International annual review 2007

Grant Thornton

Distinctive client service Outstanding people

Partner-led involvement Integrity

Responsible leadership

Develop skills Independence Shared values

Cohesive

Influential

Willingness to speak out Professional debate

Unified global culture Approachable

"Beyond all else, the

communication

and involvement at the partner and manager level has been outstanding."

Louhon Tucker, Chief Financial Officer, Colson Group.
Colson Group works closely with member firms in nine countries.

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"Grant Thornton member firms operate today in a world in which businesses, regulators and the media are demanding greater choice among accountancy networks. While companies seek consistency from global advisers, they are increasingly questioning the wisdom of engaging a Big Four firm. Regulators, too, worry that excessive concentration in the audit market could undermine the world's capital markets.

Over the past four years, Grant Thornton member firms have won substantial new business as a result of opportunities presented by rapidly changing conditions. They have increasingly acquired work for larger more complex international clients.

David McDonnell
Chief Executive Officer
Grant Thornton International
Based in London, UK

"This trend is likely to accelerate as companies expand across borders, and as the image and quality of firms operating under the Grant Thornton brand continues to develop and strengthen.

In this context, Grant Thornton member firms performed superbly over the past year. Combined revenues rose to US$2,772 million in 2006, up 13% on the previous year, as firms posted strong performances throughout the network. Indeed, the organisation holds the enviable record of four straight years of double digit growth – visible proof that member firms are reaping sustainable benefits from transformations in the wider global market.

Total member firm fee income (US$ million)

Building our organisation

It is becoming increasingly clear, however, that our member firms, with the support of our global organisation, can achieve more – much more. Without sacrificing quality service in the pursuit of growth, we have the chance to make our presence felt much more strongly in the marketplace. Given the scale of the opportunities, I believe that Grant Thornton member firms can double their total market share within the next three to five years.

Clearly, achieving such rapid growth will be possible only by all those within the Grant Thornton International organisation behaving in a coordinated way.

During the past year, I took steps to put in place a revised leadership and management structure for Grant Thornton International, designed to resource, support and drive our global plans and to sustain the network in a leadership position worldwide.

Each main business area – privately held business services, assurance, tax services, and specialist advisory services – is now coordinated by a global leader. These leaders, who are all members of my global leadership board, are responsible for harnessing the activities of our member firms, for ensuring our international policies and procedures are implemented and for the overall development of each of the four main business areas.

The global leadership board is charged with the overall implementation of the Grant Thornton global strategy, fostering the global practices of our member firms and building a global culture.

As implementation proceeds, firms can be certain that they are building on solid foundations. Since I became CEO in 2001, Grant Thornton firms have worked steadily to become more integrated, more cohesive, and more consistent in their approach to clients. Member firms now need to leverage their collective strength by going to market with a global approach.

"We can achieve a leadership position based on distinctive

client service

delivered by outstanding people, partner-level involvement, and a willingness to speak out on issues that matter to business and the wider public."

A foundation for leadership

"Our strategy is founded on the principle of leadership – leadership in our chosen markets and leadership in the profession. The concept of leadership is often equated, mistakenly, with size. I do not believe that Grant Thornton should merely strive to become the biggest organisation in our market. I do believe, however, that we can achieve a leadership position based on distinctive client service delivered by outstanding people, partner-level involvement, and a willingness to speak out on issues that matter to business and the wider public.

Staking out a leadership position means that firms in certain economies must develop their skills, capabilities and depth in order that all member firms can meet client needs on a global basis. China, for example, is an economy in which development requires a worldwide effort. To reinforce the development of member firms in China and other key emerging markets, I have committed Grant Thornton International to providing appropriate financial support to address critical strategic objectives.

Firms will increasingly adopt a unified global culture, whereby they think globally yet act locally. In order to support and sustain this culture, Grant Thornton International will increasingly take on responsibility for many areas of training and secondment programmes designed to foster shared values and a shared mindset.

"I spoke out on the need for greater **choice and diversity** within the accountancy profession."

Leading the professional debate

The Grant Thornton organisation also pledges to speak out on major issues of public interest, even when such outspokenness appears to be contrary to the organisation's own interests. By providing such leadership, the organisation draws on its member firms' reputation for independence and integrity.

As such, I and other leaders within the organisation have begun to open a debate on several issues of public interest. At the World Congress of Accountants, held in November 2006 in Istanbul, I made few friends within the larger accounting networks when I spoke out on the need for greater choice and diversity within the accountancy profession. Several months before, addressing the Hong Kong Institute of Certified Public Accountants, I spoke of the need for greater worldwide support for professional development in China.

At the Global Public Policy Symposium, a recently forged forum of the six largest accounting organisations, I have also been able to raise thorny issues – including excessive auditor concentration, the burden on business of new regulation, and the long-term role of the audit itself – that, frankly, provoke discomfort for many in the profession.

I encourage such expressions of thought leadership. Indeed, I would urge senior figures within Grant Thornton firms and the international organisation to express ethical and professional opinions forcefully when issues stemming from the profession affect wider society. In many cases, I trust that our words will encourage a worthwhile debate far beyond the profession itself.

Confidence with integrity

Given the task – and the goals – that lie ahead, the coming year will clearly be exciting for all those involved in the Grant Thornton organisation. Yet through a commitment to responsibility, integrity and high quality, Grant Thornton firms can face the coming year with great confidence. I look forward to working with my colleagues on the global leadership board to implement our global strategy across our whole network, and working with member firms to achieve their objectives. By working together, firms can enhance both growth and profitability, as they help clients in a clear and determined fashion to navigate their way through a rapidly changing business environment."

David McDonnell
Chief Executive Officer
Grant Thornton International

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Global strategy…

Annual results for the Grant Thornton network clearly reflect the impact of globalisation on member firms' clients: combined fee income from cross-border services has grown by an average 32% for each of the past three years. Key practice areas also report robust demand from businesses for greater choice among accounting organisations.

The Grant Thornton network is well positioned to accelerate business growth in light of these trends. Firms face a combination of conditions that enable them to carve out a leadership position in the marketplace, utilising a cohesive, multi-jurisdictional approach, founded on a common global culture, to provide world class professional service.

From planning to execution

The Grant Thornton organisation's global strategy aims to uphold a leadership position in the profession. This position is underpinned by consistent delivery of quality client service by outstanding people, significant partner-level involvement and a willingness to speak out on issues that matter to business and the public. By providing clients with high quality services, consistently delivered wherever member firms do business, the strategic goal is for member firms to double worldwide market share over the next five years.

Implementing the global strategy will not be easy; member firms throughout the world will be required to commit to significant change. It is my job, as Grant Thornton International's chief operating officer, to drive the strategy out to the wider network and down within the management hierarchy of each firm, ensuring that the organisation's global plan translates into effective global action.

Firm commitment

Clearly, commitment from every Grant Thornton member firm is vital to the plan's execution. Firms will be required to give their full support to the strategy and unite behind one global vision. Moreover, commitment must be evident in firms' actions and decisions. As the strategy moves forward, a critical short-term objective will be to define the performance measurements by which to assess member firms' progress. A strategic review process, supported by regular assessments, will underpin analysis of member firms' success at incorporating Grant Thornton's global aims into their planning.

A unified global culture

Member firms must foster a unified global culture, which rewards thinking globally yet acting locally. All individuals who are part of the Grant Thornton organisation must understand that all benefit from being part of a cohesive, global organisation. Fostering shared values and a shared mindset can best be achieved by providing opportunities for partners and employees around the world to interact and expand their personal networks. Strong relationships among the partners and staff, in turn, translate into a robust, homogeneous global culture.

Mike Starr
Chief Operating Officer
Grant Thornton International
Based in Chicago, US

…effective action

To help foster such a shared culture, Grant Thornton International created a new position, dedicated to developing human resources strategies for the entire organisation. Laurie Kalman, who took on the role of executive director – human resources strategy in February 2007, will focus on the design, development and implementation of the Grant Thornton International HR strategy. Laurie will oversee the development of programmes which member firms can use to develop and inspire their people and which will provide a foundation for a more cohesive culture across Grant Thornton member firms.

A strong global brand

The brand represents a third vital pillar in the execution of the global strategy. The brand is perhaps the single most powerful tool that the organisation can use to communicate accountability and leadership wherever member firms do business. As we go forward, building a brand that is aligned with the organisation's overall strategic aims and projected consistently throughout the world will become central to the organisation's plans. Jon Geldart, our global director – marketing communications, was appointed by David McDonnell to lead this challenge.

A crucial part of brand strategy is the thought leadership that Grant Thornton can provide to an external audience. With the Grant Thornton commitment to speak out truthfully on major issues of public interest, it will become increasingly important for the network to speak with one voice, particularly when working with regulators and policy makers around the world. As such, April Mackenzie, executive director of public policy, will collaborate with key partners in major member firms to oversee and coordinate the organisation's engagement on public policy matters.

"The hallmark of the **global strategy** is consistent, high quality service."

Global capability

Staking out a leadership position also rests on the organisation's capability to provide clients with consistent, high quality services wherever they do business. The global leaders for each practice area, in collaboration with Gabriel Azedo, global leader for member firm network, will develop recommendations on areas where additional skills, capabilities and depth can help all firms meet client needs on a global basis. Grant Thornton International, in turn, commits to providing financial support, when needed, to address critical capabilities.

Accountability

Translating any strategic plan into effective action is possible only when those managing the process are accountable. As such, global practice leaders are required to establish clear objectives for each practice area, setting out adequate performance metrics to assess long-term results. Each global leader is accountable for implementing these business plans.

Quality control and risk management

The hallmark of the global strategy is consistent high quality service. The purpose of the quality control and risk management functions is to ensure that the member firms deliver consistent high quality service worldwide. Under the direction of Barry Barber, worldwide director for quality control, Grant Thornton International provides its member firms with guidance to assist each firm in the design and implementation of a quality control system that complies with all applicable international and local standards. All firms are obliged to submit to external inspections of their audit practices as required by local regulators, and to periodic reviews by Grant Thornton International representatives that cover all service lines.

The Grant Thornton network manages business risks effectively by requiring member firms to follow strict policies and procedures, including those governing independence, client acceptance and client retention. Paul Herring, executive director of risk and regulatory matters, is responsible for identifying business risks associated with the global strategy and ensuring appropriate risk management techniques are applied across the network.

Mike Starr
Chief Operating Officer
Grant Thornton International

"**Strong relationships** among the partners and staff, in turn, translate into a robust, homogeneous global culture."

Making the strategy work

One voice on public policy

"My job is to make sure that the Grant Thornton organisation speaks with one voice," says April Mackenzie, appointed in 2006 to oversee the organisation's position on public policy issues.

As the Grant Thornton organisation seeks to project a cohesive Grant Thornton 'voice' within the profession, April's central task is to develop thought leadership positions on issues of public interest that stimulate debate and underline the network's reputation for independence and integrity.

"I want to make sure that the organisation's voice is heard in the public policy arena," she says. "Projecting a strong public position is a vital part of leadership. Stimulating debate, in turn, benefits all stakeholders in the world's financial markets."

April Mackenzie
Executive Director
– Public Policy
Grant Thornton International
Based in New York, US

Directing quality

"We expect our member firms to deliver a high-quality service to their clients," says Barry Barber, who oversees the functioning of quality control procedures for the international organisation.

Barry, who handled the design and implementation of the US firm's quality assurance and independence policies and procedures for 15 years, was appointed as the Grant Thornton network's worldwide director for quality control in 2001.

He aims to promote a culture that places quality at the heart of performing successful client engagements. "Grant Thornton International demands an unwavering and tough-minded attitude towards quality control from its member firms," he says. "Ultimately, this helps member firms to provide top-level service to client businesses."

Barry Barber
Chief Financial Officer and Worldwide Director
– Quality Control
Grant Thornton International
Based in New York, US

Managing risk

"I'm taking a risk management approach to risk management itself," explains Paul Herring, who oversees the policies and procedures that safeguard the professional independence of Grant Thornton member firms.

His responsibilities centre on identifying the risks inherent in the organisation's global strategy and then developing procedures and processes that help manage or mitigate those risks.

Paul was appointed to chair Grant Thornton International's risk management advisory committee in 2006. "My task is to institutionalise a culture whereby member firms remain cognisant of business risk at all times," he concludes. "It's about always being aware."

Paul Herring
Executive Director
– Risk and Regulatory Matters
Grant Thornton International
Based in Chicago, US

Inspiring unified culture

"My job is to support member firms' development through programmes designed to develop and inspire their people," says Laurie Kalman, who carves out a new role as executive director – human resources strategy for the Grant Thornton organisation.

Laurie, appointed in February 2007, is tasked with creating a global human resources strategy. Priority initiatives include leadership training, a global secondment programme, and a global induction programme to assist new employees in their understanding of the global Grant Thornton brand, culture and strategy.

"It's a new perspective," says Laurie. "The focus will be on identifying global strategic needs, and planning approaches to meet those needs. The ultimate aim is to develop strategies that sustain a unified culture within Grant Thornton member firms."

Laurie Kalman
Executive Director
– Human Resources Strategy
Grant Thornton International
Based in New York, US

Speaking out

Expressing ethical or professional opinions on issues stemming from the accounting profession benefits both the business sector and wider society. Grant Thornton member firms draw on their reputation for independence and integrity to speak out on issues in the public interest.

Excessive auditor concentration

Today, the four largest accounting firms audit 99% of the world's large-cap companies. They also dominate the mid and smallcap market, particularly in the US, where they audit 93% of all public companies with sales of over US$250 million.

Companies, regulators, analysts and investors are growing increasingly concerned that the world's largest companies have too few choices of auditing firms. A 2006 study by UK based consultancy Oxera highlighted fears that excessive concentration in the audit profession could threaten the stability of global capital markets. The risk is that the world's financial system is but one stumble away from an emergency that would shake the capital markets.

Led by the US and UK member firms, Grant Thornton International is campaigning for greater choice among auditors. It is also seeking to reform auditors' liability to limit the litigation risk facing auditors, an issue that currently hinders attempts by smaller accounting organisations to audit larger listed companies.

Through a targeted campaign of media relations, speeches by key figures from Grant Thornton firms, and one-on-one meetings with capital markets influencers, the organisation will continue to press for greater choice in order to maintain the kind of robust profession critical to the stability of the world's capital markets.

Reducing carbon emissions

The UK member firm published a hard-hitting report in 2006 on the failure of current recycling initiatives to address the country's expanding waste mountain.

"The impact of the carbon agenda on the waste management business", part of the 'Grant Thornton Thinking' series of reports, highlights conflicts between the UK government's drive to cut carbon emissions with efforts to reduce the disposal of waste in landfill sites. The report argues that the priority given to reducing landfill use contradicts the government's own carbon-reduction agenda.

It also shows that the UK government intends to achieve its 60% recycling target for glass by encouraging the grinding of recycled glass in order to manufacture a substitute for architectural and filtration sand, an energy-intensive process that generates more carbon dioxide than if the glass were sent to landfill.

Effects of crime on business

For several years, business owners in South Africa have ranked among the most optimistic in the world, according to the Grant Thornton International Business Report. So optimistic do South Africans declare themselves to be, indeed, that the country's president, Thabo Mbeki, cited the report in his State of the Nation address in 2006.

Yet the same year's survey also highlighted far more disturbing trends. Critically, 84% of respondents in South Africa reported that they, their staff or families of staff had been affected by violent crime during the previous year. Of those so affected, 88% incurred increased security costs, 65% reported decreased staff productivity and motivation, and 41% reported a drop in creativity, ingenuity and resourcefulness among staff.

So shocking were the statistics that Leonard Brehm, national chairman of Grant Thornton South Africa, felt compelled to act. In February 2007, he published an open letter calling on the government for greater efforts to control crime, and entreated the South African people to forge a culture of community participation.

The controversial statement stimulated a fiery debate in South Africa on the social and corporate costs of crime.

Shirking corporate responsibility

The UK member firm stimulated much discussion in the financial media in 2006 by highlighting areas in which many large companies listed on UK stock markets fail to comply with new corporate governance rules.

The "FTSE 350 Corporate Governance Review 2006", published by the UK member firm, studied companies' compliance with the revised Combined Code, a set of rules introduced in 2003 to set standards of good practice on issues such as board composition, pay, and relations with shareholders.

The report showed that a remarkable 66% of leading UK companies are failing to fully adopt the provisions of the Code. The report criticised non-executive directors, in particular, for failing to challenge their boards on departures from best practice corporate governance.

The report led to a flurry of articles in the financial media. To underline its conclusions, the UK firm mailed the articles to chief executives, financial directors, and audit committee chairs of all FTSE 350 and SmallCap companies.

So successful has been the UK firm's report that the member firms in Hong Kong and Greece have also published reviews of corporate governance compliance in local capital markets.

Guidance for whistleblowers

The US member firm adopted a robust position on the controversial subject of corporate whistleblowing by publishing much-needed guidance for companies' audit committees.

The 2002 Sarbanes-Oxley Act law handed audit committees the responsibility for establishing procedures for dealing with anonymous tip-offs by company employees regarding questionable accounting or auditing matters. The Act did not, however, provide any guidance to audit committees on what procedures should be considered.

As a result, for many companies, complaint handling is still a haphazard process that tends to operate in crisis mode. The US firm's report, released in August 2006, found that four years after the Sarbanes-Oxley Act's enactment, companies still struggle to find an effective approach to handling whistleblower complaints.

"Grant Thornton International is ideally suited to speak out as a leader within the profession," says David McDonnell. "I have already contributed to debates on the need for greater diversity within the accountancy profession, the burden on business of new regulation, and the long term role of the audit itself," he said.

Grant Thornton International has a long history of being dedicated to identifying and addressing the opinions and needs of business owners. Since 1992, we have been surveying privately held businesses, initially in Europe and, for the last five years, worldwide. The International Business Report (IBR) provides insight into the views and expectations of over 7,200 privately held businesses across 32 economies.

Finding out first hand what business owners think about areas such as their country's economic prospects, the effect of globalisation on their business, the constraints on their growth, and how they are addressing risk, allows us to speak out with confidence on issues that we know are important to member firms' clients.

In 2007 a special IBR study focused on energy and the environment. The study highlighted the incompatibility between continued rapid growth in the global economy and the sustainability of the environment. The report focused on the response of governments and companies to climate change and the attitudes of privately held businesses towards global warming and the action they are taking to limit the effects.

In addition to the core global questions, country specific questions are asked. Topics in 2007 included (amongst others): attraction and retention of staff; the impact of oil prices on profits for firms in Malaysia, the effects of EU enlargement on businesses; how the spread of HIV and Aids is affecting businesses in Botswana and South Africa; how business owners in New Zealand would feel about a merger of the New Zealand and Australian dollars; how corruption affects the ability of businesses to grow in the Philippines; how politics affects business growth and economic expansion in Mexico.

"Expressing ethical or professional

opinions

on issues stemming from the accounting profession benefits both the business sector and wider society."

Quality services, leadership position

Grant Thornton International's strategy is founded on the idea of leadership. Member firms strive for an authoritative position based on distinctive client service delivered by outstanding people, partner-level involvement, and a willingness to speak out on issues that matter to the public and business.

Leadership is more than just quality products and wide scope; it is also manifested in how partners and employees deal with clients and colleagues and how they go about solving business challenges. Leadership is engrained in the Grant Thornton culture.

While leadership is most visible in the wider profession, it begins within the network itself, where a global leadership board has undertaken responsibility to promote the worldwide practices of the organisation's member firms and to build a unified culture. Global leaders head the four main global practice areas – privately held business services, assurance, tax services and specialist advisory services.

In the following pages, these global leaders report on how member firms provide clients with a high level of service standards by means of an approach that is robust, ethical, independent and commercially sound.

Introducing Alex MacBeath

As the accountancy profession transforms itself with ever greater speed, Alex MacBeath, Grant Thornton International's global leader for privately held business services, draws guidance from his first career as a researcher in physiology and biophysics.

"Scientists understand the evolutionary process, and they study how entities respond to external transformations," says Alex, who pursued molecular biology and biochemistry until turning to accountancy more than three decades ago.

"I've led the Canadian firm since 2001, taking it through many significant changes," he says. "My training as a scientist prepared me well."

Alex admires:

The Entrepreneur

"As the economist Joseph Schumpeter noted: 'The creative and innovative behaviour of business entrepreneurs is the primary fuel of economic progress'."

Alex MacBeath
Global Leader
– Privately Held Business Services
Grant Thornton International
Based in Toronto, Canada

Privately held business services

"We've used Grant Thornton firms' audit service for over 30 years. Member firms use technology to its greatest impact on our operations and to maximise efficiency."

Norberto Wiedemann, President, Dinatécnica.
Client of Grant Thornton member firms in Argentina and Brazil.

Providing assurance, tax, specialist and general advisory services to privately held businesses, often combined into an integrated suite of services, has long been the core business for many Grant Thornton member firms. Indeed, the organisation can be justifiably proud of a leadership position achieved and sustained by the use of common tools, common products, and a common methodology.

Member firms understand how privately held businesses differ from public interest entities. Traditionally, client/firm relationships have been long-term, "holistic", and focused at a strategic level, often expressly designed to help business owners and their families achieve their goals. A particular focus has been advice related to the generation, retention and subsequent release of wealth generated by the business.

An evolving market

Yet privately held businesses are evolving rapidly in many of the world's economies. Today, dynamic enterprises tend to be far more international in outlook, more innovative and vastly more complex. Private equity, once a marginal influence, is now central to many companies' expansion plans, as a means to access capital without seeking a public listing.

Attitudes among owners and managers to financial service providers are also transforming, as a business's more-sophisticated needs underpin demand for greater breadth and depth of capability. As a consequence, management will increasingly look to firms with the specific expertise they need to deliver advisory services.

Further penetration

Grant Thornton firms are well positioned to help privately held businesses meet the increasingly sophisticated challenges of this transformation in the market, particularly issues such as access to capital, wealth retention, and exit strategies.

Building this practice remains a vital part of Grant Thornton International's global strategy. Further penetration in the market will result from member firms building on their reputations and leadership positions by leveraging their collective strength and by approaching the market in a consistent, cohesive manner.

Driving the strategic plan

As global leader for privately held business services, appointed in 2006, I am responsible for moving forward an overall plan within the market segment. The plan rests on sharing resident expertise and best practice among member firms, refining current service methodologies and tools, and supporting the development of new services tailored to privately held companies.

As we go forward, I will be working with firms as they focus on a strategic alignment of initiatives within the sector.

Further, I will be implementing plans to target dynamic, growth-oriented companies, and to increase depth in the sector by identifying new products and services for businesses, such as those related to the integration of succession planning, tax, and capital access advice.

The ultimate aim is to reinforce the network's leadership position by building the Grant Thornton brand. As such, I encourage the projection of thought leadership positions which help to foster greater credibility within the market. Issues of public interest, specifically related to privately held business, include the impact of new regulations on private business, access to capital, and the effects of globalisation on local markets.

Alex MacBeath
Global Leader
– Privately Held Business Services
Grant Thornton International

"Today, dynamic enterprises tend to be far more international in outlook,

more innovative

and vastly more complex."

Introducing Ken Sharp

"The professional challenge is rewarding. So is the travel – for now, at least," laughs Ken Sharp, appointed to head the network's global assurance practice in 2006 after just four years with Grant Thornton in the US.

"I'd worked for 26 years at a Big Five firm and lived in New York, Florida, and the Carolinas," he says. "Having led the assurance practice in the Carolinas and been professional standards director for the south east region of the US firm during my four years at Grant Thornton, I'm thrilled to now be taking on an exciting international role."

So how does it feel to be responsible for the assurance practice worldwide? "It's the ultimate challenge," he enthuses.

Ken admires:

Edwin Wilson

his onetime professor of English literature

"He was one of those guys who everybody liked and no one ever refused. He won respect and love wherever he went. His personal touch was something to aspire to."

Ken Sharp
Global Leader – Assurance Services
Grant Thornton International
Based in Charlotte, NC, US

Assurance services

"Grant Thornton firms have used international knowledge to provide timely and up to date services as the group navigates its way through complex business operations."

Eric Gilhou, CFO, Atos Origin.
Member firms assist the IT company throughout Europe.

The value of a quality audit has never been so great. Corporate failures have underlined stakeholders' need for reassurance that a company's reported financial results are fairly presented in accordance with applicable published standards. At the same time, increased regulation and a desire for greater choice, particularly among public interest entities, has fuelled a move away from the largest accounting groups in favour of Grant Thornton member firms.

Investing in effective management

To ensure that member firms can respond adequately to these changing market conditions, Grant Thornton International moved decisively in 2006 to invest in a new management structure for each key practice area, committing resources to implement a far-reaching business plan for each service line.

As the new Global Leader for Assurance Services, I am responsible for a practice area in which aggregate member firm fee income totalled US$1,386 million in 2006, up 11% on the previous year. The role requires me to ensure that member firms work with the latest accounting and auditing standards, that methodologies – and the audit technologies that support them – are appropriate to modern businesses, and that training programmes are rigorous, centralised and coordinated.

Leadership in action

The strategic plan for assurance for the coming five years revolves around staking out a leadership position for the network. Growth in market share will form a part of this concept. Assisted by financial sponsorship from Grant Thornton International, I will be promoting a rapid expansion of the assurance practice in key markets, both through organic growth and by attracting additional resources, particularly those well-positioned to service listed companies.

Being a leader also revolves around a commitment by the organisation to place the interests of investors and other stakeholders before all else. Grant Thornton firms affirm that they will 'do the right thing' in all situations. In practice, this means avoiding conflicts of interests – and even the appearance of conflicts – when offering services to public interest entities and providing investors and other stakeholders with greater assurance that their interests are being protected.

The Grant Thornton organisation also pledges to speak out openly on major issues of public interest, even when such outspokenness appears to be contrary to our interests. Public policy issues include competition and choice, litigation reform, and institutional acceptance. By speaking forthrightly, the organisation seeks to underline member firms' reputation for independence and integrity.

Quality and technology

Sustaining a leadership position within the assurance market also involves safeguarding the quality of the audits carried out by member firms. Firms continue to demonstrate their commitment to transparency, integrity and quality control by undergoing internal and independent third-party inspections as part of the organisation's overall quality assurance monitoring procedures.

Investment in state-of-the-art audit tools also allows member firms to meet the needs of public interest and privately held companies, no matter their size or complexity. During the year, member firms will be updated on Voyager, a new tool that combines the organisation's renowned specialist technologies, auditCARE™ and Explorer, supporting a more effective and efficient audit.

Ken Sharp
Global Leader – Assurance Services
Grant Thornton International

“The Grant Thornton organisation also pledges to

speak out openly

on major issues of public interest, even when such outspokenness appears to be contrary to our interests.”

Introducing Ian Evans

"I've always been fanatical about client service," says Ian Evans, who was appointed as Grant Thornton International's global leader for tax services after six years heading the UK firm's tax practice. "Clients need the red carpet treatment. They should always feel they're getting first-class service."

Ian, who joined the UK firm in 1987 as a tax partner in the Leeds office and earned steady promotion within the firm, endeavours to apply the same maxim in his personal management style. "It's about getting back to colleagues within 24 hours," he says. "It's good to be accessible."

Ian admires:

Bill Gates

co-founder of Microsoft.

"He's a self-starter and he has vision. He introduced a completely new culture of work at Microsoft. To create so much wealth and then donate most of it is simply stunning."

Ian Evans
Global Leader – Tax Services
Grant Thornton International
Based in London, UK

Tax services

"Grant Thornton firms have significant expertise and international experience giving us clear answers that we can implement easily and feel comfortable with in each region."

Ronan Dowling, Group Head of Tax, Kingspan Group plc.
Member firms assist Kingspan with tax matters throughout Europe.

The tax practice resident within Grant Thornton member firms stands at the door of great opportunity. Globalisation and the increasing complexity of tax legislation have boosted demand for tax services among privately held businesses. Large public interest entities, too, have increasingly sought tax services from member firms in the light of regulatory change and a marked disenchantment with the Big Four firms.

As a result, combined member firm fee income from taxation compliance and consulting topped US$601 million in 2006, a rise of 12% over the previous year, as member firms won new business by offering partner-level contact, rapid responses, and consistency in their service offering.

Investing in leadership

As practice leader, I am responsible for setting overall strategic aims and priorities for fostering a top-class tax practice, both for assignments carried out within a single jurisdiction by individual member firms and multi-jurisdictional tax work stretching across international borders.

I am assisted by a tax advisory committee and a tax operations group, which has been formed to support member firms in their achievement of those aspects of their tax business plans that accord with Grant Thornton International development objectives.

Top quality, high growth

Together, this management resource is dedicated to rolling out a target-based strategic plan, which envisions doubling the aggregate size of the tax practices of our member firms by 2010. Targeting growth on this scale is ambitious but achievable, as member firms focus on providing a full tax service to privately held businesses and specialist tax services to large corporate clients.

Member firms operate in a context where regulations governing tax guidance and compliance advice vary greatly between jurisdictions. Nevertheless, companies carrying out cross-border business expect a commonality of service standard and a consistency of quality from organisations that provide tax services.

In order to support member firms as they develop a consistent, high-quality tax capability in key jurisdictions, the global tax practice team is producing a core set of standards for both domestic and cross-border tax services.

Investment in training

Having recruited resource for this purpose, the global tax team has set out parameters for core training programmes designed to ensure that member firm skills in single-jurisdictional tax work adhere to rigorous, consistent standards.

In parallel, a comprehensive upgrade to international tax training is underway with sponsorship from Grant Thornton International. Tax professionals from around the network will be able to select from four international tax disciplines – transfer pricing, direct taxation, indirect taxation, and executive services – and progress through three-stage programmes, supported by webcasts and other distance-learning techniques.

Efforts to foster a global culture within the practice will also revolve around a centralised secondment programme.

Speaking with tax authorities

As part of the Grant Thornton organisation's commitment to involve itself in major issues of public interest, the network is engaged in an ongoing dialogue with tax authorities around the world. One such forum is the Organisation for Economic Co-operation and Development, which is seeking to institute a tripartite relationship among tax authorities, businesses, and tax advisers. Grant Thornton International is participating with the OECD working group, which is scheduled to report in early 2008.

Ian Evans
Global Leader – Tax Services
Grant Thornton International

“I’ve always been fanatical about client service. Clients need the

red carpet treatment.

They should always feel they’re getting first-class service.”

Introducing Scott Barnes

"I'm no stranger to change," says Scott Barnes, appointed as Grant Thornton International's global leader for specialist advisory services in 2006. "Over the years, I've changed direction a number of times, both geographically and professionally. I still find it stimulating."

Scott specialised in insolvency at a Big Four firm before joining Grant Thornton in the Leeds, UK office in 1984. He moved to London seven years later, carving out a new role as the head of insolvency for the London office, and then as the UK firm's head of recovery services. Moving upwards to the UK management board in 2001, he again took on a new position as the firm's head of specialist services. He now fulfils a similar role on the global leadership board.

"I've often been the first to do a particular job," he says now. "It's something I enjoy. You get to write your own job description."

Scott admires:

Bob Dylan

"He's never been a follower, always a leader. He was never afraid of change, and he didn't mind upsetting a few of his followers along the way, if he thought he was right about a particular artistic direction. Most important, he made a difference, which is all anybody can ask."

Scott Barnes
Global Leader – Specialist Advisory Services
Grant Thornton International
Based in London, UK

Specialist advisory services

"The corporate finance group at Grant Thornton US brought us a buyer and partner who is a tremendous fit and is well placed to help us build the business going forward."

Mark DiLorenzo, President, Tell Tool Inc.
Assisted by Grant Thornton, US.

The past year has seen explosive growth among the many member firms that provide their clients with specialist advisory services. Member firm fee income for specialist advisory services, including business consulting, totalled US$648 million in 2006, accounting for 23% of member firms' combined global fee income. The high quality of these services, together with the regulatory separation of audit from non-audit services for many public interest entities and widespread dissatisfaction with the Big Four, have fuelled greater demand for Grant Thornton firms in the areas of business risk, corporate finance, forensic and investigation, project finance, and recovery and reorganisation services.

Prospects for the practice remain bright as early-stage investments begin to yield even greater growth. Utilising a cohesive, multi-jurisdictional approach to the market, member firms have succeeded in leveraging their skills to serve clients' needs in a more cohesive manner. This trend is likely to continue as companies and their stakeholders expand across international borders, and as the image and quality of firms operating under the Grant Thornton brand continues to improve.

Targeting growth

To help ensure that member firms respond to clients' needs in a structured and efficient manner, Grant Thornton International moved decisively during the past year to install a new management structure at the same time committing substantial resources to support a far-reaching global business plan.

As global leader for specialist advisory services I will be seeking to create a billion-dollar business within the specialist services practices of Grant Thornton International member firms, taking advantage of the opportunities that exist to forge a business with real scale, critical mass and depth.

Doubling the size of the practice will not be easy. It will centre on building and sustaining local practices in strategically important locations, working with member firms to increase their capabilities and depth through targeted recruitment, and going to market as a cohesive, global membership organisation. A clear business plan for key service areas will underpin sustained efforts to roll out these ambitious plans effectively across the organisation.

Quality and cohesion

Particularly in a context of rapid growth, it is paramount to safeguard the quality of service that firms' clients receive. As such, a comprehensive framework for the risk management of specialist advisory services has been put in place. Resting on authorisation procedures designed to restrict delivery of specialist advisory services to adequately qualified firms, it involves each qualified firm submitting to a rigorous and regular review process.

As we go forward, clients will also benefit from the fostering of a unified Grant Thornton corporate culture, supported and sustained by a full suite of centrally managed training programmes, which help reinforce shared values and a shared mindset across the network.

Scott Barnes
Global Leader – Specialist Advisory Services
Grant Thornton International
Based in London, UK

"Clients will benefit from the fostering of a unified Grant Thornton corporate culture,

supported and sustained

by a full suite of centrally managed training programmes, which help reinforce shared values and a shared mindset across the network."

Grant Thornton people

Developing the professional lives of the people who work within the member firms of Grant Thornton International is a vital part of the Grant Thornton International global strategy.

Forging tomorrow's leaders

The International Partners' Development Programme, now in its fourth year of operation, brings together high-calibre young individuals from the international network on a leadership building exercise. Its aim is to help create the next generation of international leaders.

"The tuition, lectures and discussions provide a holistic perspective on business development, giving participants a deeper understanding of the leadership role in today's business world," explained Sören Carlsson, executive director – member firm relations for Grant Thornton International and the driving force behind the programme. "Attendees forge a close network of personal relationships, which benefits the international network in the long term."

The curriculum, devised by the Swedish Institute of Management, focuses on entrepreneurship, marketing, cross-cultural and team-building skills – all with a global perspective. "Our future leaders must understand the factors and mechanisms behind entrepreneurial success," said Sören. "After all, they themselves will need to develop and build businesses, effectively acting as entrepreneurs."

Spread over four-day workshops held in Belgium, the UK and the US, the programme has attracted participants from countries as varied as Australia, Egypt, Lebanon, Mexico, Peru, Uruguay and the UAE. Candidates, all newly appointed or prospective partners with leadership potential, have each spent at least five years in the profession, with some experience of international assignments.

Learning from successful entrepreneurs and professors experienced in the business world, attendees study the impact of local culture on business behaviour, and gain useful tips for achieving sustainable peak effectiveness. "The self-development aspects of the programme remain an integral part of my everyday growth and development," said recent participant Jeremy Jagt, an assurance partner at the Canadian firm.

The programme also highlights Grant Thornton International's aims, market focus and global strategy. "Learning about the organisation's present and future direction was fascinating," said Philippines tax partner Fulvio Dawilan, who recently completed the programme. "For me, the greatest impact was meeting and working with its future leaders."

"In the long term, member firms and their clients **benefit** from the technical expertise and cross-border experience gained by their seconded staff."

International Partners' Development Programme – What the participants say

Jeanette Hern
Audit Partner
Grant Thornton South Africa
Based in Johannesburg

"I wanted to interact with colleagues from around the world and enjoy exposure to the world-class individuals involved," explains Jeanette Hern, who has worked for Grant Thornton in South Africa since beginning her professional career in 1989.

As a member of the South African firm's national council, Jeanette had enjoyed some contact with the Grant Thornton International network, having some involvement with international referrals, but she believes the programme provided her with a significantly greater understanding of business in a global context.

"The actual experience far exceeded my expectations," she says. "Having direct contacts in some of the largest firms is a huge help."

"A key aspect will be using these new relationships to develop business in the future."

David Grundy, National Head of Transaction Services, Grant Thornton UK, based in Manchester.

Sinead Donovan
Partner, Audit and Assurance
Grant Thornton Ireland
Based in Dublin

"More than anything, I wanted to learn how other newly appointed partners had transitioned from manager to partner," admits Sinead Donovan. Sinead joined the Irish firm's Dublin office in 2002 after several years with a biotech company, becoming a partner in 2005.

"Not only did I make contacts, but I also made friends," she says. "There was a willingness to share knowledge and talk openly, particularly among the female partners."

Sinead cites the personal development tuition as being particularly informative. "These are a far cry from traditional tuition courses," she says. "They really force you to examine yourself and your work ethic and then apply the conclusions to the Grant Thornton framework."

The participants on her programme continue to keep in touch, and plan to meet up in the near future. "I've even been asked to organise the reunion," she laughs.

"It was great to interact with professionals of many different nationalities, and gain a better understanding of business practices around the world."

Dinesh Mallan, Partner, Grant Thornton Acumen, Botswana, based in Gaborone.

Yoichi Ishizuka
Managing Partner, International Tax
Grant Thornton Japan
Based in Tokyo

As managing partner of the international tax group at the Japanese firm, Yoichi Ishizuka already enjoyed considerable contact with the international organisation before attending the International Partners' Development Programme.

His responsibilities include assignments with international clients, often in tandem with other tax professionals from the international network. Moreover, many individuals on his team are non-Japanese, giving him first-hand experience of the impact of cultural differences on business functions.

"There is always room to build more skills," says Yoichi, who has spent 14 years with Grant Thornton. "Cultural differences can be tremendously difficult when working as part of an international team. I am planning to utilise the experiences and knowledge I gained in managing my team."

"The techniques on balancing personal and professional lives have allowed me to reduce some of the 'busy season' stress this year."

Jennifer Cavanaugh, Partner, Assurance, Grant Thornton US, based in Chicago.

International secondments – Gaining a global perspective

The organisation's investment in tomorrow's leaders is not limited to partners alone. The secondment of managers and other personnel between member firms can prove an effective way for individuals to enhance skills and expertise – and gain a global perspective.

Jatin Radia left the UK's Gatwick office in September 2005 on a two-year assignment to France. An international audit manager with six years' experience at the UK firm, he leapt at the chance of spending some time in Paris. "I'm a committed Francophile, having spent a year at law school in Strasbourg," explained Jatin, who has just extended his contract for a third year. "I spent my childhood years in various countries, so I guess I caught the travel bug early."

Jatin helps audit the French subsidiaries of overseas groups, as well as coordinating the international audits of key clients of the French firm. "The secondment has allowed me to experience a new culture, a language, a work ethic and a way of life. I think I've grown as a result."

The opportunity to accrue new skills was paramount, too, for **Brian Davis**, a senior manager at the US firm's Weston, Florida office, who arrived in Hong Kong on a two-year posting in August 2004. "I was looking for more challenging assignments," said Brian, who is now involved in almost all the Hong Kong assignments involving US-listed companies.

Brian cites personal factors as his reason for extending his secondment for an additional two years. "I had never lived outside the US before," he said. "In my role in Hong Kong, I've been able to travel extensively to countries I would never have normally visited."

Firms sending staff on secondment also profit from the skills brought back by secondees, says **Johanna Nielsen**, a manager from the US firm's Salt Lake City office, who has facilitated the audits of US-listed companies' French subsidiaries since arriving in Paris on a two-year assignment in March 2006.

"I'll return to the US firm much better at facilitating communication and assessing business risk," said Johanna. "The experience has already taught me to be more appreciative of other cultures and working methods."

"China is experiencing a great shortage of accounting personnel, which is increasing the audit risk for Chinese companies. My position here lets me play a part in reducing that risk."

Joseph Loretto, Manager, Grant Thornton US, based in Dallas, seconded to Beijing, China.

"The learning curve doesn't stop when a secondment ends," says Mexico's Rogelio Avalos Andrade. After returning from secondment in New York, he found that his newly acquired skills and international expertise boosted his career back home.

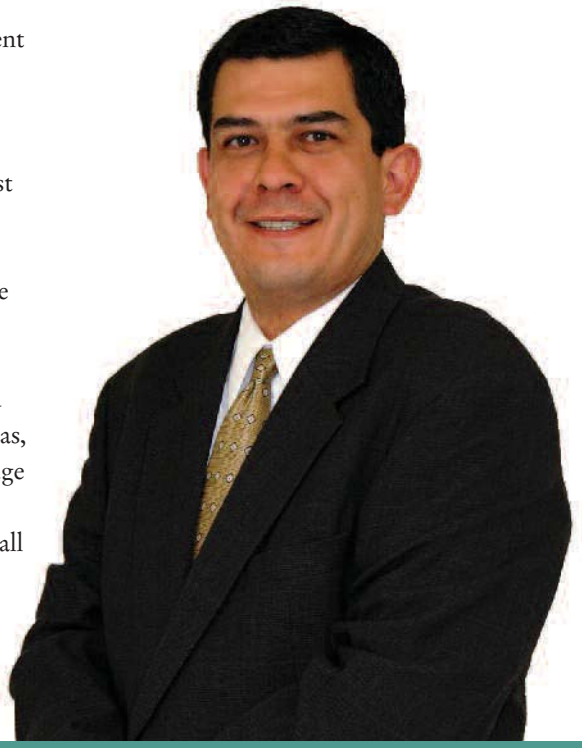
Rogelio Avalos Andrade
Quality Assurance and Risk Management Partner
Based in Mexico City, Mexico
Years in the profession: 18
Years with Grant Thornton member firm: 18

"My career really kick-started when I was seconded to New York in 1998. I had joined the Mexican firm ten years earlier while still completing my education, and had progressed to the point where I was leading the assurance division in our Ciudad Juárez office.

In New York, however, I was assigned to the US firm's National Standards Group. My timing was perfect: I arrived during the development of the Horizon™ audit methodology and the Explorer audit software tool. I was lucky enough to get involved with testing the software, developing the first Help System, and carrying out pilot training in electronic execution.

On returning to Mexico, I was able to apply the additional knowledge I gained to the benefit of the firm's assurance clients. I was also appointed Explorer representative for the Americas, which entailed passing on my knowledge to all the firms in Latin America.

Since then, I have been involved in all Grant Thornton International projects on audit methodology, along with improvements to the software tools. I am currently in charge of regionalising Explorer and auditCARE™, Grant Thornton International's specialist audit technologies. This means I help set up regional training programmes, participate as an instructor, and develop region-specific training materials."



"I wanted to gain exposure to audit in a wide range of industries. I've also seen elements of the UK working culture that will be beneficial to my home firm."

Elizabeth Sit, In-charge accountant, Foo Kon Tan Grant Thornton, Singapore, seconded to Thames Valley, UK.

People in the Profession

Individuals from Grant Thornton firms hold seats on national and international accounting advisory bodies, task forces and professional committees, allowing partners and senior staff to help shape the professions in which they work.

Lilian Santos Linsangan
Head of Business Risks Services
Based in Manila, Philippines
Years in the profession: 25
Years with Grant Thornton member firm: 19

Chair, Academe Relations Committee and past President, Institute of Internal Auditors – Philippines (IIA – Philippines)
Leads efforts to promote the practice of internal auditing in the Philippines by educating internal auditors and providing professional guidance on issues that affect the profession.

"The IIA – Philippines won a notable achievement when it convinced the Philippine Securities and Exchange Commission to include a provision on the internal audit function in its new Code of Corporate Governance, which will be mandatory for all public companies.

The institute has also raised awareness of the internal audit function among Philippine companies by operating an annual award for the country's most outstanding internal audit department. Other activities include lobbying for the inclusion of internal audit as part of the undergraduate curriculum in accounting.

My participation in the institute's work has given the Philippine firm excellent opportunities to project its leadership in the areas of internal controls, risk management and governance, thus boosting the growth of its business risks services practice. The institute itself has also raised interest among accountants in the Certified Internal Auditor designation."

"My participation in the institute's work has given the Philippine firm excellent opportunities to project its leadership in the areas of internal controls, risk management and governance."

Klas-Erik Hjorth
Partner, Risk Management and Quality Control
Based in Sundsvall, Sweden
Years in the profession: 41
Years with Grant Thornton member firm: 10

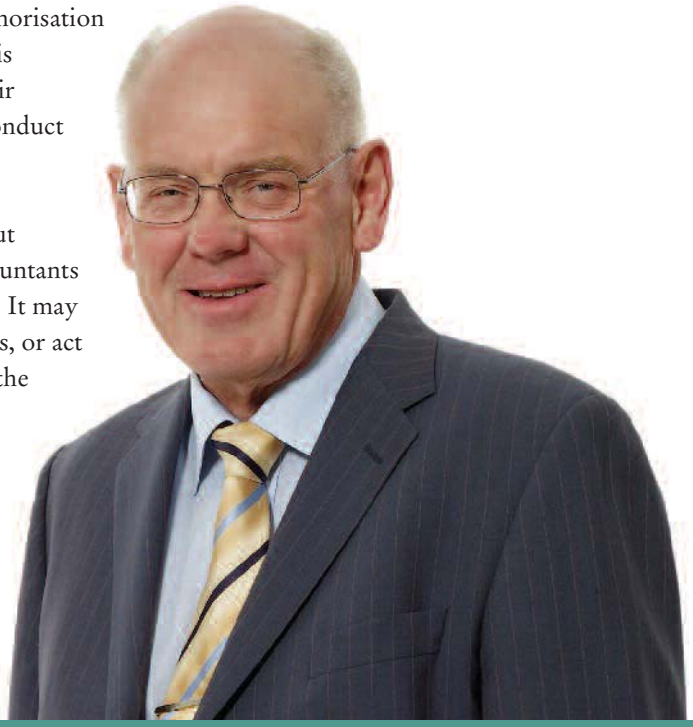
Member, Executive Board, Revisorsnämnden (Supervisory Board of Public Accountants, Sweden)
Maintains a key role within the government organisation responsible for disciplining public auditors in Sweden.

"The Supervisory Board of Public Accountants is the government office responsible for examining public accountants in Sweden and for supervising members of the profession. It aims to meet society's need for qualified and independent external auditors while safeguarding technical quality and ethical conduct.

Public accountants in Sweden must renew their professional authorisation every five years. The Board is responsible for assessing their integrity and professional conduct as part of the authorisation renewal process.

The Board also carries out investigations of public accountants and public accounting firms. It may initiate its own investigations, or act on complaints from clients, the authorities or the public. It also conducts systematic quality control as stipulated by Swedish law.

As one of two public accountants on the nine strong executive board, it's important that I remain up to date on professional developments. In turn, my role allows me to keep the Swedish firm fully informed about technical and regulatory issues, and also about best practice examples from elsewhere in the profession."



"My role allows me to keep the Swedish firm fully informed about technical and regulatory issues, and also about best practice examples from elsewhere in the profession."

Klaus-Günter Klein
Senior Partner
Based in Düsseldorf, Germany
Years in the profession: 23
Years with Grant Thornton member firm: 7

Member, Executive, Fédération des Experts-Comptables Européens (FEE, or European Federation of Accountants)
Maintains an executive role in the body representing Europe's accountancy profession at an international level, particularly in relation to European Union institutions.

"The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe. Its membership consists of 44 professional accountancy institutes from 32 countries. These institutes, in turn, represent more than 500,000 accountants, some 45% of whom work in public practice, the other 55% carrying out a variety of functions in industry, commerce, government and education.

The FEE promotes and advances the interests of the European accountancy profession. It works to enhance, harmonise and liberalise the practice and regulation of accountancy, statutory audit and financial reporting in Europe. In particular, it seeks to identify and, in conjunction with its member bodies, influence the outcome of developments within the profession.

I am one of the Fédération's ten-strong Executive, which implements the organisation's management and the management and policy decisions taken by the FEE's Council."

"The FEE seeks to identify and, in conjunction with its member bodies, influence the outcome of developments within the profession."

Network development

In keeping with the Grant Thornton International commitment to staking out a leadership position, firms around the world continue to expand rapidly, through organic growth, merger and acquisition.

Organic growth is key to the Americas

Significant organic growth in North America saw the US member firm post a 19% rise in fee income, while combined, the two Grant Thornton member firms in Canada expanded by 12%, both impressive results in highly competitive markets. The Mexican member firm, which announced a 10% rise in income during the year, expanded operations across the Yucatán peninsula with the opening of new offices in Merida and Cancún.

In Central America, the member firm in El Salvador effectively doubled its size by merging with a major local firm, and now operates as Grant Thornton El Salvador Ltda de CV. With six partners, 120 professionals and fees exceeding US$2.5 million, it is now one of the country's largest accounting firms. In Puerto Rico member firm Kevane Grant Thornton grew by almost 20% in 2006, consolidating their position as the number four firm in the country.

An emphasis on organic growth in South America has resulted in stunning performances, particularly in Brazil, where turnover at member firm Terco Grant Thornton leaped by 78% in 2006, and in neighbouring Argentina, where the member firm's fee income rose by 35% during the year.

Bold expansion plans in China

In China, the Grant Thornton organisation is pushing ahead with bold plans to spearhead a new model for accounting and advisory firms. The aim is to create a truly integrated Chinese firm, owned and managed by Chinese, and serving China's business community and international clients entering the Chinese market.

The approach, designed to combine the expertise and knowledge of the rapidly emerging Chinese accounting and advisory profession with the application of international standards, procedures and approaches, will see the formation of a new member firm in China.

The business plan envisages drawing together the four existing correspondent firms in Beijing, Shanghai, Guangzhou and Shenzhen into one national firm, and boosting its capabilities through investment by the US and Hong Kong member firms and by Grant Thornton International. The combined firm, to be staffed with Chinese professionals, will be led by Stephen Chipman, a senior US partner, who will be seconded for three years as the company's chief executive officer.

Gabriel Azedo
Global leader – Member Firm Network
Grant Thornton International
Based in Hong Kong

Building expertise

In India, continued rapid growth has allowed the member firm to double staff numbers to more than 500 within the past 18 months. The Japanese firm also brought in new resource during the year through merger, helping the firm to an impressive 54% increase in turnover.

In Hong Kong, the firm expects to expand by as much as 40% with the expected absorption of expertise from other firms.

Growth – and new faces – in Europe

In western Europe, Grant Thornton International welcomed a new member firm in Spain with the integration of the former Grant Thornton office in Madrid by the fifth largest accounting firm in the country. Now operating as Audihispana Grant Thornton, the firm has ten offices around the country, well-developed core services in audit and assurance, corporate finance, specialist advisory services and tax, and a raft of leading Spanish and international clients.

Elsewhere in Europe, many member firms have won audit engagements with larger and more international clients, while business growth in non-audit service lines has improved steadily as firms have invested significantly in tax and specialist advisory services.

The size and vitality of the profession in eastern Europe continues its rapid evolution, with opportunities developing for tax and specialist advisory services. Strong revenue growth was particularly notable in Armenia, Ukraine and Russia, where the Grant Thornton firm snapped up specialist resource during the year by acquiring a local unit with valuations expertise.

In the Middle East and sub-Saharan Africa, the focus of firms has remained on increasing opportunities for joint proposals and cross-border assignments.

"By working with Grant Thornton we see clear results and the establishment of a strong relationship – it's a win-win situation for all."

Christophe Germain, CFO, Sanofi-Aventis, client of Grant Thornton India.

The member firm experience

Three member firms explore the benefits of their relationship with Grant Thornton International.

India

"We joined the predecessor to the Grant Thornton organisation in 1971, long before our clients demanded international services. Our founders clearly had great foresight in investing in an international relationship almost three decades before international business became important to the Indian economy.

After many years as a correspondent firm, we became a full member firm – and adopted the Grant Thornton brand – in 2001, just as India began to fully embrace economic liberalisation and Indian companies began to go international. Since then, we have grown from a firm with one office, two partners and 50 staff to seven offices, 30 partners and 500 staff, working with more than 100 of the largest 500 listed companies in the country and several other large and mid-sized privately held and multinational businesses. Today, we are clearly the most significant firm in India outside the Big Four.

We attribute a significant part of this growth to our international focus. The number of Indian companies with overseas interests – including direct operations or capital-raising activities – has grown exponentially in recent years. **It would have been impossible for us to attract many of our clients – or recruit the talent we have – without having access to a quality global brand and a quality global network backing that brand.**

Fast facts on Grant Thornton India

Year established	1935
Year of joining Grant Thornton International	1971 (Alexander Grant)
Number of partners	29
Number of staff (excluding partners)	522
Office locations	New Delhi, Mumbai, Bangalore, Chennai, Hyderabad, Pune, Gurgaon
Service lines	Audit, business risk, tax advisory, compliance & outsourcing, transaction tax, transfer pricing, indirect tax, lead advisory, transaction services, forensic & investigation services, recovery & business turnaround, business advisory, project finance & PPP, global donor & public sector.

Having created the infrastructure that provides us true national reach, deep service delivery capability and a wide range of services, we now aim to consolidate our position as 'the adviser of choice to Indian businesses with global ambitions'. Given our current market position, the depth of talent within the firm, and our unique position in the market place, we are confident of achieving this in the medium term."

Vishesh Chandiok
Managing Partner
Grant Thornton India
Based in New Delhi

Brazil

"Terco came to the Grant Thornton network in 2005 after representing two other international accounting groups in Brazil. The difference between these experiences is profound. In our previous relationships, international referrals within the networks were minimal, and international assignments never represented more than a small fraction of turnover.

In just two years with Grant Thornton International, in contrast, we have opened three new offices and have experienced enormous growth in client business. International assignments now contribute some 10% of total business, a trend that continues to rise. We are a company transformed: far bigger than before, better-known and more competitive.

International referrals now make up an important part of our business. We now have a specialised team dealing solely with international technical requirements, including US GAAP, IFRS, SOX and so on. We have also invested significantly in developing the Grant Thornton brand in Brazil, giving the entire network a solid and secure presence in Latin America's biggest economy.

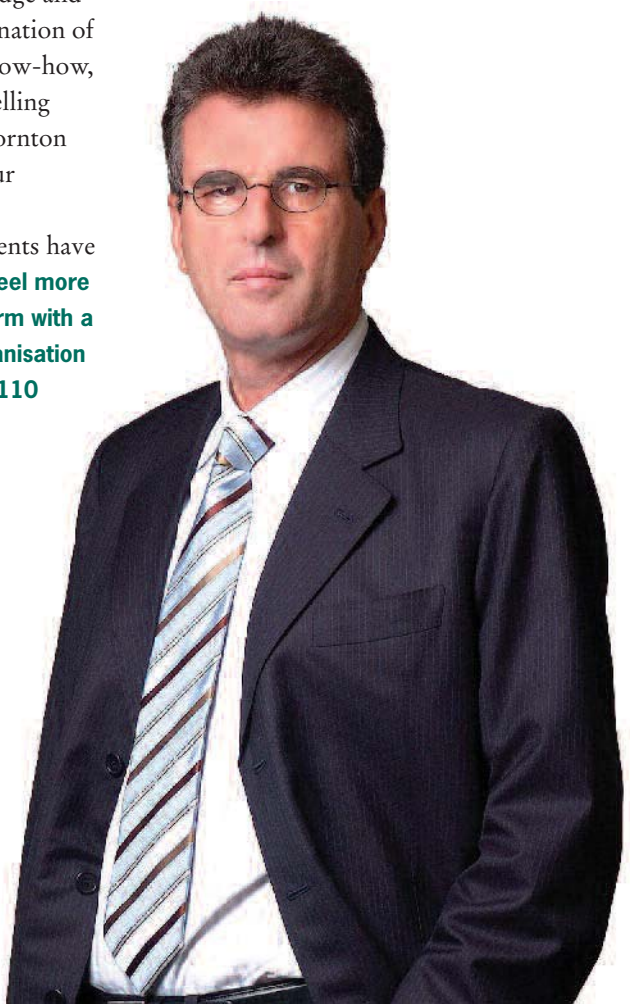
For us, we chose Grant Thornton International for its culture, governance criteria and market focus, which were a good fit with our firm's internal characteristics. I have no doubt that we made the right decision to join.

Fast facts on Terco Grant Thornton

Year established	1982
Year of joining Grant Thornton International	2005
Number of partners	18
Number of staff (excluding partners)	405
Office locations	São Paulo, Salvador, Rio de Janeiro, Goiânia
Service lines	Audit, tax, labour advisory, corporate finance and business consulting

The two-way flow of knowledge and business cultures, the dissemination of best practice and technical know-how, and the experience of cross-selling services with other Grant Thornton firms have all strengthened our company greatly.

Moreover, our existing clients have strongly supported us. **They feel more secure in being served by a firm with a strong commitment to an organisation with a presence in more than 110 countries.**"



Mauro Roberto Terepins
Managing Partner
Terco Grant Thornton, Brazil
Based in São Paulo

Spain

"Our entry into the Grant Thornton organisation was the culmination of a lengthy process of reflection on our firm's strategic direction. We are the fifth largest accounting firm in the Spanish market and we had already achieved high standards of service quality and capacity, but our association with the Grant Thornton brand has given us that special edge of confidence and security that the market requires.

We identified Grant Thornton International as our best option because its strategy dovetails perfectly with ours. Common interests and aims came together at the right time. We also believe that the quality of its members, its management and its strategy will enable it to become a truly cohesive global organisation.

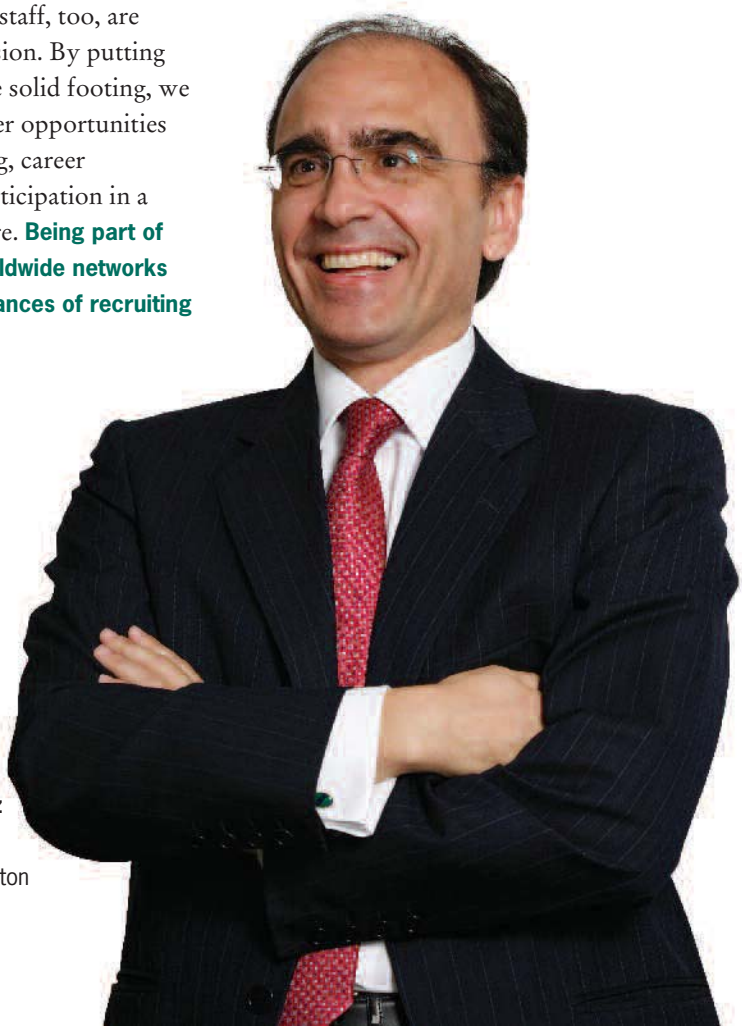
The process of adopting and adapting to Grant Thornton policies and procedures has actually been more efficient than we expected. We brought in professionals who already knew the Grant Thornton culture, its methodologies and procedures by absorbing a segment of the former Grant Thornton member firm in Madrid.

Without exception, the response from our clients has been positive. Our clients know that our association makes us stronger. Spain's economy is developing fast and most of our clients are expanding, both in domestic and international markets. We needed to enlarge our service capacity, something we have been able to achieve by joining Grant Thornton International.

Fast facts on Audihispana Grant Thornton

Year established	1984
Year of joining Grant Thornton International	2007
Number of partners	30
Number of staff (excluding partners)	450
Office locations	Madrid, Barcelona, Bilbao, Valencia, Murcia, Castellón, Pamplona, Zaragoza, Andorra, Yecla
Service lines	Audit & assurance, tax & company law services, specialist advisory services, consulting

Our partners and staff, too, are pleased with the decision. By putting our project on a more solid footing, we can offer greater career opportunities in the form of training, career development, and participation in a global business culture. **Being part of one of the largest worldwide networks will also widen our chances of recruiting and retaining the best professionals.**"



José Maria Fernández
Managing Partner
Audihispana Grant Thornton
Based in Madrid, Spain

The past year marks the fourth consecutive year of double digit growth for Grant Thornton International's member firms. Combined fee income rose to US$2,772 million in 2006, up 13% on the previous year, as member firms posted strong performances throughout the network.

In accordance with the organisation's commitment to transparency, responsibility and integrity, Grant Thornton International excludes fee income generated by correspondent firms from combined annual results. This avoids problems related to the inclusion of correspondent firm income with more than one accounting organisation, and presents a more accurate picture of the real performance of the Grant Thornton network.

Barry Barber
Chief Financial Officer
Grant Thornton International
Based in New York, US

Financial performance

Year ended 30 September 2006

Total member firm fee income (US$ million)

By region		2006		2005		2004		2003
Americas	1,417	+17%	1,206	+23%	977	+24%	786	+19%
Asia Pacific	206	+22%	169	+26%	134	+20%	112	+19%
Europe, Middle East and Africa	1,149	+6%	1,079	+10%	981	+16%	844	+21%
Total member firm fee income (US$ million)	**2,772**	**+13%**	**2,454**	**+17%**	**2,092**	**+20%**	**1,742**	**+20%**

Total member firm fee income (US$ million)

By service line		2006		2005		2004		2003
Assurance & accountancy	1,386	+11%	1,245	+12%	1,114	+16%	959	+24%
Taxation compliance and consultancy	601	+12%	535	+10%	485	+22%	397	+20%
Business advice consulting	256	-1%	259	+50%	173	+94%	89	-4%
Corporate finance	173	+19%	145	+32%	110	+21%	91	+38%
Recovery & reorganisation	143	+3%	139	+28%	109	+6%	103	+21%
Forensic and investigation services	76	+29%	59	-3%	61	+110%	29	+107%
Other activities	137	+90%	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.

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
- services to international development finance agencies.

Top ten member firms in the network in 2006, fee income (US$ million)

	2006		2005	
United States	987	+19%	829	+29%
United Kingdom	492	+4%	471	+9%
Canada	351	+12%	314	+17%
Germany	156	+12%	139	+10%
France	108	+7%	101	+8%
Sweden	83	+5%	79	+13%
Australia	69	+8%	64	+28%
Netherlands	50	-6%	53	+16%
Japan	40	+54%	26	+13%
South Africa	33	+3%	32	+13%

Member firm partners and staff

	2006		2005		2004		2003	
Americas	10,486	+13%	9,261	+8%	8,582	0%	8,618	+10%
Asia Pacific	3,640	+19%	3,070	+10%	2,783	+5%	2,659	+7%
Europe, Middle East and Africa	10,451	+7%	9,735	+7%	9,121	+2%	8,909	0%
Total number of people	**24,577**	+11%	**22,066**	**+8%**	**20,486**	**+2%**	**20,186**	**+5%**
Member firms	94		92		91		92	
Member firm offices	489	+1%	484	-4%	504	+1%	498	+3%
Member firm partners	2,220	+6%	2,094	+3%	2,026	+2%	1,983	+4%
Number of correspondent firms (income excluded)	**19**		**18**		**21**		**20**	

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. 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 firms, whose members provide assurance, tax and specialist advisory services to privately held businesses and public interest entities. 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 the relevant advisory committees on recommended modifications to the policies and procedures governing international audit and risk management.

The CEO has responsibility for appointing a global leadership board to assist him in the day to day management of the organisation. Appointees to the global leadership 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 the criteria agreed by the Board of Governors.

Board of Governors

The Board of Governors consists of the CEO, a Chairman and 17 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 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.

Global Leadership Board

In addition to the CEO, who acts as chairman, there are seven members of the global leadership board:

David McDonnell, UK
Chief executive officer

Mike Starr, US
Chief operating officer

Alex MacBeath, Canada
Global leader – privately held business services

Ken Sharp, US
Global leader – assurance services

Scott Barnes, UK
Global leader – specialist advisory services

Ian Evans, UK
Global leader – tax services

Gabriel Azedo, Hong Kong
Global leader – member firm network

Jon Geldart, UK
Global director – marketing communications

Board of Governors members and their locations

Terry Back, UK
Carol Banford, US
Leonard Brehm, South Africa
Peter Bodin, Sweden
Jean-Luc Carpentier, France
Michael Cleary, UK
Gernot Hebestreit, Germany
Chikahiko Honda, Japan
David McDonnell (CEO),UK
Gerard Mulder, The Netherlands
Philip Noble, Canada
Ed Nusbaum (Chairman), US
Richard Payette, Canada
Hector Perez, Mexico
Robert Quant, Australia
Paul Raleigh, Ireland
Jay Ramesh, Botswana
Mauro Terepins, Brazil
Desmond Yuen, China

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 practices.
- 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, 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 advisory services.
- Member firms must have a system of quality control that provides both Grant Thornton International and the member firms themselves 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 review 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 service 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.

For further information

If you would like to find out more about how Grant Thornton member firms can assist you, please contact Gabriel Azedo, global leader – member firm network. Alternatively, to find your local member firm, please visit our website at www.gti.org.

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Grant Thornton

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