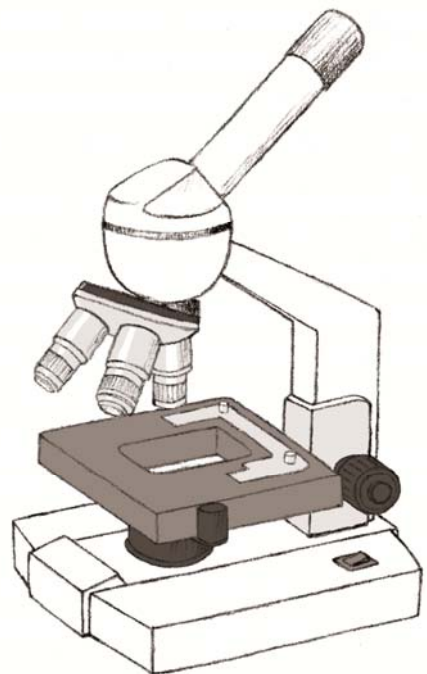


Transparency report 2009

March 2010



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Introduction

This transparency report has been prepared to satisfy the requirements of section 18 of the Accountancy Profession Act, Cap. 281. The requirements of section 18 resulted from the amendments made to the Act in 2008 to transpose the requirements of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

This report is intended to:

1. enable our stakeholders - businesses, investors, regulators and communities - to better understand our business,
2. explain how the firm is run, how we ensure that we perform audits of the highest quality, and
3. describe the expertise, breadth and depth of our firm and of Grant Thornton International.

Transparency of audit firms is a key element underpinning the confidence of the world's capital markets in the audit process and Grant Thornton will continue to play its part in creating a more accountable and robust accounting profession.

This transparency report is in respect of the year ended 31 December 2009.

On behalf of the firm's governing body



Martin Bonello-Cole
Managing Partner



Mark Bugeja
Head of Audit and Assurance Services.

30 March 2010

Foreword from the Managing Partner

I am pleased to present Grant Thornton Malta's second Transparency Report which is being published in accordance with the requirement introduced in 2008 by the Accountancy Profession Act, Cap. 281, in line with the transparency requirements of the EU 8th Directive.

This report demonstrates our willingness to speak out on issues that matter to both our clients and the wider public. It discloses information about financial performance, risk management and quality control systems. We welcome this opportunity to once again provide information about our firm, its quality control systems and the way we operate. We believe that our clients, regulators and the wider public will find this publication useful and informative.

Continued growth

Despite the world's economic crisis, in 2009 our firm continued to experience significant growth. As will be shown later in this report, fee income increased by just over 20% when compared to the previous year. Over the past four years the firm's revenue increased by more than 50%.

Our revenue growth resulted from a number of significant client wins in various sectors, most notably in the financial services and regulated entities sectors. Although most of this new work was won through our efforts within the Grant Thornton network in promoting Malta, we also managed to attract clients previously serviced by other firms.

The benefits that Malta offers to international companies operating from our country as well as the demand for more choice in accounting, auditing and advisory service providers worldwide continue to present interesting growth opportunities for our firm. We therefore intend to strengthen our efforts and investments to consolidate further our position as a clear alternative to the Big 4.

In line with our growth strategy, in October 2009 we moved to new offices in Swatar with highly improved facilities that can better accommodate both our people and clients in a fresh working environment. The move has been very well received by both staff and clients and we believe that it is conducive to providing a better and more efficient service as we grow.

Our people are our biggest asset and are the driving force behind our success. The availability of experienced and qualified accountants remains short compared to the market demand. This remains our firm's and the profession's biggest challenge as more opportunities continue to come our way. We will remain fully committed to attracting, developing and retaining top notch accountants thanks to whom we can continue providing our clients with the exceptional service and consistent high quality they have become accustomed to.



Martin Bonello-Cole
Managing Partner

Legal structure and ownership

Grant Thornton is a civil partnership constituted under the laws of Malta. The partnership is registered as an audit firm with the Accountancy Board in terms of the Accountancy Profession Act, Cap. 281.

The activities of Grant Thornton are conducted through three entities:

- Grant Thornton (civil partnership)
- Grant Thornton Consulting Limited (GTC)
- Grant Thornton Fiduciare Limited (GTF)

The civil partnership is wholly owned by its four partners. All partners hold an audit practicing certificate and are directly involved in the provision of the firm's services. The partners also hold all the voting rights in the partnership.

The partners also own 100% and 90% of the shares in GTF and GTC respectively.

Most of the core services are provided by Grant Thornton. These include audit, tax, accounting, foreign direct investment and other services. Business advisory services are conducted by GTC whilst GTF provides international tax, company registration and secretarial and back office services.

The above mentioned entities are collectively referred to as "Grant Thornton Malta" or "the firm".

The firm practices from one office at Tower Business Centre, Tower Street, Swatar BKR 3013.

Grant Thornton International

Grant Thornton Malta is a member firm of Grant Thornton International Ltd (Grant Thornton International).

Grant Thornton International is one of the world's leading organisations of independently owned and managed accounting and consulting firms. These firms provide assurance, tax and specialist business advice to privately held businesses and public interest entities. More than 2,600 partners provide clients with distinctive, high quality and personalised service in over 100 countries.

Grant Thornton International Ltd (Grant Thornton International) is a not-for-profit, non-practising, international umbrella membership entity organised as a private company limited by guarantee, not having a share capital, incorporated in England and Wales.

Each member firm within Grant Thornton International is a separate national firm. These firms are not members of one international partnership or otherwise legal partners with each other, nor does membership within Grant Thornton International thereby make any firm responsible for the services or activities of any other. Each firm governs itself and handles its administrative matters on a local basis. Although many of the member firms carry the Grant Thornton name, either exclusively or in their national practice names, there is no ownership among the firms or by Grant Thornton International.

Governance and management

The firm's governing body is made up of the partners who are also the firm's principals in terms of the Accountancy Profession Act, Cap 281. The Board of Partners meets periodically and is the ultimate decision making instrument concerning matters such as strategy, financial management and human resources. The Board of Partners is also responsible to ensure that the firm's vision and values are aligned with the global vision and values set by Grant Thornton International.

The governing body is composed of:

- Martin Bonello-Cole, Managing Partner
- Mark Bugeja, Head of Assurance and Audit Services and Compliance Principal
- Austin Demajo, Head of Taxation Services
- Joseph Pullicino, Head of IT Services.

The partners are supported by the following directors who act in an advisory capacity:

- Margaret Bonello-Cole – Director, Audit and Assurance Services
- Kenneth Bonnici – Head of Business Advisory Services
- Wayne Pisani – Head of Corporate Services
- Mario Vella – Head of Foreign Direct Investment and Libya Related Services.

The partners and directors meet every fortnight to monitor progress and to discuss developments and management issues relating to the firm's various service lines.

Quality control systems

Grant Thornton Malta's internal quality control system is set out in the Ethics and Quality Control Manual (EQCM). The EQCM explains the policies and procedures relating to:

- Ethical requirements

The firm's policies are designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements. They cover the requirements of the Code of Ethics of the International Federation of Accountants and the national requirements emanating from Directive no. 2 issued by the Accountancy Board.

- Acceptance and continuance of client relationships and engagements

The procedures for acceptance and continuance of clients and engagements provide the firm with reasonable assurance that it will only undertake or continue relationships and engagements where it:

- a) has considered the integrity of the client and does not have information that would lead it to conclude that the client lacks integrity;
- b) is competent to perform the engagement and has the capabilities, time and resources to do so; and
- c) can comply with ethical requirements.

- Human resources, assignment of engagement teams and engagement performance

The policies and procedures ensure that:

- a) the firm has sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and regulatory and legal requirements, and to enable the firm or engagement partners to issue reports that are appropriate in the circumstances;
- b) the identity and role of the engagement partner are communicated to key members of client management and those charged with governance; the engagement partner has the appropriate capabilities, competence, authority and time to perform the role; and the responsibilities of the engagement partner are clearly defined and communicated to that partner;
- c) the firm is provided with reasonable assurance that engagements are performed in accordance with professional standards and regulatory and legal requirements, and that the firm or the engagement partner issue reports that are appropriate in the circumstances.

- Consultation, differences of opinion, complaints and allegations

The policies and procedures provide the firm with reasonable assurance that:

- a) appropriate consultation takes place on difficult or contentious matters;
- b) sufficient resources are available to enable appropriate consultation to take place;
- c) the nature and scope of such consultations are documented; and
- d) conclusions resulting from consultations are documented and implemented.

The EQCM also includes policies and procedures for dealing with and resolving differences of opinion within the engagement team, with those consulted and, where applicable, between the engagement partner and the engagement quality control reviewer.

The policies and procedures also ensure that the firm deals appropriately with:

- a) complaints and allegations that the work performed by the firm fails to comply with professional standards and regulatory and legal requirements; and
- b) allegations of non-compliance with the firm's system of quality control.

- Engagement quality control review

An engagement quality control review that provides an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report is required for engagements meeting certain criteria.

- Monitoring

The firm undertakes an ongoing consideration and evaluation of its system of quality control, including a periodic inspection of a selection of completed engagements. This process, which covers firm wide processes as well as review of engagements is called the Internal Quality Control Review (IQCR). The IQCR is intended to ensure that the firm's quality control system is relevant, adequate, operating effectively and complied with in practice, and is performed on an annual basis.

The firm's EQCM also covers the requirements of International Standard on Quality Control (ISQC) 1.

Grant Thornton International quality control procedures

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

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

Supporting robust audit delivery

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

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

Grant Thornton International Audit Review

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

External monitoring

The firm's audit practice is subject to periodic quality control visits by the Quality Assurance Unit (QAU). The QAU reports to the Quality Assurance Oversight Committee (QAOC) which, in terms of the Accountancy Profession Act, is the policy-making body and regulator of the quality assurance function in the accountancy and auditing profession in Malta.

Since the setting up of the QAOC in 2007, our firm has been reviewed by the QAU in July/August 2008.

As a firm registered with the United States Public Company Accounting Oversight Board (PCAOB), it may also be subject to their review. However to date it has never been reviewed by the PCAOB.

Client acceptance procedures

Grant Thornton Malta's client acceptance procedures assess the risks that are associated with new clients and are performed prior to the firm accepting or declining an engagement. The client acceptance procedures are carried out by the engagement partner assigned to the prospective client and are then reviewed by the Managing Partner. If the Managing Partner is the assigned engagement partner, the procedures are reviewed by another assurance partner.

Client continuance procedures are conducted on an annual basis to determine whether the relationship with the client can be maintained or whether it should be discontinued.

The acceptance and continuance of clients meeting certain criteria also requires approval by Grant Thornton International.

Grant Thornton International client acceptance procedures

The executive director - risk and regulatory matters chairs a global client acceptance advisory committee. The client acceptance advisory committee is comprised of the worldwide director - quality control and partners, nominated by their managing partners, selected from a geographically dispersed set of member firms. The associate general counsel assists with the coordination of the activities of this committee. The committee reviews submissions from member firms for acceptance and re-acceptance of assurance engagements meeting certain risk criteria.

Independence practices

The Code of Ethics of the International Federation of Accountants and the national requirements emanating from Directive no. 2 issued by the Accountancy Board, together with the policies and procedures set out in the firm's EQCM contain several safeguards to ensure the firm's independence.

The firm's policies and procedures are designed to ensure that these independence requirements are adhered to. The controls in place include:

Leadership commitment to quality

The firm recognises that quality and commitment to ethical standards is essential to its work and the firm's leadership is committed to a quality-oriented internal culture in which we perform work that complies with professional standards and regulatory and legal requirements, and issue reports that are appropriate in the circumstances. The policies and procedures in the EQCM are designed to assist the firm's leadership in developing and maintaining a culture of quality in the firm and ensuring that commercial considerations do not override the firm's commitment to quality in all its engagements. The ultimate responsibility for the firm's ethics and system of quality control rests with the Managing Partner.

Annual confirmations

All personnel are required to confirm that they do not hold any financial interests in any of the firm's clients which are prohibited by the firm's policies and standards. They are also required to confirm that they do not have any relationships, nor entered into any transactions, with the firm's audit clients that are prohibited by the firm's ethical policies. These confirmations are made upon joining the firm and thereafter on an annual basis.

Monitoring

As part of its annual IQCR process the firm inspects for compliance with the firm's independence policies and procedures.

International restricted entity list

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

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

Grant Thornton International has also adopted an automated independence tracking system, the Global Independence System (GIS). Partners and client-facing managers in member firms are required to maintain a portfolio in GIS of those publicly traded securities in which they have a financial interest. The GIS monitors these financial interests against the global restricted list and is designed to alert the member firm or the individual professional and a national compliance officer in the event that a security held also appears on the global restricted list. The GIS provides a mechanism to assist the individual and the national compliance officer in determining whether the security may continue to be held, based upon the facts and circumstances.

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

Continued professional education

All Grant Thornton Malta personnel have a responsibility to participate in continuing professional education (CPE) in order to:

- maintain and improve their technical knowledge and professional skills
- apply new techniques, understand economic developments and meet changing responsibilities and expectations
- ensure they have the technical knowledge and professional skills required to perform their work.

As a minimum personnel are required to meet the CPE requirements set out in the firm's EQCM. These require personnel to obtain at least 120 hours of CPE over a consecutive three year period, subject to obtaining at least 25 hours every calendar year.

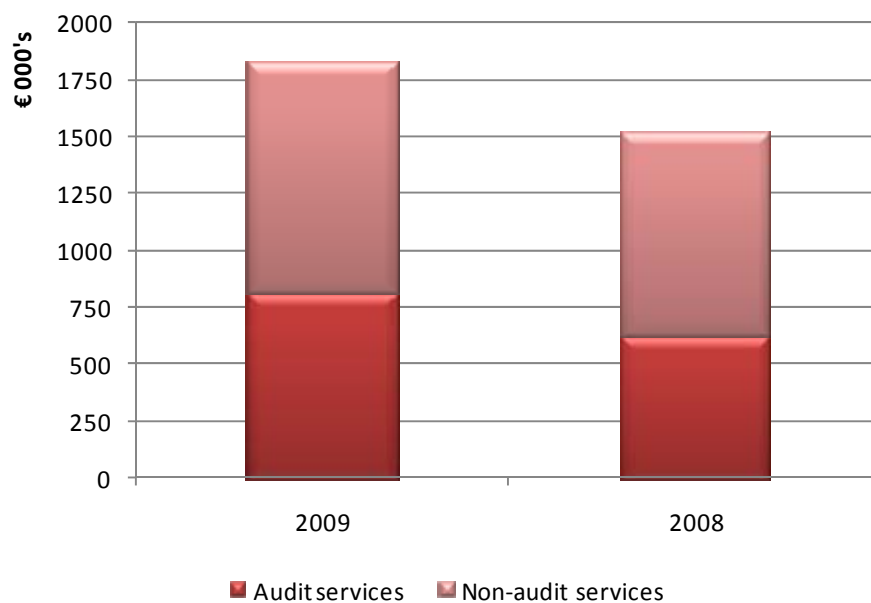
75 of the 120 hours minimum three-yearly requirement and 20 of the 25 hours minimum annual requirement must be completed in structured CPE. 42 of the 75 structured CPE hours must be obtained in areas qualifying as core competencies, 18 hours in areas qualifying as professional competences and the balance in areas that qualify either as core competencies, or as professional competencies or in other areas that are relevant to the attainment of continuing professional development.

Personnel are required to complete an annual confirmation that CPE requirements have been met. The firm regularly monitors the compliance of personnel with minimum CPE requirements.

While the majority of technical training takes place within member firms, Grant Thornton International makes a significant investment to train auditors in all member firms in the global audit methodology. The audit methodology, known as Horizon, is supported by state-of-the-art technology. Significant effort and resources have been committed to make the training programme technically rigorous to support implementation throughout member firms so that the audit needs of both public interest and privately held companies can be met appropriately, regardless of their size or complexity.

Financial information

The total turnover of the three entities comprising Grant Thornton Malta for the year ended 31 December 2009 amounted to € 1.83 million¹ which represents an increase of 20 % over the previous year.



Fees from audit services rose from € 625,000 in 2008 to € 820,000 in the year under review representing an increase of 31%. Non-audit fees also increased by just under 13%, from € 895,000 in 2008 to € 1,010,000 in 2009.

The above include turnover earned from both audit and non-audit clients.

¹ The financial statements of the firm for the year ended 31 December 2009 are still in the process of being finalised and therefore the turnover figures presented are preliminary and may be subject to change.

Partner remuneration

The partners do not have any predetermined level of remuneration. They are entitled to their share of the firm's total profits which are allocated according to the partners' respective equity interest.

None of the partners is remunerated on the basis of fees generated by a particular service or group of services, or by a particular client or group of clients.

During the year the partners are entitled to receive monthly drawings which are determined at the beginning of each year.

Public interest entities

The Accountancy Profession Act Cap 281 defines public interest entities as those:

- a) whose transferable securities are admitted to trading on a regulated market of any EU member state;
- b) credit institutions;
- c) insurance undertakings; and
- d) any other entities as may be prescribed by the Accountancy Board. To date no such other entities have been specified.

The following are the firm's audit clients which meet the above definition:

- Mediterranean Investments Holding p.l.c
- International Hotel Investments p.l.c.
- Corinthia Finance p.l.c. (appointed 13 April 2009)
- Practice Plan Insurance Ltd
- Trinity Lane Insurance Company Ltd
- Setanta Insurance Company Limited (appointed 1 October 2008)

The firm also audits the following entity of significant public interest since it acts as a guarantor of debt securities issued by a listed company:

- Corinthia Palace Hotel Company Limited



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