



ANNUAL REVIEW 2015-2016

THE POWER OF THE BRAND

Global cohesion - Local connection





Chairman's Statement



Franck Parker,
Chairman, Kreston International
May 2015

"Brand represents integrity, trust and respect; responsiveness; quality of service; technical quality and innovative thinking"

Kreston focused its activities in three key areas in 2014; its continued growth, the quality of its service offering to international clients, and on raising the network's profile in all major, global markets.

The Power of the Brand

The Kreston brand is building momentum and has strengthened its presence with an increase in the number of member firms in leading economies who have adopted the Kreston name as part of their own. As a result, the network now has Kreston branded firms operating in the UK, Germany and The Netherlands. These firms join a growing group of members around the world that are enjoying the benefits of brand adoption, and who together, have helped to raise Kreston's international profile. This new level of awareness was a key factor and was instrumental in the increased opportunities that were secured for firms; enabling them to work together on transnational assignments.

Brand is of course much more than a name and logo. For Kreston, it is a promise that all member firms and their clients can rely on as it represents: integrity, trust and respect; responsiveness; quality of service; technical quality and innovative thinking. These values are the backbone of the organisation, and it is the consistent delivery of this ethos that fuels the network's success.

Global growth returns

The economic environment saw greater stability in 2014 in many regions. The US economy performed

well, but the main driver for growth continued to be the Asia Pacific region and in particular China. Latin America also continued to grow but was inhibited to some extent by political uncertainty and the strength of the US dollar.

A number of other international accounting networks have experienced considerable change in the last year. So it is pleasing that against such a backdrop, Kreston International has not only retained its existing membership but has attracted new, prominent members that meet its quality requirements and subscribe to Kreston's brand values.

Staff in the International Office have continued to manage the network effectively, ensuring that clients enjoy the highest level of technical and client service wherever they operate in the world, and I would like to express my thanks for their sustained leadership, hard work and commitment. Furthermore, recognition should be given to the fact that as a network, Kreston International has strengthened its representation in the key markets that are predicted for strong growth over the next 10 years.

Such achievements have laid a strong foundation for 2015. The year ahead will be a challenging one for professional service firms given the continuing regulatory interest and the need for the profession generally to rebuild trust following the financial crisis, and more recently, the tax arrangements of some global companies. Kreston has made significant progress, and I look forward to 2015/16 and the network's continued development.

Report from the CEO



Jon Lisby

CEO, Kreston International
May 2015

"The logo represents the synergy of Kreston members working seamlessly together to deliver exceptional results"

Report from the CEO Growth and opportunity

2014 was another strong year for Kreston International. We maintained our 13th position in the global rankings. Growth of 5% saw aggregate fee revenues exceed of US\$ 2,000 million (up from US\$1,945 million in 2013), with professional and support staff numbers rising to more than 20,000.

We continued our drive to recruit firms that add geographical coverage to the network and who enhance our service line capabilities. This was achieved by welcoming new member firms in: China, Germany, India, Kazakhstan, Scotland, Albania, Serbia, Ethiopia, Tunisia, Kyrgyzstan, Italy, and New Zealand together with adding a correspondent firm in Afghanistan.

Consolidation by merger continued to be the most significant trend throughout the developed world as firms strive to grow fee revenues, profits and extend service line capabilities and offerings. Such activity is evident in the aftermath of the global recession and in the face of fierce competition, which was compounded by an increase in regulatory demands, and the challenges of succession as the "baby boomer" generation retire.

The strength of the brand

Following the global success of our brand re-launch in 2013, 2014 saw the Kreston brand go from strength to strength as it was widely adopted, in

more than 40 countries. The use of the brand is expected to continue to grow as more firms identify the benefits of a cohesive image in the marketplace.

The concept of the logo is to "portray the strength created by the convergence of talent at a single point, the central triangle, producing a combination of creativity and experience to arrive at a solution that exceeds expectations". The logo represents the synergy of Kreston members working seamlessly together to deliver exceptional results for clients operating across international borders.

Background to the global market

The global recovery has taken longer than expected, creating a challenging environment for all. It was the emerging economies that lead the pack; while conversely, the BRIC economies experienced a decrease in their rate of growth. Uncertainties continue to have a negative impact on business confidence and present challenges in every region.

In Europe, the move to quantitative easing supports the recovery of weaker Euro economies but the Greek debt crisis is still without a long term resolution. Sanctions are impacting on exports to Russia and unrest remains in Eastern Ukraine. The Middle East is overshadowed by the events in Syria and the aggression of Islamic State whilst West Africa continues to face the challenge of the Ebola outbreak.

The US had a strong year, with numerous business opportunities arising from US entities seeking overseas expansion; a development that was supported by the strengthening of the US dollar.

Expansion strategies were a key focus for Kreston in 2014, particularly in Asia where there is considerable scope for the network's development. A good example of this is Kreston China which is now ranked 7th nationally and has strong representation in 40 major cities on mainland China, with ambitions to secure a number of key target locations that will extend our presence further.

Given the on-going shift in the global landscape as major business moves to the South and the East, Kreston member firms are well-placed to support their clients with in depth knowledge of their local markets and access to trusted advisers in over 100 countries. Kreston recognises the importance of trusted relationships and continues to invest heavily in the development of the network to ensure that its members can create and maintain such valued relationships that ultimately result in the creation of quality and seamless solutions for international business needs.

The professional services landscape

There remain a number of challenges for the accounting profession that lie ahead.

Audit firms face two key challenges – the outcome of the European Union directive and a review of work performance by the regulatory bodies.

Although the options for new audit directives and regulation are still being considered by the European Union Member States, it is clear that there will be no change in the overall audit market structure. However, it is likely to affect the number of options available to Member States, which could potentially result in a wide divergence of national practice, rather than creating harmony within the European Union. In addition, the audit regulatory bodies have voiced their concerns about the quality of audit work performed, especially in respect of larger public interest entities.

Fair taxation also attracted the attention of the public, media and politicians. As a result, the Organisation for Economic Cooperation and Development (OECD) has embarked on a major project, at a governmental level, to address concerns regarding erosion of the tax base and the shifting of profits to low tax regimes. The majority of their work will be completed by December 2015; the outcome of which may present a number of challenges for international businesses.

Kreston firms are well-placed to assist international businesses with the management of their tax affairs and implement procedures to ensure that arrangements are both in accordance with the law and reflect the substance of the entity's

business. It is hoped that the work of the OECD will result in greater clarity and transparency which will enable businesses to manage their tax affairs with certainty and therefore help to drive investment and growth.

Strengthening through recruitment

Kreston International is continually looking to identify suitable firms to strengthen its existing offering and to add a Kreston International presence.

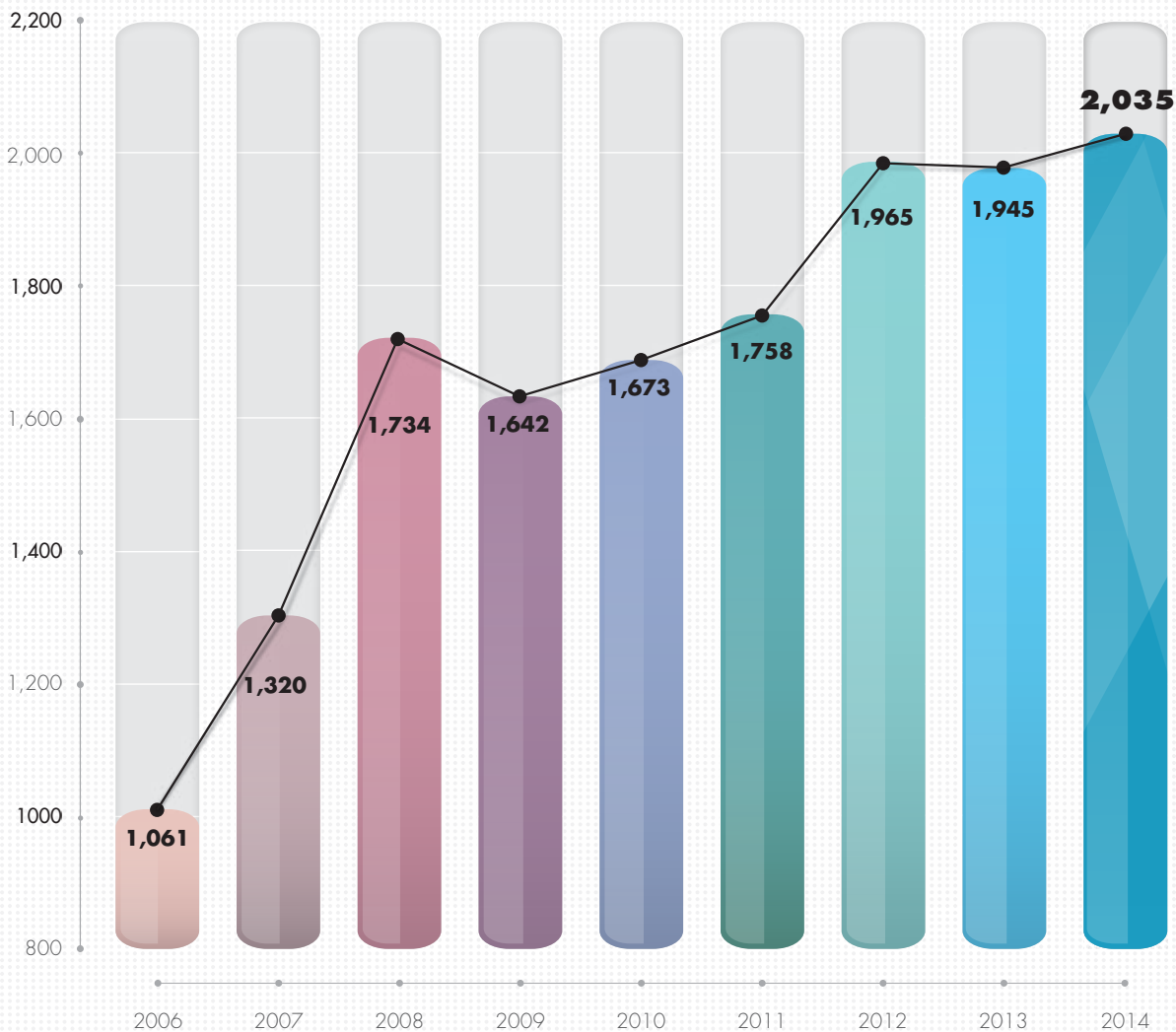
Sustaining our success is dependent on the hard work and commitment of every partner and all staff in Kreston member firms. It is the quality delivered by each individual that enables Kreston to bring its core brand values to life, as we firmly believe that "people do business with people they know, like and trust".

I would like to thank the Chairman, Franck Parker, the members of the Kreston International Board, the International Office team and those who have contributed to the development of our service line and industry sector special-interest groups, for their on-going contribution to the development of the network. It is the combination of their activities with the continued commitment of Member firms worldwide that has delivered a further strong year for Kreston.

Kreston members facilitate and drive the global connection and exchange of high-quality professional accounting and financial services that enable SMEs and high net worth individuals to thrive. These services include:

- Statutory audit and attest services
- Tax efficient structuring and compliance – both corporate and personal
- Consultancy
- Cross border acquisitions and due diligence for both purchaser and vendor
- Corporate recovery and restructuring
- Global indirect taxes and customs duties
- Forensic accounting, valuations and litigation support
- Transfer pricing
- International fund raising, initial public offerings, venture capital, private equity
- Compliance with International Financial Reporting Standards and US GAAP
- Risk management and internal auditing services
- International business planning, strategy, budgets and forecasts
- Global technology and software selection services
- Multinational corporate and employment law
- International wealth and fiduciary services
- Outsourcing of accounting, payroll, company secretarial and other functions

Aggregate fees **US\$m**





"Goodway Integrated Industries recruited Kreston to assist with audits across Malaysia, Indonesia, Hong Kong, China and Australia. We have been very impressed with the high quality professionalism and cohesiveness of the firms and their seamless ability to work together has resulted in our objectives being met. We look forward to working with our Kreston colleagues going forward".

Mr Chay Jiun Yee

CFO

Goodway Integrated Industries Berhad (Malaysia)

Goodway Integrated Industries Berhad (GIIB) is a Malaysian based investment holding company. With more than 60 countries worldwide using the products and services provided by them, Goodway is one of the leading players in the market specialising in compounds and other rubber related production. With a focus mainly on the development, manufacturing and distribution of various compounds such as technical compounds, retreading compounds, tyre compounds and retreading services, the company also offer consultancy in compound development.



"For many years, the Rock-It Cargo global family of companies has relied upon the Kreston network as its trusted advisors in audit, tax, accounting, and corporate governance issues. Kreston member firms specialise in responding rapidly to clients' needs and we will continue to rely upon their trusted advice in our global endeavours. Rock-It has engaged Kreston members in USA, UK, Belgium, Brazil, Australia, Chile, United Arab Emirates, Azerbaijan, Japan, Mexico, Hong Kong, China and Belgium".

Roberta Yang

General Counsel

Rock – It Cargo USA LLC.

Rock-It Cargo® is one of the world's premier freight forwarders. With over 200 employees in 17 offices across the US and around the world, they specialise in handling complex itineraries, international destinations, fragile cargo and time-critical schedules - all with the highest degree of critical planning, execution, and customer-focused service.



**Hirschvogel
Automotive Group**

"At Hirschvogel, we made the decision to engage with one accounting network to perform audits and tax consulting work to support our growing international activities. For the last six years, Kreston International firms have worked with us in China, India, Germany and Poland. We very much appreciate the quality and efficiency of the services provided in every jurisdiction and have been impressed particularly with how each local Kreston member has co-ordinated seamlessly with Germany, dealing with all matters in a highly reliable and trustworthy manner. The Kreston firms definitely add value to Hirschvogel Automotive Group".

Dr. Alfons Hätscher
Chief Financial Officer
Hirschvogel Holding GmbH

The Hirschvogel Automotive Group, headquartered in Denklingen, Bavaria is among the world's largest automotive suppliers in the area of steel and aluminum forging and machining. With eight production locations in Europe, Asia and America, customers include all renowned automotive manufacturers and suppliers worldwide.



"NOOSA has engaged Kreston firms in the Netherlands, Germany, Belgium and Denmark. Our requirements to date have covered the full range of audit, tax, payroll and consulting services. NOOSA's really delighted with everything they've done, their enthusiasm and how they work together as a single team across the international borders. Kreston has some great people and they frequently exceed our expectations. We trust them and look forward to their ongoing support as our business continues to expand".

Nathalie Mangnus
CEO Noosa Amsterdam B.V.
NOOSA – Amsterdam B.V.

NOOSA – Amsterdam B.V. is a fashion accessories brand which uses natural materials based on symbols and traditions from different cultures. All products are unique, handmade by craftsmen in Nepal, Peru and Indonesia and the firm is partnered with The Fair Trade Group to focus on improving social and economic welfare of those living in these regions.



Developing trusted relationships

Trust is the foundation of every effective working relationship in the professional services sector. This is particularly true for a network of accounting firms where members work together to serve a single client across international borders. Kreston member firms trust one another to deliver the client's needs with the highest quality of technical skills delivered with integrity, creativity and exceptional service. At Kreston, we invest heavily to ensure our global network offers the right people with the right knowledge and expertise in the right place to help others achieve their goals by building strong and lasting trusted relationships.

Kreston conferences provide one proven method of building these invaluable relationships. The conferences and events take place across all regions and are designed to inspire and motivate Kreston members offering a range of forward-looking practice management, networking, business development and technical sessions across a broad spectrum of service lines. With attendance at a Kreston event forming part of their Continuing Professional Development, members both increase and maintain their knowledge and skills within the industry, a reflection of each member's continual commitment to the network's ethos that trust demands the highest quality of technical skills blended with exceptional service.



"People do business with people they know, like and trust"

Quality Standards



Andrew Collier

Director of Quality and Professional Standards
May 2015

“...this allows our members to share resources, knowledge and skills”

Kreston is a global network of independent accounting firms and this allows our members to share resources, knowledge and skills. We know that our members maintain and develop quality practices so they can deliver services to a consistently excellent standard both internationally and locally. Kreston International also provides resources to help member firms maintain and develop quality practices. These include audit and financial reporting training and support tools and an intranet based library of information and guidance.

Kreston International member firms commit to compliance with the professional standards appropriate in their respective countries and to adhere to the following international standards:

- Code of Ethics issued by the International Ethics Standards Board for Accountants
- International Standards on Quality Control
- International Standards on Auditing for the conduct of transnational audits

Quality Monitoring

As part of the admission process for new member firms a detailed risk management and due diligence review is undertaken before membership is confirmed.

Each of our member firms is reviewed at least every five years (with all firms that conduct transnational audits reviewed at least every three) by suitably qualified, independent partners and managers from other member firms, under the direction of the Director of Quality and Professional Standards. This is part of a globally co-ordinated quality monitoring and review programme and the process involves a comprehensive evaluation of the member firm's policies and procedures as well as a review of working papers and files and interviews with key personnel.

This review is followed by the agreement of an action plan, which is then continuously monitored. The Quality Review programme is overseen by a committee of senior partners from member firms which considers the findings from reviews and considers whether any changes are needed to Kreston International's policies and procedures. A summary of the key findings from all reviews together with any required actions is delivered to all member firms on an annual basis.



Ethics, Independence and Objectivity

Kreston International member firms commit to adhere, as a minimum, to the ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the IESBA Code of Ethics). Member firms are also bound by their national standards on independence and ethics, some of which may exceed the requirements of the IESBA Code.

Member firms commit to the operation of policies to safeguard independence including the review of a global register of public interest entities and where appropriate to carry out targeted independence and conflict of interest checks. The effectiveness of the Kreston International independence policies and procedures is reviewed on an annual basis.

Forum of Firms

Kreston International is a full member of the Forum of Firms. The Forum is an association of international audit networks, its goal being to promote consistent and high quality standards of financial reporting and auditing practices worldwide. The Forum of Firms is increasingly recognised by regulators and global organisations as a kite-mark for audit quality. In order to achieve full membership status, Kreston International had to commit to meet the Forum's membership obligations, which require members to:

- Maintain appropriate quality control standards in accordance with International Standards on Quality Control issued by the International

Auditing and Assurance Standards Board (IAASB) in addition to relevant national quality control standards and conduct, to the extent not prohibited by national regulation, regular globally coordinated internal quality assurance reviews;

- Have policies and methodologies for the conduct of transnational audits that are based, to the extent practicable, on ISAs issued by the IAASB; and
- Have policies and methodologies that conform to the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants and national codes of ethics.



MEMBER OF THE

FORUM OF FIRMS

Governance

The Kreston network is governed by a Board of twelve directors who are elected by the membership to serve for terms of two years. Ten of the directors are elected on a regional basis and two by the global membership.

The Board selects the Kreston Chairman to serve for a period of three years. These Board members, all of whom are active senior

professionals, approve all strategy, budgetary and membership changes. They also appoint the Chief Executive Officer, who, together with the Director of Quality and Professional Standards and the International Office team implement the global strategy.

Each member firm is entitled to one vote at the Annual General Meeting.

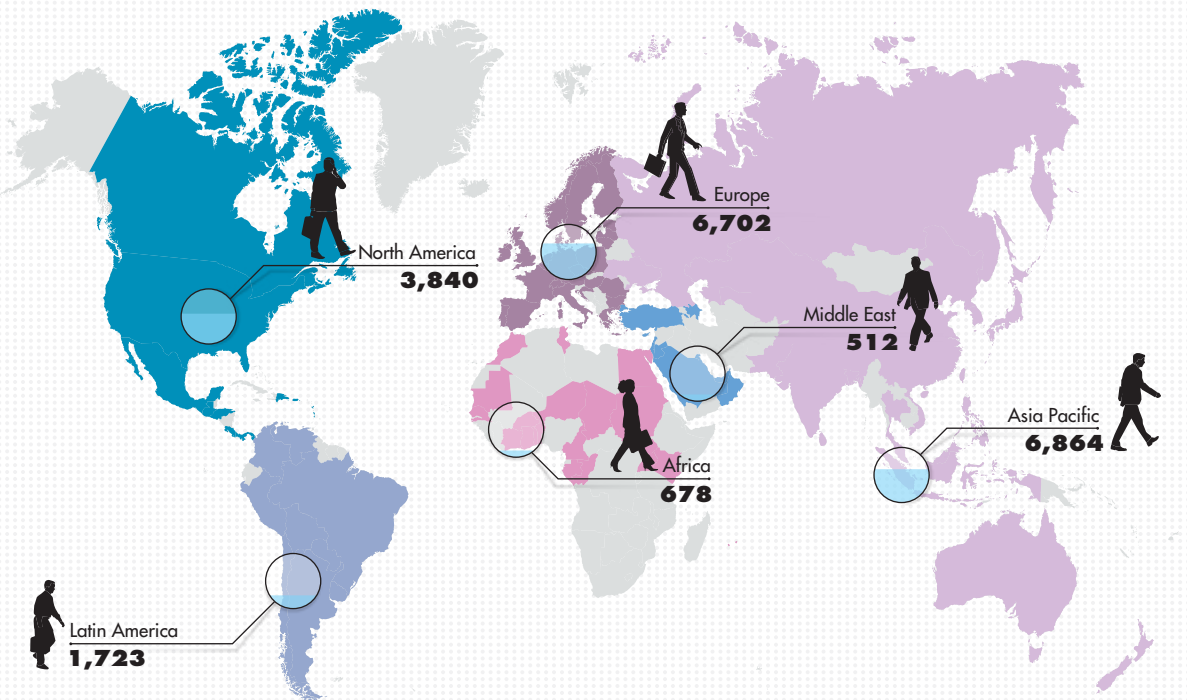
Legal Structure and Ownership

Kreston International (Kreston) is a global network of accounting firms that provide independent professional services to clients.

Each firm is a member of Kreston International Limited, a UK company limited by guarantee which provides no services to the clients of its members and has no liability for the acts and omissions of any member

firm. Members of Kreston are separate legal entities and, as such, have no liability for the acts and omissions of any other member firm. Kreston member firms are each responsible for the design, implementation and monitoring of the quality and ethical standards that apply to the provision of services to clients.

Global resource of **over 20,000 professional** and support staff:



Our Coverage

Latin America

Argentina
Brazil
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guadeloupe
Guatemala
Honduras
Martinique
Mexico
Nicaragua
Panama
Paraguay
Peru
Puerto Rico
Uruguay
Venezuela

North America

British Virgin Islands
Canada
USA

Europe

Albania
Andorra
Austria
Belarus
Belgium
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Georgia
Germany
Greece
Hungary
Ireland
Isle of Man
Italy
Jersey
Liechtenstein
Lithuania
Malta
Netherlands

Norway
Poland
Portugal
Romania
Russia
Serbia
Spain
Sweden
Switzerland
Turkey
Ukraine
United Kingdom

Middle East

Israel
Jordan
Kuwait
Lebanon
Oman
Palestine
Qatar
Saudi Arabia
United Arab Emirates

Africa

Benin
Burkina Faso
Burundi
Chad
Egypt
Ethiopia
Gabon
Kenya
La Réunion
Mali
Mauritania
Mauritius
Morocco
Niger
Nigeria
Rwanda
Senegal
Seychelles
South Africa
Sudan
Tanzania
Togo
Tunisia

Asia Pacific

Afghanistan
Australia
Azerbaijan
Bangladesh
China
Hong Kong
India
Indonesia
Japan
Kazakhstan
Korea
Kyrgyzstan
Malaysia
New Zealand
Pakistan
Philippines
Singapore
Sri Lanka
Taiwan
Thailand
Uzbekistan
Vietnam



Contact Us:

For a confidential initial consultation without obligation, please contact any Kreston International member, who will be pleased to listen to your requirements and explain how the members can be of service, both locally and internationally.

Alternatively, please contact:

Jon Lisby

Chief Executive Officer
Kreston International

T +44(0)1245 449266

E jon@kreston.com



▼ *trust*

Follow us on Twitter @KrestonIntltd
Connect with us on LinkedIn



Download our apps:



www.kreston.com

A global network of independent accounting firms

