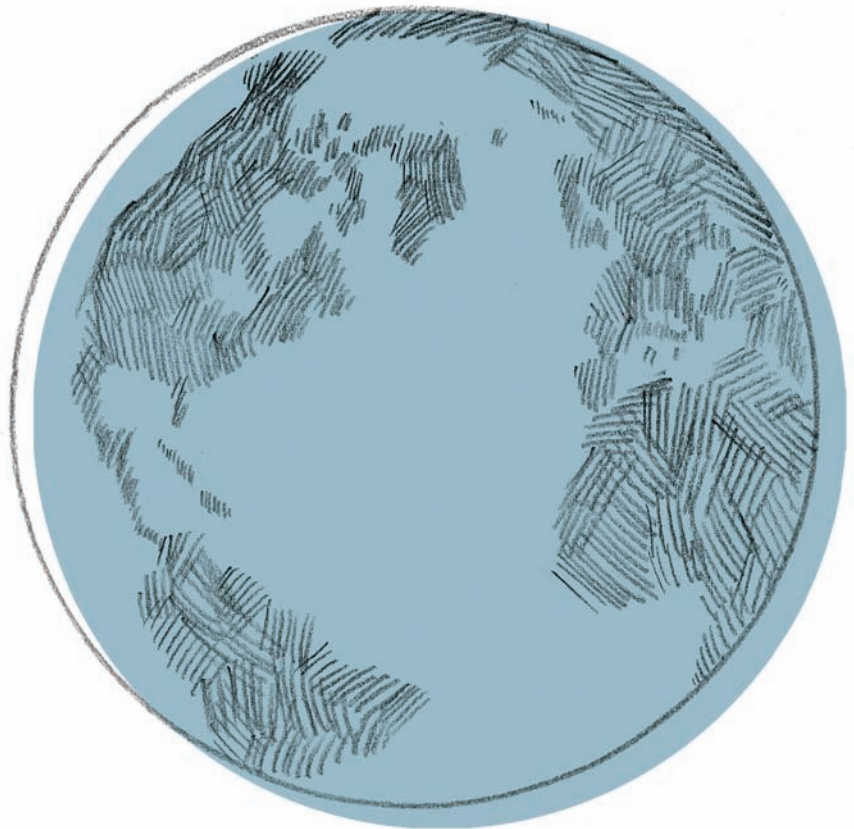


International Financial Reporting Standards: time for conversion?

Fall 2008



Why are International Financial Reporting Standards Important?

There are 195 countries in the world today with over six billion people speaking more than 6,900 languages. Despite this diversity, regional markets have become integrated and increasingly countries are part of one global economy. Fortunately, one basis of accounting, International Financial Reporting Standards (“IFRS”), has emerged as the common language that most of the world’s major economies have already embraced. Surprisingly enough, the United States has not yet adopted IFRS as its standard form of financial reporting.

Until recently many observers considered it unlikely that the United States would move to mandatory adoption of IFRS for U.S. companies. Today this a scenario seems increasingly likely. In early August, the Securities and Exchange Commission (“SEC”) hosted a roundtable that compared the performance of accounting principles generally accepted in the United States of America (“US GAAP”) and IFRS during the recent turmoil caused by the subprime mortgage crisis. The consensus at the roundtable was generally positive in relation to IFRS, with SEC Chairman Christopher Cox noting that, “IFRS worked well during the sub-prime crisis, at least as well and perhaps better than (US) GAAP.”



The SEC has taken the further step of announcing a “roadmap” that may lead to the mandatory use of IFRS by US companies. The roadmap sets out seven milestones that, if met, could lead to a mandatory transition to IFRS starting for years ending on or after December 15, 2014.

The first four of these milestones set out issues that need to be addressed prior to deciding whether to go ahead with the transition to IFRS. The remaining milestones address possible plans for the transition to mandatory use of IFRS, including a decision in 2011.

Should the SEC decide in 2011 to require mandatory adoption of IFRS by US companies, a phased transition would be implemented. Large accelerated filers could be required to file IFRS financial statements for fiscal years ending on or after December 15, 2014, accelerated filers in 2015 and nonaccelerated filers in 2016.

Private companies can transition at any time. With the expected release in 2009 of IFRS for Private Companies, non public companies may want to consider availing themselves of the benefits of a much less complex reporting system.

The seven milestones

1. Improvements in accounting standards by the FASB and the IASB
2. Improved accountability and the establishment of independent funding for the International Accounting Standards Committee (IASB)
3. Improvement in the ability to use eXtensible Business Reporting Language (XBRL) (a form of interactive data under which financial data is tagged so that it can be easily understood and processed by computers) for IFRS reporting
4. Education and training on IFRS in the United States
5. A limited option of early use by eligible entities
6. An anticipated date of 2011 for a decision on whether to require mandatory adoption of IFRS for all US issuers
7. A potential phased transition to IFRS by US companies

Now. It's when companies should be thinking about the impact of converting to IFRS

Given the SEC's August 2008 announcement, the transition from US GAAP to IFRS appears certain. While mandatory adoption in 2014 may appear to be a long way off, US companies can realize multiple benefits by taking a proactive approach and starting to transition to IFRS now:

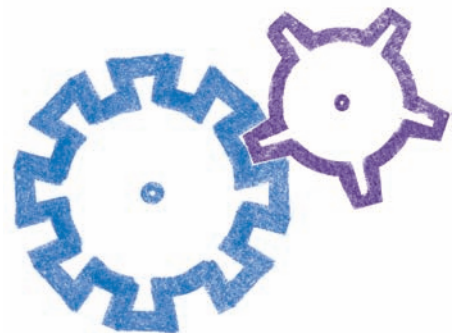
- a full appreciation of the challenges, scope and potential impact of changing their basis of accounting
- the time to consider their accounting options to ensure that the policies selected are representative of the underlying economics of their business
- the ability to control costs and
- the ability to control the timing of the transition

Transitioning to IFRS now provides you with a one-time opportunity to take a fresh look at your critical accounting policies. Management has an opportunity to re-evaluate its financial reporting decisions and the latitude to make substantive changes, exercising its judgment in a new accounting environment.



The impact from changing your basis of accounting is not simply a matter of applying technical accounting rules and principles to your financial statements. The discipline of change management is needed. Changing to IFRS may alter the way you interact with your customers, modify how your financial reporting systems and internal control systems are designed, and impact how management communicates with your external stakeholders. In contemplation of these factors, a successful conversion requires not only the commitment of a finance team, but also demands input from all members of your organization's leadership to ensure a smooth transition.

Project management is one of the most critical components of a conversion to IFRS. Consequently, Grant Thornton's professionals, highly experienced with conversion plans, work with management to develop a structured, multi-step plan that ensures a measured, controlled transition with succinct milestones customized to your timelines.

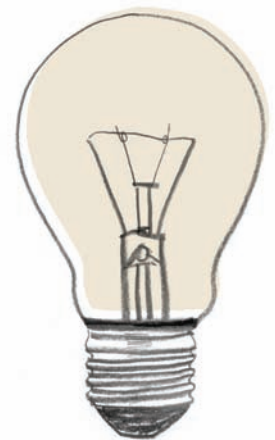


How Grant Thornton's expertise can help

At Grant Thornton LLP, we recognize that when a company moves from its current familiar basis of accounting to IFRS accounting, management will want to work with advisors they can trust to assist them in ensuring that the high quality of reporting achieved under US GAAP is similarly maintained under IFRS.

Toward that goal, Grant Thornton can provide:

- an experienced, knowledgeable and proactive partner-led core project management team that will support your central finance team
- deep experience in the identification and evaluation of the differences between IFRS and US GAAP
- a core project team who will assist management with all aspects of the transition, including the formulation of a detailed transition work plan, a timeline for seamlessly launching and managing the project over multiple locations
- expert professionals to support your business with the preparation of reporting packages and consolidation, full annual consolidated financial statements, and the conversion of your annual financial statements
- the transfer of our IFRS skills to your finance teams through the provision of supplementary training on IFRS, development of accounting papers and guidance for updating your accounting and finance manuals



The focus of Grant Thornton’s IFRS conversion methodology is a carefully structured project plan that we have developed and executed in numerous conversion projects in the United Kingdom and throughout Europe. The leaders of our US IFRS conversion practice are professionals who have worked abroad within the member firms of Grant Thornton International Ltd. and have either led or been deeply involved in IFRS conversion projects.

We approach our IFRS conversion projects in four key stages. Our approach allows for a managed process that can be conducted sequentially, with smooth segues from one stage to the next at a pace that is acceptable to the company. Embedded in our approach is corroboration with management that helps control costs and provides for flexibility with responsibilities as the project progresses.

The four key stages are as follows:

Stage	Objective	Achieved by
One Business understanding and initial diagnostic	Gain an understanding of the company, its business activities, reporting structure and financial reporting issues, and initial IFRS differences, to better focus the IFRS project.	<ul style="list-style-type: none"> • face-to-face meeting between the core Grant Thornton specialist and client personnel • inclusion of subject matter specialists (tax, information technology) to address complex areas • in necessary, visits to divisional finance teams by the Grant Thornton local teams with central coordination
Two Core project	Ensure successful IFRS conversion of the entire client business, with minimum impact on existing operations.	<ul style="list-style-type: none"> • development of detailed project plan centrally coordinated by a dedicated project management team • using a team of internationally located people, across the necessary disciplines, who have all worked together on similar projects
Three Business support	Support the entity’s central and divisional finance teams as they prepare IFRS financial information for each division, through appropriate communication management and hands-on training and regular update meetings.	<ul style="list-style-type: none"> • regular weekly meetings with client central finance team • regular project steering committee meeting with key stakeholders • Grant Thornton change management consultants to support communication strategy to the various stakeholders • on-site and/or on-line training via Centra to support divisional IFRS training needs
Four Knowledge transfer	Ensure finance teams have a strong working knowledge of IFRS and operate effectively going-forward.	<ul style="list-style-type: none"> • specific Grant Thornton consultants with experience of IFRS system improvement to advise on operational improvements • update of the company’s key accounting policies • detailed technical position papers on core areas disseminated to the business units • direct access to dedicated IFRS specialists

In our experience, each stage of the project will vary in length, depending upon the complexity of the differences identified between US GAAP and IFRS. As we gain knowledge about your business and the differences at each stage, we develop a coordinated plan so the project is closely managed in a controlled manner. We provide deliverables at each stage of the project to ensure that management can evaluate findings and assess the next steps to be taken as the project progresses.

At Grant Thornton LLP, our partner-led IFRS conversion engagement teams are distinguished by the close personal attention our subject matter experts provide to each client. Each team is led by a specialist who has worked and lived abroad and has deep, practical, hands on experience in advising and guiding clients through IFRS conversions. Our IFRS conversion specialists understand, anticipate and tailor solutions to the particular challenges each client's conversion may involve. Your Grant Thornton IFRS specialist team will work with you to develop and execute a successful conversion plan and transfer knowledge that can empower your finance team to become proficient in IFRS reporting.



Further information

For further information on conversions and the potential impact of IFRS on your company please contact:

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