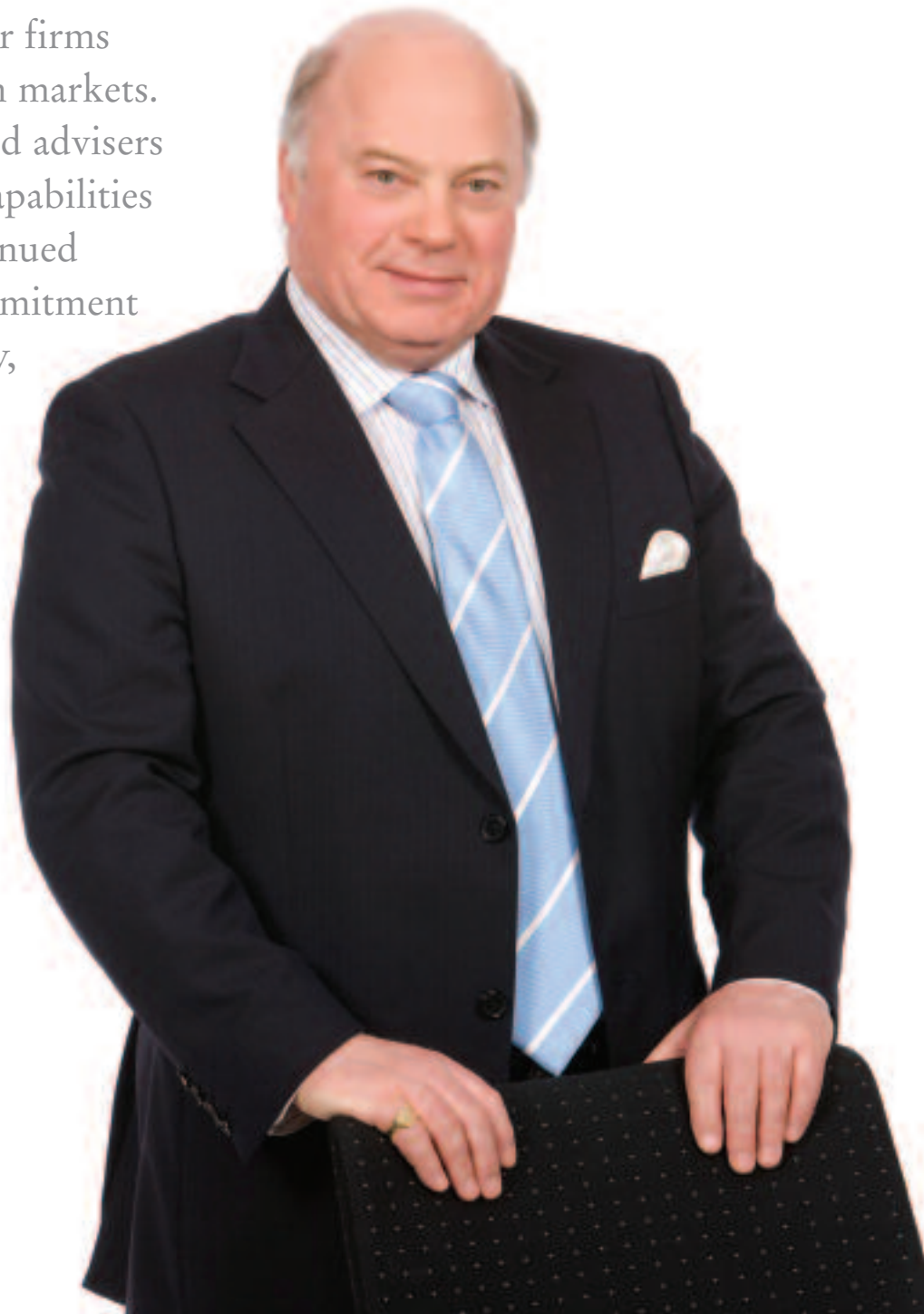


## Annual review 2006

Committed to the public interest

Grant Thornton 

“Grant Thornton member firms are leaders in their chosen markets. Their experience as trusted advisers and their global service capabilities are underpinned by continued investment and their commitment to independence, integrity, professional excellence and transparency.”



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Pictured on cover:

**David McDonnell**

Chief Executive Officer

Grant Thornton International

### **IBOS 2006 – FAST FACTS**

This report features a series of facts from the Grant Thornton International Business Owners Survey. Visit [www.grantthorntonibos.com](http://www.grantthorntonibos.com) to find out more.

## Investing in trust



**David McDonnell**  
Chief Executive Officer  
Grant Thornton International,  
based in London, UK.  
Chairman of the International  
Management Board.

As Grant Thornton International member firms celebrate the third consecutive year of double-digit growth, demand for international services continues to surge and businesses are embracing an open market with enthusiasm. Prospects look bright for the coming year, David McDonnell, Chief Executive Officer, explains.

### A profession in flux

The past four years have seen the accounting profession undergo its most profound shift in nearly two decades. The major corporate collapses along with the associated demise of Andersen, put into reverse a trend of several decades and exposed the risk of large companies only considering the appointment of a Big Four provider. These events were a catalyst in spawning a vigorous debate in the corporate, regulatory and professional sectors over the very nature of the audit and its role in safeguarding public interest. Recent financial scandals have turned attention to **the audit's inherent value**, and **the profession has taken huge steps towards re-building corporate and investor trust** in its integrity and independence.

### A safer corporate world

The regulatory response to 2002 was immediate and far-reaching. In the US, the Sarbanes-Oxley Act, passed into law the same year, mandated that a firm carrying out a company's audit could no longer provide many non-audit advisory services to the same entity. The law also required that a company seeking advice about internal controls should engage a firm separate from its independent audit firm.

The introduction of such exacting regulations has not been limited to the United States. For example, South Africa brought in tough new rules that mirror the US model, France unveiled new procedures governing independence, while a plethora of new regulations in Australia now make that country one of the most-regulated jurisdictions in Asia Pacific. Moreover, the adoption by the Parliament and Council of the European Union of the Eighth Directive will, when implemented, encourage businesses to seek out new providers for non-audit services across all member states.

Total aggregate member firm fee income rose by 17% in 2005, one of the strongest performances of any accounting network.

“In the interior design software and e-commerce business, everything is global. And that means working with an accountancy firm which can guide the company through global accounting standards.”

**Jean Mignault** Chief Executive, 20-20 Technologies Plc.

The home and office software design company works with Raymond Chabot Grant Thornton, Canada and member firms in Europe, the Americas and Asia Pacific.

In a globalised world, the effects of such new regulations are no longer confined to a single jurisdiction. Oversight bodies in the United States, for instance, recognise that their activities are hampered if they are limited to the US market alone, when many of a company’s operations may be carried out elsewhere. As an example, the tighter requirements issued by the United States’ Public Company Accounting Oversight Board (US PCAOB) have obliged 30 Grant Thornton member firms around the world to register with the US PCAOB.

#### Embracing choice

The consequences for businesses of such radical regulatory change have been equally profound. Motivated initially by regulatory moves and subsequently by the visible benefits of a more fluid accounting market, **businesses have embraced the idea of greater choice** among their professional advisers, both for audit and non-audit services. **Good practice now dictates that companies seek professional services from a broad group of providers.**

Grant Thornton member firms have been well-positioned to meet the increased demand. Being extremely strong in the mid-cap corporate sector, they have succeeded in diverting market share from the Big Four. In the United States, for example, the Grant Thornton member firm won a net gain of 45 new US Securities and Exchange Commission (SEC) registered audit clients between January 2003 and September 2005.

Even when companies choose to retain a Big Four firm for their audit, they have increasingly found benefit in engaging a different provider of non-audit services. Grant Thornton member firms boast an unrivalled reputation in specialist services. Largely free from the conflicts of interest that hamper the Big Four, they have become the providers of choice for a wide range of non-audit engagements to Fortune 500 companies and other very large organisations.

Grant Thornton member firms performed well across all divisions. In Asia Pacific there was a rise of 26% in aggregate...

**IBOS 2006 – FAST FACTS**

The US tops the list of countries with the highest proportion of ‘super-growth’ companies, but India and Hong Kong are challenging for the top spot.

Source: Grant Thornton IBOS 2006

**Outstanding performance**

In this context, Grant Thornton member firms performed superbly over the past year. Total aggregate member firm fee income rose by 17% in 2005, one of the strongest performances of any accounting network. This marks the third consecutive year of double-digit growth for the organisation – visible proof that member firms have built a sustainable base from transformation in the wider market.

Organic growth was particularly strong in Asia Pacific, where there was a 26% rise in aggregate member firm fee income. And with the explosive demand being generated by markets in both India and China, the Grant Thornton member firms in Asia Pacific are expected to continue their expansion in these markets. A buoyant business environment in the Americas sustained a robust 23% rise in revenues across the division. Particularly notable was the US firm’s impressive 29% upswing, the third year in which the firm has posted organic annual growth in the region of 25% plus.

In Europe, the Middle East and Africa, division-wide expansion averaged 10%, with member firms attracting new clients and servicing growing mature businesses, even as wider economic output remained dormant in the key western European markets.

**Driving investment**

Grant Thornton International’s long-term strategy of investment in common methodologies, infrastructure and skills has been a pivotal factor in the organisation’s success and growth. No other organisation outside the Big Four has invested so heavily in technology, software, quality standards, risk management systems and brand management. And clients are the key beneficiaries of this investment as they receive cutting edge service from member firms.

...fee income, 23% in the Americas and 10% in Europe, the Middle East and Africa.

“The Grant Thornton firms we have worked with are very proactive. They always provide us with the latest information on ‘hot issues’ and make sure we are ahead of the game with new rules and procedures. They go beyond what is expected of them and that’s why I’d recommend them to anyone!”

**Wolfgang van Ommen** Managing Director, Krebs Engineers Europe.

Member firms provide services to the engineering company in the US, South Africa and worldwide.

This investment has enabled firms to flourish during a period of increasing world globalisation of business, a trend that began to accelerate more than a decade ago. **Fast growing markets in Asia, central and eastern Europe and South America are now emerging to drive soaring demand for cross-border accounting operations**, as organisations in mature markets seek to make the most of opportunities in these emerging markets. In established markets, too, **flourishing technology and falling trade barriers are providing smaller companies with access to distant countries and territories**. These trends are reflected in Grant Thornton International’s results: the volume of cross-border business handled by member firms rose by circa 30% in 2005. Grant Thornton member firms are constantly investing to better the already successful coordination of international assignments between each other.

Of course, regulatory change following the Sarbanes-Oxley model has impacted our market. The investment and reputation of Grant Thornton member firms makes them well-placed to help those companies that are separating audit and non-audit engagements for independence purposes. In turn, audit committees have become more focused on the value of the audit and are keen to explore a larger field of providers than before.

#### **Market focus**

As we go forward, I believe that the clear focus of Grant Thornton member firms will benefit their clients through their superior delivery of service.

The volume of cross-border business handled by member firms rose by circa 30% in 2005.

**IBOS 2006 – FAST FACTS**

Regulations/red tape are the most significant constraints on business expansion, with lack of availability of skilled workforce a close second.

Source: Grant Thornton IBOS 2006

For audit assignments, Grant Thornton International is the network of choice for mid-cap listed companies, with the ability to deliver top-quality services to clients in every key jurisdiction.

The Grant Thornton reputation in the delivery of international tax and specialist services such as corporate finance and corporate recovery rivals that of any competitor. Member firms have the skills, experience and freedom from conflicts of interest that make them leading providers to both large and medium-sized companies. Moreover, Grant Thornton member firms wield an unbeatable track record, established over many decades of assisting in the development and expansion of entrepreneurial, growth-oriented companies.

**Investment agenda**

For the coming year, Grant Thornton International has developed an impressive investment agenda to help member firms build on last year's outstanding performance. Significant resources are already committed to:

- continuing the enhancement of audit software used by member firms throughout the world
- extending human resource initiatives in the areas of leadership development, training and international secondments including the International Partners' Development Programme
- refining independence initiatives to assist member firms in their efforts to comply with professional standards requiring independence and to help them more efficiently detect potential conflicts of interest
- enhancing risk management policies and procedures
- re-examining marketing initiatives and brand management so that they reflect new market realities
- supporting specialist financial services such as international tax, corporate finance and corporate recovery
- boosting the Grant Thornton presence in China.

**IBOS 2006 – FAST FACTS**

One in ten businesses worldwide has transferred or outsourced operations to another country.

Source: Grant Thornton IBOS 2006

**Going forward with confidence**

As the year progresses, I believe we will see a strengthening of the same trends that have transformed the accounting market in recent years. With world trade swelling by some 6.5% per year, **appetite for cross-border expansion appears to be undimmed**. The phased implementation of the European Union's Eighth Directive by 2008 will also continue to push companies in key European markets towards new providers of high-quality specialist services.

Moreover, it is likely that we will see further modifications to regulatory regimes around the world. **Regulatory change is often an ongoing journey of improvement for service providers and clients alike**, as debates on transparency, responsibility and standards unfold.

Grant Thornton International is committed to remaining engaged in these debates, and welcomes the positive, confidence-building effect that better regulation can bring to the wider corporate sphere. More than 200 individuals from the organisation hold seats on professional entities including the Global Public Policy Committee, the Transnational Auditors Committee, and the Forum of Firms. I will participate at the 17th World Congress of Accountants in November 2006 as a keynote speaker to the 5,000 delegates invited to Istanbul by the International Federation of Accountants.

By representing Grant Thornton International and its member firms on such bodies, senior partners of member firms help to shape future developments in the profession, while promoting high-quality standards of service and ethical behaviour. Armed with a commitment to responsibility, integrity and high quality, Grant Thornton International and its member firms face the coming year with great confidence. I believe that member firms will be in an even better position to provide first-rate professional services to their clients through a better-regulated and more transparent business environment.



**David McDonnell**

Chief Executive Officer, Grant Thornton International, May 2006.

**Around the world member firms of Grant Thornton International have delivered outstanding performance. This year's combined growth in fee income of 17% marks the third consecutive year of double-digit growth for the organisation.**

**Member firms are also experiencing dynamics in their markets resulting from changing regulation and increased globalisation of business, commented on already by David McDonnell, CEO.**

**Directors of our three divisions discuss how member firms are developing their practices, embracing the changes in their markets and working together to deliver first-class services while applying harmonised methodologies and procedures.**

## The Americas

### Winning performances in the division

“Target clients are pushing ahead to exercise greater choice and are consequently enjoying the benefits of a more open market.”

**Bob Leavy** Divisional Director, Boston, US.

#### Seizing opportunities in a changing market has proved a successful challenge for member firms in the Americas.

##### Providers of choice

The past year has seen member firms competing head-on with the Big Four – and winning – in the delivery of audit and specialist financial services as clients seek greater choice in their service providers. Aggregate fee income across the division grew by an outstanding 23% in 2005 as member firms consolidated their positions by anticipating and responding to rapid changes in the market.

Indeed, client companies are moving even faster than regulators in seeking the separation of audit from non-audit advisory services. Greater regulation in the accounting and consulting sectors continues to allow member firms to position themselves as viable alternatives to the Big Four, but target clients are pushing ahead to exercise greater choice and are consequently enjoying the benefits of a more open market.

In North America, 29% growth in the US and 17% in Canada represent spectacular growth in very competitive markets, while continued inward investment to Mexico has allowed the member firm there to grow its fee income by 21%.

In South America, Argentina stands out in a fast-expanding region, with a 26% rise in fee income on the back of local economic recovery. Indeed, throughout the continent, member firms have posted healthy growth as commodity-led exports supported trade-oriented economies.

##### Mature and stable network

The maturity of the Grant Thornton International network in the region meant that the division experienced few changes within its network of affiliates. Member firms have concentrated

instead on expanding their capabilities and increasing their visibility in local markets.

One notable development took place in Brazil, where in January 2005 the former Grant Thornton International member firm was replaced by a well-known and respected local firm, now operating as Terco Grant Thornton. During the year, the firm’s managing partner, Mauro Terepins, was elected to Grant Thornton International’s Board of Governors, and the division is delighted with the impact his firm has already made on the organisation.

Indeed, the move provides a perfect demonstration of how the Grant Thornton brand, harmonised methodologies, quality control and risk management, and the organisation’s commitment to transparency can

#### IBOS 2006 – FAST FACTS

“US businesses retain their position at the top of the rankings with 30% of companies exhibiting super growth.”

Source: Grant Thornton IBOS 2006



leverage growing market presence. During its first year as a Grant Thornton member firm, the Brazilian firm posted 50% growth in fee income. With new offices opened in Rio de Janeiro and Salvador de Bahía, partners anticipate that growth will remain high in the year ahead.

#### **Building the brand**

Member firms within the division have worked hard on reinforcing the strength of the Grant Thornton brand during the year. The inclusion of Argentina in the International Business Owners' Survey (IBOS) for the first time, has underscored a significant rise in the firm's visibility in the local market.

The US firm has also gained independent verification of a

#### **Bob Leavy**

Divisional Director, based in Boston, US. Member of the International Management Board.

giant leap in public awareness of the Grant Thornton brand. The firm first began a sustained campaign of radio advertisements in 2003 and expanded into television the following year in an effort to reach its target audience. More than 1,000 radio stations around the US now carry the "A Passion for the Business of Accounting" campaign, and surveys show it has increased awareness of Grant Thornton by a factor of 400%.

The US firm won a second accolade during the year when it garnered top honours in a highly respected satisfaction survey of audit firms. J.D. Power and Associates' Audit Firm Performance Study ranked Grant Thornton as the leading firm in the US providing audit services to clients with turnover of up to US\$1 billion. The survey, based on responses from 1,007 audit committee chairs and 944 chief financial officers, concluded that Grant Thornton ranked highest in trustworthiness, in understanding clients' operations and industries, and in responding to requests.

J.D. Power and Associates' Audit Firm Performance Study ranked Grant Thornton as the leading firm in the US providing audit services to clients with turnover of up to US\$1 billion.

**Total fee income in the Americas (US\$ million)**

2005	1,206 (+23%)
2004	977 (+24%)
2003	786 (+19%)

**The year ahead**

Further development of the business within the division to build on this year's outstanding success will remain a key priority.

At the same time, however, the profession continues to face the issue of attracting and retaining key staff. As we look forward member firms will focus on innovative approaches to harness talent, including training and women employee-oriented programmes, secondments, and wider participation in the International Partners' Development Programme as described on page 16.

**Economic overview of the Americas**

- Economies in the Americas grow by 3.7% in 2005.
- In the US, buoyant consumer spending and investment support 3.6% growth, despite oil price spikes and extensive hurricane damage. Canada, Mexico and the Caribbean all respond with economic expansion of 3-4%.
- South America's vibrant 2004 recovery abates, but bearish commodity prices still support average growth of 4%. Export-led expansion tops 7% in Argentina and Venezuela; political scandal undercuts performance in Brazil where growth drops to 3%.
- Activity in the US is likely to moderate in 2006 as tighter monetary policies and a cooling property market subdue consumer spending, but a forecast expansion of 3% should fuel continued growth throughout the Americas.

Source: Experian Business Strategies Limited

During its first year as a Grant Thornton member, the Brazilian firm posted 50% growth in fee income.

## Asia Pacific

Flourishing activity in a dynamic region



**Gabriel Azedo**  
Divisional Director,  
based in Hong Kong, China.  
Member of the International  
Management Board.

“We are proud of IBOS as it captures some of the first data available on the attitudes of company owners on the outlook for business in China.”

**Gabriel Azedo** Divisional Director, Hong Kong, China.

**Opportunities for new business abound in the world’s most buoyant region, as China and India once more provide the engine for regional growth.**

### Thriving on regional boom

Against a background of thriving regional trade, increasing inward investment, strengthening capital markets, and commodity-led exports, Grant Thornton member firms continue to reap the benefits of their long-term business strategy as growth-oriented target-market clients ride the wave of business expansion. Fee income growth of member firms across the division topped an impressive 26% in 2005, positioning

those firms as the fastest-growing accounting network in Asia Pacific.

Member firms have successfully won new business where larger organisations encounter ‘conflict of interest’ problems. Grant Thornton member firms have continued to win significant volumes of new business from former Big Four clients in both audit and specialist financial service assignments. As a result, several member firms in the division have posted impressive increases in fee income: Australia (28%), India (65%), New Zealand (34%) and Thailand (37%), as corporate governance regulations created an appetite for greater choice among service providers.

In addition, advisory activity of member firms has focused around Asian stock markets, which posted the strongest upswings in world markets in 2005. Equally, the thirst for capital in China has fuelled a trend toward local businesses listing on foreign stock markets in order to attract capital inflows. Private-sector Chinese businesses now provide a significant opportunity for advisory

Fee income growth across the division topped an impressive 26% in 2005, making the Grant Thornton organisation the fastest-growing accounting network in Asia Pacific.

services, as they seek to list on stock exchanges in Singapore, Canada, the US and the UK. In addition, India continues to provide many opportunities as it becomes a leader in business-process outsourcing and software services.

#### **Stability within the network**

The Grant Thornton International network's presence in Asia Pacific underwent few changes in the past year. Against this stable background, firms have won a greater flow of engagements as they demonstrate to clients their common technical expertise, common methodologies and common brand. Indeed, pursuit of common objectives inspired the Grant Thornton correspondent firm in South Korea to upgrade to member firm status.

The one major change occurred in Japan, where the Grant Thornton member merged with a firm from another network during the year. The combined operation is clearly placed as the leading provider of accounting and advisory services to growth-oriented target clients in Japan.

#### **Working together**

Member firms continue to collaborate in training programmes, marketing efforts and visibility-raising activities across the division. A significant number of firms in the division now participate in the International Partners' Development Programme (see details on page 16), as young partners from firms in Australia, Hong Kong, India and the Philippines help focus on further business development and deepen relationships with other young partners from Grant Thornton International's worldwide network of member firms.

International profile-raising activities have also proved a visible benefit to firms. China was included in the International Business Owners Survey for the first time in 2005, providing some of the first detailed information on attitudes towards business among mid-sector, privately-held Chinese businesses. The division is particularly proud of gathering such data in a country where hard business facts can be difficult to find.

#### **IBOS 2006 – FAST FACTS**

Worldwide, 14% of all medium-sized businesses export to mainland China.

Source: Grant Thornton IBOS 2006

A significant number of firms in the division now participate in the International Partners' Development Programme, as young partners from firms in Australia, Hong Kong, India and the...

**Total fee income in Asia Pacific (US\$ million)**

2005		169 (+26%)
2004		134 (+20%)
2003		112 (+19%)

**The year ahead**

Human resources issues will continue to present a challenge to firms in the coming year, as employee requirements and requests continue to develop in a fast-expanding profession. Work experience programmes, secondment opportunities and adjusted remuneration packages form the likely avenues for firms to further address these issues.

On the business front, the continuing challenge will be servicing the booming client-led demand for assignments in China and India. Specialist financial services that stem from 'conflict of interest' situations, in addition to audit engagements, are likely to provide the greatest service-led business growth.

**Economic overview of Asia Pacific**

- Economic growth averages a dynamic 6.3% in 2005.
- Japan rebounds: surging business investment and consumer spending spurs GDP growth of 2.5%, the strongest in a decade, signalling the probable end of eight years of deflation.
- China, now the world's fourth largest economy, posts 10% growth yet again, as exports continue to rise by 20% a year. India expands by 7% for the second consecutive year, boosted by commodity-led exports, soaring industrial output, and a booming outsourcing business.
- Growth remains robust in most other economies – 5.7% in Indonesia, 4% in South Korea, Taiwan and Thailand – except in Australia, where weak consumer spending limits growth to 2.3%.
- Prospects for 2006 are buoyant, with China acting as the major growth engine. Regional GDP growth is forecast at 6%; exports are expected to rise by 16%.

Source: Experian Business Strategies Limited

...Philippines help focus on further business development and deepen relationships with other young partners from Grant Thornton International's worldwide network of member firms.

## Europe, the Middle East and Africa

Marked expansion in the division

“The market place is moving faster than regulators in pushing for the separation of audit from non-audit assignments.”

Sören Carlsson Divisional Director, Stockholm, Sweden.

**Solid growth in audit assignments and rapid progress in non-audit specialist services has underpinned a year of marked expansion for Grant Thornton member firms.**

### Accelerating performance

It is never easy to make general statements about a hugely diverse division that encompasses 55 countries on three continents. Nevertheless, it is clear that target clients are keen to separate audit from non-audit assignments, ahead of regulator activity. Market pressure for greater choice has produced enormous opportunities for member firms to gain work formerly handled by the Big Four. Across the division,

much new business has come from the non-audit service lines, which now generate more than 25% of turnover.

By positioning themselves as a serious alternative to the larger organisations, member firms saw revenues grow by 10% in 2005. Despite pedestrian economic expansion in much of western Europe, firms still managed to grow by 10% in Germany, 8% in France, 13% in Sweden, 16% in the Netherlands, and 9% in the UK, where the Grant Thornton firm's strength in tax, corporate recovery and corporate finance continued to outpace the market.

In eastern Europe, the size and vitality of the profession continues its rapid evolution. The member firm in Russia, for example, produced an impressive 48% fee income growth in 2005. In South Africa, too, Grant Thornton pulled ahead of its competitors in posting strong growth of 13%.

### Sören Carlsson

Divisional Director, based in Stockholm, Sweden.  
Member of the International Management Board.



**Total fee income in EMEA (US\$ million)**

2005	1,079 (+10%)
2004	981 (+16%)
2003	844 (+21%)

Demand from donor agencies is increasing for Grant Thornton firms in eastern Europe and sub-Saharan Africa, while clients of the network's Middle East affiliates demand ever-greater advice in the corporate finance and tourism sectors.

**Greater integration and coverage**

In 2005 Grant Thornton International welcomed a new member firm in Morocco and a new correspondent firm in Serbia & Montenegro. The network also celebrated the success of the former correspondent firm in Ukraine in meeting the stringent requirements to upgrade its affiliation to Grant Thornton International full membership status. Integration between member firms remains an on-going trend throughout the division.

Firms in the Middle East, Europe and sub-Saharan Africa regularly train together, strengthening personal ties and sharing know-how between key individuals within the sub-regions.

**Economic overview of Europe, Middle East and Africa**

- GDP grows by 2.7% in 2005, masking wide disparities across a vast region.
- Western Europe remains sluggish, expanding by 1.6% as consumer demand shrinks in Germany, and remains weak in Italy, France and even the UK. Political disputes over the EU's budget and constitution are overshadowed by high oil prices and rising taxes.
- Eastern Europe grows sharply by 5%, despite weak consumer demand in Poland. Turkey remains undaunted by a strengthening currency.
- Middle East oil producers grow by 5.5% on the back of bumper oil revenues, boosting intra-regional trade.
- Stiff raw-material prices boost much of Africa, with oil-producing Angola notching up a second consecutive year of double-digit growth. The elimination of world textile quotas damages cotton producers in east Africa.
- Prospects for 2006 centre on expected acceleration in Germany; the outlook is buoyant elsewhere in the division.

Source: Experian Business Strategies Limited

The member firm in Russia, for example, produced an impressive 48% fee income growth in 2005.

Member firm representatives in sub-Saharan Africa, which include some of the leading firms on the continent, also continue to draw closer, ultimately providing clients with a more integrated, consistent level of international service.

Firms within the division have also supported the **International Partners' Development Programme**, now in its third year of operation. This initiative has so far brought together high-calibre young partners from 37 countries in a leadership-building exercise. The curriculum, developed by Grant Thornton International in consultation with the Swedish Institute of Management, aims to build entrepreneurship, marketing, cross-cultural and team-building skills-all with a global perspective. Spread over four-day workshops in the UK, Belgium and the US, the programme has attracted participants from a diverse range of countries as varied as Australia, Egypt, Lebanon, Mexico, Uruguay and the UAE.

#### **Presidential accolade**

The division continues to support global initiatives such as the International Business Owners Survey (IBOS), which have been influential in raising the Grant Thornton profile all over the world. IBOS is recognised as a unique survey for its worldwide sampling and trend data. The 2006 edition marks 14 years of trend data about the attitudes of business owners in the European Union.

Particular congratulations should go to the South Africa firm, which has raised IBOS's visibility to such an extent that South African president Thabo Mbeki cited the report in his State of the Nation address in February 2006. "Grant Thornton reported that 80% of South Africa's business owners

are optimistic about the year ahead," he said, quoting IBOS findings as a measure of economic progress in South Africa.

#### **The year ahead**

Continued investment by member firms in common training, software and methodology in both audit and non-audit specialist services will continue to position the Grant Thornton International network ahead of its competition. By providing assistance that encourages firms to work closer together, by facilitating cooperation on new technology and training, and by offering technical guidance in areas such as the European Union's Eighth Directive, Grant Thornton International can maximise the value of its worldwide representation.

#### **IBOS 2006 – FAST FACTS**

51% of medium-sized businesses in the EU generate a quarter of their turnover through exports. This is compared to 37% of businesses globally.

Source: Grant Thornton IBOS 2006

## Well-connected

**Being at the cutting edge of professional development is vital for an accounting and advisory organisation operating in a dynamic business and regulatory environment.**

By taking an active role in entities that liaise with regulators, promoting high-quality professional standards and insisting upon high standards of ethical behaviour, senior member firm partners can influence the development of their profession, equipping themselves in the process with up-to-date information to enable them to participate in the development of standards in the public interest.

Member firm partners and senior staff are encouraged to develop roles which shape the profession in which they work.

More than 200 individuals from Grant Thornton firms hold seats on national and international advisory groups, as well as task forces and committees reporting to standard setting organisations in the spheres of financial reporting, audit, tax and financial services.

These professional and policy-oriented bodies include the Global Public Policy Committee, the Transnational Auditors Committee, the Forum of Firms and entities advising the Public Company Accounting Oversight Board and the International Accounting Standards Board.

These roles are key to the development of high quality global standards that support the public interest across all the disciplines within the Grant Thornton International organisation and the profession.

**More than 200 individuals from Grant Thornton member firms hold seats on national and international advisory groups, as well as task forces and committees reporting to standard setting organisations in the spheres of financial reporting, audit, tax and financial services.**

“The Forum of Firms has an important role to play in the development of international auditing.”

#### **Will Lifford**

Senior Audit Partner, Leeds, UK

Years in the profession: 32

Years with Grant Thornton member firm: 26

#### **Chairman, Forum of Firms**

Leads discussion among representatives of the major international auditing networks at the highest level directed to promoting consistent and high quality standards, financial reporting and auditing practices worldwide.

“The Forum of Firms (FoF) has an important role to play in the development of international auditing, particularly engaging in a constructive dialogue with international regulators. It comprises more than 20 organisations, including all the major accounting organisations that perform audits of financial statements which are, or may be, used across national borders. Members of the Forum voluntarily agree to meet certain audit quality standards as detailed in the FoF Constitution. Commitment to the obligations of membership of the Forum contributes to raising the standards of international auditing which is clearly in the interest of users of the profession's services. The FoF is also responsible for proposing top quality individuals for appointment to international standard setting boards.

As chairman, I represent the profession in dealings with the regulatory community, whose importance has grown as the business and regulatory communities show ever more interest in our work.”



“My participation in these roles allows me to determine that standards in public accounting undergo continual and visible improvement.”

#### **Kon Yin Tong**

Managing Partner, Singapore

Years in the profession: 18

Years with Grant Thornton member firm: 11

#### **Council Member, Institute of Certified Public Accountants of Singapore (ICPAS)**

Contributes to the national professional accounting body's efforts to support the integrity of the accountancy profession in Singapore.

#### **Chairman, Public Accounting Practice Committee, ICPAS**

Leads efforts to help public accountants cope with change and in so doing, improving professional standards among accountants.

#### **Member, Practice Monitoring Sub-Committee, Public Accountants Oversight Committee (PAOC)**

Assists the regulator of the accounting profession in Singapore in overseeing the auditors of public companies, furthering the interests of investors and the general public.

“My participation in these roles allows me to determine that standards in public accounting undergo continual and visible improvement. The roles entail an ongoing dialogue with regulators, helping to shape the manner in which public accountants are regulated and ensuring that the interests of public accountants are properly managed.

By promoting networking and other technical events, I also help raise the visibility of the Grant Thornton network in Singapore, while helping the firm to be better prepared to respond positively to the professional and regulatory changes facing the entire profession.”



“The Standards Working Group aims to build trust in the public company audit.”

#### **April Mackenzie**

Executive Director of Global Standards, New York, US  
Years in the profession: 23  
Years with Grant Thornton International: 3

#### **Member, Standards Working Group, Global Public Policy Committee**

Advises the six largest international accounting networks at the highest level on the development of common positions toward professional standards of accounting and auditing worldwide.

“The Standards Working Group aims to build trust in the public company audit. Fundamentally, its aim is to serve the public interest by helping to restore confidence in the role of the auditor. It does this by building common positions among the largest accounting networks in relation to global professional standards of accounting and auditing, by identifying wider corporate reporting issues which need to be addressed by all participants in the corporate reporting supply chain, and by striving for the development and consistent application of high-quality professional standards throughout the world.

In order to support current oversight structures, the role requires a constructive dialogue on audit quality and regulatory concerns with the Monitoring Group of Regulators, and the maintenance of relationships with key international standards setters.”



“My primary focus will consist of leading the profession through a period of transition.”

#### **Deepak Nagar**

Partner, Durban, South Africa  
Years in the profession: 12  
Years with Grant Thornton member firm: 12

#### **Chairman, Public Accountants' and Auditors' Board, South Africa**

Leads South Africa's national accounting oversight body as it undergoes transformation into a newly formed entity, the Independent Regulatory Board for Auditors (IRBA).

“South Africa's auditing and accounting professions are in the midst of profound change, as the country's social and political re-birth continues to develop. The Auditing Profession Act, signed into law in January 2006, aims to reflect the realities of the new South Africa, and sets out the legal framework for a new oversight body charged with restoring confidence in the profession among business leaders and the general public.

My primary focus will thus consist of leading the profession through a period of transition. I will take responsibility for managing the implementation of the new legislation, disseminating information to members effectively so that they are fully informed about the law's ramifications and potential impact.

My second goal is to accelerate the transformation of the profession itself, with particular emphasis on encouraging young auditors from all racial and ethnic groups.

I will also chair the National Education Fund Committee, which provides financial assistance to accountants-in-training, and the Nominations Committee, which has the power to broaden racial and gender representation in IRBA itself.”



“My participation in this committee gives the Grant Thornton organisation a voice at a very high level within the Chilean business community.”

**Ricardo Sánchez Ruíz**

Managing Partner, Santiago, Chile

Years in the profession: 35

Years with Grant Thornton member firm: 4

**Vice-president, Accounting Principles Committee, Colegio de Contadores de Chile (Institute of Chilean Accountants)**

Maintains a leadership role on the ten-member Accounting Principles Committee, which is responsible for issuing technical bulletins for the accounting profession in Chile. Currently, this Committee is working to adopt the International Accounting Standards in order to apply them as an obligatory issue as of January 1st, 2009.

“The Colegio de Contadores is the professional accounting body in Chile, representing the interests of its 8,300 members by supporting the integrity, development and status of the profession in Chile’s business environment.

The Accounting Principles Committee consists of senior partners from the leading audit firms, authoritative individuals from Chile’s business universities, and representatives from the trade and business sectors. My participation in this committee not only gives the Grant Thornton organisation a voice at a very high level within the Chilean business community but also assists in setting the direction for the profession’s future development.”



“I am required to be in frequent touch with regulators and politicians as the European Union’s Eighth Directive process unfolds.”

**Joakim Rehn**

Managing Partner, Helsinki, Finland

Years in the profession: 23

Years with Grant Thornton member firm: 13

**Board member, KHT-yhdistys (Finnish Institute of Authorised Public Accountants)**

Assists the 700-member Finnish professional body in developing generally accepted auditing standards, sound accounting practices and ethical codes of behaviour in Finland, with particular responsibility for questions related to training and the implementation of the European Union’s Eighth Directive.

**Member, SME/SMP Committee, International Federation of Accountants (IFAC)**

Represents the Nordic countries on IFAC’s Small and Medium Practices Committee, charged with giving voice to the Nordic accounting experience as new professional standards are developed.

**Country Champion, European Contact Group (ECG)**

Represents Finnish professionals in a pan-European forum bringing together the six largest international accounting networks. The ECG’s public-interest objective is to enhance the quality of auditing and financial reporting within Europe.



“My public duties give me an up-to-the-minute view of developments throughout the audit profession. The benefits of being well-informed in an international context and representative on a national scale are immense. I am also required to be in frequent touch with regulators and political leaders as the European Union’s Eighth Directive process unfolds.”

## Focusing on service

**Grant Thornton member firms have always invested heavily to provide support to member firms' efforts to perform at high standards. The benefits of this approach to our clients, investors and the infrastructure of the Grant Thornton International organisation have become especially apparent recently as regulatory change has practically reshaped the professional services market.**

Clients can relax knowing that an audit carried out by a member firm is robust enough to stand up to public scrutiny while building confidence among all stakeholders. Advice on tax issues is ethical, independent and commercially sound. Specialist financial services are carried out in accordance with the highest professional standards, and adhere to all regulatory and legal requirements. International Business Centres strive to smooth a company's transition into new jurisdictions.

In the following pages, Directors appointed by Grant Thornton International report on how member firms provide clients with the highest service standards in each of their core activities by means of vigorous firm review, quality control, and risk management.

## Assurance services

As increased regulation spreads around the world, the burden of compliance on companies' management is growing ever-greater. Businesses benefit from better regulation, however, by injecting renewed confidence among shareholders, investors and other stakeholders.

### Accounting standards

As countries increasingly adopt coherent and mutually acceptable international accounting standards, Grant Thornton International remains dedicated to implementing quality control measures to assist member firms in the application of international standards around the world.

These measures are particularly pertinent in light of the adoption by many jurisdictions of the International Accounting Standards Board's International Financial Reporting Standards (IFRS), a rigorous body of international accounting standards.

Grant Thornton International has devoted centralised resources to working with the member firms in considering the application of international accounting standards throughout the network. The work of the Executive Director of Global Standards, April Mackenzie, a role created in 2003 in anticipation of the adoption of IFRS, is supported by a full-time central team based in Europe.

In addition, a newly-formed IFRS Interpretations Committee, comprising senior partners from member firms, meets regularly to provide guidance to member firms about the consistent application of the standards among the various jurisdictions.

### International auditing standards

All partners and managers in member firms have access to the latest guidance and regulations, technical updates and specialist training programmes. They can also count on the support of state-of-the-art technology and audit software.

A proprietary audit methodology, Horizon™, underpins the audit carried out by a Grant Thornton member firm. The methodology is regularly updated to comply with existing and new International Standards on Auditing.



**Barry Barber**

Worldwide Director of Audit and Quality Control, based in Edison, New Jersey, US. Member of the International Management Board.

Regulatory change along the Sarbanes-Oxley model has of course been the pivotal factor in stimulating such growth, pushing companies to embrace the notions of choice and independence.

“As long-term auditors to Atos Origin, Grant Thornton firms have used international knowledge to provide timely and up-to-date audit services as our group navigates its way through complex business operations and meets the challenges of increased globalisation.”

**Eric Guilhou** Chief Financial Officer, Atos Origin.  
Member firms assist the IT company throughout Europe.

Behind the methodology lies other specialist technology: Explorer and auditCARE™. These help the audit team document and assess the effectiveness of a company's internal control system and then perform tailored audit procedures in order to form an opinion about the company's financial statements. In the past year, updates have included significant enhancements in the areas of fraud detection, documentation and materiality.

Grant Thornton member firms' commitment to continue investing in audit software has led to a major project to perform a more effective and efficient audit and to respond to anticipated future changes to international audit standards. The updated software is scheduled to be rolled out in the coming year.

#### **Public inspections and quality control**

Member firms continue to demonstrate their commitment to transparency, integrity and quality control by undergoing independent internal and third party inspections. During the past year, accountancy oversight boards in many of the largest economies in world – including the US, the UK and Canada – have carried out rigorous inspections of the performance of Grant Thornton member firms. The firms and the Grant Thornton International organisation welcome the results of these inspections, which assist in a constant search for improvement of member firms' service provision.

Additional inspections by regulators and oversight boards will take place in 2006. The 30 member firms that have successfully registered with the United States' Public Company Accounting Oversight Board (PCAOB) are subject to PCAOB inspections as a prerequisite to continuing ongoing services to US-listed companies.

Member firms also commit to undergo inspections through the Grant Thornton International Audit Review programme, or GTAR. The GTAR is part of Grant Thornton International's overall quality assurance monitoring procedures and under this programme every member firm is subject to review at least once every three years. The aims of GTAR are explained further on page 32.

Aggregate member firm fee income from assurance and accounting services totalled US\$1,245 million in 2005, up 12% on the previous year.

## Specialist services

The market for the delivery of financial advisory services has never been so open. The need to provide advice on a multi-jurisdictional basis is greater than ever. In addition, we are experiencing changing legislation that separates audit services from non-audit services which is increasing the appetite of companies and their stakeholders for an independent and conflict-free solution. Each of our specialist advisory areas: business risk services, recovery and reorganisation, corporate finance, forensic and project finance, are responding to these trends, which show no sign of abating.

### Accelerating client demand

Many Grant Thornton International member firms have successfully positioned themselves to provide advisory services free from conflicts of interest, in addition to the traditional core accounting services. Specialist services generated fee income of US\$602 million in 2005 for member firms, equivalent to 25% of Grant Thornton member firms' combined global fee income, a 33% rise on the previous year. As further consolidation and regulation is likely in the professional services market, specialist services will represent an ever-greater opportunity for member firms.

### Managing risk, ensuring quality

In order to enhance the quality of service that clients receive, Grant Thornton International has committed to a high-level risk-management framework for specialist services. The framework rests on an authorisation procedure designed to restrict delivery of specialist services to adequately qualified firms only, in key financial markets around the world.



### Scott Barnes

Worldwide Director  
of Specialist Services,  
based in London, UK.  
Member of the International  
Management Board.

Specialist services, including business advice consulting, generated fee income of US\$602 million in 2005, equivalent...

“When investment or acquisition opportunities arise, we turn to Grant Thornton member firms. They guide us in how to approach opportunities and how they should be treated to get the best result. They let us get on with what we’re good at – that’s why we’re a good team.”

**Tim Holderness-Roddam** Chairman, Abercrombie & Kent.

The luxury adventure travel company works with Grant Thornton member firms around the world.

#### Support and investment

Responsibility for the management of the global specialist service capability across Grant Thornton International member firms lies with the head of each service line. These individuals form the Specialist Services Advisory Committee. They are responsible for setting policies for professional and ethical standards of specialist services worldwide.

Each service head leads activity to enhance capability so that member firms can respond to ever-changing market needs. Quality is central to this activity, which includes production of service manuals, organisation of collaborative training programmes and regular quality reviews of member firms carrying out each service.

Collaboration is crucial particularly in training. Over the past year, courses have brought together 120 professionals from member firms around the world. Specific examples include a forensic services course held in Hong Kong for professionals in Asia Pacific member firms, transaction support training for South American member firms held in Sao Paulo and a project finance course for professionals in all member firms who are active in this area was held in London.

In order to develop specialist services capability in a structured and efficient manner around the world, Grant Thornton International has also invested in additional management which has resulted in a significant increase in central resources.

#### Building market presence

The reputation of Grant Thornton International member firms’ capability in specialist services has been built through their success in winning new business and consistent high quality service. Awareness has also been achieved through market initiatives. For example, for the past four years the Grant Thornton Global New Markets Guide has been published to reach companies seeking to raise capital on the international market. Recognised as the definitive guide to listing, the report provides useful guidance on admission requirements for new exchanges throughout Europe, Asia Pacific and the Americas. It also offers insight on new markets, where to list and how the markets have performed.

...to 25% of Grant Thornton member firms’ combined global fee income, a 33% rise on the previous year.

## Tax services

Growing companies need increasingly sophisticated advice on tax structures when embarking on international operations. Tax regimes and compliance regulations change rapidly, while corporate activity in one jurisdiction can have profound consequences on tax liabilities in many others. Independent, commercially-minded advice can help businesses make informed decisions that minimise their liabilities for sound commercial benefit.

As large and listed companies increasingly look beyond the Big Four for advice on international tax issues, Grant Thornton member firms stand out as serious alternatives. Combined member firm fee income from taxation compliance and consulting topped US\$535 million in 2005, up by 10% on the previous year, as member firms won new business by offering senior-level contact, a rapid response and a consistent level of service.

### Consistent quality

Companies operating in several countries expect a commonality of service standard and a consistency of quality from organisations that provide these services. Regulations governing the accountants and lawyers who provide tax guidance and compliance advice, however, vary greatly between jurisdictions.

Grant Thornton International's Global Tax Advisory Committee (GTAC) was formed to support member firms in developing a consistent, high-quality tax capability in all key jurisdictions. However its job is also to assess member firms' capabilities in serving businesses that operate solely within a domestic jurisdiction, in

addition to those that operate across international borders.

### Authority and integrity

All member firms providing tax services agree to submit to a rolling programme of quality assurance reviews, which consists of a detailed review every four years.

From July 2006, in relation to cross-border tax services, member firms will be obliged to meet internal service standards that cover liaison between member firms. These standards, which stipulate minimum internal response times and quality of the information exchanged, ultimately benefit client companies by encouraging communication among Grant Thornton



**Ian Evans**  
Chair, Global Tax Advisory  
Committee, based in Leeds, UK.

“For corporate governance reasons we chose to appoint different tax advisers to our auditors. Grant Thornton came to see us. They talked common-sense and had people on board accustomed to serving large corporates. They deliver the service quality they promise and the lead partner is always there when I need him – wherever in the world that may be.”

**John Wakely** Executive President, Stolt-Nielsen SA.

The transportation company works with Grant Thornton UK and member firms in Europe and the Americas.

firms in different jurisdictions that is both speedy and complete.

In addition, an authorisation and support procedure is being introduced for member firms carrying out transfer-pricing exercises.

#### **Investment in training and networking**

Tax specialists from Grant Thornton member firms meet regularly to promote the dissemination of know-how and up-to-date information around the network. Specialists from member firms in each geographical division assemble annually to undergo technical training, and learn of the latest global developments at the annual worldwide conference. In addition,

trans-national training programmes in specialist areas such as transfer pricing are held regularly.

Member firms in leading financial centres are moving to create a system of country desks located within other key jurisdictions, helping assure clients of service quality.

In addition, Grant Thornton International has committed to inject additional management resource into the worldwide development of international tax provision. Three full-time managers currently fill international secondment positions (located in London, UK; Charlotte, NC, USA; Perth, Australia) assisting with the communications process.

#### **Priorities for the future**

In addition to quality assurance measures already underway, the GTAC's key priority is to build additional specialist capability in transfer pricing and international tax advisory services. A focus is to supplement the organisation's traditional strengths in the mid-corporate sector by also addressing the particular needs of larger corporate businesses.

Combined member firm fee income from taxation compliance and consulting topped US\$535 million in 2005, up by 10% on the previous year.

## International Business Centres

Getting a new international operation up and running in an unfamiliar environment can be fraught with difficulty. Whether the company is already running extensive international operations, making its first overseas acquisition, or simply opening an office in a new market, timely advice is vital.

### Information exchange

International Business Centres (IBCs) are gateways that channel all the resources of the Grant Thornton International network to clients through a single point of contact in the world's financial hubs. Partners in member firms experienced in trans-national business facilitate introductions to clients considering a business expansion into an unfamiliar jurisdiction, seek information from experts, and monitor and oversee the information exchange to help clients receive the answers they need – when they need them.

### Expanding the network

As client companies continue to push ahead with a rapid increase in cross-border business, the Grant Thornton International organisation has extended the geographic reach of its International Business Centres network. The opening in member firms of three new centres in 2005 – in New Delhi, India; Calgary, Canada; and Charlotte, NC, USA – brought the number of dedicated IBCs located in financial hubs to 29.



### Sue Palmer

Worldwide Director of  
International Business Centres,  
based in London, UK.  
Member of the International  
Management Board.

“We have great trust in Grant Thornton firms and turn to them to keep us up-to-date with accounting and taxation issues.”

**Erik Holm** Chief Executive Officer, Louis Poulsen, Denmark.

The international electrical and lighting manufacturer works with Grant Thornton Denmark and member firms worldwide.

Given the spectacular rise in India’s outsourced business processing sector, the opening of an International Business Centre in the Indian member firm, New Delhi office provides clients with an extremely useful resource dedicated to facilitating incoming and outgoing investment into a pivotal international market. Indeed, IBC directors gathered in New Delhi during the year to deepen their knowledge of the local business environment through a series of visits to successful local companies and through briefings with senior government officials, who laid out their ambitious plans for India’s economic development.

#### **Promoting quality**

Quality control is at the heart of the International Business Centre network. A member firm may request to open an IBC only when it possesses the

capability to provide clients with high-quality information flow within rapid response times. The firm must demonstrate that, in addition to essential language capability, its partners and staff have extensive experience in international tax, audit and due diligence, and advising on cross-border investment and capital markets issues.

Once in operation, an IBC must adhere to a set of service standards published by Grant Thornton International. In addition, IBC directors are required to participate in an internal satisfaction survey process which assesses service delivery between centres. Acting on the findings of these surveys enables centre directors to improve the way the IBCs monitor service delivery when a client does business across international borders.

The opening of three new centres in 2005 – in New Delhi, India; Calgary, Canada; and Charlotte, NC, USA – brought the number of dedicated IBCs located in financial hubs to 29.

## Managing risk

“Grant Thornton firms make it easy for us to communicate internationally; the firms in the network share high standards and they are flexible in their approach.”

**Yoshihiko Higuchi** President, Louis Poulsen Japan.

The international electrical and lighting manufacturer works with Grant Thornton Denmark and member firms worldwide.



**Mike Starr**

Worldwide Director of Risk and Regulatory Matters, based in Chicago, US. Member of the International Management Board.

Every accounting and advisory organisation faces an array of business risks in the course of its daily operations, ranging from reputational risk to potential litigation. As legislators and regulators transform the professional environment in many jurisdictions and as the market demands that auditors remain beyond reproach in fulfilling their professional responsibilities, identifying and controlling risks has never been more important.

In common with all successful organisations, Grant Thornton International manages business risks effectively by requiring as a condition of membership that member firms follow strict policies and procedures governing independence, client acceptance and client re-acceptance. These policies and procedures are designed, from one perspective, to advance the performance by member firms of audits and other accounting services, such as tax and specialist services, with independence and objectivity. Of equal importance, they are intended to ensure that, so far as reasonably possible, that clients' values and standards are consistent with those

held by Grant Thornton International and its member firms.

“The key values that Grant Thornton member firms represent are independence, integrity, professional excellence and transparency,” said Mike Starr, Grant Thornton International’s Worldwide Director of Risk and Regulatory Matters. “Essentially, the partners and employees of Grant Thornton member firms are accountable for the actions they take.”

### Integrity

Grant Thornton International requires member firms to meet or exceed profession-wide standards of ethical behaviour. Every member firm is obliged to follow the Code of Ethics issued by the International Federation of Accountants (IFAC). In addition, member firms must exceed these requirements where national or local rules or procedures demand.

Over and above regulatory requirements, Grant Thornton International also expects the partners and employees working within member firms to act with the highest levels of personal integrity at all times.

### Independence

Grant Thornton International requires member firms to adopt policies and procedures to uphold their independence. Independence is maintained when the member firm partners and professional

## Audit – rigorous and robust

“Grant Thornton International is dedicated to implementing quality control measures to assist member firms in the application of international standards across all jurisdictions”

**Barry Barber** Worldwide Director of Audit and Quality Control.

### **The policies and procedures adopted by member firms when carrying out audits are designed to promote a culture that places quality at the heart of performing successful client engagements.**

A member firm’s senior management assumes responsibility for the firm’s system of quality control. In addition, firms are required to abide by a system of quality control that encompasses the following standards:

- 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 Audit Work
- IFAC Code of Ethics.
- The Horizon™ audit methodology, with supporting state-of-the art software, manuals and policies, benchmarked against the latest versions of 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 global audit specialists in 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 IFRS help desk, topical alerts, and financial statement templates and examples.

### **Supporting robust audit delivery**

The Grant Thornton International Audit Policy Advisory Committee develops resources that assist firms in delivering a robust and rigorous audit. They include the following measures:

staff are free from any financial, personal and business ties that pose an unacceptable threat to that independence.

In order to assist member firms, Grant Thornton International maintains an up-to-date database of all firms’ publicly traded clients. Every partner and employee in every member firm has access to this database via the Grant Thornton International intranet.

The database assists firms and their professional personnel in guarding against the compromise of their independence through financial interests in publicly traded assurance clients. The database also serves as a point of reference to help determine that conflicts of interest are not created by providing prohibited non-audit services to assurance clients.

### **Culture of professional excellence**

Grant Thornton member firms believe that service quality is instilled at the highest level. Firms create and maintain a culture of integrity and excellence when senior management demonstrate their own high standards to those working alongside them.

“Top management lead by example,” said Starr. “They are obliged to meet Grant Thornton International professional standards and risk-management criteria. But more, by striving to perform at the highest level themselves, they demonstrate to their staff the standards to which they expect the entire firm to perform.”

“The Sarbanes-Oxley Act restricts the role of auditors of US firms and their subsidiaries and precludes them from offering clients advisory services, but Grant Thornton keeps us up-to-date on important developments.”

#### Controlling audit quality

In certain client-engagement situations, member firms are obliged to carry out an engagement quality-control review, which includes an objective evaluation of significant judgments made by the engagement team and conclusions reached in their audit report.

In addition, every member firm is obliged to submit to the **Grant Thornton International Audit Review (GTAR)** programme. As already mentioned in this document, 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, the review process is designed to monitor member firms' compliance with professional standards and Grant Thornton International's stipulations on audit quality control.

**Steve Kircher** Founder and former Chairman, International DisplayWorks, Inc. The technology company has operations in Asia Pacific and the US.

- Specifically, the GTAR aims to:
- evaluate whether audits are performed in accordance with professional standards and Grant Thornton International's audit methodology (and hence International Standards on Auditing)
  - assess the attitude towards audit quality displayed by a firm's leadership and how that attitude affects the firm's culture
  - reckon whether, *prima facie*, audit reports issued are appropriate to the circumstances for the engagements reviewed
  - review compliance with the IFAC Code of Ethics
  - evaluate the implementation of Grant Thornton Quality Assurance and Ethical Policies
  - assess whether personnel involved in audits have an appropriate level of competence and experience.

“The GTAR review process is both rigorous and independent,” says Barry Barber, Worldwide Director of Audit and Quality Control. “It demonstrates that Grant Thornton International will accept only an unwavering and tough-minded stance towards quality control and risk management from its member firms.”

Firms are obliged to implement an action plan in response to GTAR findings and recommendations. Such plans typically involve the implementation of new or revised quality-control procedures. If substantial improvements are necessary, follow-up procedures are performed within one year.

Continuing failure to comply with Grant Thornton International's quality control systems as soon as practicable results in remedial actions, which can include additional monitoring of that firm's professional performance, continued oversight of referred work, and potentially, the expulsion of the member firm from the network.

“The key values that Grant Thornton member firms represent are independence, integrity, professional excellence and transparency.”

**Member firms of Grant Thornton International are committed to the key values of independence, professional excellence and integrity.**

**The following pages provide a breakdown of the combined fee income of member firms to 30 September 2005.**

**We show the organisation of Grant Thornton International and how it manages the network and helps member firms to deliver first-class accounting and consulting services worldwide.**

**We define the stringent criteria that member firms have to meet to operate under the Grant Thornton brand as members of Grant Thornton International.**

**We also demonstrate the current worldwide representation of Grant Thornton member firms and International Business Centres.**

## Financial performance

\*year ended 30 September

### Total member firm fee income (US\$ million)

By region	2005*		2004*		2003*	
Americas	1,206	+23%	977	+24%	786	+19%
Asia Pacific	169	+26%	134	+20%	112	+19%
Europe, Middle East and Africa	1,079	+10%	981	+16%	844	+21%
<b>Total member firm fee income (US\$ million)</b>	<b>2,454</b>	<b>+17%</b>	<b>2,092</b>	<b>+20%</b>	<b>1,742</b>	<b>+20%</b>

### Total member firm income (US\$ million)

By service line	2005*		2004*		2003*	
Assurance and accountancy	1,245	+12%	1,114	+16%	959	+24%
Taxation compliance and consulting	535	+10%	485	+22%	397	+20%
Business advice consulting	259	+50%	173	+94%	89	-4%
Corporate finance	129	+33%	97	+17%	83	+26%
Corporate recovery	139	+28%	109	+6%	103	+21%
Forensic and investigation services	59	-3%	61	+110%	29	+107%
Project finance	16	+23%	13	+63%	8	+100%
Other activities	72	+80%	40	-46%	74	-10%

### Background and methodology

#### 1 Fee income

- 1.1 Fee income from correspondent firms has been excluded to give a more accurate picture of the real performance of the network.
- 1.2 All member firms have reported to a single year-end date (30 September) for consistency and comparability.
- 1.3 Member firms reported revenues net of local sales taxes.
- 1.4 Revenue is reported inclusive of rechargeable expenses.

#### 2 Service line performance

- 2.1 The service line performance represents the core activities of the members of the Grant Thornton International network and are defined as follows:
  - assurance and accountancy
  - taxation compliance and consulting
  - business advice consulting
  - recovery and reorganisation
  - forensic and investigation services
  - corporate finance
  - project finance.

- 2.2 The other activities of the members of the Grant Thornton International network include:
  - company formation, secretarial and administration and provision of legal advice other than accounting and tax advice
  - personnel services
  - international development finance agencies.

**Top ten member firms in the network in 2005\* (US\$ million)**

United States	829	+29%
United Kingdom	471	+9%
Canada	314	+17%
Germany	139	+10%
France	101	+8%
Sweden	79	+13%
Australia	64	+28%
Netherlands	53	+16%
South Africa	32	+13%
Denmark	27	+10%

**Member firm partners and staff**

	2005*		2004*		2003*	
Americas	9,261	+8%	8,582	+0%	8,618	+10%
Asia Pacific	3,070	+10%	2,783	+5%	2,659	+7%
Europe, Middle East and Africa	9,735	+7%	9,121	+2%	8,909	+0%
<b>Total number of people</b>	<b>22,066</b>	<b>+8%</b>	<b>20,486</b>	<b>+2%</b>	<b>20,186</b>	<b>+5%</b>
Member firms	92		91		92	
Member firm offices	484	-4%	504	+1%	498	+3%
Member firm partners	2,094	+3%	2,026	+2%	1,983	+4%
<b>Number of correspondent firms (income excluded)</b>	<b>18</b>		<b>21</b>		<b>20</b>	

**3 Firms**

3.1 The Grant Thornton International network consists of member firms and correspondent firms. The results reported in this financial report are for member firms only, as Grant Thornton International believes this reflects more clearly the breadth and strength of international networks. **Correspondent firms** can appear in the networks of more than one international accounting organisation and therefore there is danger of 'double-counting' if their revenues are included by more than one network and they are therefore excluded from the financial performance tables.

**4 Member firm offices**

4.1 An office is defined as a single building or collection of buildings in a close geographic area that is treated as a separate administrative entity.

**5 Exchange rate**

5.1 Financial results reported by independent member firms were translated into US dollars using the average inter-bank exchange rate over the year ended 30 September.

**6 Member firm partners**

6.1 A partner is a proprietor, direct or indirect shareholder, equity or non-equity partner, principal, or any individual who assumes the risks and benefits of member firm ownership, or who is otherwise held out by the member firm to be the equivalent of any of the above.

**7 Grant Thornton International**

7.1 Grant Thornton International is a not-for-profit, non-practising, international umbrella membership organisation organised under the laws of the State of Illinois, United States of America. All member firms are independent financial and legal entities.

# Management and governance of Grant Thornton International

**Grant Thornton International is one of the world's leading organisations of accounting and consulting member firms, that provide assurance, tax and specialist services. Services are delivered nationally by the member and correspondent firms of Grant Thornton International, a network of independent firms located throughout the world.**

## Chief Executive Officer – David McDonnell

Grant Thornton International's Chief Executive Officer (CEO) is responsible for the leadership and management of the international organisation. The role of the CEO includes the development and recommendation of strategic priorities and of policies and procedures for ratification by the Board of Governors, together with their subsequent implementation.

The CEO is regularly briefed by relevant advisory committees on recommended modifications to the policies and procedures governing international audit and risk management.

## Governance



The CEO has responsibility for appointing an International Management Board to assist him in the day-to-day management of the organisation. Appointees to the International Management Board are subject to approval by the Board of Governors.

The CEO is also responsible for the appointment of new member and correspondent firms in accordance with criteria agreed by the Board of Governors.

### Board of Governors

The Board of Governors consists of the CEO, a Chairman and 16 members, all of whom are active senior partners from member firms around the world. It is the highest decision making-body within Grant Thornton International. The Board appoints the CEO, sets Grant Thornton International's priorities and budget, and approves any recommended changes to the organisation's constitutional arrangements based on the recommendation of the CEO. The Board is also responsible for approving the criteria to be met by potential new member firms, as well as the expulsion of member firms.

### Legal structure

Grant Thornton International is a non-practising international umbrella membership organisation and does not deliver services in its own name. Services to clients are delivered nationally by member and correspondent firms.

Member and correspondent firms of Grant Thornton International are separate, independent national firms. They are not members of an international partnership. They are not legal partners in other member or correspondent firms (with the exception of certain limited instances), nor are they responsible for the services or activities of other member or

### Board of Governors – members and their locations

Carol Banford, US	Alex MacBeath, Canada
Leonard Brehm, South Africa	David McDonnell (CEO), UK
Peter Bodin, Sweden	Gerard Mulder, The Netherlands
Jean-Luc Carpentier, France	Ed Nusbaum (Chairman), US
Vinod Chandio, India	Richard Payette, Canada
Michael Cleary, UK	Hector Perez, Mexico
Gernot Hebestreit, Germany	Robert Quant, Australia
Chikahiko Honda, Japan	Mauro Terepins, Brazil
Jeremy Lewis, UK	Desmond Yuen, China

### International Management Board

In addition to the CEO, who acts as chairman, there are eight members of the International Management Board (IMB):

- Gabriel Azedo, Hong Kong  
Divisional Director, Asia Pacific
  - Barry Barber, United States  
Worldwide Director of Audit and Quality Control
  - Scott Barnes, United Kingdom  
Worldwide Director of Specialist Services
  - Sören Carlsson, Sweden  
Divisional Director, Europe, Middle East and Africa
  - Bob Leavy, United States  
Divisional Director, the Americas
  - Sue Palmer, United Kingdom  
Director of International Business Centres
  - Mike Starr, United States  
Worldwide Director of Risk Management and Regulatory Matters
- Description of IMB member roles can be found on [www.gti.org](http://www.gti.org)

correspondent firms. Each firm governs itself and handles its own administrative matters. Although many firms now carry the Grant Thornton name, either exclusively or in tandem with a national practice name, there is no common ownership among the firms (with the exception of certain limited instances), nor does Grant Thornton International have an ownership stake in the firms.

They are joined instead by a common professional vision, by a commitment to providing high-quality service to clients doing business across international borders and by a shared focus on leadership in the markets they serve that reflect Grant Thornton International's underpinnings.

## What is a member firm?

- Member firms of Grant Thornton International are separate independent firms. Each member firm is an independent legal, financial and administrative entity, commonly organised under the laws of the country where it practises.
  - Member firms are locally owned, operated and managed and are responsible for their own liabilities.
  - Member firms are not members of one international partnership or otherwise legal partners with each other (with the exception of certain limited instances). No single firm is responsible for the services or activities of any other.
  - Member firms of Grant Thornton International may consist of more than one legal entity. When reference is made to a member firm in this document, we are referring collectively to:
    - 1 primary national legal entities that have signed membership and name-use agreements with Grant Thornton International;
    - 2 secondary national legal entities permitted by a primary entity and Grant Thornton International to use the Grant Thornton name. In this case, the primary entity accepts full responsibility for the secondary entity; and
    - 3 other national legal entities under the control of, or under common control with, either a primary or secondary entity. In this case the primary or secondary entity accepts full responsibility for the other entity.
  - Member firms are responsible for any disciplinary measures taken against their individual partners and their personnel. In addition, each member firm is responsible for its own partner nominations, admission, remuneration, advancement and monitoring.
- Criteria for membership:**
- In addition to considering the reputation of a prospective firm and its adherence to the highest professional standards, Grant Thornton International has developed a set of strict criteria that must be met by prospective member firms before they can be considered for membership of the organisation:
- Member firms must have sufficient resources (where appropriate with help from other member firms) to meet the core service requirements that Grant Thornton International expects a firm to perform as a condition of membership. These core service requirements may vary at times among the member firms.
  - Member firms must be able to communicate effectively in English.
  - Member firms must be able to afford the cost of membership of Grant Thornton International in terms of both financial and time commitments.
  - Member firms' primary market focus must be in line with that defined by Grant Thornton International, including at its essence the development and servicing of international business.
  - Member firms must provide one or more of the following services: assurance and accounting, taxation or specialist services.
  - Member firms must have a system of quality control that provides both Grant Thornton International and the member firm itself with reasonable assurance that:
    - its personnel have an appropriate level of competence and experience to comply with applicable professional standards;
    - its engagements are performed in accordance with applicable professional standards;
    - its leadership demonstrates and supports quality and promotes a culture of high-quality performance;

- its reports related to services performed are appropriate to the circumstances; and
- it complies with local ethical standards, as well as the International Federation of Accountants' Code of Ethics.

Before being accepted as a member of Grant Thornton International, a firm is subject to strategic, audit and other quality assurance reviews by Grant Thornton International to determine whether the above criteria are met. Admission as a member is dependent on the successful outcome of these reviews. Member firms must also abide by all current Grant Thornton International policies on standards across all disciplines.

#### **Responsibilities of member firms**

- Member firms must agree to a periodic audit and other quality assurance reviews by Grant Thornton International.
- Member firms' market focus must develop in line with the overall strategic direction of the organisation as defined by Grant Thornton International, including the development of international business.
- Member firms' owners, partners and staff are forbidden to hold direct or material indirect interests that would be in violation of Grant Thornton International's independence policies.
- Member firms are expected to show commitment to Grant Thornton International policies, procedures and methodologies. This involves:
  - signing Member Firm and Name Use Agreements without variation;
  - adopting Grant Thornton International methodologies, software and risk management requirements for assignments as appropriate;
  - adopting Grant Thornton International's quality assurance and ethical policies including those related to independence;
  - adopting the Grant Thornton name in accordance with the procedures set forth in the Name Use Agreement;
  - implementing branding commitments developed by Grant Thornton International; and
  - agreeing to service referred work within their territories competitively, in situations where they have the ability to do so.

#### **What is a correspondent firm?**

In some countries, Grant Thornton International enters into exclusive or, very rarely, non-exclusive relationships with firms referred to as 'correspondent firms' to perform certain services on behalf of member firms' clients. Correspondent firms have none of the rights and privileges or responsibilities of member firms and therefore are not member firms of Grant Thornton International.

Unlike member firms, correspondent firms do not have access to tools such as audit software developed by Grant Thornton International. They are not permitted to use the Grant Thornton name. They are, however, subject to periodic practice reviews that monitor their conformity to applicable professional standards when delivering services.

Like member firms, correspondent firms are not members of one international partnership or otherwise legal partners with each other or with Grant Thornton International or any member firm in Grant Thornton International. Nor, is any one correspondent firm responsible for the services or activities of any other correspondent or member firm. Each correspondent firm governs itself and handles its administrative matters on a local basis, and is locally owned, operated and managed and is responsible for its own liabilities.

## Grant Thornton International firms worldwide

**This list represents the countries/territories where Grant Thornton International member and correspondent\* firms currently have operations.**

Antilles\*  
Argentina  
Armenia  
Australia  
Austria  
Bahamas  
Bahrain\*  
Belgium  
Bermuda\*  
Bolivia  
Botswana  
Brazil  
Bulgaria  
Cambodia  
Canada  
Cayman Islands  
Channel Islands  
Chile  
China (Peoples Republic of)  
Colombia  
Costa Rica  
Croatia  
Cyprus

Czech Republic  
Denmark  
Dominican Republic  
Ecuador  
Egypt  
El Salvador  
Estonia\*  
Finland  
France  
Gabon\*  
Germany  
Ghana\*  
Gibraltar  
Greece  
Guam  
Guatemala  
Guyana\*  
Honduras  
Hong Kong  
Hungary  
Iceland  
India  
Indonesia

Iran\*  
Ireland  
Isle of Man  
Israel  
Italy\*  
Jamaica  
Japan  
Jordan  
Kenya  
Korea  
Kosovo  
Kuwait  
Latvia\*  
Lebanon  
Liechtenstein\*  
Luxembourg  
Macedonia  
Malaysia  
Malta  
Mauritius  
Mexico  
Monaco\*  
Morocco

Mozambique  
Namibia  
Netherlands  
New Zealand  
Nicaragua  
Nigeria\*  
Norway  
Oman  
Pakistan  
Panama  
Philippines  
Poland  
Portugal  
Puerto Rico  
Qatar  
Romania\*  
Russia  
Saudi Arabia  
Serbia & Montenegro\*  
Singapore  
Slovak Republic  
Slovenia  
South Africa

Spain  
Sri Lanka\*  
Sweden  
Switzerland  
Taiwan  
Tanzania  
Thailand  
Tunisia\*  
Turkey  
Turks and Caicos\*  
Uganda  
Ukraine  
UAE  
UK  
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# For further information

If you would like to find out more about how Grant Thornton member firms can assist you, please contact one of our divisional offices. Alternatively, to find your local member firm, please visit our website at [www.gti.org](http://www.gti.org)

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