTERNAL INVESTIGATIONS The FRC is the independent disciplinary body for accountants in the UK. It deals with cases of potential misconduct by accountants that raise, or appear to raise, important issues affecting the public interest in the UK.

In July 2015, we reached agreement with the FRC to conclude a disciplinary case in relation to Manchester Building Society. Our audit team identified the issue and brought it to the attention of the Society and the Prudential Regulation Authority. We cooperated fully throughout the FRC's investigation and we are pleased that it has been resolved.

The FRC has ongoing investigations into the audit of financial statements of Globo plc and AssetCo plc and is also investigating whether the firm was independent when it conducted audits of Nichols plc and the University of Salford.

INVESTOR AND STAKEHOLDER LIAISON

Representatives of our firm actively engage with regulators, standard setters and investors, shaping and influencing the drive for better reporting (audit committee and auditor) and supporting regulatory change where it is necessary. Many of our partners and employees participate in various boards, committees, working groups and forums across a diverse range of bodies and subjects relating to our profession and the wider market, and provide comments and feedback on the firm's view on planned developments and issues. This includes regular meetings with our regulators and with the UK government, alongside representatives from institutional investors, the business community and the accounting profession.

In the past year, key Grant Thornton personnel have attended stakeholder meetings and working groups with the IASB, FRC, CRAG, GAID, PRG and ECG.

CLIENT FEEDBACK A key aspect of delivering quality client services is effective monitoring and management of our client relationships.

We actively seek feedback from our clients, using face-to-face meetings and online and telephone surveys through third-party suppliers, in order to assess our performance and improve client service. Specifically we meet regularly with our public interest audit clients and seek feedback on audit quality from both audit committees and management. A number of these meetings are carried out by senior leadership and partners independent of the client engagement team, including the CEO.



COMPARISON OF GRANT THORNTON VERSUS THE OVERALL RESULTS OF THE 2014 ACC SURVEY

We also get insight into how the market sees us from other sources, such as the survey carried out in 2014 by an independent external body on behalf of the six largest firms operating in the large company audit market and completed by 173 Audit Committee Chairs (ACC). The chart below provides a summary and results illustrate that the firm is performing in line with other audit firms, yet we seek to improve our ratings through the detailed programme of investment outlined in this report.



Last year we refreshed our approach to the reporting and the measurement of our audit quality performance. In an endeavour to further industry understanding we have identified some measures that encompass metrics (as developed by the CAQ) as well as some lagging metrics. The metrics chosen represent a fit with our own reporting data and are being piloted to ensure this is a useful approach, providing us with forward looking indicators that can help us to better manage the business and inform stakeholders.

KPIs	2016	2015
HOURS TRAINING UNDERTAKEN BY PARTNERS AND QUALIFIED PEOPLE IN THE AUDIT AND ASSURANCE AREA	270,000HRS	238,000HRS
INVESTMENT IN R & D ACROSS AUDIT AND ASSURANCE ¹	US\$ 100M	
HOURS INVESTED IN DELIVERING AUDITS	1,602,000HRS	1,528,000HRS
YEARS AT PRESENT LEVEL/YEARS WITH THE FIRM AVERAGE	2.09/7.66YRS	1.85/5.77YRS
NUMBER OF RI DIRECTORS/PARTNERS IN THE AUDIT AND ASSURANCE AREA	42/57	50/56
NUMBER OF RI IN THE AUDIT & ASSURANCE AREA TO TOTAL NUMBER OF PERSONNEL IN THE AUDIT AND ASSURANCE AREA ²	99/1638	106/1615

1 GTIL investment. 2 Excluding tax, pension, and other specialists involved in Audit

In addition to the indicators mentioned above there are further measures that are considered important for assessing the performance of our audit quality by the Policy and Reputation Group.



EMPLOYEE ENGAGEMENT SURVEY

Furthermore we undertake regular employee engagement surveys to better understand how our people at Grant Thornton UK LLP see us as a place of work. Through these surveys we gain insight into how the people from the wider firm as well as the audit practice are performing in their roles and delivering value to clients. We invest in our people and they are encouraged to build their skills with us. We promote an environment where quality is valued and rewarded and the charts below provide a summary of results for the three key areas of training and development, quality delivery and resources.

FIRM WIDE RESULTS

I AM ENCOURAGED TO DELIVER HIGH QUALITY WORK



I HAD ENOUGH TIME AND RESOURCES TO DELIVER QUALITY WORK OVER THE LAST YEAR



I RECEIVE ENOUGH TRAINING AND DEVELOPMENT TO ENABLE ME TO DELIVER HIGH QUALITY WORK



AUDIT AND ASSURANCE PRACTICE RESULTS

I AM ENCOURAGED TO DELIVER HIGH QUALITY WORK



I HAD ENOUGH TIME AND RESOURCES TO DELIVER QUALITY WORK OVER THE LAST YEAR



I RECEIVE ENOUGH TRAINING AND DEVELOPMENT TO ENABLE ME TO DELIVER HIGH QUALITY WORK



Positive
Neutral
Negative

In such a competitive market place, for both business and talent, where margins are being constantly squeezed, it is a challenge to find the right balance. As a firm we try to give our people the space and support they need to be effective and happy in their roles however we appreciate there are inherent issues in managing workloads at peak times on audit assignments.

We are looking closely at the factors that are affecting these scores as the work-life balance of our people is an important issue for us. We have put in place dedicated support for the audit engagement teams and are looking forward to seeing the results.

EXTERNAL INVESTIGATIONS

NUMBER OF CASES IN THE LAST 12 MONTHS IN WHICH THE FRC'S CONDUCT COMMITTEE HAS FOUND AGAINST THE FIRM	1
NUMBER OF CASES IN THE LAST 12 MONTHS IN WHICH OTHER REGULATORY BODIES FOUND AGAINST THE FIRM	0

QUALITY REVIEWS

RESULTS OF INTERNAL QUALITY REVIEWS	32 AUDIT PARTNERS, DIRECTORS AND ASSOCIATE DIRECTORS RECEIVED ENHANCED REWARD FOR ACHIEVING HIGH STANDARDS OF AUDIT QUALITY 13 AUDIT PARTNERS, DIRECTORS AND ASSOCIATE DIRECTORS HAD THEIR PROFIT SHARE (OR BONUS) REDUCED DUE TO AUDIT QUALITY RESULTS FALLING BELOW THE FIRM'S BENCHMARK.
% OF RIs SUBJECT TO QUALITY REVIEW	38% OF ALL ENGAGEMENT LEADS WERE SUBJECT TO AUDIT QUALITY REVIEWS

As we continue to drive quality in our firm we are focussing on how to ensure that our quality measures get to the root causes of what enables our teams to deliver their best work. It is clear to us that a challenge has been the increasing demands on auditors from regulation, combined with the reporting cycles having peaks in demand. Our significant projects with the re-design of methodology and creation of specialist teams to re-engineer how we deliver our work, set out to address these specific underlying challenges.

12.

FINANCIAL INFORMATION

The following information has been extracted from Grant Thornton's annual unaudited financial statements and financial records for the year ended 30 June 2016. The full financial statements for the firm can be downloaded from our website. This information shows the importance of statutory audit work to the overall results of the firm.

TURNOVER BY SERVICE LINE	2016		2015	
	£ million	%	£ million	%
Audit	148.4	28	141.9	27
Taxation and Financial Planning	104.4	20	96.4	19
Advisory				
Corporate Finance	58.4	11	50.8	10
Forensic and Investigation Services	21.9	4	16.6	3
Recovery and Reorganisation	63.3	12	89.0	17
Other (including Business Risk, Financial Services Advisory, and Government & Infrastructure Services Advisory)	137.4	25	125.9	24
Total	533.8	100	520.6	100

RELATIVE IMPORTANCE OF STATUTORY AUDIT WORK

An analysis of turnover for the years ended 30 June 2016 and 2015 showing the relative importance of statutory audit work and the levels of non-audit services provided to audit and non-audit clients is as follows:

	2016		2015	
	£ million	%	£ million	%
Statutory audit and related fees	131.9	25	131.4	25
Non-audit work to audit clients	56.8	11	48.3	9
Sub-total audit clients	188.7	36	179.7	34
Non-audit work to non-audit clients	345.1	64	340.9	66
Total	533.8	100	520.6	100



VOLUNTARY CODE OF PRACTICE ON DISCLOSURE OF AUDIT PROFITABILITY

The Consultative Committee of Accountancy Bodies issued the Voluntary Code of Practice on Disclosure of Audit Profitability in March 2009. This sets out the recommended disclosures in respect of the profitability of statutory audits and directly related services (the reportable segment).

The turnover and operating profit of the firm's statutory audit reportable segment calculated in accordance with the Voluntary Code are:

	2016 £ million	2015 £ million
Turnover	131.9	131.4
Operating profit	8.4	10.4

Audit services for this purpose includes any audit required by UK statute and required to be carried out in accordance with the International Standards on Auditing (UK and Ireland) along with other work that 'fits naturally' with the auditor's statutory responsibilities.

Operating profit has been calculated after charging direct costs (eg employment costs) on an actual basis and allocating other overheads (eg property costs, IT costs) pro rata based on headcount or fees/turnover attributable to the reportable segment.

Members' remuneration has not been charged in arriving at the operating profit, which is consistent with its treatment in our statutory financial statements.



13.

PARTNER REMUNERATION

In accordance with the firm's membership agreement and subject to the approval of the Partnership Oversight Board (POB), the Chief Executive Officer (CEO) determines the total amount of the firm's annual audited profits to be allocated and distributed to partners (the profit pool). Audit partners (and audit personnel) are not remunerated by reference to sales of non-audit services to their audit clients.

Profits are primarily distributed in accordance with members' profit sharing units, which are allocated depending on role, assessed ability and performance. In addition, a significant percentage of the profit pool is allocated based on a balanced assessment of behavioural and operational metrics. This links performance to the firm's strategy and achievement of its long-term goals. Partners are assessed individually against criteria which include:

- **MARKETS:** enhancement of the firm's profile and reputation and demonstrable industry focus
- **CLIENTS:** provision of exceptional client service and relationship management
- **PEOPLE:** leadership in the development of colleagues
- **OPERATIONS:** demonstrating quality, delivering technical excellence and strong financial results.

Behavioural patterns inconsistent with the firm's values and the expected standards of behaviour set out in the Code of Conduct result in a reduction of profit share as a minimum.

The remuneration framework of the CEO is determined by the Remuneration Committee, which is a sub-committee of the POB, which also approves the CEO's allocation of profit sharing units to other partners on the Strategic Leadership Team.

The CEO has chosen to cap her potential reward at 20 times average employee basic salary.

The Remuneration Committee is also responsible for setting the basis and criteria against which the CEO is measured, including the setting of targets and assessment of actual achievements.

REMUNERATION OF AUDIT PERSONNEL

Audit partners and directors are quality graded by reference to the complexity, risk and quality of the work for which they are responsible, and taking into account a number of other criteria including the results of the monitoring reviews of the National Assurance Services team (both quarterly office audit quality measures and the National Audit Review process), the GTIL global audit review team, and by our regulators, attendance at all required audit technical update sessions and any technical roles that they perform on behalf of the firm. The quality grade which is awarded as a result of these assessments contributes towards the level of remuneration received by each audit partner and director.



14.

LIST OF PUBLIC INTEREST ENTITIES

PUBLIC INTEREST ENTITIES AS AT 30 JUNE 2016

This list has been prepared in accordance with the provisions of the Statutory Auditors (Transparency) Instrument 2008 ('the Instrument'), made by the Professional Oversight Board of the Financial Reporting Council on 3 April 2008.

The instrument defines a public interest entity as an issuer whose transferable securities are admitted to trading on a regulated market; and the audit of which is a statutory audit within the meaning of section 1210 of the Companies Act 2006. To this end, each of three conditions must be met:

- 1 the entity is incorporated/established in the United Kingdom
- 2 Grant Thornton UK LLP signed a statutory audit report (within the meaning of section 1210 of the Companies Act 2006) on the entity's annual accounts during the year ended 30 June 2016
- 3 on the date that the audit report was signed, the entity had transferable securities (equity or debt) in issue admitted to trading on one or more regulated markets

The fifty-five companies meeting all of the above conditions are as follows:

- | | | |
|-------------------------------------------|----------------------------------------------------------------|----------------------------------------------------|
| 1 Acorn Minerals Plc | 9 Caffyns Plc | 36 The Lindsell Train Investment Trust Plc |
| 2 Allianz Technology Trust Plc | 10 Cambridgeshire Housing Capital Plc | 37 Master And Fellows Of University College Oxford |
| 3 Associated British Engineering Plc | 11 Candover Investments Plc | 38 Mears Group Plc |
| 4 Aurora Investment Trust Plc | 12 DRS Data & Research Services Plc | 39 Menhaden Capital Plc |
| 5 Avocet Mining Plc | 13 East Finance Plc | 40 Miton Worldwide Growth Investment Trust Plc |
| 6 The Bankers Investment Trust Plc | 14 Ediston Property Investment Company Plc | 41 Neptune-Calculus Income and Growth VCT Plc |
| 7 British & American Investment Trust Plc | 15 The Establishment Investment Trust Plc | 42 Octopus Apollo VCT Plc |
| 8 British Smaller Companies VCT 2 Plc | 16 Fidelity Asian Values Plc | 43 Pantheon International Participations Plc |
| | 17 Fidelity European Values Plc | 44 Pembroke VCT Plc |
| | 18 Fidelity Japanese Values Plc | 45 Premier Veterinary Group Plc |
| | 19 Fidelity Special Values Plc | 46 Record Plc |
| | 20 Fuller, Smith & Turner Plc | 47 Sports Direct International Plc |
| | 21 Hansa Trust Plc | 48 Standard Life Equity Income Trust Plc |
| | 22 Helical Bar Plc | 49 Together Housing Finance Plc |
| | 23 Henderson High Income Trust Plc | 50 Triple Point Income VCT Plc |
| | 24 Henderson International Income Trust Plc | 51 Triple Point VCT 2011 Plc |
| | 25 Henderson Value Trust Plc | 52 University of Greenwich |
| | 26 Highcroft Investments Plc | 53 UPP Bond 1 Issuer Plc |
| | 27 Ingenious Entertainment VCT 1 Plc | 54 Value and Income Trust Plc |
| | 28 Ingenious Entertainment VCT 2 Plc | 55 Warrington Borough Council |
| | 29 Inland ZDP Plc | |
| | 30 Interserve Plc | |
| | 31 Invesco Asia Trust Plc | |
| | 32 Invesco Perpetual UK Smaller Companies Investment Trust Plc | |
| | 33 Investec Structured Products Calculus VCT Plc | |
| | 34 JP Morgan US Smaller Companies Trust Plc | |
| | 35 JP Morgan Japan Smaller Companies Trust Plc | |

It should be noted that Grant Thornton UK LLP has four on-going audit client assignments which were not included due to the fact that the accounts were not signed within the financial year (part of condition 2 above); namely Edge Performance VCT Plc, The National Exhibition Centre (Developments) Plc, RHP Finance Plc and Swan Housing Capital Plc.



OTHER ENTITIES WITH TRANSFERABLE SECURITIES

This list has been prepared to supplement the provisions of the Statutory Auditors (Transparency) Instrument 2008 ('the Instrument'), made by the Professional Oversight Board of the Financial Reporting Council on 3 April 2008.

We have defined Other Entities with transferable securities as an issuer whose transferable securities are admitted to trading on a market that is not a regulated market; and the audit of which is a statutory audit within the meaning of section 1210 of the Companies Act 2006. To this end, each of three conditions must be met:

- 1 the entity is incorporated/established in the United Kingdom
- 2 Grant Thornton UK LLP signed a statutory audit report (within the meaning of section 1210 of the Companies Act 2006) on the entity's annual accounts during the year ended 30 June 2016
- 3 on the date that the audit report was signed, the entity had transferable securities (equity or debt) in issue admitted to trading on one or more markets that is not a regulated market

The following 127 clients meet these revised conditions:

- | | | |
|--------------------------------|-----------------------------------------|---------------------------------------|
| 1 1st Credit (Funding) Limited | 13 Avingtrans Plc | 48 Formation Group Plc |
| 2 365 Agile Plc | 14 Away Resorts Limited | 49 Frontier Developments Plc |
| 3 Adnams Plc | 15 Bango Plc | 50 Gama Aviation Plc |
| 4 ADVFN Plc | 16 Bank Saderat Plc | 51 Getech Group Plc |
| 5 AFC Energy Plc | 17 Bank Sepah International Plc | 52 Globaldata Plc |
| 6 Allergy Therapeutics Plc | 18 Billington Holdings Plc | 53 Handbag Acquisitions Limited |
| 7 Alliance Pharma Plc | 19 Biome Technologies Plc | 54 Horizon 2918 Limited |
| 8 Altitude Plc | 20 Bluerock Diamonds Plc | 55 Hydrogen Group Plc |
| 9 Amerisur Resources Plc | 21 Brady Plc | 56 IBEX Global Customer Solutions Plc |
| 10 Amino Technologies Plc | 22 BrainJuicer Group Plc | 57 Iceland Bondco Plc |
| 11 AorTech International Plc | 23 Brave Bison Group Plc | 58 IDOX Plc |
| 12 Augean Plc | 24 Braveheart Investment Group Plc | 59 Imaginatik Plc |
| | 25 Briefing Media 1364 Limited | 60 Inland Homes Plc |
| | 26 Cambridge Cognition Holdings Plc | 61 Inspired Energy Plc |
| | 27 Camelot Midco Limited | 62 iomart Group Plc |
| | 28 Capital Economics Research Limited | 63 IPPlus Plc |
| | 29 Caretech Holdings Plc | 64 IPSA Group Plc |
| | 30 Cerillion Plc | 65 IXICO Plc |
| | 31 Chamberlin Plc | 66 Jaywing Plc |
| | 32 Clinical Computing Plc | 67 Judges Scientific Plc |
| | 33 Clipstone Logistic REIT Plc | 68 Kee Safety Group Limited |
| | 34 Concurrent Technologies Plc | 69 LiDCO Group Plc |
| | 35 Conviviality Retail Plc | 70 Lombard Risk Management Plc |
| | 36 CPB Residential Finance Limited | 71 LPA Group Plc |
| | 37 Croma Group Plc | 72 Marston Midco Limited |
| | 38 CVS Group Plc | 73 Marvel Newco Limited |
| | 39 Dale Erskine Power Solutions Limited | 74 Medica Reporting Services Limited |
| | 40 DDD Group Plc | 75 Melli Bank Plc |
| | 41 Dillistone Group Plc | 76 Midwich Group Plc |
| | 42 Elecosoft Plc | 77 Mining Investment Resources Plc |
| | 43 Enteq Upstream Plc | 78 Mobile Streams Plc |
| | 44 Essendex Topco Limited | 79 Mporium Group Plc |
| | 45 Etherstack Plc | 80 MRB Residential Limited |
| | 46 Eurasia Mining Plc | 81 Netcall Plc |
| | 47 Flowtech Fluidpower Plc | 82 Northamber Plc |



83 On-Line Plc	100 Rotala Plc	116 Tricorn Group Plc
84 Oxford Pharmascience Group Plc	101 Roxi Petroleum Plc	117 Tri-Star Resources Plc
85 Patagonia Gold Plc	102 S4B (Issuer) Plc	118 Tristel Plc
86 Patisserie Holdings Plc	103 Safeland Plc	119 Ubisense Group Plc
87 Peel Hotels Plc	104 Safestay Plc	120 ULS Technology Plc
88 Penna Consulting Plc	105 Sanderson Group Plc	121 Venture Life Plc
89 Porta Communications Plc	106 Savannah Petroleum Plc	122 Vianet Group Plc
90 Premier Hytemp Bidco Limited	107 Scientific Digital Imaging Plc	123 Volvere Plc
91 Pressure Technologies Plc	108 Sirius Petroleum Plc	124 Weatherly International Plc
92 Proxama Plc	109 Sphere Medical Plc	125 Willoughby (873) Limited
93 Publishing Technology Plc	110 Starvest Plc	126 ZincOx Resources Plc
94 Puricore Plc	111 Swallowfield Plc	127 Zoo Digital Plc
95 Purplebricks Group Plc	112 Symphony Environmental Technologies Plc	
96 Quartix Holdings Plc	113 Tandem Group Plc	
97 Real Estate Investors Plc	114 Ten Alps Plc	
98 Red Leopard Holdings Plc	115 Tiziana Life Sciences Plc	
99 Rosslyn Data Plc		

It should be noted that Grant Thornton UK LLP have four on-going audit client assignments which were not included due to the fact that the accounts were not signed within the financial year (part of condition 2 above); namely Rex Bionics Plc, Rurelec Plc, Victoria Plc and Willoughby (880) Limited.

SECTION 15

POB MEMBERS AS AT 30 JUNE 2016



ED WARNER - CHAIRMAN

FROM 1 APRIL 2016

Ed Warner is an independent Chair of the POB, a Chair of the Profit Sharing subcommittee and Chair of the remuneration committee looking at appropriateness of objectives set for the forthcoming year for the leadership team and the process by which decisions have been made.



CAROLINE GOODALL

Caroline Goodall is a member of the Risk & Audit Committee and the Profit Sharing subcommittee, looking at Audit, Ethics, Quality and relations with institutional investors as well as liaising with the FRC and other INEs at other professional firms.



DEENA MATTAR

APPOINTED 19 FEBRUARY 2016

A skilled FTSE 250 finance director with nine years of experience as an executive on a PLC board, an excellent knowledge of the city and a first-class reputation amongst institutional shareholders and buy and sell side analysts. Nearly five years a non-executive director (and, in some cases, Audit Chair) of a number of boards both listed and unlisted. She is NED of Wates Group Limited and RM plc and a member of the RAC.



STEVE MASLIN - CHAIRMAN

TO 31 MARCH 2016

Steve is an assurance and transaction services partner. He served as Head of Assurance Services for seven years until June 2006 having previously supervised client services as managing partner of two London satellite offices between 1992 and 1999. He represents GTIL on the Global Public Policy Committee, which acts as the interface between the six largest international audit networks and government, regulators and other stakeholders on public interest matters that affect the profession, and was elected by the global CEOs to chair the group from 1 July 2012.

Having served for three terms Steve rotated off the POB on 30th June 2016.



PAUL FLATLEY

Paul has been a partner since 2001 and is a member of the RAC.

He has over 25 years of experience in auditing and accounting. Paul is Head of the Financial Services Audit team which audits clients in all disciplines across Financial Services including the banking, asset management and insurance sectors. He has experience of both listed and private international clients reporting under IFRS and UK GAAP. Paul is in his 8th year as an elected member of the firm's Partnership Oversight Board.



TIM LINCOLN

Tim has been an audit partner for 12 years and is based in our Bristol office. He has previously worked in Belfast, London, Thames Valley and Leeds offices as well as having been seconded to the French GTIL member firm in Paris. He is currently the chairman of the firm's RAC.

**NIGEL MORRISON**

FROM 1 JULY 2015

Nigel has been a Restructuring partner for 17 years and is based in Bristol. He has a wider responsibility for Advisory across the South region and he is the joint deputy chair of the firm's Partner and Director Selection Panel.

**MO MERALI**

Mo is a lead advisory partner and is Head of Private Equity. He has significant experience of leading private equity transactions, IPOs and complex cross-border transactions.

Mo focuses on buy-side and fund-raising transactions for private equity houses, banks and corporates, and has advised in a wide range of industries, including media, healthcare technology and financial services.

**STEPHEN MILLS**

Stephen is the Practice Leader for the firm's Southampton office. He has extensive experience in working with a varied portfolio of dynamic businesses, leading the delivery of a range of advisory services and solutions that build on the particular culture, values and ethos of the business to help it deliver stakeholders' goals and ambitions.

**TRACEY JAMES**

FROM 1 SEPTEMBER 2015

Tracey is a listed company audit specialist and a member of the RAC acting across a number of industry sectors including biotechnology, information technology, property and construction and renewable energy. Tracey is also the lead partner on a number of the firm's fast growing and aspirational clients and, prior to her appointment as an audit partner, worked as a Finance Director for a medical supplies company.

**SIMON BEVAN**

FROM 1 JULY 2015

Simon is a London-based Assurance Partner, with a client focus on knowledge businesses and professional service firms. He leads the firm's China Britain Services Group and has taught at the finance and accounting faculties of two Chinese universities.

Simon joined the partnership in 2012 from another leading firm, where he had held leadership and governance positions. He was recently appointed Chair of the Partner and Director Selection Panel.



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