

Deloitte.

Sustaining growth

Deloitte Touche Tohmatsu Worldwide Member Firms 2005 Review



Audit. Tax. Consulting. Financial Advisory.

Front cover:

The Deloitte flag waves outside the Göteborg, Sweden, office. Flags are standards used to represent people, countries, or organizations. The business world also has its standard-bearers—those organizations whose focus on quality and excellence enables them to sustain growth, create maximum value for their stakeholders, and serve as leaders to their communities.

Is your company growing at a rate that is creating maximum value for its shareholders?

A company's sustainable growth rate is the maximum pace at which it can grow revenue without depleting its financial resources. It is calculated by multiplying return on equity (using beginning-of-period equity) by the company's earnings retention rate (1 - dividend payout ratio). This metric represents the growth possible when a company reinvests retained earnings at existing levels of operating performance (profitability and asset efficiency), assuming the current capital structure and dividend policy are maintained over the evaluation period. When the company's sustainable growth rate exceeds its sales growth rate, the company is not fully exploiting its financial resources to generate shareholder value.

To guard against suboptimal growth, while maintaining a strong financial position, companies should invest in the capital equipment and capacity to capture growth in existing markets, when growth in those markets is available. If such growth is not available, they could consider diversifying through new investments in product development or synergistic mergers and acquisitions to buy growth. However, if none of these opportunities is attractive, companies should consider returning excess cash to shareholders through dividends or share repurchases.

An analysis of a company's sustained growth can enable management and shareholders to benchmark the company's performance against its potential, and to better allocate its resources.

For a copy of the Deloitte Research publication *Sustainable Growth: Is There Room to Grow?* and other insights into ways to strengthen your business, visit www.deloitte.com/research.

Deloitte Touche Tohmatsu is an organization of more than 70 member firms with 120,000 people in nearly 150 countries. Sustained growth of the member firms is achieved by providing depth and breadth of professional services that deliver value and results to clients and their communities.

For the convenience of the reader, a member firm of Deloitte Touche Tohmatsu (DTT) in a particular country is identified in the body of this report by the word "Deloitte" coupled with a country name (e.g., Deloitte Greece), in lieu of using the actual legal name of the member firm of DTT in that country. In many countries, services may be provided by the actual member firms but could also be provided in addition by—or solely by—subsidiaries or affiliates of the Deloitte member firm in that country, which are often organized as separate legal entities. Each of these separate legal entities is liable for its own acts or omissions and not those of other separate legal entities.

Additionally, for purposes of this publication only, individuals are identified by their name and the nomenclature discussed above for referring to a Deloitte member firm, whether that individual is a partner, principal, shareholder, member, director, or employee of that Deloitte member firm or one or more of its subsidiaries or affiliates (e.g., Zoe Poulos, Deloitte Greece).

For example, and specifically with respect to the United States, Deloitte & Touche USA LLP is the member firm of Deloitte Touche Tohmatsu. Services in the United States are provided by Deloitte & Touche LLP, Deloitte Tax LLP, Deloitte Consulting LLP, and Deloitte Financial Advisory Services LLP. All of these U.S. entities are referred to in this publication as "Deloitte United States."

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A letter to stakeholders from CEO Bill Parrett

Sustainable growth

What does it mean—and why is it the theme of the *Deloitte Touche Tohmatsu Worldwide Member Firms 2005 Review*?

In this year's review, you will find many answers. Together, they illustrate how Deloitte Touche Tohmatsu (DTT) member firms helped foster sustainable growth and value for capital markets, clients, and stakeholders in fiscal 2005.

By any definition, sustainable growth was a characteristic of many Deloitte member firms in 2005. Aggregate member firm revenues grew for the twelfth consecutive year, improving from US\$16.4 billion in 2004 to US\$18.2 billion in 2005. The 10.9 percent increase marks the third consecutive year of aggregate double-digit growth from continuing operations. I am delighted with such strong financial performances in a difficult global economy.

Sustainable growth, though, is about far more than revenue. Other intangibles make a significant difference. In this regard what makes me most proud are the people of Deloitte member firms. The depth of their character and the breadth of their talents are fundamental to the Deloitte brand and how they add value to the businesses and people they support. Equally important is their unyielding commitment to serve clients with excellence and professionalism so that growth can be sustained—even in the most varying of circumstances.

Throughout this report you will read many stories that exemplify the caliber and character of Deloitte member firm people:

- Through acting decisively, following a weekend fire that destroyed the headquarters of Deloitte Spain (see Page 35), and then providing alternative work facilities by the opening of business hours on Monday and ensuring colleagues visited clients at their locations, just as they would at the start of any new work week.
- Through their insights, such as those found in a DTT survey revealing that non-financial indicators often provide the clearest picture of a business organization's future health.
- Through their ethical conduct, reaffirmed in 2005 by implementing codes of conduct and appointing ethics officers in Deloitte member firms.
- Through their confidence in developing markets, where mergers in China and India increased scale, and added expertise in countries representing approximately one-third of the world's population.
- Through their commitment to their communities, including such activities as IMPACT Day and pro bono advisory services, in excess of 14,000 hours, for United Nations Development Program tsunami reconstruction efforts. In addition, DTT is a founding signatory of the UN Global Compact and continues to actively support the initiative. Visit www.deloitte.com/globalcompact to see how Deloitte member firms seek to live up to the 10 UN Global Compact principles.

sustainable growth

Elusive and prized business endeavor. **1** Under favorable conditions, the ability of markets, clients, communities, and people to continually replenish and increase viability. **2** Under difficult circumstances, the ability of markets, clients, communities, and people to continually function and develop further as they overcome serious challenges.

sustainable

(sus•tain'able) *adj.* Having sufficient resources to be kept in existence.

growth

(gro•th) *n.* The process of continuing to develop in size, number, value, or strength.

These stories provide a real-life glimpse of the people of Deloitte member firms and their commitment to “deliver Deloitte” and develop a sustainable position for Deloitte member firms for years to come. In today’s environment, it is easy to forget the exemplary work they do every day.

In the 1990s, DTT aggregate member firm revenues were one of the smallest in the professional services market. Today, they rank as one of the largest. What is most important to DTT’s future, however, is not becoming the largest but being highly respected by a broad community of stakeholders. Not surprisingly, therefore, what drives Deloitte member firms are the non-financial attributes that are priceless—relevance and respect.

Obviously, I am biased. But what I see in the people of Deloitte member firms represents nothing less than the future of professional services. Clients see it, too. Constantly, clients tell me that the depth and breadth of skills brought by the people of Deloitte member firms are exactly what they need to bring their prospects for sustainable growth into view.

To earn that kind of respect is inspiring. It also obligates the people of Deloitte member firms to continually improve. To that end, Deloitte member firms have embarked upon a new chapter for sustainable growth through a new vision and strategy. It is a strategy I hope will enable Deloitte member firms to deliver world-class service, making them the first choice for clients and people they serve, and to gain the respect of a broad community of stakeholders.

As a business endeavor, sustainable growth is perhaps the most elusive and prized. That is probably why the vignettes I like best in this annual review are about clients and how the people of Deloitte member firms worked with them to clear a path to value and sustainable growth. Without those stories, the financial record of a great year that already seems long ago would not have been possible.

Thank you for investing your time in learning more about Deloitte Touche Tohmatsu and the remarkable people of its member firms. I hope you will find it time well spent.

Sincerely,



William G. Parrett
Chief Executive Officer
Deloitte Touche Tohmatsu



A letter to stakeholders from Chairman of the Board Piet Hoogendoorn

Strong governance

Deloitte member firms have just concluded another stellar fiscal year, and I offer my sincerest congratulations to the people of the member firms who work so hard to bring clients and financial markets first-class professional services. I also congratulate DTT's management, whose efforts with the member firms to build a forward-thinking global strategy are truly paying off.

Not only does this strategy enhance the quality of Deloitte member firms' professional services, it is also an important step toward creating sustainable growth. However, strategy in any organization needs to be supported by strong governance that can ensure initiatives are carried out effectively and ethically. The DTT Board of Directors has worked hard over the past few years to enhance governance processes and structures, within the competencies of the global organization, and is taking an active role as management develops and the member firms execute its strategy—complementing rigorous member firm governance processes.

In addition to a global governance structure, each member firm has its own board of directors or governing body that ensures global strategies are effectively executed at the local level and provides general governance over the management of the member firms. These bodies facilitate sound governance within individual member firms as well as the implementation of local rules and regulations.

DTT's governance structures globally, and nationally, provide a sound base on which to proceed and meet the challenges of the future. Those challenges will only increase as member firm clients continue to expand and globalize. Governance bodies must be proactive to meet the demands of globalization and as clients and financial markets deal with the complexities of cross-border activity.

However, for clients and financial markets, globalization itself has affected the way good governance is achieved. They must now consider the governance structures of a wide range of countries and regions, what traditions and customs those structures are based on, and how well those structures function. Similarly, as Deloitte member firms have grown over the years to serve clients on a global scale, DTT governance structures have had to develop and adapt to encompass the values of the nearly 150 countries in which our member firms operate.

Together with member firm clients, DTT and its member firms have had to consider how a global reach affects an organization's governance. The rise of a whole new host of regulatory measures—Sarbanes-Oxley, IFRS, PCAOB, IFAC, and audit committees, among others—is one response to this issue that we are all familiar with. Another response is a higher level of scrutiny by a variety of stakeholders—governments, the media, and shareholders.

The Deloitte member firm response is a culture of partnership. Our member firms operate in a partnership environment, and globally, DTT prides itself on a collegial approach among its member firms, based on a respect for inclusion and diversity. Collegiality and inclusion are woven into the very fabric of the organization.

The inclusive culture of Deloitte is also built into the global organization's governance body, the DTT Board of Directors. Deloitte member firms have sought not only to be global leaders in the profession but also leaders in good governance—an example to clients in this quick-changing environment. Integral to DTT's global governance is that the Board is representative of the organization. It draws on a wide range of governance experience from more than 15 countries and regions and gathers that knowledge in one global body. It is an impressive and diverse group of leaders who make up the DTT Board.

I am happy to report that our efforts to create a more proactive Board over the past few years—of course, within the areas of DTT's organizational competencies—have been highly successful. With our role and structures firmly in place, the Board in FY2005 worked tirelessly to ensure that management initiatives were thoroughly reviewed, debated, and implemented. Our subcommittees met regularly with management teams and reported back to the Board as a whole. We also concluded a review of our processes and successfully met goals set in FY2004.

All of our governance efforts have one objective in mind: supporting the Deloitte brand. Deloitte is a network of individual member firms all over the world and the brand—the vision, shared values, integrity, and the Deloitte name—is the one thing that truly unites us all.

Member firms support the brand by providing superb client service. They support the brand by following local regulations and professional rules as well as adhering to DTT compliance policies. Most of all, Deloitte member firm employees support the brand by making integrity a top priority.

It is the global organization's responsibility to protect the brand—and that means it is the Board's responsibility. As a globally coordinated strategy is developed for member firms, it is the Board's duty to review that strategy and ensure that it conforms to the very highest ethical standards and continues to build the brand. The Board has done just that in FY2005 and will continue to do so.

DTT is a large and far-reaching organization. It is the Deloitte brand and the integrity it represents that member firms' clients rely on—and not just their clients, but their clients' clients. Thousands of people rely on this brand when making tough business decisions every day. It is investors and governments and the media who are looking to that brand and trust in it. As Chairman of the DTT Board, I firmly believe that our governance processes are strong and will help to ensure that the Deloitte brand continues to justify that trust in the years to come.

Sincerely,



Piet Hoogendoorn
Chairman of the Board
Deloitte Touche Tohmatsu





Deloitte at a glance

In the Sierra de Guadarrama in Spain, 144 professionals of Deloitte Spain played in the first "Deloitte Challenge" tournament.

Deloitte at a glance

How do organizations sustain growth in an increasingly complex and rapidly changing global business environment?

For Deloitte Touche Tohmatsu (DTT)—an organization of more than 70 member firms with 120,000 people in nearly 150 countries—sustained growth of its member firms is achieved by providing unmatched depth and breadth of professional services that deliver value and results to clients and their communities in each market segment. It is the four world-class businesses of audit, tax, consulting, and financial advisory services that make Deloitte member firms different—that enable them to deliver Deloitte. Sustainability, however, comes from Deloitte member firms' being the most sought after by clients, the people who make up the firms, and their communities. Not only are the people of Deloitte member firms technically proficient, they also strive to set the highest professional standards. How? People live the Deloitte Shared Values and adhere to the Deloitte member firms' Ethical Principles, and a strong tone is set at the top.

The Deloitte member firms also focus on being the first choice for the most talented people, who are drawn by the organization's eminence, diversity, and culture. Retaining the best people and providing them with opportunities to grow and develop are also important to long-term sustainability. Deloitte member firms recognize that their people can choose where they work.

And there is another important component. Sustained growth is achieved through member firms' being highly respected by their broad community of stakeholders, as well as strengthening and improving their communities for the benefit of future generations.

The stories in this review provide a glimpse of how Deloitte member firms and their people make a difference to the sustained growth of their practices, to the clients they serve, and to the employees and communities that rely on these companies for their livelihood.

Delivering Deloitte: A standard of excellence

Deloitte member firms are unique in that they provide a comprehensive range of services. This multiservice offering has assisted countless clients and other stakeholders in addressing the full range of global, local, regulatory, and business issues in each market segment, across the world. Further, clients are demanding consistency across geographies, an important dimension of professional services where Deloitte member firms have made great progress this fiscal year. Defined client service standards, such as The Deloitte Approach, and customer relationship management tools and processes have been developed and rolled out across the Deloitte global network. Deloitte member firms are delivering Deloitte and therefore delivering results.

Audit

The audit professionals of Deloitte member firms proudly contribute to the integrity and sustainability of financial markets. Auditing is a highly complex process, and the importance of auditors as a vital link in the financial reporting chain has never been more important, or their role more valued. For that reason, DTT and its member firms

focus consistently on audit quality and its continual enhancement. A new generation of unique Deloitte Audit tools has been developed and will be launched next year. These state-of-the-art tools enable Deloitte member firms to continue to deliver the assurance service excellence that is implicit in the Deloitte brand and which the financial community and public expect. (Read more on Page 36.)

Technological innovation, globalization, regulation, and governance initiatives have significantly increased accountability of senior management and boards. Enterprise risk services professionals provide risk assessment and technology support on audit engagements and work directly with companies to help them manage regulatory compliance, risk, and uncertainty, and enhance the reliability of systems and processes throughout the enterprise. Core competencies encompass risk management, capital markets, control assurance, internal audit, regulatory consulting, and security and privacy services.

Tax

Not only are there tax implications to virtually every business transaction, but the rules differ around the globe—and even then, they are continually changing. The tax professionals of Deloitte member firms help

Client service excellence with Deloitte OnLine

Deloitte OnLine was built to enhance communications between Deloitte member firm clients and their advisers. Today, there are more than 93,000 registered users of Deloitte OnLine. This secure extranet environment provides clients with a single point of entry to information relevant to their business and the work at hand and tools and mechanisms for effective collaboration with the Deloitte team that serves them.

their clients understand and anticipate developments that may affect their businesses and interpret the significance and impact those developments may have on the clients' activities. (Read about Global Backbone, a scalable global tax compliance and reporting service, on Page 33.)

Consulting

Unlike others, Deloitte member firms offer clients a comprehensive array of services, ranging from strategy formulation to technology implementation. Industry knowledge, innovation, and collaboration have enabled the firms' consultancy practices to develop solutions that address business issues facing their clients. These characteristics have been the foundations of the growth of the consulting businesses this year. (Read about one Deloitte innovation, The Value Initiative, which is proving to help create and deliver real and lasting value for organizations, on Page 25.)

Percentage of *Fortune* Global 500® served by Deloitte member firms

Aviation & Transport Services: 74%

Consumer Business: 77%

Energy & Resources: 66%

Financial Services: 74%

Life Sciences and Health Care: 75%

Manufacturing: 87%

Technology, Media & Telecommunications: 82%

Deloitte member firms serve over 80 percent of the companies listed on the 2005 *Fortune* Global 500®. In addition, Deloitte member firms serve countless middle market clients, which account for more than 50 percent of aggregate revenues. These middle market clients fuel the economy, sustain growth, and are potentially the leading organizations of the future.

Serving leading industries around the globe

A key component of Deloitte member firms' ability to provide quality service is their knowledge of their clients' industries. Dedication to attracting and developing professionals with deep industry expertise has made Deloitte member firms some of the most sought after service providers to the *Fortune* Global 500®. The firms serve more than one-half of the world's largest companies, as well as a wide range of national and middle market enterprises, public institutions, privately owned companies, and public sector organizations.

- **Aviation & Transport Services**—Deloitte member firms serve nine of the world's top 10 airlines, 20 of the world's major national railways, three of the five largest global shipping companies, and the world's largest freight transportation and logistics companies.
- **Consumer Business**—Deloitte member firms serve over 80 percent of the top 50 consumer products companies, 70 percent of the retailers, and 70 percent of the top 30 tourism, hospitality, and leisure companies.
- **Energy & Resources**—Deloitte member firms serve 74 percent of the electric power companies and 61 percent of the oil and gas companies listed on the *Fortune* Global 500® and almost three-quarters of the world's largest mining companies.
- **Financial Services**—Deloitte member firms serve all of the top 20 global banks, all of the top 10 global securities companies, 18 of the top 20 global insurance companies, and 17 of the top 20 global asset management companies.
- **Life Sciences and Health Care**—Deloitte member firms serve the top 10 pharmaceutical companies, half of the 10 largest medical device and biotech companies, and leading health care companies around the globe.
- **Manufacturing**—Deloitte member firms serve 10 of the 10 aerospace and defense firms, 33 of 37 automotive companies, 17 of 18 manufacturers of diversified industrial products, and 26 of 34 process companies in the *Fortune* Global 500®.
- **Public Sector**—Deloitte member firms serve hundreds of governments and public organizations around the world, including the top 25 nations, as rated by the World Economic Forum. They also serve local, state, and provincial governments in North and South America, Europe, Latin America, and the Asia Pacific region.
- **Technology, Media & Telecommunications**—Deloitte member firms serve 18 of the top 20 technology companies, 13 of the top 15 telecommunications companies, and five of the seven largest global media companies.

Financial Advisory Services

Financial advisory services is composed of five distinct but related global services—corporate finance advisory, forensic and dispute services, mergers and acquisitions services, reorganization services, and valuation. Managing the service lines together enables financial advisory practitioners from across Deloitte member firms to identify opportunities and extract synergies to create, enhance, and protect shareholder and stakeholder value.

Through their unique combination of situational and industry knowledge, technical expertise, and access to DTT's global network, these practitioners help their clients solve their most complex business problems and achieve their greatest successes. (Read about financial advisory's anti-money-laundering activities on Page 27.)

Deloitte member firms' Ethical Principles:

- **Honesty and integrity**—We act with honesty and integrity.
- **Professional behavior**—We operate within the letter and the spirit of applicable laws.
- **Competence**—We bring appropriate skills and capabilities to every client assignment.
- **Objectivity**—We are objective in forming our professional opinions and the advice we give.
- **Confidentiality**—We respect the confidentiality of information.
- **Fair business practices**—We are committed to fair business practices.
- **Responsibility to society**—We recognize and respect the impact we have on the world around us.
- **Respect and fair treatment**—We treat all our colleagues with respect, courtesy, and fairness.
- **Accountability and decision-making**—We lead by example, using our Shared Values as our foundation.

Some examples of Deloitte member firms' multidisciplinary client service approach in action begin on Page 15.

Leaders of tomorrow

Deloitte member firms set high expectations for their people—and, in return, they are committed to being great employers and developing environments where the best people choose to spend their careers. Being multicultural and diverse, Deloitte member firms strive to be inclusive at all levels and provide fair, open, and honest working environments in which every person is able to achieve his or her professional and personal objectives.

One important cornerstone of such a working environment is the Deloitte Shared Values that Deloitte member firms adopted to promote trust among their people. Fundamental standards of ethical behavior were also developed and implemented by member firms. The Deloitte member firms' Ethical Principles and supporting national codes of conduct are founded on the Shared Values and provide guidance in addressing matters of professional conduct, including confidentiality, competence, and accountability.

Deloitte member firms are also committed to supporting their people in achieving their career goals by providing the tools and education they need to keep advancing. Through the Deloitte Learning Platform, for example, the people of Deloitte member firms are provided with access to a rich and dynamic library of e-learning courseware, online books, virtual classrooms, and more.

In addition, strategic talent management initiatives help identify and develop the people who exhibit the potential to be the client service and practice management leaders of tomorrow.

Through initiatives such as these, and others discussed on Page 41, Deloitte member firms have been and will continue working to enhance the employment environment for all of their people. Their goal is to create an environment where every person feels valued, empowered, and committed. This leads to excellence in client service, whether internal or external, increased financial success, and sustained growth for today and into the future.



DTT CEO Bill Parrett (left) and Ambassador Wu Jianmin, President of China Foreign Affairs University, at the 2005 Global New Partner Seminar opening dinner in Beijing, China.

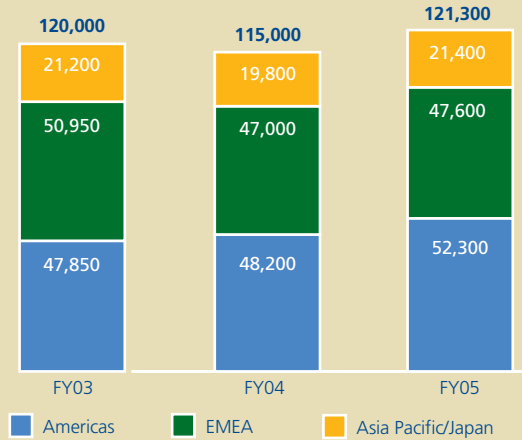
Deloitte Shared Values:

- Integrity
- Outstanding value to markets and clients
- Commitment to each other
- Strength from cultural diversity

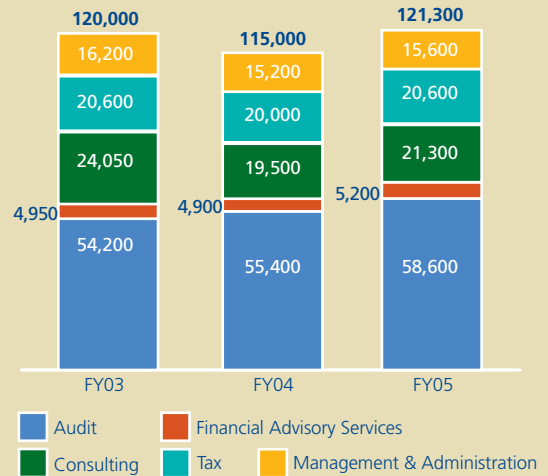
Presence of Deloitte member firms

	FY03	FY04	FY05
Number of member firms	77	71	71
Number of countries	145	148	148

Member firm partners and employees by geographic region



Member firm partners and employees by functional area



I see Deloitte as an inspiring place to work, a place where everyone can be visionary and a thought leader.



Zbig Szczerbetka
 Partner-in-Charge, Enterprise Risk Services
 Deloitte Poland

A world for future generations

The Deloitte Shared Values and Deloitte member firms' Ethical Principles also serve as the foundation of Deloitte member firms' commitment to corporate social responsibility, and their endeavors to be highly respected by their broad community of stakeholders.

This year Deloitte member firms have been highly active in implementing programs and processes that will benefit future generations, including economic development, skills transfers, and educational and other programs. (Read about these programs on Page 38.)

Further, Deloitte Touche Tohmatsu is a signatory to the United Nations Global Compact, and Deloitte member firms have been working actively to advance their support for its 10 principles in the areas of anti-corruption, human rights, labor, and the environment. Again this year, Deloitte

member firms conducted research and contributed their knowledge to advocate for improved corporate governance, accountability, and anti-fraud and anti-corruption practices, while also assisting their clients in implementing effective solutions to address these challenges in their organizations.

The people of Deloitte member firms also undertake philanthropic activities through their local communities to help improve social and economic conditions. This year, their activities included helping to build schools, providing assistance to orphans and vulnerable children, and contributing both as volunteers and financially to help relief organizations rebuild communities devastated by natural disasters.

The services provided by Deloitte member firms extend beyond audit, tax, consulting, and financial advisory; they affect employees and communities whose livelihood depends

on the companies the Deloitte member firms serve. For example, when a Deloitte member firm professional provides supply chain expertise to a consumer products manufacturer, the benefit extends not only to the manufacturer, but also to suppliers and vendors from Osaka to Oklahoma, and to people who buy these products. Or, when an IT solutions professional from a Deloitte member firm provides state-of-the-art IT architecture for safe recordkeeping, medical professionals can turn their attention to what they do best—treat people. Or, when a merger is in the works, a specialized team of professionals can study the structure of the merging entities, take note of differences—from business culture to operations—and then work tirelessly to forge a new entity that blends best practices and traditions. The end result is a corporate structure and culture that work not just in terms of operational efficiency, but also in the daily lives and work satisfaction of the organization's employees.

2005 Highlights

This year was one of outstanding accomplishment for DTT, its member firms, and their people. Here are some of the highlights:

Revenue growth:

- Aggregate member firm revenues grew from US\$16.4 billion in 2004 to US\$18.2 billion in 2005. This 10.9 percent growth marked the third straight year in which revenues from continuing operations grew at a double-digit rate.

Geographic expansion:

- Deloitte China grew to more than 4,000 professionals, with offices in 10 cities after concluding a strategic merger in Mainland China, with Beijing Pan-China CPA Ltd., and completing another with Pan-China Schinda. These mergers continue the success of Deloitte China's strategic growth program.
- Deloitte India merged with A. F. Ferguson & Co., a well-established practice that significantly boosts the firm's strength and capability.



Futhi Mtoba: South Africa's Businesswoman of the Year

Deloitte Southern Africa chairman Futhi Mtoba celebrates with her children, Viwe (left) and Ziggy (right), after receiving the Businesswoman of the Year Award 2004. Mtoba went on to win the Organisation of Women in International Trade 2005 Woman of the Year Award, the first winner from the African continent.

- In Korea, the merger of Deloitte Hana and Anjin LLC was formalized, creating Deloitte Anjin, the second-largest professional services firm in Korea.
- The Deloitte member firm in the Commonwealth of Independent States continued its recent rapid growth. The firm now has approximately 1,600 professionals who serve a wide range of clients in this fast-developing marketplace.

Sustaining success

Increasingly, business executives and other interested parties are urging the development of a set of metrics for enterprise success that go far beyond the categories captured by annual financial statements. This year a Deloitte/Economist Intelligence Unit survey, *In the Dark*, collected the views of hundreds of board members and C-level executives around the world about the importance of understanding non-financial as well as financial performance criteria in gauging a company's prospects for sustainable success.

The survey findings suggest that many companies are "in the dark" about the true long-term health of their businesses, because their attention is too heavily focused on "traditional" financial performance. But the *In the Dark* study also clearly reflects a growing recognition by board members and executives of the key role non-financial success drivers play in determining a company's long-term prospects for success—and the quality of the relationships it is likely to have with crucial stakeholder groups.

In the Dark is just one example of the way Deloitte member firms and their professionals contribute their expertise and professional knowledge to address a wide range of current business issues and challenges.

Building unmatched depth and breadth of expertise

- Deloitte Switzerland strengthened its financial services industry capabilities in one of the world's leading and most renowned financial services centers.
- Deloitte United States brought on eminent industry leaders with expertise in various disciplines and industries. Tommy Thompson, former U.S. Secretary of Health and Human Services, joined as a senior adviser and will serve as the independent chair of the Deloitte Center for Health Care Management and Transformation.
- Eleven Deloitte member firms grouped together to form LATCO (Latin American Countries Organization) to cooperate more efficiently and respond to the increasing needs of multinational clients. The LATCO firms and DTT member firms in Brazil, Chile, and Mexico serve Latin America.
- Guam, Indonesia, Malaysia, Philippines, Singapore, and Thailand came together to create an ASEAN cooperation cluster, which will be operational by June 1, 2006. With over US\$175 million in aggregate revenue

and 3,500 professionals, this cluster will help provide a critical mass of talented people to deliver the four world-class businesses in ASEAN.

Deloitte eminence

- Deloitte member firms implemented an expanded and comprehensive Reputation and Risk Leadership program, led by a senior partner in each member firm, which is designed to protect the reputation of the Deloitte brand and the integrity of the firms.
- With the number of member firms participating in IMPACT Day on the rise, tens of thousands of people from around the world dedicated a day to activities that address social and environmental concerns.
- Over the past fiscal year, Deloitte member firms have received Employer of Choice recognition in numerous countries.
- Deloitte member firms were collectively ranked as the world's Best Securitisation Accounting Firm, by *International Securitisation Report*, for the seventh year in a row.



Making an IMPACT on their communities

The people of Deloitte China helped teach classes at a school for new immigrants. This year, tens of thousands of people of Deloitte member firms donated their time and talent to their communities on IMPACT Day.



Deloitte delivers: A standard of client service excellence

Deloitte Belgium was the main sponsor of The Bering Strait Odyssey, an ambitious project of Dixie Dansercoer, renowned Belgian polar explorer. Dansercoer and fellow explorer Troy Henkels attempted a double-back traverse of the Bering Strait that bridges the continents of North America and Asia.

“Lead Client Service Partners ...

... focus on teamwork, enthusiasm, best practice behaviors for the account teams, and solutions that add value to the client.”

—Catherine Bateman, Deloitte Canada, Canadian Imperial Bank of Commerce

... understand the client strategically. They use that knowledge and their broad experience to anticipate issues.”

—Toshihiko Matsumiya, Deloitte Japan, Nissan Motors

... see business through the eyes of the CEO and CFO of the clients they serve. They sense what the C-Suite is thinking about and what is important to them.”

—Ian Breedon, Deloitte Australia, Westfield Group and Stockland Group

... of global clients are ready to deal with opportunities and issues, and deliver a portfolio of services 24/7.”

—William Fisher, Deloitte United States, General Electric

... are like trainers for a marathon runner: you offer your best personnel from multiple disciplines to help your client reach the finish line.”

—Francisco Macias, Deloitte Mexico, Mexico, Servicio de Administración Tributaria

Deloitte delivers: A standard of client service excellence

What does it mean to be a partner in a Deloitte member firm?

The answer to this question has many facets, but one shines more brightly than any other. Being a partner in a Deloitte member firm means being passionately committed to providing clients with services of unsurpassed integrity, quality, and responsiveness. As Jerry Leamon, Global Managing Partner of Clients & Markets, puts it: "Deloitte member firm partners and directors have client service in their DNA. Whether their area of practice is audit, tax, consulting, or financial advisory services, their client relationships are built upon trust, open communication, and a commitment to leveraging the full intellectual power of the Deloitte network."

This view is emphasized by Dr. Wolfgang Grewe, Regional Managing Partner for Europe, the Middle East, and Africa. As Dr. Grewe says, "Our member firm business relations are based on trust and understanding. This quality standard underpins all our work, helping us to achieve our ultimate goal of appropriately promoting our clients' success."

To serve clients in this way—to appropriately deploy all capabilities and expertise in addressing complex client issues—requires an orientation of inclusiveness. The Deloitte way of serving clients encompasses a robust array of resources, accompanied by a keen understanding of clients' value drivers, competitive position, goals, and industry dynamics. It was on these principles that the worldwide Japanese Services Group (JSG) was established.

"The foundation of the JSG is to work collaboratively with each of the Deloitte member firms, with a multicultural, multinational, and multidisciplinary global mind-set—a true client service and marketplace differentiator. These efforts, over more than three decades, have built today's JSG into one of the most successful practices of Deloitte member firms, with its global service revenues exceeding an aggregate US\$1 billion for FY2005, 45 percent of which are earned by member firms outside Japan," remarks Shuichiro Sekine, Regional Managing Partner, Japan and Co-chairman of the Global JSG Council.

Based on the innovative best practices of the JSG, an analogous structure to address the emerging economic importance of China has been developed by the Chinese Services Group (CSG). Working closely with colleagues in China, the CSG finds innovative ways to assist clients in creating value and managing risk in that country. The CSG's network of professionals is also preparing to provide outbound Chinese investors with the same high standard of cross-border service pioneered by the Japanese Services Group.

The section that follows illustrates just a few of the ways Deloitte member firm professionals are working with clients. As you will see, the clients the member firms serve come in all sizes, parts of the world, and fields of endeavor. Some are from emerging economies, others are leaders in their industries, and yet others are entities in the public sector. Their issues and needs are many—from complying with regulatory requirements to merging, acquiring, managing growth through a variety of means, minimizing risk, and surmounting challenges foreseen and unforeseen.

Sustainable Growth ... Competitive Performance ... Future Generations—these client stories illustrate how Deloitte professionals work with their clients to meet the challenges and opportunities of today and tomorrow. In doing so, they move the Deloitte global network ever closer to achieving its vision of Deloitte as the standard of client service excellence that no other organization can match.

At Deloitte, you are constantly learning. I see a world where all Deloitte member firm professionals have the education that allows them to perform as effectively as possible and realize their dreams.

Wimolporn Boonyusthian
Partner, Audit & Enterprise Risk Services
Deloitte Thailand



A watershed moment in bank financial reporting

Regulatory changes often present profound challenges for businesses. A client service team with deep technical expertise helps smooth the transition.

Once, only accountants found accounting changes interesting. But that changed with the requirement for publicly listed companies in Europe—including banks—to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), beginning on January 1, 2005.

“This has been a major challenge for European banks,” explains U.K. partner Steve Almond, Lead Client Service Partner for the Royal Bank of Scotland (RBS) Group. “Market interest has been aroused by the effect that the switch to IFRS and IAS has on companies’ results. The potential impact on banks was particularly significant, and they have had an enormously complex undertaking in implementing the new standards. For banking companies, arguably, this has been the single biggest change ever made to accounting in Europe.”

For the past two years, Deloitte member firms have been working with RBS to help it make the transition from U.K. GAAP to the new standards. The magnitude of the task was only partly a result of the size of RBS itself, which, with 2004 assets of US\$1.1 trillion, is Europe’s second-largest bank and the fifth-largest banking group globally. The RBS Group includes NatWest, Direct Line, and Lombard and Coutts in the United Kingdom, as well as Citizens Financial Group, which is the eighth-largest banking organization in the United States.

Much more of a challenge was presented by the complex array of accounts and range of assets and liabilities found in financial institutions. The new standards include IAS 32, *Financial Instruments: Disclosure and Presentation*; and IAS 39, *Financial Instruments: Recognition and Measurement*, which fundamentally affect the way companies account for financial instruments, including derivatives—areas with a particularly significant and complex impact on banks. Other areas significantly affected by the transition include deferred tax, pensions, share options, and goodwill. The new accounting requirements have also necessitated changes to the systems banks use to manage this information.

The European Union’s adoption in June 2002 of the regulation requiring this move to common accounting and financial reporting standards was seen as an important component in the creation of a common European capital market. However, at the time the new regulation was announced, many standards were new or needed changing. This presented a big challenge for companies making the transition.

As the British Bankers’ Association and other industry groups began developing their recommended approaches to the new standards, a team from Deloitte member firms started work in 2003 to help the bank consider the effect the new requirements would have on its accounting and financial reporting. In mid-2004, the actual implementation effort began—a huge job that had to be accomplished in a relatively short time period because it involved not only presenting the 2005 financial statements according to IFRS, but also restating the 2004 accounts.

My dream is for Deloitte to be a place that helps our member firm people develop themselves in all dimensions: spiritually, emotionally, and professionally.

Marcia Ogawa Matsubayashi
Financial Services Industry Consulting Partner
Deloitte Brazil



“Standards were being changed and guidance was being developed at virtually the same time as the banks had to implement,” says Almond. “And with the tight—and immovable—deadline for implementation, the pressure on everyone involved was enormous.”

To help ensure the transition to IFRS was as smooth as possible, Deloitte member firms brought their best expertise to RBS. Since South African banks had already undergone a recent transition to IFRS, people from Deloitte

Southern Africa joined the RBS client service team. Also brought in were practitioners with deep specialist skills in areas such as tax, actuarial, treasury, and technology controls assurance.

On January 1, 2005, RBS made the transition to IFRS internally; it issued its IFRS transition report to the market on schedule in June 2005. RBS and other banks are now preparing for their first full financial statements for the year ending December 31, 2005. There remains a significant

amount of work for all banks and companies in Europe to achieve this and to embed IFRS in their management information and reporting systems.

Miranda Corti, RBS Group IFRS Program Director, recognizes both the achievement and the challenge ahead: “This has been a fantastic achievement, resulting from a true team effort. The seemingly impossible was achieved over the last year.... Our objectives for the next are no less stretching!”



Left to right, Steve Almond, Lead Client Service Partner (Deloitte United Kingdom); Miranda Corti, RBS Group IFRS Program Director; Rajan Kapoor, Group Chief Accountant (RBS); Rob Topley, Financial Services Practice Partner (Deloitte United Kingdom), on the trading floor of RBS headquarters in London.

Positioned to serve the world's new economic superpower

Deloitte China focuses on more than just serving China's fast-growing marketplace. It is also helping advance the country's accounting profession.

In less than 30 years, China has rapidly transformed itself from a predominantly agricultural economy to a global economic superpower. In the process, thousands of new companies have emerged, including many former state-owned enterprises that have reorganized and repositioned themselves to compete in global markets.

"Before the end of this decade, China is likely to have 50 *Fortune* Global 500® companies," notes Chu Qiheng, Vice Chairman of the Board of Deloitte China. "As an emerging world-class business center with increasingly global companies, China requires world-class professional services."

These emerging world-class entities include Semiconductor Manufacturing International Corporation, a five-year-old company that is already the world's third-largest semiconductor fabricator; Shineway Industrial Group, China's largest food processor, which has 80 sales offices around the globe; China Netcom Group, a major telecommunications conglomerate; and Bank of China, one of the "Big Four" commercial banks.

To serve companies such as these, Deloitte China and other Deloitte member firms around the globe deliver a wide range of services, such as utilizing Deloitte's Enterprise Value Map™ to help clients develop and implement critical corporate and business strategies. Deloitte China has assisted several

companies in going public in Hong Kong, Japan, and New York, including helping them to address the rigorous regulatory requirements of Sarbanes-Oxley. The firm is also working with China's State-Owned Assets Supervision and Administration Commission to develop performance management processes for state-owned enterprises.

The world's second largest market

China is already the world's second-largest economy after that of the United States, when measured on a purchasing power parity basis. It is not surprising, then, that it is also poised to become the world's second-largest consumer of professional services, a service market that is expected to exceed US\$13 billion by 2007.

To sustain its current strong position as a leading professional services organization in China, in 2003 DTT and Deloitte China embarked upon a five-year growth strategy to grow Deloitte China by 400 percent.

"Deloitte China is ahead of its growth targets," says Manoj Singh, Deloitte Regional Managing Partner for Asia Pacific. "Together with investment elsewhere in the region, the plan is to double aggregate member firm revenue from Asia Pacific over the next five years. Clearly, Asia Pacific is one of the fastest-growing regions for Deloitte."

Although only in its second year, the strategy is already achieving solid results. In June 2005, the firm completed its first Mainland merger with Beijing Pan-China CPA Ltd., one of China's largest professional services firms. A second merger, with Pan-China Schinda, completed on 1 September, significantly strengthens the Deloitte member firm in the Shenzhen special economic zone.

In addition to building its own practice, Deloitte China is helping develop standards and practices and training the professionals who are critical for the continued growth of China's public accounting profession. Since 1993, the firm has advised China's Ministry of Finance on the development and international harmonization of the country's accounting standards and tax system. This year, it hosted the first China CPA Future Leaders Summit, to which it invited 150 senior professionals from the country's top 100 CPA firms. The objective was to further develop and internationalize China's CPA profession and enhance mutual professional understanding among CPAs. In June 2005, Deloitte China opened the Deloitte Northern China Learning Center, which will complement the activities of the Deloitte Institute. In October, Deloitte China launched the Deloitte Eastern China Learning Center.

"This is predicted to be the 'Century of the Pacific,'" notes Peter Bowie, CEO of Deloitte China, "and Deloitte is committed to being a part of it and to contributing to China's development in the global economy."

Xinhua Finance's groundbreaking IPO

China's premier financial services and media company itself made headlines in October 2004 as the first non-Japanese private company to issue an IPO in Japan.

Xinhua Finance is an internationally recognized provider of market indices, public information ratings, financial news and analysis, and corporate announcement services. The fast-growing company comprises over 26 entities, all of which were acquired since it was transformed from a Chinese state-owned enterprise in 1999.

In January 2004, the company incorporated in order to go public to raise funds for future acquisitions. Because several thousand companies are already waiting to go public on China's domestic markets, Xinhua decided to take the groundbreaking step of issuing its IPO on the Tokyo Stock Exchange's MOTHERS market.

"Going public is a complex process even without the special accounting issues and close regulatory scrutiny that Xinhua faced as the first non-Japanese company to issue an IPO in Japan," says Hong Kong member firm partner Thomas Chung, who serves technology, media, and telecommunications (TMT) companies such as Xinhua. "For it to be successful, it was critical that Xinhua obtain the best IPO expertise available."

"You have done such a great job with Xinhua Finance.... You truly have taken the time to understand the very unique and various business models."

—Fredy Bush, CEO, Xinhua Finance

The Deloitte member firm in Japan has led the Japanese IPO market since the mid-1980s, and Thomas enlisted the help of partner Eiji Yoshida who is well experienced in foreign company public offerings without listing (POWL). Deloitte Japan has also participated in a number of milestone issues, including the first IPO of a company on the MOTHERS market in 1999, and the spin-off of a bioventure from a university to be listed in Japan for the first time in 2002.

With its Japanese IPO advisers, Xinhua successfully addressed several challenges, which included a myriad of accounting issues as well as negotiations with the Kanto Local Financial Bureau (KLFB), the Japanese regulatory authority. And how valuable was that advice? Although most companies typically take three years to go public, Xinhua's IPO was issued in October 2004—just 10 months after the process began—and to date has raised US\$33 million.

"Our experience in serving other non-Japanese companies, the depth of our expertise in the Japanese IPO market, and the knowledge of our member firm partners from Japan, China, and the United States regarding the TMT industry were the critical ingredients in helping make Xinhua's IPO a success," says Yoshitaka Asaeda, Japan TMT leader.

I see Deloitte becoming even more of a truly global network that cares about people and talent, with member firms that support initiative and are proactive in the marketplace.

Alexander Bragin
Deputy Managing Partner Tax and Legal Services
Deloitte Russia



Serving the European governance system with professionalism and pride

This story starts in 1957, when 6 countries formed the European Economic Community. Now known as the European Union, it comprises 25 countries ... and is a long-standing client.

“Our member firms have served the European Union for some 20 years,” advises Richard Doherty, a partner in the Belgian member firm and Lead Client Service Partner for the European Union (EU) institutions. “Our work has contributed to the growth and sustainability of this governing body, which affects economic, political, and social systems throughout Europe and, ultimately, across the globe.”

Understanding the purpose, goals, composition, and methods of the EU has enabled Deloitte member firm practitioners throughout the European continent—and beyond—to assist with its external policies as well as internal issues. On the one hand, Deloitte professionals have helped the EU evaluate programs and procedures, establish feasibility of proposed initiatives, research complex issues to prepare negotiating positions, and promote activities among its external audiences. On the other, with a focus on the inner workings of the EU, these professionals have helped the client operate and manage its agenda and resources as efficiently as possible.

Over the 2005 time frame, several projects stand out. During this period, Deloitte member firms participated, with academic experts, in a European Union–United States policy relations study. This assignment had its roots in the transatlantic agreement that the EU signed with the United States when President Clinton was in office. The task was to evaluate the effectiveness of the accord. To do so, the Deloitte team explored a range of issues in depth. From Sarbanes-Oxley to anti-terrorism and Boeing-Airbus—the team covered it all.

What were the findings? “We determined that, despite the rifts between the United States and much of Europe over Iraq and the Kyoto Treaty, the overall relationship was holding up well. Nevertheless, it could be improved upon. To that end, we offered a list of recommendations. These included creating a special envoy to accelerate cooperation on regulatory issues like anti-trust, and upgrading the involvement of both the White House and the U.S. Congress in the relationship,” Doherty says.

Another recent engagement addressed an EU internal need. Some 25,000 people work at the European Commission, the EU's executive agency. However, the Commission lacked a state-of-the-art human resources strategy or management system. For this task, consultants at Deloitte member firms performed a diagnosis of the human resources function. They developed a long list of recommendations to enhance its service orientation, so that it could play a central role in planning and resource management and assist the Commission as a strategic actor in the European policy system. The Deloitte team brought human resources expertise from public and private sectors to the client—and opened up a number of perspectives for the modernization of the Commission.

What is it like to have a large, complex, and influential governance body, such as the European Union, as a client? It means varied assignments requiring deep specialization and acumen. To fulfill them, Deloitte member firms have and continue to deploy professionals from their four businesses and eight industry practices to bring a portfolio of skills and talents to bear on the client's needs.

These and other services and solutions have had an appreciable impact on the policies, activities, and overall performance of the EU. "Our mix of audit services has ensured that the client's spending meets its objectives and criteria," Doherty notes. "Additionally, we have assessed and installed internal controls and surveillance mechanisms, helped to introduce accrual accounting, and developed and implemented strategies to reduce risk."

Deloitte member firm consulting professionals have trained EU personnel on financial IT systems; developed strategy in aviation,

consumer, and small business policy; and conducted studies on a wide range of issues, including gender equality. It's no wonder that the work for this client is described as "far-reaching." As yet another case in point, Deloitte professionals helped the EU evaluate the information campaign that accompanied the introduction of the euro—and provided insights that will be useful for the Member States who adopt the single currency in the future.

What does the future hold for this client relationship? "We take pride in serving the EU

and participating in its ongoing development. Our sphere of interest extends beyond the present to reinforce the client's long-term position," adds Doherty. "The EU is exposed to significant challenges both as an organization and in the context of its global policy responsibilities. Deloitte member firms have the requisite strengths to advise on both policy and organization. We look forward to delivering our innovative ideas to the EU and other clients in the public sector."



Left to right, Richard Doherty, Lead Client Service Partner (Deloitte Belgium), and EU Commissioner Danuta Hubner at the Commission headquarters in Brussels.

Creating value “uncommonly well” at Heinz

Global entities may have diverse operations with a variety of service needs, but all require a single focus: building value.

It may be ketchup and pasta sauce in the United States, baby food in Italy, baked beans in the United Kingdom or any number of other sauces, condiments, and prepared foods in dozens of other countries. But no matter what local taste or preference it satisfies with its products, there is one company behind them all: Heinz.

Since the H.J. Heinz Company was founded in 1869 in Pittsburgh, Pennsylvania, it has grown from a family-owned American business into a leading global food company with over 110 major locations and leading brands on six continents. As one of a handful of companies founded in the nineteenth century with continuous operations under the same name, Heinz is proof of the famous adage espoused by its founder, Henry John Heinz, that “to do a common thing uncommonly well brings success.”

“Today, Heinz is a complex, multifaceted global organization, and it takes a team that is equally global and multidimensional to serve it effectively,” says Global Lead Client Service Partner Cliff Benson, a Deloitte U.S. partner. Indeed, the team that serves Heinz includes practitioners from Deloitte member firms in almost 20 countries with expertise across consulting, financial advisory, enterprise risk services, and tax—with particular expertise in supply chain optimization, acquisitions and divestitures, Sarbanes-Oxley compliance, and project management.

Another ingredient critical to the client service team’s ability to serve Heinz is the cultural similarity that Deloitte member firms share with the client. Both are customer- or client-oriented with a strong focus on their employees and a similar global operations structure. That cultural “fit” is integral to the client service team’s ability to share the passion for “doing things uncommonly well” that builds value at Heinz.

In 2002, Heinz embarked upon an important three-year strategic plan built on four pillars—profitable top-line growth, cost reduction, streamlining operations, and recognizing and rewarding performance. Helping the company maximize value from activities that support those pillars has been the essence of the client service team’s recent work for Heinz. In 2005, Heinz announced the successful completion of its three-year plan and unveiled a new plan for growth in the three core businesses of Ketchup, Condiments & Sauces, Meals and Snacks, and Infant Nutrition.

“A global company such as Heinz has several thousand individual projects and activities,” Benson notes. “However, not all contribute to each of Heinz’s four strategic pillars, and some will generate greater rewards than

others. The objective is to identify the activities where there is the greatest room for value growth, maintain those that are already strong drivers of value, and eliminate those that contribute only marginally.”

To help identify the projects that were most critical to building or maintaining value for Heinz, the client service team used the Value Initiative tools to create a Transformation Management Process that will be used by senior Heinz executives to evaluate the progress of major projects. The client service team also uses the Enterprise Value Map™ to help it focus on the key value drivers in the work it performs for the company. That work has included assisting Heinz in divesting some non-core entities and acquiring new ones in order to streamline the company around its three core businesses.

“The hallmark of our Enterprise Value Map™ approach to serving Heinz is our focus on ensuring that each project we undertake for the company is fully aligned with its strategic objectives and delivers value for its organization,” says Lionel Young, a financial advisory partner, Deloitte United Kingdom, who coordinates services provided to Heinz throughout Europe.

“The best part of working with Deloitte is their customer orientation, industry knowledge, and ability to get things done.”

—Art Winkleblack, Executive Vice President and Chief Financial Officer, H.J. Heinz Company



Left to right, Cliff Benson, Lead Client Service Partner (Deloitte United States), and Art Winkleblack, Executive Vice President and Chief Financial Officer (Heinz), at Heinz Field in Pittsburgh.

Mapping the route to enterprise value

Most businesses would agree that shareholder value is important. But how many of them are assured that all of their strategies and resources are fully aligned to building it? Given the myriad of processes that exist even in a relatively small organization, there is always a need to guard against pet projects and other activities becoming accepted as “business as usual” without being aligned to what it takes to sustain growth and win in a competitive marketplace.

“Business leaders live in a world of perpetual motion—operating their companies and making all of the related day-to-day decisions—while, at the same time, setting direction, allocating budgets, and launching new initiatives to improve it for the future,” says Bob Dalton, a Deloitte U.S. principal who specializes in strategy and operations. “That makes it a challenge to focus on what matters most and to identify the most practical ways to get things done to deliver the intended business value.”

Deloitte’s Value Initiative has developed a unique suite of practical tools that enhances our member firms’ abilities as business advisers to create and deliver tangible value for their clients. To date, thousands of Deloitte member firm client service teams are using these approaches and tools with their clients. And the business

media, such as *Journal of Business Strategy* and *CFO Magazine*, have taken notice of their impact in the marketplace as well.

At the core of the program is Deloitte’s Enterprise Value Map™ (EVM), which identifies hundreds of typical business activities and illustrates how each should be aligned to four primary value drivers: revenue growth, operating margin, asset efficiency, and expectations (which include internal company strengths, such as managerial and governance effectiveness, and external factors with the potential to affect the company). As a testament to the marketplace acceptance of the EVM, there are now over 100,000 in distribution. In addition, 48 tailored EVMs have been created that apply to different industries or service areas.

Other value tools include ValueAnalytics, which enables the financial analyses of key value drivers; ValuePrint, a business case development tool; and the Project Portfolio Management tool suite for assessing individual projects’ effectiveness and contribution to value. And ValueLink is a portal that uses the EVM framework as a means to tap the organization’s intellectual property.

“We are a client-centric organization, and a relentless focus on value for our clients is our key to delivering exceptional client services,” Dalton says.

Helping the leaders lead: Private equity

The private equity sector specializes in creating long-term sustainable value—and with it, jobs and economic growth.

What sector embraces companies as different as Houghton Mifflin, Texas Genco, Toys “R” Us, and the Willis Group; includes John Major, Jack Welch, and U2’s Bono in its “workforce,” along with one in five British workers not in government service; and is barely 30 years old? The answer, of course, is private equity.

From its early days in the 1980s, when leveraged buyouts (LBOs) were new and controversial, private equity has moved steadily to the center stage of global finance. Pioneers such as The Blackstone Group, Kohlberg Kravis Roberts & Co. (KKR), Texas Pacific Group, and 3i are today among the business world’s most influential companies.

The significance of private equity extends well beyond its scale. By nurturing companies away from the sometimes fierce pressures of the public equity markets, helping to make them more efficient and profitable, the sector has specialized in creating long-term, sustainable value—and with it, jobs and economic growth.

Deloitte member firms have been involved with the sector from the beginning, working with some of its giants from the days they first opened their doors. Since that time, Deloitte member firms have advised on six of the ten largest LBOs in history. In a sector like private equity, where the leaders lead—in both size and results—by an exceptionally wide margin, this depth of experience has been of incalculable value in building our eminence in the M&A and alternative investment arena and in providing Deloitte member firms with an entrée into a remarkable number of mainline businesses.

As the sector evolves and faces the challenges that maturity brings—the search for new opportunities; the development of new markets in Europe, India, and Asia; the diversification into new asset classes—Deloitte member firms will continue to provide advice, solutions, and world-class client service.

Focus on Value: KKR

Kohlberg Kravis Roberts & Co. is one of the anchor clients for many Deloitte member firms. The relationship with KKR is one of the most important in the organization and goes right back to KKR’s founding in 1976. In the years since, Deloitte member firms have assisted KKR as a trusted adviser and preferred provider on more than 100 transactions, including the landmark buyouts of Beatrice Company (US\$8.7 billion) in 1986 and RJR Nabisco (US\$31.3 billion) in 1989, two of the largest private equity deals of all time. It is a relationship that has been based, above all, on outstanding client service.

“To me,” says KKR founding member Henry R. Kravis, “great client service is a firm that anticipates our needs and has the depth and the willingness to come up with creative solutions for difficult problems. Deloitte has been a terrific partner with us, helping us think through issues and coming up with solutions. To us, that is the most important thing.”

The power of that relationship is well demonstrated in the buyout of Royal Vendex KBB. The largest non-food retailer in the Netherlands, with 40,000 employees and net sales of around US\$5 billion, Vendex was acquired by KKR in a US\$2.5-billion transaction in July 2004. Deloitte was asked to advise on the deal, and a global team was mobilized, headed by Terry Awan from the London office of Deloitte United Kingdom, and drew upon partners from the member firms in the Netherlands, United Kingdom,

and United States. So impressed was the company with the quality of the team’s work and the strength of Deloitte’s retail expertise, it awarded Deloitte the recurring audit. Says KKR Lead Client Service Partner Wayne Dewald, Deloitte United States, “The engagement demonstrates that the Deloitte member firms continue to provide outstanding client service to KKR and its portfolio companies globally.”

The Power of Breadth: Blackstone

The Blackstone Group is one of the cornerstones of the private equity practice. From a start-up balance sheet of US\$400,000 in 1985, Blackstone has invested a total of US\$16.6 billion in 265 transactions. The company is currently putting the finishing touches on a US\$12.5-billion fund, Blackstone Capital Partners V, which will be the largest private equity fund ever raised. Viewed collectively, Blackstone’s holdings place it among the top 20 of the Fortune 500.

To serve Blackstone and its portfolio of companies demands an unrelenting pursuit of excellence and value, with the highest levels of professionalism and integrity. Today, Blackstone is one of the most prestigious client relationships within Deloitte member firms, with hundreds of professionals engaged all over the world. It has been built on shared values and a legacy of trust, quality, and reliability forged over 20 years between two market leaders.

It has also required a wide array of expertise: from its roots in private equity, Blackstone now encompasses eight businesses, spanning a full suite of alternative asset classes, as well as corporate, restructuring, and reorganization advisory services. Deloitte member firms serve Blackstone across each of these businesses—a testament to the breadth and depth of Deloitte’s expertise in the alternative asset management arena.

“Given the breadth of our operations,” says Blackstone’s Chairman, CEO, and co-founder Stephen A. Schwarzman, “and the complexity of the issues we face on a daily basis, we need a world-class firm that can deliver on a moment’s notice anywhere we are doing business around the globe—Deloitte has been that organization for us over the last two decades.”

“We are enormously proud to serve a client like Blackstone,” says Blackstone Advisory Partner Bob Walsh, Deloitte United States. “Blackstone is a world leader in alternative asset management, and serving them means we are truly helping the leaders to lead.”

A Leader in Europe: 3i

The standard of service provided by Deloitte member firms has also carried the U.K. member firm to a position of preeminence in the United Kingdom’s private equity sector, a market that accounts for around 40 percent of all European private equity activity and is second only to that of the United States. In 2004, Deloitte member firms advised on 9 out of the top 12 European buyouts and on more than €1-billion buyouts than all competitors combined. The relationship of Deloitte member firms with the sector leaders has been key—and not only on the mega-deals.

An early trailblazer for private equity in Europe, 3i is today one of Europe’s leading

private equity firms, and the only one to be listed on the FTSE 100. Recognizing the value Deloitte member firms can bring, in 2004, 3i conferred “preferred provider” status upon Deloitte member firms in a number of major European countries. Since then, Deloitte member firms have completed four major deals, including 3i’s largest yet, the acquisition of National Car Parks, with Deloitte services for 3i spanning the range of corporate finance, tax, due diligence, IT modeling, and pensions advice.

“Quality is paramount,” says 3i Lead Client Service Partner Chris Ward, “understanding the sector and what makes our clients tick, continuously improving, and challenging ourselves to learn something every day.”

Anti–money laundering

One of the most complex and highly charged issues facing the financial services and other sectors is money laundering. The Deloitte member firms offer Forensic & Dispute Services, a subset of Financial Advisory Services. In this brief interview, Nick Matthews, who heads the U.K. member firm Anti–Money Laundering team, provides some insights.

What are the main issues facing your clients at this time?

The related issues of money laundering and terrorist financing are receiving a lot of attention from regulators and law enforcement. Money laundering starts with “dirty” money—from illicit sources—and makes it appear legitimate. Terrorist funding, on the other hand, takes money from legitimate sources and puts it to illegal use. Compliance officers have typically looked carefully at the origin of funds and may not, therefore, identify such “reverse laundering.” Another challenge arises from the monetary amount involved. Terrorist plans do not necessarily require significant capital; the funds flows may well be unremarkable and small enough to pass unnoticed in a bank’s day-to-day monitoring processes.

How are these problems resolved?

These are dynamic issues. Deloitte member firms work with clients of all sizes, local, domestic, or multinational, to assess the money laundering and terrorist financing risks they face. Those risks stem from a combination of the financial products they provide, their customer mix, and the means by which they reach their clients, such as via the Internet. Each client’s risk profile is unique. Once it has been defined, Deloitte member firms support the client in the design and implementation of mitigating controls. Where incidents of money

laundering have been detected, the member firms investigate the circumstances and advise on remedial action.

What are some examples of work the team has done for clients?

A combined team from the United Kingdom, United States, and Australia member firms has been working with an international bank to update its global anti–money laundering (AML) policies, and to review its compliance across its entire client base. Deloitte member firms have worked with businesses facing regulatory action to develop and implement remedial plans. In emerging economies such as in Central and Eastern Europe and Asia Pacific, member firms advise clients on AML practice and regulation, often with reference to the United States or United Kingdom, as well as local requirements. Interestingly, what is emerging is an increasing interest in AML issues among non-financial firms, including major retailers. Deloitte member firms advised a global manufacturer of consumer goods on the AML risks that it faced in various jurisdictions, and teams from Europe, the Americas, and Asia assisted in implementing a commercially viable system of controls, covering the identification of customers and recognition of suspicious activity.

What does the future hold?

In a word—change. Across the world, AML legislation is building up. Even in countries with long-standing AML regimes, refinements in laws and industry practices make money laundering a dynamic issue facing the international business community. As companies become increasingly global in their operations, the challenge of maintaining the highest standards of controls while enhancing competitiveness will only become greater.

Helping the Air France-KLM merger get off the ground

Helping complete complex transactions requires more than outstanding professional expertise.... It also takes a solid understanding of the industry and entities involved.

The recent merger of Air France and KLM Royal Dutch Airlines signaled that the winds of change are sweeping across the European airline industry. The new company—the result of the first successful major cross-border airline merger since SAS was formed 50 years ago—is the new industry leader. It is the world's largest airline when ranked by operating revenues and ranked first in Europe in terms of passenger traffic, making it a powerful player in an industry where many others struggle to remain profitable.

Successfully getting the merger off the ground depended upon a number of factors—not the least of which was regulatory approval of the deal in Europe and the United States. Another important step was for the former Air France to obtain a listing on the New York Stock Exchange, where KLM had been listed since the 1970s; this was necessary to perform the financial aspects of the transaction.

“The merger was to be performed as a Public Exchange Offer, under which private investors holding KLM shares would exchange them for Air France shares,” explains Deloitte France partner Pascal Pincemin, who, as Lead Client Service Partner, has primary coordinating responsibility for services provided to Air France by Deloitte member firms around the world. “With a merger such as this, it was important to complete this exchange in a timely manner, which meant that Air France had to get listed in the United States as quickly as possible.”

An important first step in the listing process was the conversion of Air France's financial statements to U.S. GAAP. Given the size and nature of Air France's business, such a conversion would typically take the better part of a year, a luxury Air France did not have if the merger was to be completed according to the terms of the merger agreement. The fact that the Air France client service team was able to complete the assignment in less than half that time was a result of several key factors.

First, since Deloitte France was Air France's auditor, the firm already had a sound understanding of the company and its financial statements. Second, the French client service team used the French local Global Offering Services and sought the assistance of the Deloitte U.S. member firm. Together, their combined knowledge of Air France's financial position and U.S. GAAP, and their experience with the U.S. Securities and Exchange Commission, enabled them to more quickly resolve the many complex technical accounting issues created by the change in accounting standards.

Perhaps the most important factor, though, was the way in which the client service team was structured and approached the engagement.

“The multidisciplinary team included only practitioners with significant experience with the client, the industry, and technical issues,” Pincemin says. “They also approached their work in an extremely well-organized and disciplined manner: there were clear action steps for each stage of the engagement, with specific tasks for every person on the team, and precise deadlines that had to be met in order for the work to progress to the next stage. Even though there were a lot of very complex things happening, all of it went very smoothly—a testament to the professional and interpersonal skills of the team.”

Air France met its deadline for listing on the NYSE, and the share exchange was completed according to the merger agreement. Today, the combined Air France-KLM is an NYSE-listed company, with Deloitte France as a joint auditor of the combined entity.



Left to right, Philippe Calavia, Deputy CEO, CFO (Air France-KLM Group), and Pascal Pincemin, Lead Client Service Partner (Deloitte France), at Charles de Gaulle Airport in Paris.

“As we worked through a number of technical issues, I was impressed with our auditors’ understanding of our business and our economic imperatives.”

—Jean-Cyril Spinetta, Chairman and Chief Executive Officer, Air France-KLM Group

Preparing the global energy industry for Sarbanes-Oxley 404

As the impact of Sarbanes-Oxley legislation has broadened, Deloitte member firm professionals have developed solutions ... like those for Global Energy & Resources clients.

The countdown is on. On the heels of compliance requirements for domestically domiciled businesses, internationally domiciled Securities and Exchange Commission registrants now face the stringent task of complying with Sarbanes-Oxley (SOX). Globally, Deloitte member firms have used the experience and specialized insights garnered during readiness engagements for domestic registrants, including an array of projects for the energy sector, to ensure the specialized needs of companies in their industry are met as they adapt to SOX and similar legislation around the world.

"Our approach to delivering these large-scale services has been to create systems and programs that are sustainable in nature," notes Chris Nicholson, DTT leader for Energy & Resources. "To do so, we've tapped the multinational and multidisciplinary talent from Deloitte member firms to develop tools and methodologies that combine program management with people, processes, and enabling technologies."

"The requirements are broad under SOX Section 404 regulations. They range from documenting controls and processes to identifying risks and control objectives, deploying and evaluating internal assessment controls, identifying and remediating control deficiencies, and training clients in all of these areas," Nicholson adds. "The critical mass of projects we performed for U.S. domestic energy companies has positioned Deloitte member firms to provide value-added SOX services to non-U.S.-based energy companies."

"We developed a wealth of solutions during our initial efforts," says Monte Zaben, Deloitte United States, Energy & Resources Internal Controls leader, "that our member firms have been able to apply and expand upon for non-U.S.-based clients." In addition to keeping Deloitte member firms informed and sharing best practices, Zaben and his team provide direct assistance to Deloitte member firm professionals in this second phase.

ENI, Italy's national oil and gas company, has engaged Deloitte member firms in 15 countries in Africa, Asia, Europe, and North America. Deloitte Italy leads ENI's SOX readiness assistance with particular emphasis on designing controls over financial reporting processes and program management. "It is a

challenge to help ENI not only to achieve compliance, but also to enhance risk management and internal processes," notes Ciro Di Carluccio, Lead Client Service Partner. "In the end, ENI will be able to use SOX readiness to enhance shareholder value."

Petrobrás, Brazil's largest industrial company, with annual revenues of US\$37 billion, is a national oil and gas exploration and production company with operations in 15 countries across three continents. Petrobrás chose Deloitte Brazil and Deloitte Argentina as SOX Section 404 certification advisers. Juarez Araujo, leader of Enterprise Risk Services, Deloitte Brazil, was able to secure this appointment by demonstrating the experience in SOX readiness of other Deloitte member firms as evidenced by similar assignments for major Brazilian financial conglomerates. Another important differentiating factor was the matching of Deloitte member firms' expertise—particularly that of Enterprise Risk Services' financial instrument specialists and of Petroleum Services—to significant areas of the entity's operations.

BHP Billiton, a diversified resources company with mining, oil, and natural gas operations spanning the globe, is also a case in point. Deloitte member firms in Australia, South Africa, Chile, the United Kingdom, and 16 other countries are providing comprehensive SOX 404 readiness services to BHP Billiton. Lead Client Service Partners Phil Hopwood

“We did not underestimate the size of the challenge as we sought to deliver the SOX Change Management program.... The team brought considerable skill and expertise and helped create the framework for successful delivery. They saw the bigger picture and deeply understood that a successful change management program would help embed an effective system of internal control, while deepening and strengthening our governance process. The excellent results were achieved through the dedication, professionalism, and expertise of the Deloitte team.”

—Mike Harkins, BP Global E&P Internal Controls Evaluation project leader

(Deloitte Australia) and Claude Martin (Deloitte Southern Africa) note that the SOX project has highlighted a number of issues that are being incorporated into multiple “Business Excellence” projects to enhance processes affecting human resources, budgetary and planning, and financial management functions.

BP’s Exploration and Production (E&P) segment engaged Deloitte United Kingdom to assist in its broad-based, groupwide SOX compliance initiative, known as ICE (Internal Control and Evaluation). BP faced the challenge of embedding the internal controls framework into ongoing business practices in its business units across the globe. To facilitate the effort facing BP, a change framework was developed outlining the principles and basic tenets required to integrate the prior work of the ICE teams into the new organization.

The goal was to embed into the organization sustained SOX compliance through internal controls, with the following in mind: “In the SOX Section 404 world, effective control is to financial reporting what accident prevention is to Health, Safety, Security & Environment. It is the way we do business around here,” comments Mike Harkins, BP Global E&P ICE project leader.

The project team reached a wide E&P audience through change management activities, and moved a significant population of the E&P business units from “awareness” to “understanding” on the change continuum, and even approached “engagement.”

Global approach, knowledge-sharing networks, and an experience base combine to enable Deloitte member firms to effectively provide readiness and compliance assistance to global energy clients as the compliance deadline approaches. This experience will serve as a conduit for enhanced processes and controls and, in turn, lead to enhanced value for energy clients and their shareholders.

My vision is to see the Deloitte brand recognized as one of the most prestigious in the world in terms of service quality, client preference, and being a place where people would like to work.

Ayşe Epikman
Senior Manager, Consulting
Deloitte Turkey



Building a relationship through serving the Rohm and Haas Company

Every transaction has a tax implication. Deloitte member firm tax professionals guide clients through a maze of compliance requirements, regulatory statutes, and high value/high impact issues.

What does it mean to be the “global preferred tax provider” for Rohm and Haas Company, a multinational specialty chemicals and materials company? The answer is “a confluence of factors.” Of course, there’s the technical side. There’s the strong and consistent client service ethic. Then there’s that hard to define yet essential factor that permeates all transactions and interactions.

“We call it ‘client fit,’” says John Rooney, Lead Client Service Partner, Deloitte United

States. “Serving an enterprise in this capacity is not a one-size-fits-all situation. In the case of Rohm and Haas and the Deloitte member firms around the world, the match is tailor-made.”

On the technical end, the role of global preferred tax provider springs from a clear understanding of the client—from its day-to-day agenda to its ultimate goals. Upon that foundation rests a diversified corps of tax professionals equipped to address a range of

issues, from one-off local matters to broad-based planning on an international scale. Consequently, projects have run the gamut from answering VAT questions in Europe to designing and implementing cross-border structures that serve to reduce the company’s worldwide effective tax rate.

This know-how and experience arise from “a dream team of tax practitioners and advisers in member firms located in each of the more than 30 countries where Rohm and Haas



Left to right, John Rooney, Lead Client Service Partner (Deloitte United States); Stan Harmer, Director of Taxes (Rohm and Haas); and Bill Homer, Lead Tax Partner (Deloitte United States).

Delivering a solution that strikes at the heart of tax in the global economy

Think of a large multinational company. Such an enterprise has subsidiaries—likely many—around the world. For each of these operating entities, the company must prepare tax returns as required by the governing authority in which it does business. Could that mean filings in as many as 130 countries? Potentially yes ... and this is just the scale of an issue that is getting ever more challenging.

In today's global economy, the sheer speed of transactions, and the increasingly complex regulatory landscape are but a few of the factors with which the corporate tax departments of multinational companies must contend. Diverse operating entities and disparate tax systems add to the burden of tax planning and compliance. Within this highly decentralized setting, how do you manage process controls and risk on a global basis? How can you have the necessary visibility to get a snapshot of your global tax activities at a glance?

The drive to resolve these issues led Deloitte member firms to develop an approach to serving clients' global tax compliance and reporting needs—Global Backbone™. Global Backbone is a locally delivered, centrally coordinated global tax compliance and reporting service scalable to meet each client's specific needs ... and underpinned by world-class global processes and technologies.

Deloitte tax professionals in more than 50 countries worked with colleagues on a joint United States-United Kingdom team to develop

Global Backbone™ processes and supporting technologies. Why "Global Backbone™"? After all, the playing field for major companies today is, without question, global. And, compliance is the backbone of tax and is clearly moving up on the business agenda.

"Global Backbone is flexible and collaborative. It enables us to bring the right people, the right process, and the right technology to a client's global compliance needs. It is a highly automated, standardized, and transparent tax compliance and management approach supporting the optimum mix of internal and external resources, located anywhere in the world, working together to achieve the client's goals," advises Bob Chapman, Partner-in-Charge, Tax Cosourcing Services, Deloitte United States.

The Global Backbone approach is achieving control and efficiencies in the tax compliance process for clients the world over. It relieves many burdens associated with managing a global tax organization and dealing with constantly changing tax laws. Visibility is provided through a secure, web-based portal, which affords users 24/7 real-time access to a panoramic view of the status of their tax filings wherever they are required and access to related tax documents and information.

Global Backbone brings it all together. The next generation in tax compliance is here ... and it just keeps getting better.

operates," notes Rooney. "To be an effective worldwide tax service provider for a multinational with broad-based operations, it is not enough to cover the client's main three to five countries. You need a linked approach that matches those locations with on-the-ground member firm tax professionals. You top that off with a highly skilled strategic integrator to connect the dots from the Americas, Asia Pacific, Europe—wherever necessary."

That connectivity takes the form of the Lead Tax Partner, Bill Homer, Deloitte United States. He acts as the first point of reference and contact for the client's worldwide tax services. In fact, Homer, former tax counsel for Rohm and Haas, works out of the client's headquarters in Philadelphia. He represents, in essence, the intersection of technical strength and client service excellence. As the nexus of the engagement, Homer effectively attends to all of the client's tax matters, coordinates Deloitte member firms' supporting activities, and functions as the means to manage risk and control cost.

"At any given time," explains Homer, "there may be more than 50 Deloitte member firm professionals around the world working on various Rohm and Haas tax matters. To address issues requiring deep specialization, we've tapped our 'best and brightest' tax and legal talent to serve as permanent members of the team. Our access to these individuals and their responsiveness enable us to see the big 'tax picture' for Rohm and Haas and add value along the way."

Calling upon specialists who possess deep technical knowledge and experience in tax matters that relate to transfer pricing, corporate restructurings, and tax controversy services—to name but a few of the many areas that Deloitte member firms bring to bear on this project—has proved a stimulating experience for Homer. "A broad-based global organization such as Rohm and Haas faces complex issues on a routine basis. Whatever challenges arise, we have the intellectual horsepower to distill, analyze, and resolve them efficiently and effectively," remarks Homer.

The strategy of bringing in Deloitte member firms' top talent has paid off in both results and overall client satisfaction. An engagement of this magnitude, however, does not come without hiccups. "Whenever a glitch occurs," notes Homer, "it is important to recognize it and deal with it immediately. So is taking steps to prevent further occurrences. Due largely to the dedication of the team, problems have been kept to a minimum."

Such support and responsiveness transform this tax engagement into a relationship. As Stan Harmer, Director of Taxes at Rohm and Haas, articulates, "When I think of what distinguishes a world-class service tax provider like Deloitte member firms, I think of a relationship. It's a relationship that is viewed and managed on a long-term basis. One that's going into the future requires an investment in knowing the client company and maintaining that level of knowledge. That—and much more—is what the worldwide Deloitte member firm tax team brings to us."

Serving Grupo Carvajal as it grows over the years

Deloitte member firms serve a range of clients, from well-entrenched titans of industry to high-growth enterprises—from mammoth to minor and those in the middle.



Left to right: Alfredo Carvajal, CEO, Grupo Carvajal; Oscar Darío Morales, LCSPP, CEO, and Managing Partner of Deloitte Colombia.

More than 100 years ago, a father and two sons poured 200 pesos into starting a business with a single hand-operated printing press. From these modest roots, Grupo Carvajal has evolved. Today, Grupo Carvajal is the largest multinational company headquartered in Colombia. Its operations cut across 15 countries in Latin America and span Spain, the United States, and, most recently, China. With US\$1 billion annual turnover, it is a significant player in a number of business lines, which range from printing and paper product manufacturing to book and telephone directory publishing, office supplies production, and others.

Grupo Carvajal has achieved this level of distinction by focusing on sustained growth. That, in turn, has required insight and action.

Over the last decade, the company has implemented a series of initiatives to strengthen its position in the markets where it operates. Examples include: creating a Shared Services Center that provides administrative and financial outsourcing to the entire group; converting financial systems and statements to International Financial Reporting Standards (IFRS); and installing an enterprise resource planning system.

Who has worked side-by-side with Grupo Carvajal on these and other initiatives? Deloitte Colombia has done so, in its capacity as “permanent advisory-services provider.” Deloitte professionals from the Colombian and other member firms have delivered integral solutions that have contributed to value-generation for Grupo Carvajal’s businesses. Oscar Darío Morales, Lead Client Service Partner, explains: “Grupo Carvajal has always found in Deloitte a solution for its most important projects, through our multiple service lines.”

For example, the question arose: Given Grupo Carvajal’s diversified and decentralized businesses as well as geographic spread, what is the best way for it to manage its financial and administrative functions on a day-to-day basis? A Shared Services Center. A team of practitioners from Deloitte member firms helped develop a framework based on the client’s needs. Then they helped put it in place. The resulting structure serves all of Grupo Carvajal’s operations. It has ensured consistent quality and enhanced processing; it also has reduced costs.

Sustainable growth requires, among other things, adequate funding. To finance expansion plans for the years to come, Grupo Carvajal approached the International Finance Corporation (IFC), the investment banking arm of the World Bank. According to covenants entered into with the IFC, Grupo Carvajal must convert its financial systems and statements to IFRS. This process will lead to some sector holding companies going public and being listed on the Latin American stock exchanges. Through this major project, implemented by a range of Deloitte member firm professionals, the client is that much closer to receiving the means to expand as well as reduce capital costs.

A project is also under way to implement an enterprise resource planning system, which will improve the competitive position of Grupo Carvajal. On this and other assignments, Deloitte member firm audit and consulting teams have worked, and are continuing to work, with the client. The participation of tax and legal teams from various Deloitte member firms also has been important in the delivery of advisory services, such as transfer-pricing studies for international operations.

“Deloitte has constituted significant support to meet the objectives that we have outlined, with integral solutions supplied by a competent and reliable team. We expect to continue teaming with Deloitte member firms, to help us through the challenges our organization will confront in the future,” says Oscar Rivera, CFO of Grupo Carvajal.

Business as usual

Deloitte Spain's spirit remained unwavering and its services barely paused.

For two days in mid-February, the biggest fire in Madrid's history burned through a 32-floor office building that had been a city landmark, completely destroying Deloitte Spain's Madrid office in the process.

For the 1,000 members of the office—which occupied 20 floors as the primary tenant of the building—the dramatic fire was more than just a spectacle to observe on a mid-winter weekend. Instead, it marked the beginning of a tremendous client service challenge.

"The fire occurred at the busiest time in our year," says Carlos González, CEO of Deloitte's Spanish member firm. "Suddenly, we found ourselves with no office, computers, or telephones with which to serve clients. However, the work itself remained—as did the deadlines for getting it done."

The office moved quickly to restore operations. Even before the fire was extinguished, Deloitte Spain's management team acquired two floors in the adjacent Picasso Tower from which they began to coordinate the activities of their client service professionals. Within a day, a cellular telephone network was set up, and reestablished email, Internet access, and a full fixed line telephone system followed soon after. And, just one week after the fire, 700 fully operational laptop computers were

distributed to the office's client service professionals, with 300 more soon to follow.

Three important factors helped the office to quickly restore operations. First, and most importantly, no member of the firm was injured in the blaze. Second, the firm's electronic client data files survived the fire because they were stored in a specially protected fireproof vault. The backup system was undoubtedly one of the key factors for success. And finally, clients and other companies in the city generously offered to house members of the firm in their facilities until the firm acquired new premises of its own. Today, the full office has been relocated to the Picasso Tower.

"Teamwork was the key to restoring effective operations so quickly after such a serious event," González says. "It was a team that shared a commitment to helping each other, and shared a primary focus on ensuring that our clients continued to receive outstanding service at all times."



Feb 12	Saturday Fire breaks out in the building that houses Deloitte Spain's Madrid office	Feb 13	Sunday morning Deloitte Spain's Management Committee meets to plan its recovery strategy afternoon Office tower that housed Madrid office is completely destroyed
Feb 14	Monday morning Client service professionals go to work at clients' offices afternoon Cellular phone network established	Feb 15	Tuesday morning Fixed line telephone network recovered afternoon Search begins to secure 1,000 laptops to replace those destroyed in fire
Feb 16	Wednesday Internet and email reestablished	Feb 17	Thursday All business and management tools and systems running again
Feb 18	Friday Deloitte Spain acquires permanent offices in the Picasso Tower	Feb 19	Saturday Deloitte Spain begins receiving 1,000 laptop computers
Feb 20	Sunday Laptop computers distributed to client service professionals		

The Deloitte Audit

Auditors play a critical role in the financial reporting supply chain, and The Deloitte Audit enables them to continue to play that role with excellence.

In a world of incredibly complex capital markets, labyrinthine reporting standards and regulatory requirements, and occurrences of fraud and scandal, CEOs and CFOs, as well as audit committees and others charged with governance, are held accountable as never before.

The importance of auditors as a critical link in the financial reporting supply chain has never been more apparent, nor their role more valued. Deloitte member firms around the world proudly take on this role.

The fact of the matter is that the people of Deloitte member firms are passionate about their responsibility to clients and stakeholders. They strive for quality in all they do.

It's why the member firm audit practices are investing tens of millions of dollars in a new generation of audit methodology and technology to be known as "The Deloitte Audit." The Deloitte Audit continues the tradition of excellence and innovation. The Deloitte Audit replaces AuditSystem/2, which, 10 years after its introduction, is still a leader in the profession. This system was made possible by the first generation of laptop computers, which enabled the Deloitte member firm audit practices to put powerful audit software in the hands of professionals, right there, in the field. It is used today on audit engagements everywhere in the world.

Deloitte's audit practices' extensive experience with AuditSystem/2 taught them a lot about what technology could do to help them perform high-quality audits. The Deloitte Audit builds on that experience. It not only involves a complete overhaul of the audit "operating system" worldwide, it also requires a huge learning and change management effort together with significant upgrades to the technology infrastructure. Work started several years ago; an early version was tested in 2005, with a pilot on live audit engagements planned for 2006 and the worldwide rollout in 2007-2008.

By providing everything existing today and then a whole lot more, The Deloitte Audit makes a good thing even better.

Several factors go into The Deloitte Audit difference. For one, "The Deloitte Audit's underlying relational database makes it possible to view accumulated audit information in a variety of different ways as the audit progresses toward completion," says Nicholas Fraser, DTT Director of Audit Services. "For example, field auditors can see

the day-to-day status of work assigned to them, and they have ready access to context-sensitive guidance to support them in performing that work. At any point in time, an audit partner or manager can obtain a high-level view, a snapshot as it were, of all the significant risks that have been identified to date together with the internal controls that mitigate those risks, the audit procedures that focus on them, and their ultimate disposition."

The Deloitte Audit includes "really flexible functionality," says Fraser, "that enables the audit to be tailored to the needs of every single audit client, however big or small, however simple or complex." And to the specific industry and/or reporting requirements.

Put simply, The Deloitte Audit provides the tools that help Deloitte member firm auditors explore "what could go wrong" in a set of financial statements and then plan and perform a targeted audit of exceptional quality.

What makes The Deloitte Audit better

- Greater transparency and results tracking
- Scalable and adaptable
- Broader and deeper support for the audit process
- Improved audit team and engagement management support
- Improved reviewing capabilities
- Dynamic reporting tools
- Seamless and consistent application of the international audit approach

The Deloitte Audit will differentiate Deloitte member firms' quality in the marketplace and be a source of pride for all of their people.



From left to right:
Peter Szepesi, Deloitte Hungary; Liselott Svaerdloef, Deloitte Sweden; Lorena Soltero, Deloitte Mexico; and Abraham Valliath, Deloitte United States, are members of the project team developing The Deloitte Audit.

A world for future generations

Deloitte member firms join ranks with global leaders to discuss real solutions to challenging world issues.



Students gather with the people of Deloitte Thailand, who helped refurbish their school as part of a Young Thais for Tomorrow project.



Many Heartbeat children got their first contact with animals during a visit with the people of Deloitte Southern Africa.

In 2005, the challenges of poverty, hunger, education, and health captured attention in an unprecedented way as business and political leaders, philanthropists, academics, and celebrities all focused on the urgent need to find real solutions to these global problems. Deloitte member firms are also concerned about the well-being of the communities they operate in and serve, and strive to be highly respected by their broad community of stakeholders. From member firms' good employment practices and quality client service to the contributions their people make to the community, the firms are committed to improving opportunities for current and future generations.

Deloitte member firms actively participate in the public debate about the role of the private sector in poverty alleviation. This year, leaders of various member firms were involved in forums exploring roles for business in the economic development of Africa, contributed to thought leadership on cross-sector partnerships, and met with academics to discuss barriers to universal primary education.

Deloitte member firms also advocate for improved corporate governance, accountability, and anti-fraud and anti-corruption practices—important cornerstones to successful economic development and sustainable business. In addition, the firms' practitioners assist clients around the globe in implementing effective solutions to address these challenges in their organizations. This

assistance involves financial and non-financial assurance, forensic and commercial crime investigations, advice on corporate ethics and compliance practices, developing and implementing effective control environments, and services to support sustainability management.

Job creation and the development of skilled professionals represent significant contributions to healthy economies. Each year, Deloitte member firms hire thousands of recent graduates and other professionals, and provide them with learning opportunities and on-the-job experience to develop and expand their expertise and knowledge in auditing, tax, consulting, and financial advisory services. Today, many of the senior executives at leading companies around the globe are people who developed their skills at Deloitte member firms. The people of Deloitte member firms are also committed to the advancement of their profession. They sponsor and participate in professional forums, teach courses at universities, and play leadership roles in professional associations and regulatory and oversight bodies.

Through their Shared Values, Ethical Principles, and codes of conduct, Deloitte member firms guide their people to apply the highest standards of professional conduct. For example, this year Deloitte Netherlands established a program to address gender and immigrant issues. And while professional services firms have a lesser impact on the environment than some other organizations, Deloitte member firms comply with their local

“The world cannot afford economic behavior that is insensitive to the fate of poor peoples and nations, and that is indifferent to the countries and communities where we work.”

—Bill Parrett, CEO, Deloitte Touche Tohmatsu

environmental laws, and several firms go much farther. In 2005, Deloitte France, for one, adopted a “Green Fingers Charter,” which encourages its people to act responsibly by reducing the use of paper and energy.

Fostering sustainable communities

The people of Deloitte member firms work with local communities to help improve social and economic conditions. Some examples of significant contributions in 2005:

- Deloitte Thailand and its people headed a Young Thais for Tomorrow project that raised funds to refurbish and expand a school for Thai-Hill tribe students. Next year, the firm will again help to rebuild another school for less fortunate children in the rural area of Northern Thailand.
- Deloitte Mexico supports the Meyalli school, which educates girls from lower-income families. Sixty volunteers from Deloitte Mexico spent a day at the school conducting a “Careers and Values Rally.” They discussed various professions, ethics and values, gender equality, and justice and social responsibility. In addition, Deloitte Mexico provides ongoing consultation on long-term planning and expansion efforts for the school.
- Deloitte Southern Africa is an active supporter of Heartbeat, a program that cares for almost 6,000 orphaned and vulnerable children. Along with its client Tiger Brands, the firm has contributed toward monthly food parcels that are distributed to all children in the program.

- Celebration of Deloitte’s IMPACT Day has spread widely since last year. In 2005, tens of thousands of people from Deloitte member firms in more than 20 countries on six continents dedicated a day to activities that address social and environmental concerns.

United Nations Development Program

Deloitte member firms in Australia, Canada, China, India, Indonesia, Singapore, Thailand, and the United States are providing in excess of 14,000 hours of pro bono advisory services to the United Nations Development Program (UNDP) to help it mobilize tsunami-related reconstruction. The member firms’ professionals are helping the UNDP improve reporting, review existing control mechanisms, and identify opportunities to strengthen capacity and accountability in countries affected by the tsunami. They are also advising on opportunities to improve financial systems, processes, and procedures to manage donor funding more effectively.

Rebuilding after disaster

When natural disasters hit—such as the South Asia tsunami and Hurricane Katrina in North America—a top priority for Deloitte member firms is to ensure the safety and well-being of their people. DTT and its member firms often provide assistance to their people in times of need. The member firms and their people also contribute both financially and as volunteers to help relief organizations rebuild communities.



A student ponders a problem at the Meyalli school, which receives ongoing support from Deloitte Mexico.



The people of Deloitte Hungary focused on environmental awareness and protection on IMPACT Day.



Investing in people

As part of its efforts to foster sustainable communities, Deloitte Mexico supports the Meyalli school, which educates girls from lower-income families. This year, 60 volunteers from Deloitte Mexico spent a day at the school conducting a "Careers and Values Rally."

Investing in people

It's a cliché but it's the truth—people are the greatest resource.

Global People Commitments

Deloitte member firms share a common set of People Commitments that add strength, direction, and focus to our organization. These member firms' commitments are:

- **To attract and retain the best.** We strive to attract people with the capacity to contribute to the growth of our organization, sustain a high level of performance, and develop and grow as individuals.
- **To communicate openly and effectively.** We share information openly and in a timely fashion to ensure that all of our people have the information they need to perform their duties properly, and to ensure that everyone's input is heard, considered, and valued.
- **To empower and trust.** We involve our people in decisions affecting them, and create opportunities for them to contribute and add value beyond their current roles and responsibilities.
- **To develop our people.** We create opportunities for learning, provide constructive feedback on performance, and actively support individual career plans and objectives.
- **To recognize success.** We recognize and reward our people based on team and individual performance, and promote people based on merit.
- **To respect and support work-life balance.** Everyone has multiple commitments, and we support our people in achieving a balance among work, family, education, and community involvement.

People are the key to client service excellence and the success and sustained growth of Deloitte member firms. The ability to provide excellent services to clients and add value to their organizations is rooted in the high-quality skills, experience, and professional and business knowledge of talented professionals who act with integrity and objectivity and uphold high ethical standards.

The importance of people to our member firms is reflected in the high expectations set for them and in the commitments our member firms make to them in return. Around the globe, Deloitte member firms are committed to being employers of choice who provide fair, open, and honest working environments in which every person has the opportunity to achieve his or her professional and personal objectives.

With member firms around the globe, the Deloitte global network is naturally diverse

and multicultural. Deloitte member firms strive to be multicultural and inclusive at all levels within each office and client service team. The goal is to capitalize on the diverse nature and uniqueness of the organization to create an environment where every person feels valued, empowered, and committed to Deloitte member firms and their clients—an environment that leads to excellence in client service, increased financial success, and sustained growth.

And Deloitte member firms are committed to continually enhancing the employment value proposition for all of their people. At least bi-annually, the member firms actively solicit their people's feedback, through a Global People Commitment Survey, to identify ways to improve performance in retaining top talent, encouraging work-life balance, and improving the linkage between performance management and recognition.

Women at Deloitte member firms

Women play an increasingly valuable role in Deloitte member firms. Compared with 2004, the numbers outlined below indicate that the percentage of women in Deloitte member firms is on the rise—a trend that will help us to achieve more diversity among Deloitte's future leadership. Deloitte member firms have increased the percentage of women admitted to their partnerships from FY2004 to FY2005 by 30 percent.

As part of their commitment to being employers of choice, Deloitte member firms work toward the advancement of women within their organizations. Some of their current programs include Inspiring Women (Australia), Advancement of Women (France), Women in Leadership (United Kingdom), Women's Initiative (United States), and Women in the Workforce networking in the Europe/Middle East/Africa region. Other member firms, such as Deloitte Southern Africa and Deloitte Netherlands, include targeted activities on behalf of women in their broader diversity and change management programs.

Women as percentage of total: 46%

Women as percentage of member firm partners and directors: 14%

Women as percentage of member firm managers: 32%

Women admitted as new member firm partners in 2005: 17%

Recruiting the best, and helping them achieve the most

Deloitte member firms focus on recruiting top individuals from the best educational institutions and strategic education programs. However, their choices are based on more than just high academic standing.

For example, through internship programs, Deloitte member firms offer short-term employment opportunities to the best and brightest future professionals while they are finishing their education. Deloitte member firms also enhance recruitment through

behavioral interviewing and other screening and performance-predictor tools that help ensure every candidate shares our global values and ethical principles and meets rigorous performance standards.

Deloitte member firms are committed to developing and retaining the talented people who join us, as they contribute to sustained growth and success.

One important tool available for identifying the specific skills and talents member firms require is gEm—Global Excellence Model. It is designed to ensure that every client receives superior consistent service on every engagement. This model provides a framework of the capabilities member firms require of their people and defines the expected shared, technical, and specialized competencies of team members at various levels. Individuals use gEm to identify areas for personal development and their future professional growth.



Evan Last

Fostering a culture of excellence

Evan Last joined Deloitte in Brisbane, Australia, in February 2002, after graduating from the University of Queensland with a Bachelor of Commerce degree. He qualified as a chartered accountant in 2004 and recently completed a Master of Taxation degree at the University of Melbourne.

Deloitte Australia and many member firms around the world support their young professionals while they are “articling”—the combination of on-the-job experience and formal learning programs required to obtain their chartered accountant (CA) designation. Professional trainers and experienced young members of the firm lead a variety of learning programs, including study sessions and tutorials, mentoring programs, and mock examinations.

“Deloitte Australia provides extensive support for candidates completing the CA program, and colleagues who provide useful coaching are invaluable. When I qualified as a CA, I wanted to make sure that the knowledge and experience I acquired while working through the articling program were put to maximum benefit by helping young professionals. Newly qualified CAs possess a vast pool of skills and knowledge about the articling process, and it is amazing how a relatively small investment of time can go such a long way to helping someone else succeed.”

Building careers through opportunity and choice

Over time, career goals change and grow, and as they do, Deloitte member firms support their people with the tools and education they need.

Learning and development opportunities include traditional instructor-led learning and eLearning programs. The Deloitte Learning Platform allows the people of member firms

to take educational opportunities into their own hands. They have access to more than 15,000 learning programs, including courses, online books, virtual classroom sessions, and real-life simulations. Through eLearning, people can acquire the knowledge and skills they need at a time best suited to them.

On-the-job experience also enables the people of Deloitte member firms to acquire the skill sets necessary to serve clients. Each year, more than 1,000 partners and professionals from member firms in 60 countries participate in long-term international assignments through initiatives such as our Global Development Program. Many more participate in short-term international client service projects.



Patricia
Zuanic

Professional globe trotting

Patricia Zuanic, a senior manager in Santiago, Chile, was based in Toronto, Canada, in 2000 and 2001 as part of the Deloitte Global Development Program.

The Deloitte Global Development Program provides top-talented practitioners with the opportunity to work for up to three years in another country early in their careers. The program focuses on providing participants with a broader understanding of the challenges faced by global businesses, strengthens their knowledge of specialized fields and markets, and instills in them a keener understanding of the world's economic climate.

"It was a great experience in so many ways. Professionally, I had the opportunity to learn how business is conducted in a different country, to significantly broaden my knowledge of the mining industry, and to gain other professional and client service skills that I have been able to take back to share with others in Santiago. On a personal level, the chance to experience life in another country, meet many new people, and improve my English helped make my time in Toronto a highlight in my career."



Esther
Colwill

Balanced at the top of the world

For a mountain climber, successfully summiting the highest mountains on each of the seven continents of the world is the ultimate measure of success. In June 2005, Esther Colwill, a senior manager in Calgary, Canada, completed her sixth summit—Mount Everest, the world's highest mountain. She will tackle her seventh summit, North America's Mount McKinley, in 2006.

Deloitte member firms are supportive of their people as they strive for a balance among work, family, education, involvement in the community, and other personal interests. In return, individuals are asked to respect and understand business needs, and consider them in their own decision-making.

With the help and support of Deloitte Canada, Colwill was able to find a way to continue her career while also taking the time to train in the year leading up to her Everest climb and for the three-month expedition itself. According to Esther, the people of Deloitte Canada were an important part of her team. "When I was on the mountain, I received a steady stream of encouraging emails and other messages from partners and staff, a clear indication that the firm is as supportive of my personal goals as a mountaineer as it is of my professional goals."

Developing the leaders of tomorrow

Every successful organization needs strong leadership, both for today and for the future.

The strategic talent management initiatives of Deloitte member firms help identify and develop people who exhibit the potential to be the client service and practice management leaders of tomorrow.

It begins with the admission to member firm partnership, which is based on individual accomplishment and the economic and

business environment in which the candidate practices. A partner admissions framework—which is recommended for use by all Deloitte member firms—provides a fair, objective, and transparent process for identifying candidates and admitting new partners. The framework evaluates each candidate on the basis of six key criteria: service excellence, technical competency, people development, demonstrated commitment to our shared values, leadership effectiveness, and marketing and business generation.

Member firms offer their partners a variety of programs to enable them to continuously develop and enhance their skills. For example, a leadership development program focuses on building skills for partners to lead businesses, industry teams, and client service groups at local, national, and global levels. A business perspectives program provides client service partners with insights into key issues confronting their clients, enabling them to build business acumen and better understand the challenges faced by today's CEOs.



David Dupont-Noel

Teaming for tomorrow

David Dupont-Noel is a French member firm partner located in Paris, who specializes in serving consumer businesses. Dupont-Noel, identified as a top performer, became an LCSP last year. He participated in the Global Development Program on a two-year assignment in Singapore beginning in 1996. Dupont-Noel was admitted to partnership in Deloitte France in 2001 and attended the Global New Partner Seminar in Tokyo in 2002.

Each year, Deloitte's Global New Partner Seminar creates opportunities for partners admitted to member firms that year to come together to network, build global teams, and reinforce our shared value of strength from cultural diversity.

"We live in a global world and have to work together as part of global teams to serve our multinational clients. The opportunity to meet other new partners from other member firms around the world at the Global New Partner Seminar gave me an ideal opportunity to get acquainted with my global colleagues and share experiences. Indeed, the better we know each other, the more we will communicate with each other, and the more efficient we will all be in serving clients."



Nomalungelo Xaba

Paying it forward

Nomalungelo Xaba teaches accounting to children in her community.

Xaba joined Deloitte Southern Africa in Durban as a trainee accountant in 2003 after graduating from the University of KwaZulu Natal with an Honors Bachelor of Commerce degree. Her university education was sponsored by Deloitte Southern Africa. Each year, the firm offers bursaries, scholarships, and training contracts to students interested in pursuing careers as accountants. Currently, over 500 students are recipients under the program, which leads to employment with the firm as an articling student.

"I enjoy working with people from different backgrounds, and the partners and managers constantly share their knowledge on the job. In addition, a development facilitator assists me with technical and day-to-day learning and a 'partner pairer' provides guidance on my career at Deloitte. Both have been enormously supportive of my success and advancement."



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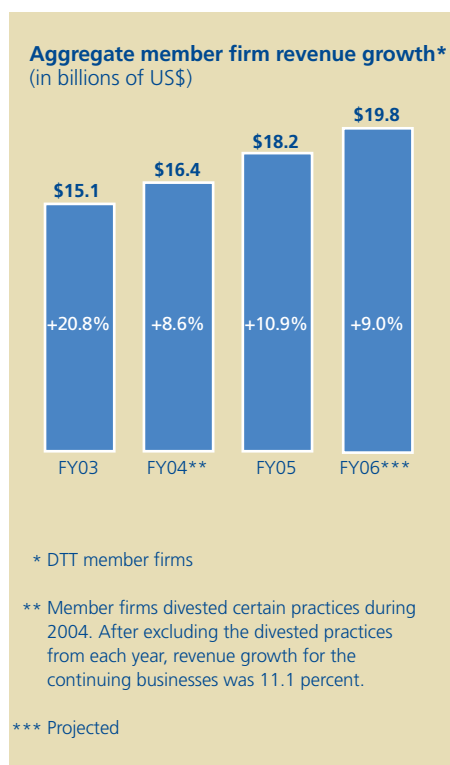
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Sustaining growth through strong financial performance and governance

Sustaining growth through strong financial performance

For the third straight year, Deloitte member firms experienced double-digit growth from continuing operations. Aggregate member firm revenues in 2005 grew by 10.9 percent over 2004 to US\$18.2 billion.



Strong financial performance is critical to the member firms' ability to provide high-quality services to their clients. It enables them to invest in strengthening their capabilities and services, to attract the most talented practitioners, and provide their people with exciting and challenging career opportunities.

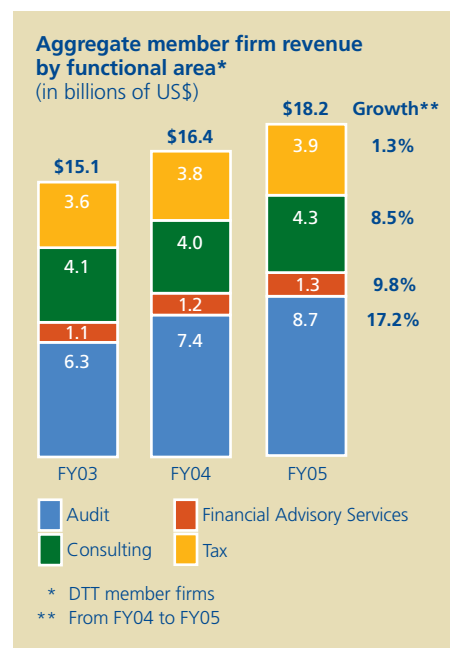
The financial information provided in this annual review is intended to provide regulators, clients, and other stakeholders with a clear picture of the financial strength of the member firms as a whole. We hope this information provides readers with greater insight into the achievements of Deloitte member firms over the past year and the way in which they are positioned for continued growth and future success.

To assess the financial strength of Deloitte member firms, key financial measures such as revenue growth, operating results and profitability, market share, and changes in average partner earnings are reviewed.

Strong revenue growth in all areas

Throughout 2005, the growth in demand for Deloitte member firms' services remained strong, enabling the member firms to experience strong revenue increases across the board—in each of the four primary businesses and three global operating regions.

World-class businesses contribute to growth
In 2005, each of the four primary businesses contributed to the year's revenue growth.



Aggregate member firm revenues from audit and enterprise risk services grew by over 17 percent. This was in large part due to our member firms assisting their clients in developing and implementing the strengthened controls they need to protect their increasingly complex and diverse operations and to meet the requirements of a rigorous regulatory environment.

and governance

After growing by almost 60 percent over the previous two-year period, revenues from tax services grew only modestly this year (1.3 percent), a reflection of a significantly weaker market for certain discretionary non-compliance services, particularly in the United States.

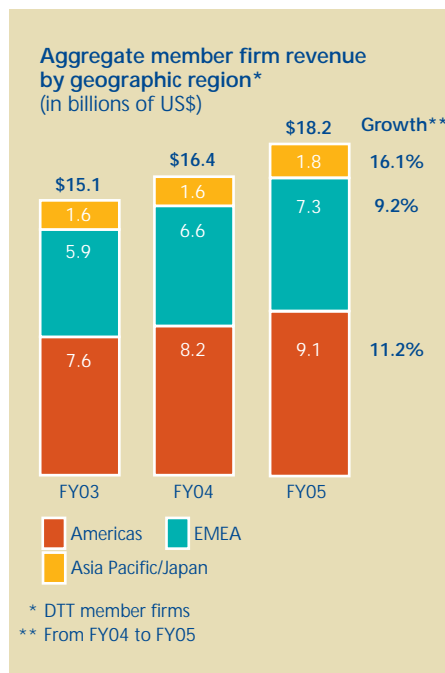
Consulting revenues returned to growth in 2005. Aggregate revenues from consulting services grew by over 8 percent, ending two consecutive years of revenue decline resulting from divestments of certain service lines in prior years. Global aggregate revenues from financial advisory services grew by almost 10 percent. The growth in both consulting and financial advisory services revenues reflects the strong global economy and the associated increase in business activity.

Deloitte member firms provide a broad array of consulting and advisory services, which amounted to US\$7.2 billion in revenues for 2005, an increase of 17.5 percent from the previous year's revenues of US\$6.1 billion. The full breadth of consulting and advisory competencies includes strategy, finance, process, IT technology (including technology infrastructure and planning and enterprise application integration) and IT package implementation (including enterprise applications), risk management, human capital, and outsourcing services.

Powerful practices increase scale around the globe

Each of the three global regions of DTT experienced strong aggregate revenue growth in 2005.

In the Americas region, member firms' aggregate revenues grew by over 11 percent, driven by the strong demand for audit and enterprise risk services (which grew by 20



percent) and for consulting services (which grew by 10 percent). Member firms in Brazil, Canada, and the United States each experienced particularly strong years.

Aggregate revenues from member firms in the Europe/Middle East/Africa (EMEA) region grew by over 9 percent in 2005. As in the Americas, a strong demand for enterprise risk services (which increased by 20 percent) was a key driver behind revenue growth in this region. In addition, the expanding economies of Russia and Ukraine, and the increasingly sophisticated professional services needs of businesses operating in those countries, helped to grow revenues generated by the member firm in the Commonwealth of Independent States by 50 percent. Other member firms with outstanding revenue growth were Central Europe, Ireland, and the United Kingdom.

Deloitte member firms in the Asia Pacific and Japan regions continue to be the fastest-growing practices. Aggregate revenues generated by member firms in these regions grew by 16 percent in 2005, driven by a strong demand for audit, financial advisory, and tax services, each of which grew by more than 15 percent. Another important growth driver is the expanding Chinese economy, which continues to create greater demand for professional services as more Chinese organizations take steps to position themselves as global players in a competitive marketplace. Revenues generated by Deloitte China grew by more than 30 percent, and member firms in Japan, Malaysia, and Singapore each increased revenues by 14 percent.

Continued growth projected for 2006

Current economic indicators suggest the global economy will remain strong in 2006; this will contribute to the continued growth of our member firms. Aggregate member firm revenues are projected to increase 9 percent next year, with growth anticipated in all of our primary businesses and operating regions.

Strategic investments contribute to strong operating activity results

Each member firm continually invests to enhance its ability to provide clients with the highest-quality services. These investments include learning and growth programs to further develop and enhance professional skills, building state-of-the-art technologies, and developing and improving service methodologies and processes to meet professional, governmental, and industry regulations and standards.

Partner capital and compensation

National partners are the owners of the respective Deloitte member firms, and most invest significant capital and hold equity interests in their national practices.

The substantial investments partners make in their member firms provide the working capital that enables that firm to invest in the future of its business. In addition, like all companies, member firms have commitments such as guarantees, leases, and pensions. While some of these commitments are funded, as is the case of all liabilities, the obligations are specific to each individual member firm. On average, the member firms have a ratio of current assets to current liabilities of greater than 2:1.

Most partners' equity interests in their member firms represent a substantial portion of the partners' net worth. Partners assume a certain degree of liability for adverse events affecting their practices. Compensation for partners, therefore, reflects the sizable investments they have made and the risks they assume as owners. In addition, we believe that the significant capital investment and the fair compensation of our member firms' partners provides them with a practical

incentive to act as professional leaders and be committed to sustaining excellence in every aspect of their work.

Ensuring financial stability

Member firms pursue appropriate opportunities for practice growth while maintaining prudent control over spending.

Member firms employ differing accounting treatments for certain transactions in order to comply with differences in national statutory and regulatory requirements. These

conditions result in certain items being accounted for differently by the member firms.

Member firms have internal accounting controls for executing transactions in accordance with management's authorization, maintaining accountability for assets, and permitting the preparation of combined financial information. This helps ensure that member firms' assets are safeguarded and that financial information is reliable.

Select composite DTT and member firm financial position information (in billions of US\$)

	31 May 2004	31 May 2005
Client receivables	\$4.1	\$4.1
Total current assets	5.7	6.6
Total assets	8.9	9.6
Current liabilities	3.0	2.9
Third-party debt and partners' capital	4.6	5.9

The amounts above represent combined, not consolidated, financial information. In addition, specific capital requirements vary in different markets and between member firms. For example, debt is considered to be held by the member firm in some jurisdictions, as reflected in the table above, and by the partners as individuals in others.

The information reported reflects the sum of selected operating and financial performance data of the member firms and their subsidiaries and affiliates. Each member firm is a separate and independent legal entity. As such, member firms maintain their financial records in accordance with local accounting standards and regulatory or statutory requirements, as appropriate, for their respective legal forms as partnerships, limited liability companies, corporations, or other structures. Accordingly, although the member firms use a similar structure of financial accounts, certain items may be accounted for differently in different member firms as a result of varying accounting practices and various legal structures.

Member firms include the results of all entities that are majority-owned by their partners. In addition, some member firms have minority interests in other legal entities, certain joint ventures with strategic alliances, and other business relationships for which the results are not included in the information presented here. Revenues include reimbursed expenses.

The sum of these selected operational and financial statistics does not constitute a financial consolidation of the member firms on an actual or pro forma basis; such a consolidation would generally not be appropriate or permissible under international or local generally accepted accounting principles. Further, combined amounts do not attempt to reconcile or restate items that are treated differently among the member firms.

Organization and governance

A unifying structure

DTT is structured as a Swiss Verein, an association of member firms that are legally independent of one another but operate under related names. These names include "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," "Tohmatsu," and others.

As a Verein, or association of member firms, DTT does not provide any services to clients. It is funded by annual subscriptions paid by each member firm, and does not have individual partners, principals, or shareholders. DTT personnel consist of staff of a subsidiary of DTT or of partners, principals, or employees of member firms on assignment to DTT. The cost of these assignments is borne by DTT.

Member-firm structure

The partners of Deloitte member firms are the sole owners of their practices. Their member firms are organized on an individual country or regional basis, and each operates within the legal and regulatory framework of its particular jurisdiction. They are separate and independent firms that are owned and

managed locally. These firms have come together to practice under a common brand, methodologies, client service standards, and other professional standards and guidelines.

Litigation and insurance

The growing litigious environment in certain parts of the world is raising the legal and professional insurance costs, as well as the risk profile, of the global professional services organizations, particularly with respect to the audit function.

Professionally related litigation is a general problem. However, with particular respect to management fraud, auditors are increasingly subject to immediate regulatory action and civil litigation whenever fraud is exposed in public companies, even systemic collusive fraud by management, a phenomenon that the audit was never designed to guarantee against.

This is effectively placing the audit firms in the position of insurers of the capital markets, which is an unsustainable position. This is not to say that auditors should not be the subject of legal action if they are involved in a collusive fraud (although this is

rarely the case) or where there has been some other significant failure to perform in accordance with professional standards.

Although Deloitte member firms maintain professional liability insurance coverage, in the profession as a whole, insurance has become increasingly difficult to obtain in the commercial market. Each Deloitte member firm is required to purchase professional liability insurance to the extent it is available, customary to the laws under which it operates and at a level that is believed to be appropriate for the risks associated with the services it provides. Notwithstanding, such insurance protection is far less than the potential exposure to claims against the profession.

While Deloitte member firms have been able to effectively manage around these risks, this environment, particularly as it continues to develop, is a significant challenge to Deloitte member firms and other professional services organizations. Deloitte member firms, like the others, are private partnerships, which is the legal requirement in many markets. This is creating negative ramifications on operating the business and increases the personal liability for the owners. This, in turn, may also negatively affect the ability of member firms to attract and retain talented people and the cost of services, and, if not rationalized, may inevitably have an impact on the long-term viability of professional services.



My vision for the future is for a single set of worldwide accounting and auditing standards. This would considerably enhance the mobility of Deloitte member firms' people and the ability to deliver truly consistent global client service.

Denise Pacofsky
Senior Manager, Global Audit Services
DTT



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Leadership and leadership team listings

The Executive



Members of the Executive include: (left to right) Hirotake Abe, James H. Quigley, Alan N. MacGibbon, William G. Parrett, Jean-Paul Picard, John P. Connolly, Roger J. M. Dassen, Prof. Dr. Wolfgang Grewe, and Jerry P. Leamon.

Global Management Committee

Standing from left to right:

Shuichiro Sekine

Tokyo
Regional Managing Partner,
Japan

Ralph G. Adams

Edinburgh
Global Managing Partner,
Financial Advisory Services

John P. Connolly

London
Global Managing Director
Chairman, Global Management
Committee

Wolfgang Richter

New York
Chief Information Officer

Jeffrey P. Rohr

New York
Chief Financial Officer

Prof. Dr. Wolfgang Grewe

Munich
Regional Managing Partner,
EMEA, and Global Managing Partner,
Innovation and Investment

Steve Almond

London
Global Managing Partner,
Audit

Alan S. Schneier

New York
Global Managing Partner,
Tax

Alberto Terol

Madrid
Regional Managing Partner,
Latin America and Caribbean

Manoj Singh

Hong Kong
Regional Managing Partner,
Asia Pacific

Joseph J. Lambert

New York
General Counsel

Vince Cali

New York
Deputy to the Global CEO

Paul D. Robinson

Toronto
Global Managing Partner,
Consulting

Vassi Naidoo

Johannesburg
Deputy Regional Managing Partner,
Europe/Middle East/Africa (EMEA)

James H. Wall

New York
Global Managing Director, Human Resources,
and Managing Director, Global Office

Colin Taylor

Toronto
Regional Managing Partner,
North America, and Global Managing Partner,
Brand and Eminence

Seated from left to right:

Jerry P. Leamon

New York
Global Managing Partner,
Clients & Markets

Jeffrey K. Willemain

Detroit
Global Managing Partner,
Regulatory and Risk



Board of Directors



Piet Hoogendoorn
Netherlands—
Chairman



Sharon L. Allen
United States



Igal Brightman
Europe/Middle
East/Africa



Sanford A. Cockrell III
United States



John P. Connolly
United Kingdom



Brian L. Derksen
United States



Hendrik Descheemaeker
Belgium



Martin J. A. Eadon
United Kingdom



Richard J. Fineberg
United States



Frank Ford
Australia



Carlos González
Spain



Ernesto González
Mexico



Alcides Hellmeister Filho
Latin America and
Caribbean



Erik Holst Jørgensen
Denmark



David H. Laidley
Canada



Jerry P. Leamon
United States



Carol J. Lindstrom
United States



Alan N. MacGibbon
Canada



Chaly Mah
Asia Pacific



Thomas M. Maloney, Jr.
United States



Kenneth E. McKelvie
China



Andrew G. McMaster
United States



Libero Milone
Italy



Vassi Naidoo
Southern Africa



William G. Parrett
Chief Executive
Officer



Alain Pons
France



James H. Quigley
United States



Amadou Raimi
France



Achim Schmidt
Germany



Martin A. Scicluna
United Kingdom



Shuichiro Sekine
Japan



Bob van Nes
Europe/Middle
East/Africa



Keiji Watanabe
Japan



Edward Way
Asia Pacific

The Deloitte global footprint

Albania	Chile	Greenland	Libya	New Zealand	Slovenia
Angola	China (People's Republic of)	Guam	Lithuania (Republic of)	Nicaragua	South Africa
Argentina	Colombia	Guatemala	Luxembourg	Nigeria	Spain
Aruba	Congo (Democratic Republic of)	Guyana	Macau SAR	Northern Mariana Islands	Swaziland
Australia	Costa Rica	Honduras	Macedonia (Former Yugoslav Republic)	Norway	Sweden
Austria	Croatia (Republic of)	Hong Kong SAR	Madagascar	Oman	Switzerland
Azerbaijan	Cyprus	Hungary	Malawi	Pakistan	Syria
Bahamas	Czech Republic	Iceland	Malaysia	Palau (Republic of)	Taiwan
Bahrain	Denmark	India	Malta	Panama	Tanzania
Barbados	Dominican Republic	Indonesia	Marshall Islands (Republic of the)	Papua New Guinea	Thailand
Belarus (Republic of)	Ecuador	Ireland	Mauritania	Paraguay	Tunisia
Belgium	Egypt	Isle of Man	Mauritius	Peru	Turkey
Belize	El Salvador	Israel	Mexico	Philippines	Uganda
Bermuda	Estonia (Republic of)	Italy	Micronesia (Federated States of)	Poland	Ukraine
Bolivia	Fiji	Ivory Coast	Moldova (Republic of)	Portugal	United Arab Emirates
Bosnia and Herzegovina	Finland	Jamaica	Monaco	Qatar	United Kingdom
Botswana	France	Japan	Morocco	Romania	United States
Brazil	Gabon	Jordan	Mozambique	Russia	Uruguay
British Virgin Islands	Gambia (The)	Kazakhstan (Republic of)	Namibia	Rwanda	Uzbekistan (Republic of)
Brunei Darussalam	Gaza Strip/West Bank	Kenya	Netherlands	San Marino (Republic of)	Venezuela
Bulgaria	Georgia	Korea (Republic of)	Netherlands Antilles	Saudi Arabia	Vietnam
Burkina Faso	Germany	Kosovo	New Caledonia	Serbia and Montenegro	Yemen (Republic of)
Cameroon	Ghana	Kuwait		Singapore	Zambia
Canada	Gibraltar	Kyrgyzstan		Slovak Republic	Zimbabwe
Cayman Islands	Greece	Latvia (Republic of)			
Channel Islands		Lebanon			

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As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.

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