

ANNUAL REVIEW 2014-2015

QUALITY TEAM STRATEGY OFFENCE CONNECT
GROWTH PEOPLE COOPERAT
PRODUCTIVITY VISION TRUST PLAN
MARKETING PARTNERSHIP DEVELOPMENT
TEAMWORK NETWORK DATA EXPERTISE
CONNECT IDEA SHARES VISION DEFENCE TRUST TEAM IDEA PLANS CONTRACT FINANC



IDEA
CONNECT
PEOPLE
SHARES

Global cohesion - Local connection



▼ *winning*

Chairman's Statement



A handwritten signature in black ink that reads "Franck Parker". The signature is stylized and fluid, with a large initial 'F' and 'P'.

Franck Parker, Chairman
Kreston International
April 2014

"As part of this strategy Kreston International is moving from Defence to Offence"

The past year has seen Kreston International concentrate on our strategy of continuing to invest in quality while strengthening our capabilities, resources and geographical coverage, with the development of international business initiatives being a particular focus.

As part of this strategy, Kreston International is now moving from a Defensive position, in which member firms have been working together to effectively serve existing clients and support them through periods of economic slowdown, to one of Offence, in which member firms can leverage the expertise and trust built up within the network to take advantage of opportunities that present themselves as the world economy enters a period of greater stability.

As anticipated, 2013 saw a return to growth in the US and much of Europe. Kreston International, however, continues to look towards Asia-Pacific, India and Latin America - regions where we expect growth to continue for the next ten years - and has continued to strengthen its presence in these key growth markets, recruiting new firms in China, Korea and India as well as across Latin America.

With greater certainty in the economy, businesses of all sizes are now looking to take advantage of new opportunities as they too move to generate growth. These businesses are seeing the benefits of entering markets in higher growth

economies and Kreston International is well placed to support their ambitions with partner-led services focussed on the SME Owner Managed Business sector.

Although positive economic development is on-going, it's fair to say that there continues to be significant challenges for both businesses and professional firms, particularly in dealing with the regulatory environment and the complexities of international business.

Against this background, I am delighted that Kreston International firms have been able to generate organic growth of 7% over the past twelve months, despite headline revenue declining slightly following the disposal by one of our members of a significant non-core business sector. The International Office team has continued to manage the network in an effective and highly efficient manner and I would like to express my thanks for their hard work and commitment to the network.

I look forward to 2014/15 and believe that the strength of the Kreston brand will see further growth in the coming year, for both existing members and through the selective recruitment of like-minded, quality firms that believe, as we do, that people do business with those they know, like and trust.

Report from the CEO



Jon Lisby, Chief Executive Officer
Kreston International
April 2014

"Over the past year, Kreston has continued to recruit firms that add geographical coverage and enhance service line capability"

Another year of strong performance

2013 was another strong year as Kreston International maintained 13th position in the global rankings and achieved organic growth of 7%, despite a small fall in headline revenue to US\$1,945 (down from US\$ 1,965 in 2012) and a marginal drop in total staff numbers to 20,000, as the result of the disposal of a substantial non-core business sector by one of our North American members.

It is particularly pleasing that Kreston's growth was more than double the global average for international accounting networks (identified as 3% by the 2014 International Accounting Bulletin World Survey) and this is a clear endorsement of a growing appetite for the approach adopted by our member firms, offering partner led services that combine quality delivery with the development of unique and trusted business relationships across all sectors of the SME / mid-market.

Over the past year, Kreston has continued to recruit firms that add geographical coverage to our network and enhance our service line capabilities. We are pleased to welcome new member firms in Belarus, Belgium, Brazil, Canada, Chile, China, Ecuador, Honduras, Ireland, India, Korea, Netherlands, Paraguay and the United Kingdom.

We have entered a period of considerable fluidity among the

international accounting networks as competition increases to secure the strongest representation in major markets and grow capacity in anticipation of improving market conditions. The stability of Kreston's membership is a clear demonstration of the value of our offering and we consider ourselves to be well placed to benefit from the addition of high quality, new member firms in the future, attracted to the network by the extent of our global coverage and connectivity as well as the trusted relationships that form the cornerstone of our working practices.

New brand

2013 saw the successful launch of the refreshed Kreston brand, and it has been extremely well received in the market place over the past months. With an integral role to play in reinforcing the shared values, personality and behaviours of our member firms, we anticipate that the brand will be adopted even more widely across the Kreston International network in 2014.

Changing the game: From defence to offence

With the global economy returning to growth and the majority of forecasts predicting this growth to be sustainable, the business landscape continues to evolve. 10 year forecasts anticipate that growth in mature markets is likely to sit at between 1 – 2.5% pa, while there will be a noticeable slowdown of growth in emerging economies as

they make the transition from playing 'catch-up' with their more mature neighbours to a steadier and more balanced growth of between 3-5%, with their share of global GDP expected to exceed 50% by 2025.

In view of growing business confidence and the changing geography of international business, Kreston's development strategy going forward is one of "Defence to Offence", in recognition of our aim to service the growing demand for professional services on a global basis.

In order to ensure that operations are properly established, financed and structured in a tax efficient manner, entrepreneurial businesses need sound and creative professional advice and support services when planning to expand their international activities. And Kreston is ideally placed to help. Our partners have an in-depth knowledge of their local markets and regulatory environments and are used to working with colleagues from member firms in other territories to develop quality and seamless solutions for international business needs. We aim to harness this expertise and actively seek out new opportunities for Kreston International and our member firms over the months to come.

Playing an active role in industry development

Although the economic outlook is more positive than it has been for some years, the accounting profession

still faces a number of challenges. The European Union has introduced changes to the audit market that are intended to create more regular changes in the auditor appointment for listed companies. Disappointingly, however, the EU has failed to make any changes that will significantly redefine the overall market structure or enhance audit quality.

Kreston continues to be actively involved in the debate on the development of the audit profession, both by submitting comments on proposed changes and supporting those members who hold influential positions within the various professional bodies.

The effectiveness of the audit report is an area where significant work is being carried out. Both the International Audit and Assurance Standards Board (IAASB) and the USA's Public Company Accounting Oversight Board (PCAOB) are currently undertaking projects designed to ensure that the audit report communicates more fully the value of the audit and which will result in the report having greater significance for users of the financial statements

Meanwhile, fair taxation also continues to be an area of debate for politicians and media alike. Taxation continues to be based on concepts such as domicile, residence and where income has been generated. In today's world, these concepts are more blurred than ever before as both businesses

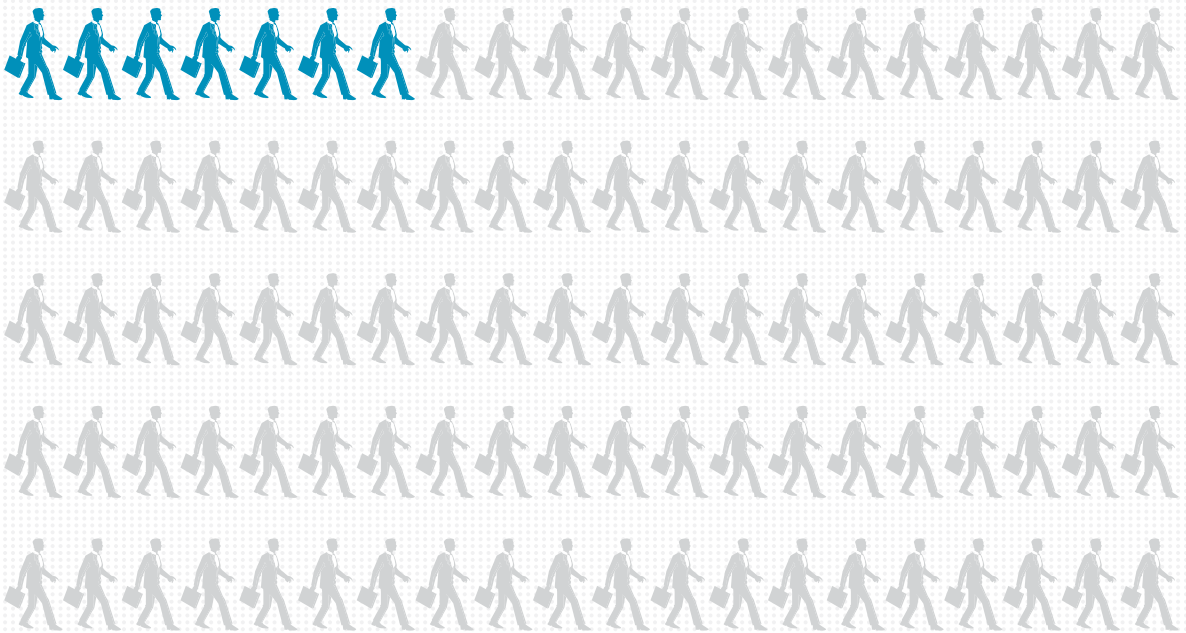
and individuals become more mobile. Kreston firms can help with the successful navigation of these complex requirements but we believe it is vital that simplification is introduced across international borders to ensure innovation and growth is not stifled.

Recruitment remains a priority

A successful recruitment campaign in 2013 has resulted in Kreston now being represented in 108 countries. While we have excellent coverage in the majority of major markets, there remain a number of locations where we are keen to identify suitable firms to represent our interests, or further strengthen our existing capabilities in the months to come. The period 2014/15 will therefore see us looking to expand the Kreston network in Canada, East, Central and Southern Africa and the Middle East.

Our continued success is dependent on the hard work and commitment of everyone at Kreston. I should particularly like to thank the Chairman, Franck Parker, the members of the Kreston International Board and the Regional Secretaries as well as all the people who have contributed to the development of our service line and industry sector Special Interest Groups and – of course – all our International Office Staff.

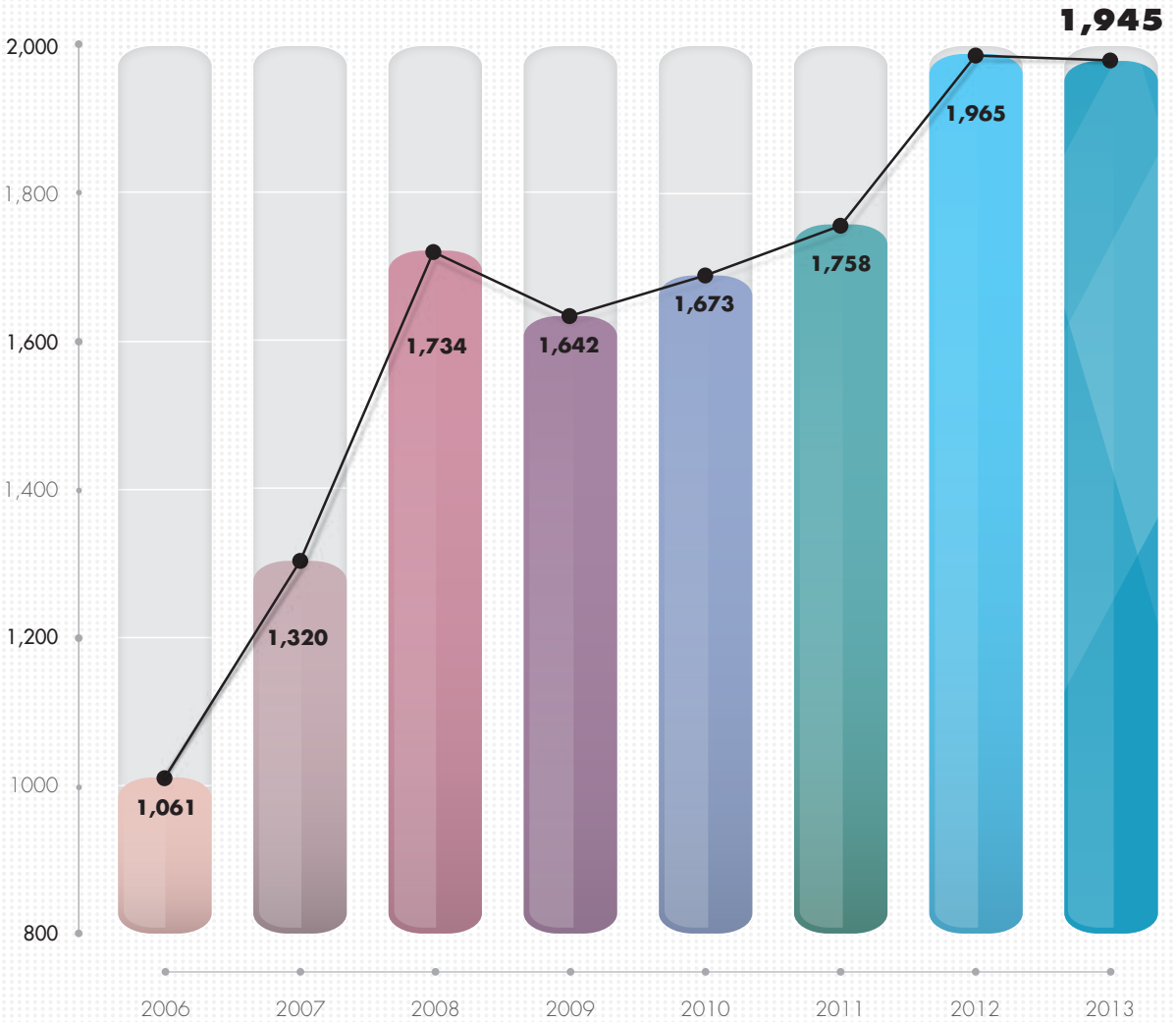
7% Organic growth



"Another strong performance by our member firms around the world, we have achieved overall organic growth of **7%** supported by the continued expansion of international referral business. With the average growth of all international networks reported at **3%**, this result is particularly pleasing.

Our members are responding well to the extremely competitive conditions and continue to gain market share adding further weight to Kreston's reputation as the trusted advisor to entrepreneurial business in the SME and Mid-Market sectors".

Aggregate fees **US\$m**





"Our group engaged the Kreston network in 2008 to work on audit and tax matters across several of our main locations, including the Czech Republic and Germany.

Meeting our high expectations both in relation to their commitment to quality and in their attention to detail, we are extremely pleased with the services offered by the Kreston firms.

The willingness and patience of the Partners, in particular, to explain matters on a one to one basis, has helped us to understand the methodology of accounting and tax to a higher degree. We are very happy to recommend the Kreston network and there is certainly truth in the Kreston strapline:-

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

Miroslav Kodrle

Managing Partner
SGS Industrial Services CZ s.r.o.

SGS Industrial Services GmbH is a proficient partner for mechanical and electrical installations across the world. With its customer focus and commitment to the highest quality service, SGS installs and facilitates complete plants for a wide range of manufacturing industries as well as logistics systems for services providers. With 10 subsidiaries worldwide and several partners, the firm has over 1,000 employees.



"After making a conscious decision to work with one group, we engaged the Kreston network to undertake audits in the US, Netherlands and the UK. To date, the execution and quality of the work undertaken by the Kreston partners has been extremely efficient. The quality of the audit work is both exceptional and highly commercial, in terms of the members' approach and understanding. Their ability to respond both consistently and timely is of utmost importance to us. We are delighted to have engaged Kreston."

Christine A Hawkes

Group Financial Director,
Lamex Food Group Limited.

Lamex Food Group is one of the world's largest privately owned International Food Trading Companies. With offices in 17 countries and annual sales of over US\$1 billion, their corporate ethos is simple – to bring global product expertise, risk management, financial support and logistical excellence to manufacturers around the world, enabling them to excel in ever more competitive markets.



"Kreston members have prepared our audit and tax work for many years. The efficient and reliable co-ordination and excellent execution of all work undertaken gives us total confidence in the ability of the Partners and the Kreston network.

The local knowledge of the Kreston members and the trusted relationships between them means that our International subsidiaries are assured of a seamless, cohesive and quality service which in turn benefits the Ferdinand Gross Group as a whole".

Meta Schneider

Chief Financial Officer,
Ferdinand Gross GmbH & Co. KG.

Ferdinand Gross is one of Germany's largest suppliers of fasteners and other connective technologies. Headquartered in Dresden with subsidiaries operating in Hungary, Poland, the Czech Republic and Romania, and with over 145 years of experience, Ferdinand Gross is consistently voted one of "the top 100 most innovative businesses" in Germany.

"Our corporation has been very impressed by Kreston's ability to gather together a team from the UK, Malaysia, China and Hong Kong quickly and effectively to assist Sinomines. Their co-ordination and ability to carry out highly technical work across four very different jurisdictions ensured we received a seamless service which is critical to our business".

Richard Ty Soo.

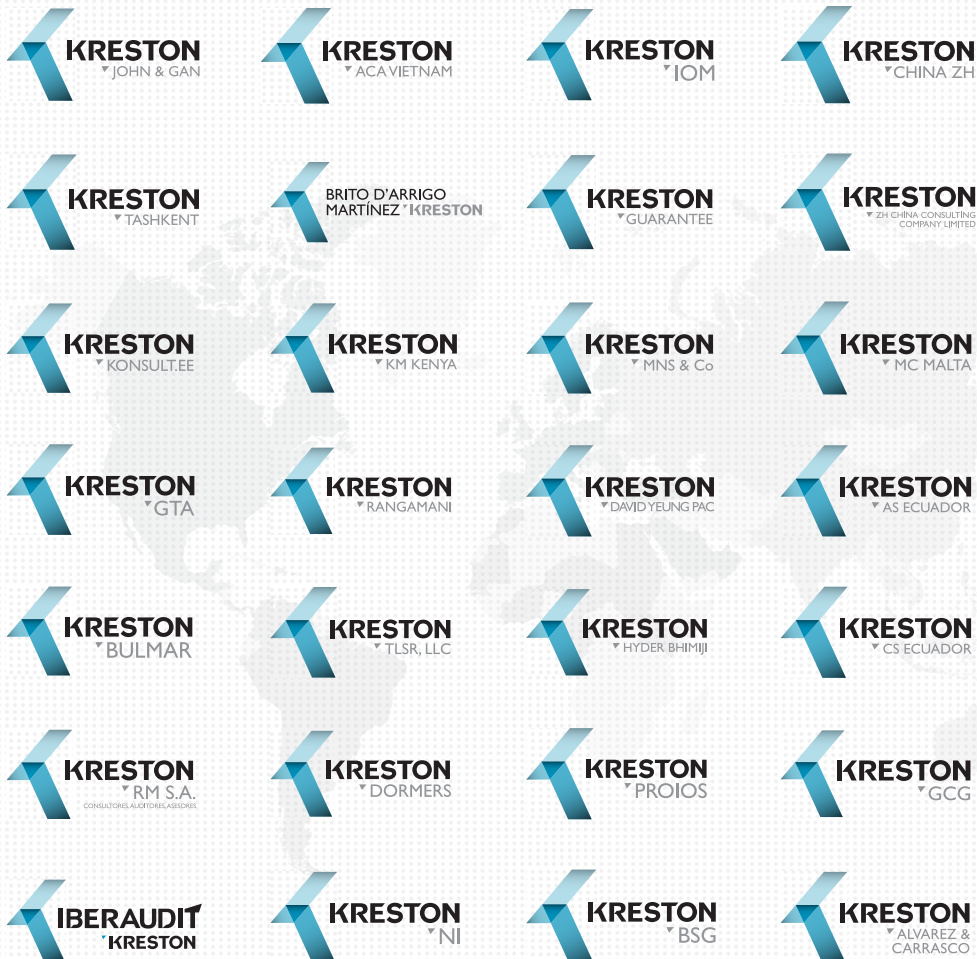
Director
Sinomines (Hong Kong) Limited.

Sinomine was established to provide a mineral exploration service in Hunan Province, China. The projects range from mine pre-feasibility through to advanced and grassroots exploration.



Implementation of the Kreston brand around the world

Since Kreston's rebrand, certain of Kreston's member firms have introduced the Kreston logo into their company names. This move by our firms highlights what the Kreston brand stands for, that of shared values, personalities and behaviours and shows their commitment to being part of a cohesive network and to developing trusted relationships.



Quality Standards



Andrew Collier

Director of Quality and Professional Standards
April 2014

“...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 to ensure they remain effective.

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.

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.

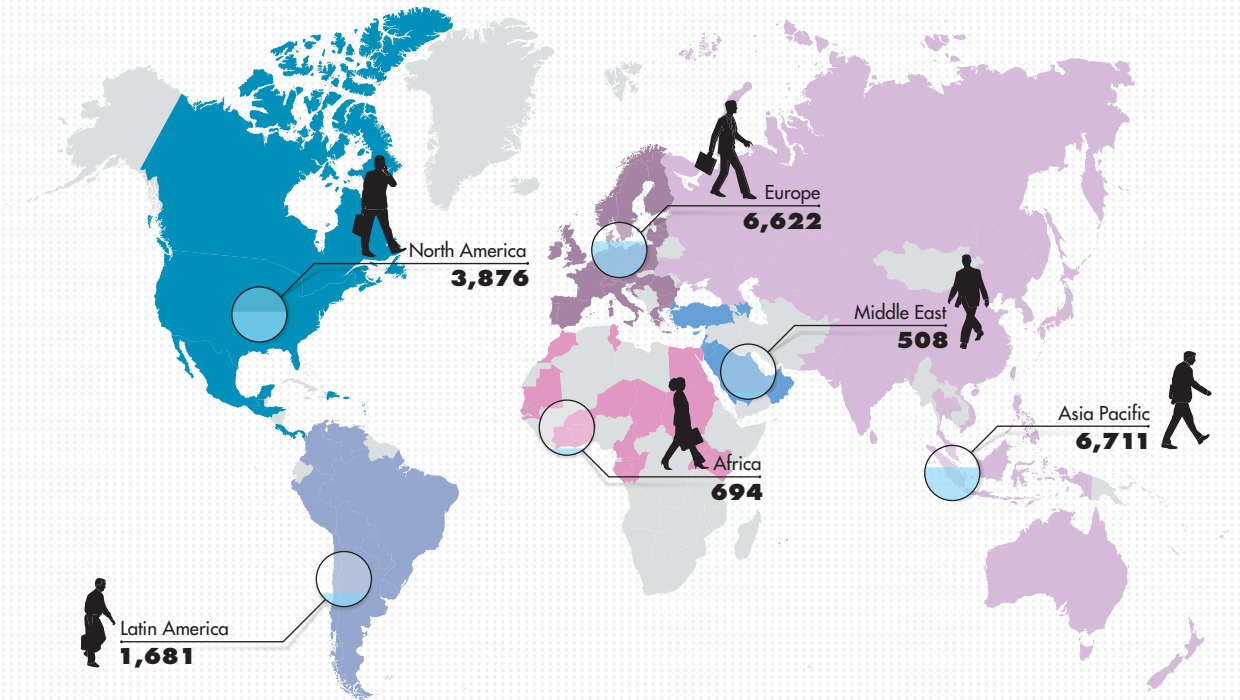
Each firm is a member of Kreston International Limited, a UK company limited by guarantee which provides no services to the clients of its members and has no liability for the acts and omissions of any member

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.

Kreston International members offer partner led advisory and compliance services covering:

- 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

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





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:

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Kreston International

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trust

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