mazars

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Foreword

Dear reader,

We are proud to publish our Group financial statements, jointly audited and consolidated under IFRS. We see this yearly exercise of disclosing our financial information to our stakeholders as additional proof of our deeply rooted commitment to transparency and accountability. It also demonstrates the strong integration of our teams worldwide, which allows us to deliver consistent high quality services to our clients wherever they are in the world.

Over the last 12 months, our organisation has grown its global fee income by 10.4%, to reach €1.8bn. These very positive results confirm that we are fully on track to achieve all the strategic objectives we have set ourselves. This year, we have also expanded our geographic coverage and today Mazars counts offices in 91 countries and territories. Our organisation can rely on the skills of 40,400 professionals – 24,400 professionals within our international partnership and 16,000 via the Mazars North America Alliance – to deliver our bespoke services and solutions to clients of all sizes across all sectors and geographies.

This is a performance we can all take pride in, with all service lines and regions contributing to our progress. Not only are we continuing our solid growth trajectory, we are also transforming at a very fast pace and reaffirming our ability to meet the rapidly evolving needs of our clients around the world. We obviously owe these excellent results to the technical excellence of our people and to the relevance of our strategy.

As we are starting a new year, I especially want to come back on a game-changing move for Mazars and the entire audit and advisory market: the Mazars North America Alliance. This alliance agreement between Mazars and five leading firms in the U.S. and Canada provides the market with choice and considerably strengthens our capability across the region, enabling us to better serve our international clients.

Along with our 2019 performance, our ability to embrace and make the most of technology, alongside our balanced and multidisciplinary set of audit and advisory services make us look at the future with confidence. The strength of our unique integrated partnership lies in its proven track-record of recruiting, nurturing and empowering brilliant men and women, to deliver a seamless experience to our clients, wherever they are in the world.

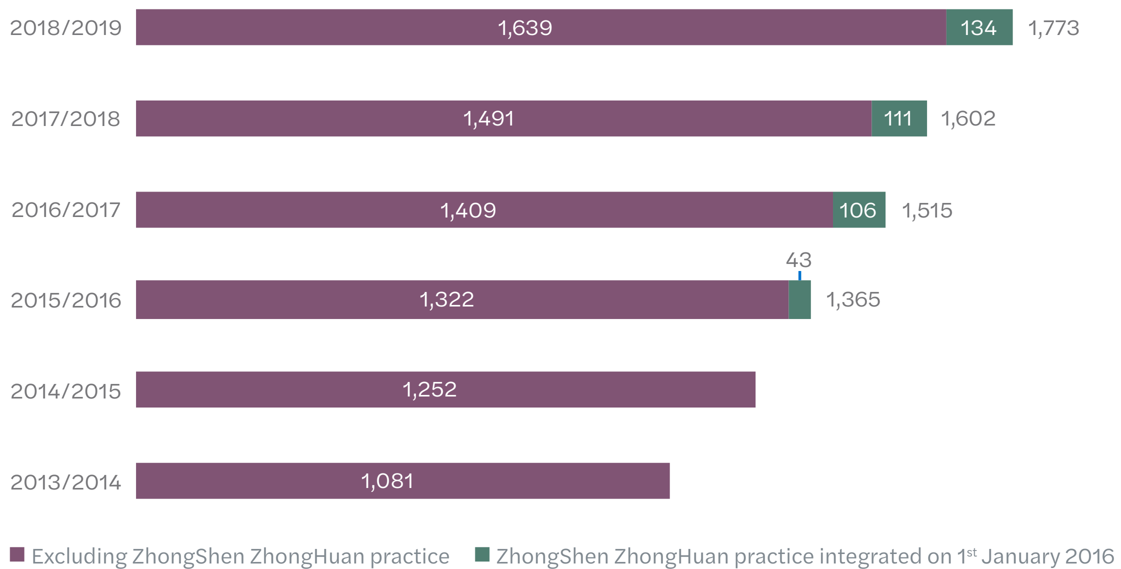
We know exciting prospects lie ahead of us, even though we do not underestimate the challenges our firm and our stakeholders will have to face – from ever stringent regulatory constraints to accompanying our clients transformation, the digitalisation of our professions to cyber risks. In such an environment, our role at Mazars is to contribute to our clients' long-term success, while making sure we stay true to our purpose to help build a fairer and more prosperous world, using our expertise and independence to do what is right for the people we work with - and for the public interest. We will continue to deliver on this promise.

Hervé Hélias
CEO and Chairman of the Group Executive Board

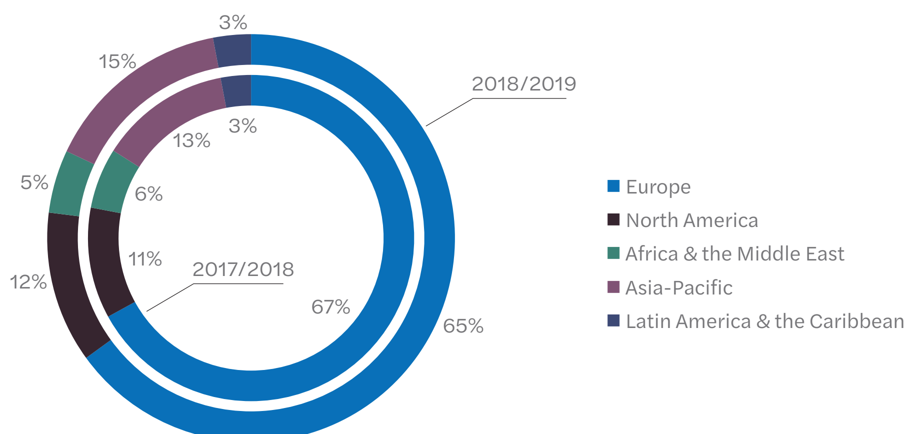
Executive summary

Fee income: 2019. an exceptional year

In millions of euros



In millions of euros



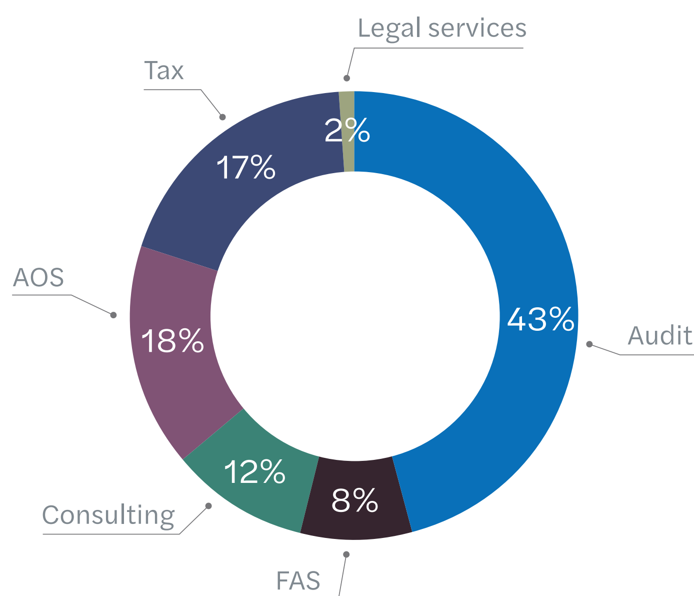
Executive summary

Growth by geographic area

In millions of euros	2017/2018	2018/2019	Variation
Europe	1,075	1,161	8.1%
North America	184	206	12.1%
Africa & the Middle East	89	97	9.4%
Asia Pacific	214	263	22.6%
Latin America and the Caribbean	40	46	13.1%
TOTAL	**1,602**	**1,773**	**10.7%***

* Including +0.2% exchange rate impact.

Breakdown by services lines*: a balance between audit and non-audit services

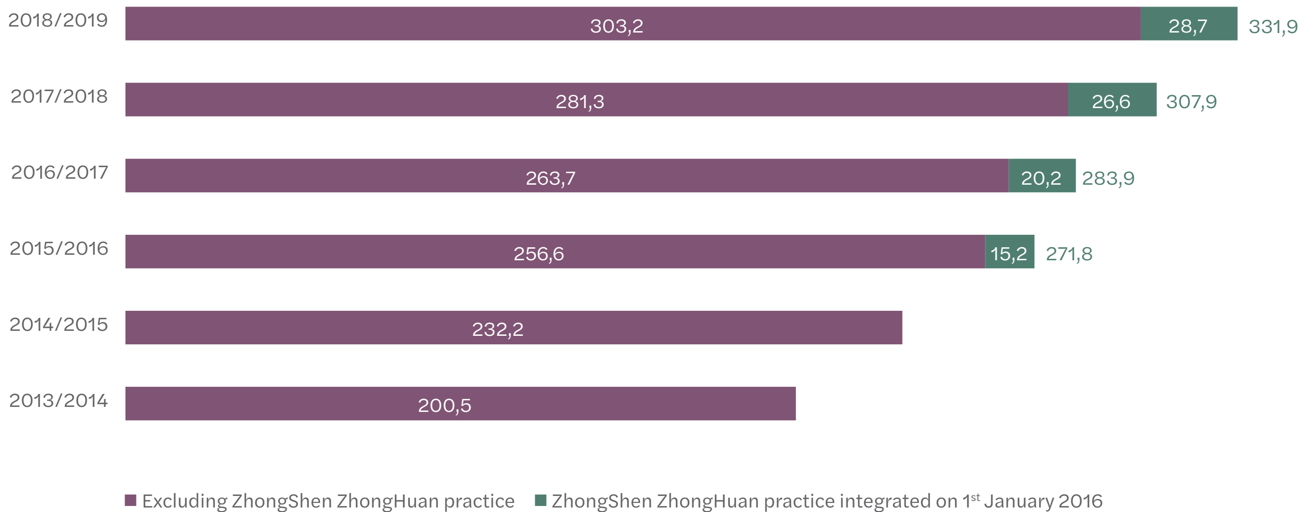


* Without ZhongShen ZhongHuan practice

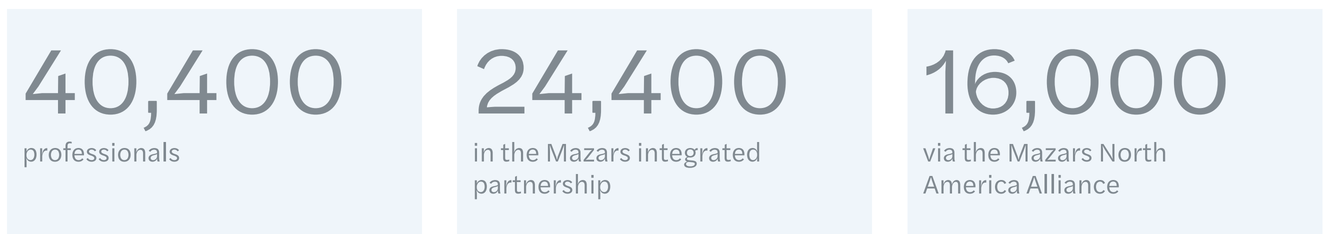
Executive summary

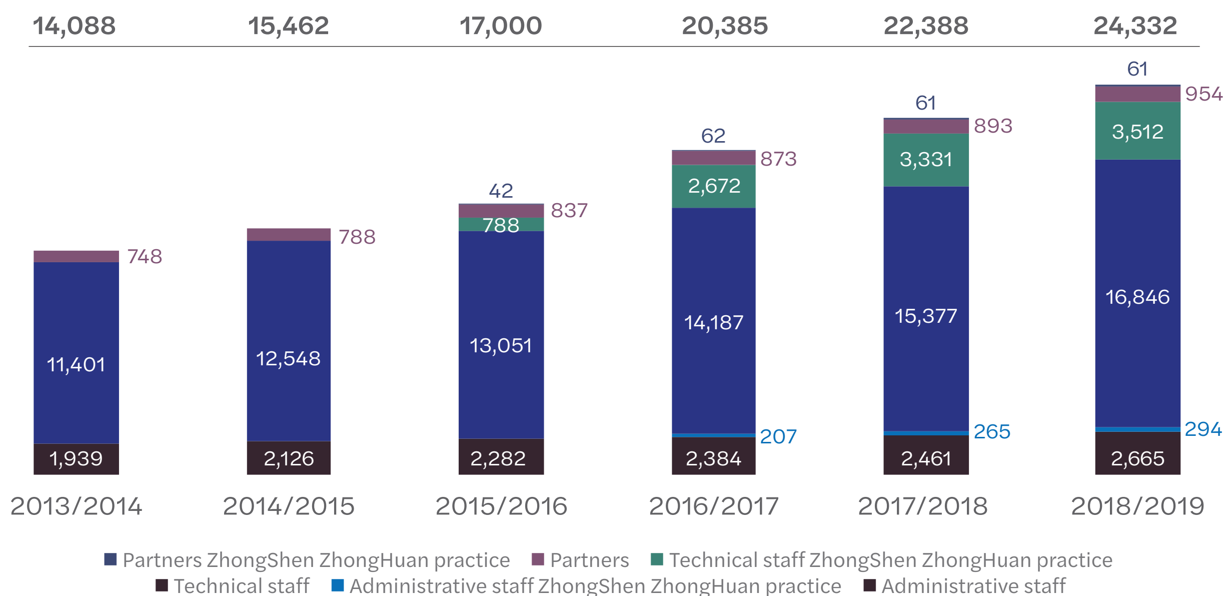
Profitability: impressive performance

Surplus allocated to partners
In millions of euros



Almost 24,400 professionnals around the world in our integrated partnership





Governance

Mazars' governance model

Mazars draws its strength and singularity from its integrated and independent partnership model, founded 24 years ago in 1995. This model is based on the democratic expression of our partners, who together elect our governing bodies, co-opt the new women and men who join us and make us collectively stronger, and approve major strategic decisions.

Our partners: the heart of the model

All of our 1015 partners are part of a collective adventure. They all share a common vision of their profession, a sense of technical and ethical excellence and the determination to offer the best services to their clients. Individually and collectively, they embody the entrepreneurial spirit that is the foundation of our identity and our actions. Our partners also share all risks and benefits and, together, make decisions regarding their common future. They meet at the end of each year at the General Assembly where they approve the appointment of new partners and the consolidated results for the year and vote on strategic and operational new measures. Every four years, the partners elect the new members of the governing bodies.

Two governing bodies with complementary roles

Our two governing bodies have distinct roles that are defined in the Charter that outlines the functioning of our partnership.

The Group Executive Board

The Group Executive Board (GEB) is Mazars' executive body. It is in charge of the operational management of the partnership, with regard to collectively defined key strategic objectives. It focuses first and foremost on pursuing and accelerating growth, particularly by ensuring the Group's development and the quality and sustainability of our activities.

The Group Executive Board in place as of 31 August 2019 was mainly elected during the partners' General Assembly in December 2016. Its mandate will end with the General Assembly approving the 2019/2020 financial statements.

As of 31 August 2019, the Group Executive Board was therefore made up of eleven members:

- Hervé Hélias (France): CEO and Chairman of the Mazars Group Executive Board
- Antonio Bover (Spain)
- Pascal Jauffret (Italy)
- Rudi Lang (United Kingdom)
- Taïbou M'Baye (Senegal)
- Dr. Christoph Regierer (Germany)
- Véronique Ryckaert (Belgium)
- Wenxian Shi (China)
- Ton Tuinier (The Netherlands)
- Phil Verity (United Kingdom)
- Victor Wahba (United States)

The Group Governance Council

Elected for the same term as the GEB, the Group Governance Council (GGC) is the Group's supervisory body. Since December 2011, it has included independent external members, elected by the partners at the General Assembly. The GGC has decision-making powers in three specific areas as set out in the partnership's Internal Rules: the approval of partnership candidates and external growth operations, the compensation of the members of the Group Executive Board and the approval of disciplinary action decided by the latter.

As of 31 August 2019, the GGC was made up of 11 members

- Tim Hudson (United Kingdom): Chairman
- Thierry Blanchetier (France): Vice-Chairman
- Gertrud R. Bergmann (Germany)
- Kathryn Byrne (United States)
- Juliette Decoux (France)
- Fabrice Demarigny (France)
- Bharat Dhawan (India)
- Denise K. Fletcher* (United States)
- Chris Fuggle (Singapore)
- Michelle Olckers (South Africa)
- Liwen Zhang (China)

* external member

National governing bodies

Each Mazars country is led by an executive committee whose members are elected, following approval by the Group Executive Board, by the partners of the country. In addition, to comply with the new national rules for audit firms, a Governance Council was established for Mazars in the Netherlands.

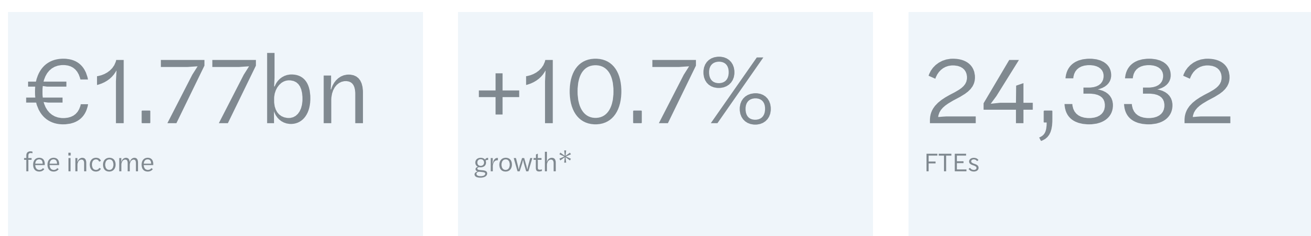
Governance for value creation

Value creation throughout our organisation is bolstered and optimised through the complementarity and smooth functioning of our two governing bodies and the cooperation the GEB has built with our service lines and country-level entities. Our governing bodies are representative of our partnership's international scope. Our two governing bodies meet several times each year and maintain regular contact, which enables them to work together and exchange opinions in accordance with the Group Charter. All Country Managing Partners are informed and consulted at least twice per year during Country Forums. They are then asked to explain strategies to national partners, foster dialogue so that each partner can adequately apply global operational decisions, and ensure that local actions are implemented in line with the Group's overarching strategy.

The decision in 2004/2005 to prepare and publish an annual report, including our consolidated financial statements under IFRS and audited by two external auditors, remains a distinctive feature of our integrated global partnership. We are therefore pleased to present you, as evidence of our commitment to transparency, the annual 2018/2019 report on our business and earnings.

1. 2019, a year of exceptional organic growth

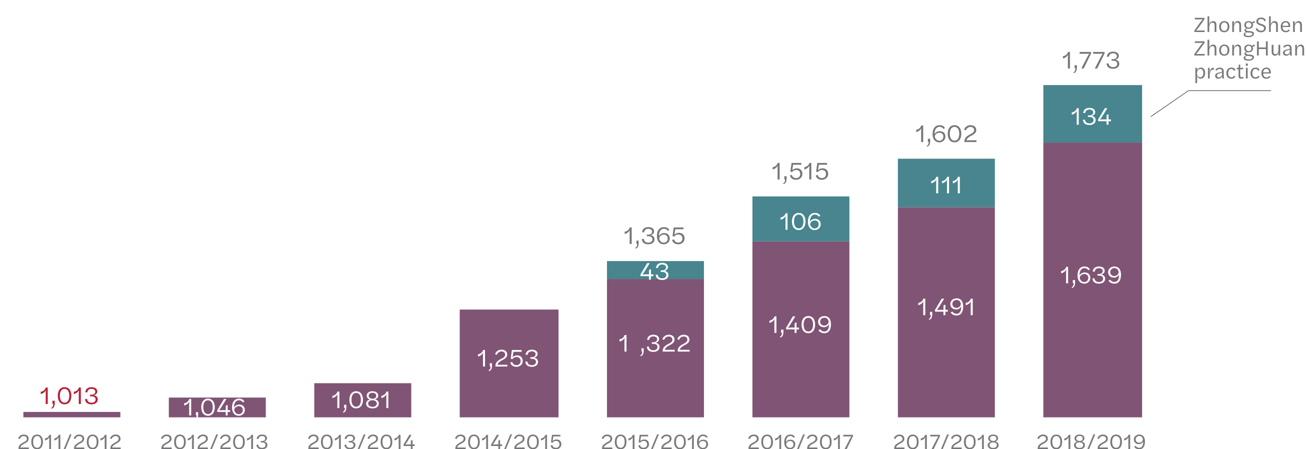
With ZhongShen ZhongHuan



* including forex

This year showed another impressive performance for Mazars with a total double-digit growth rate of 10.7% of which +9.0% organic. Our revenues now stand at €1,773M an additional €171M compared to last year. This was achieved in a troubled economic environment in many countries. The global headcount has grown by +8.7% which is lower than the revenue growth, and includes 1,015 Partners and 3,867 Partners and staff from the ZhongShen ZhongHuan practice.

Fee income evolution
In millions of euros



Without ZhongShen ZhongHuan

€1.64bn	+9.9%	20,465
fee income	growth*	FTEs

* including forex

All numbers presented onwards do not include data for the ZhongShen ZhongHuan practice.

During the General Assembly of Partners held in Cannes in December 2018, the GEB presented an ambitious budget for 2018/2019:

	Budget 2018/2019 targets (at 17-18 forex)	2018/2019 Achievement
Fee income growth	+8.0%	+9.7% before forex impact
Gross margin	47.8%	47.5%
Overheads	29.1%	29.0%
Surplus	€297.2m	€303.2m

Besides the gross margin percentage, all targets were achieved.

Some key facts

- Our largest markets continue to perform very well growing by: USA (+11.8%), Germany (+11.6%), the Netherlands (+10.4%), United Kingdom (+8.4%) and Switzerland (+25.7%);
- The mandatory European rotation legislation is starting to have some positive impacts along with the United Kingdom's audit reform;
- The main external growth operations this year took place in Australia with the integration of firms in Brisbane and Melbourne. 2019 also saw the full year impact of the integration of Alter&Go in France, the integration of Ojike & Partners in Nigeria and a new entity MCS (Mazars Consulting Singapore) with a subsidiary in Taiwan.

Key figures

We integrated 4 new countries this year: Afghanistan (greenfield), Palestine, Slovenia, Uzbekistan and exited Namibia.

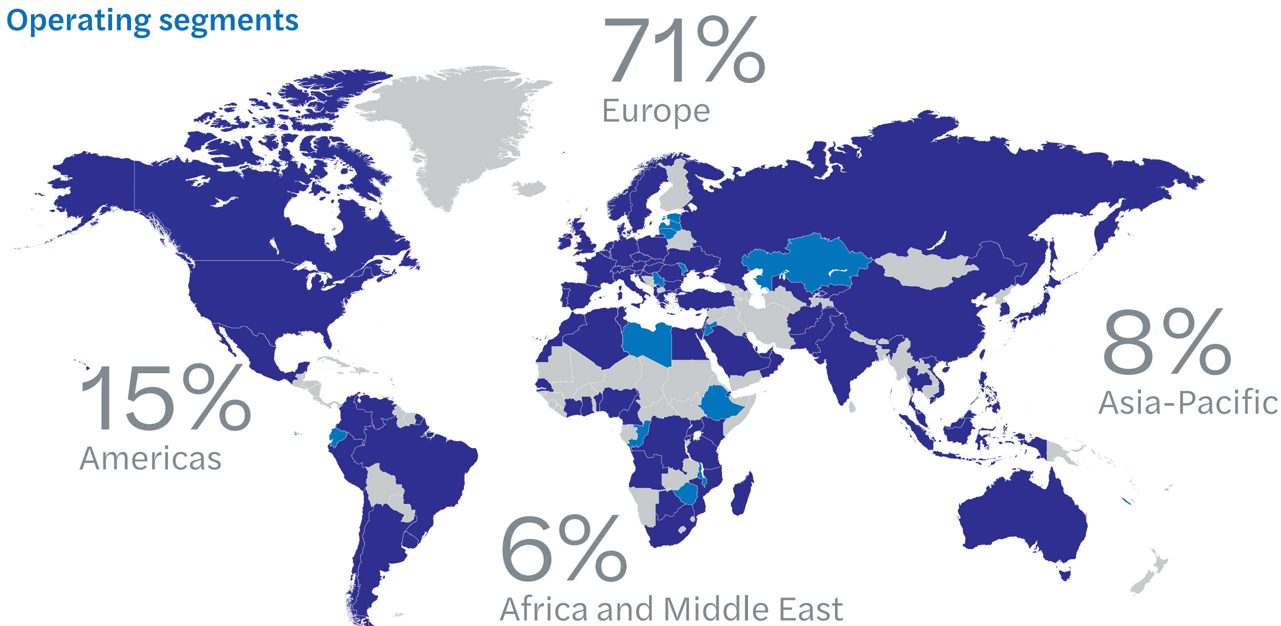
Our global footprint has increased to 90 integrated countries and territories in which we now operate.

In millions of euros	2017/2018	2018/2019	Variation	In value
Fee income	1,491	1,639	9.9%	148
Surplus allocated to partners	281	303	7.8%	22

Without the ZhongShen ZhongHuan practice the growth rate is of +9.9% or +9.7% excluding the forex impact.
The external growth amounts to +1.4% or €+23M and organic +8.1% or €+121M.
The forex impact is positive by +0.2% and represents a limited increase of €+4M.

Group Executive Board report

2. Operating segments



Americas including:

United States 12% - Mazars USA LLP

Africa and Middle Eas including:

South Africa 2% - Mazars Accountants South Africa

Europe including:

France 25% - Mazars SA
United Kingdom 13% - Mazars LLP
Germany 9% - Roever Broenner Susat Mazars GmbH
Netherlands 7% - Mazars Paaderkooper Hoffman NV
Spain 2% - Mazars Auditores SLP
Ireland 2% - Mazars Ireland
Sweden 2% - Mazars SET
Switzerland 2% - Mazars Holding

2.1 Fee income by operating segment

In millions of euros	2017/2018	2018/2019	Variation	In value
France	384	405	5.7%	22
United Kingdom	191	207	8.4%	16
Rest of Europe	500	549	9.8%	49
North America	184	208	12.1%	22
Latin America & the Caribbean	40	46	13.1%	5
Asia-Pacific	103	129	24.6%	26
Africa & the Middle East	89	97	9.4%	8
Total	**1,491**	**1,639**	**9.9%**	**148**

2.2 Operating segment details

France

The full year fee income of €405.3M is an increase of €21.7M (+5.7%) compared to last year's performance at €383.6M. Organic growth represents €+12.7M, (+3.2%).

In Channel 1, all significant mandates in Audit have been renewed and significant new mandates such as Eiffage and Faurecia have been won. Growth is also sustained by a healthy development in French regions with mid or small-sized entities.

Channel 2 activities continue their strong growth (€+15.2M organic) in all segments of business.

This growth has enabled us to continue to finance our investments:

- Maintaining audit teams at the same level as in the previous year despite a slight contraction of the activity;
- Continuing to depreciate our customer relationships, on short durations, aligned on their financing;
- Allocating budget to finance innovation and to continue the transformation of our business.

Across all activities, technical staff headcount has increased by +5.4 % from 2,956 to 3,110.

These investments, added to a stronger growth in Channel 2 activities which are slightly dilutive to gross margin, have led to a decrease of gross margin by -0.9 points, from 46.4% to 45.5% this year.

Overheads have been limited to €104.1M, increasing only by €+0.2M vs last year at constant scope, despite the growth of the activity. Including innovation expenses, they represent 25.7% of the fee income, stable vs last year.

As a result, surplus stands at €80.5M versus €79.5M in 2017/2018 and represents 20% of the fee income.

United Kingdom

Surplus generated in the United Kingdom exceeded budget expectations.

Net income growth of 8.3%, in local currency, was achieved in the United Kingdom in 2018/2019, almost exclusively through organic growth. All service lines increased their income, with double digit growth being achieved in Audit (13%) and AOS (15%).

This development has been achieved against a backdrop of continuing uncertainty in markets in the lead up to Brexit and a low level of economic growth in the United Kingdom.

Staff capacity has increased to address the need to continue investment in quality improvements and to take advantage of forthcoming market changes through regulatory reforms, particularly in audit. This has resulted in a small reduction in gross margin percentage to 48%. However there has been a reduction in the number of CARL partners and an increase in net income generated per CARL partner. Together with a reduction in the overhead ratio, this resulted in a 15% increase over the previous year in the surplus generated per partner.

Other operating segments

Rest of Europe

The rest of Europe is very active in working together as a region with many working groups either on service lines, sectors or support functions. As a result, European countries can take advantage of more and more synergies and make common investments for the benefit of everybody. Many initiatives are rolled out such as adopting a common CRM tool (Salesforce) in over 13 countries or coordinating the business development activity at regional level. A Financial Services platform has also been launched and Financial Advisory Services keeps on growing with increasingly numerous exchanges between the countries. Synergies are also being implemented by our other service lines, such as Accounting and Outsourcing Services, Tax and Audit, for which shared training programmes have been put in place. The region has also started structuring its HR platform. All this generated a solid growth although the European economy is not very strong. All service lines are growing, led by Consulting but not only, as demonstrated by the emblematic win of the Goldman Sachs audit mandate.

Group Executive Board report

North America

The US growth for 2018/2019 was of 6.2% when adjusted for forex. The growth for this year was strictly organic driven by another double-digit growth in the consulting service line (almost 15%). Healthcare, which continues to grow strongly year over year and the launch of a cyber & IT related security advisory practice were the main drivers for the consulting growth. Audit fees rose by over 5.0% primarily from new International clients as our expansion of US territories and reach in Chicago and Los Angeles gained even stronger momentum. The Tax Service line revenues grew by approximately 5% coming from a well-balanced mix of new clients and expansion of other specialized services such as International Tax Advisory and from regulatory imposed compliance changes in US tax laws.

The Mazars North American Alliance was launched during the year, expanding the global reach across North America with the addition of 16,000 professionals throughout the US and Canada. The implementation and operations amongst the Alliance members are underway in formulating the working plans, arrangements and oversight of the Alliance. The Alliance will complement and further enhance the Mazars USA expansion and development plans.

Latin America and the Caribbean

Latin America and the Caribbean has grown in 2018/2019 but somehow a bit lower than expected.

High uncertainty and volatility have been the key drivers of the economic evolution of the region.

It is a young region that is based on low levels of income per capita.

The increase in internal consumption has mitigated part of the damage that the uncertainty of commercial terms has introduced, with US protectionism and the strength of the dollar vs. local currencies.

Internal political turmoil in all three of the region's major economies (Brazil, Mexico and Argentina) also somewhat hindered economic growth.

In spite of all this, the Mazars Latam region has grown by +13.1% (the second largest regional growth in the Mazars Group) and strengthened its capacity to overcome difficulties.

This growth is mainly due to:

- Mazars in Chile with a successful double-digit growth, and the hiring of former Big 4 senior partners;
- Double digit growth in Mazars in Colombia;
- And good organic growth for Mazars in Brazil and Mazars in Mexico.

Asia Pacific

Revenues grew by +24.6% in Asia Pacific as a result of a balanced combination of external (+9.9%) and organic (+11.2%) growth. On 1 January 2019, we welcomed two firms, Hanrick Curran in Brisbane and Cummings Flavel McCormack in Melbourne. Together with our existing operations, we now have 302 partners and staff and reach €30M revenues on a full annual basis in Australia. Our organic growth is still very strong in Asia Pacific as we keep gaining market share in some fast-growing economies. Japan (+36.7%) continues a very strong trajectory in a key economy. Our teams in Vietnam (+26.1%) and Thailand (+19.5%) have a strong market footprint and are in a good position to benefit from fast-growing domestic economies. It is true as well for our teams in China (+9.5%), Singapore (+6.9%) and Indonesia (+7%). Our main drivers for such growth include AOS and Audit services. Hong Kong performed very well (+12.1%) with some important IPOs, even though the impact of the trade war between China and the US as well as the domestic political situation created a growing uncertainty towards the end of our financial year and will certainly continue in 2019/2020. Despite this overall regional growth, we face high pressure on our fees with very aggressive pricing strategies by some of our competitors.

Africa & the Middle East

Africa and Middle East is the region with the highest number of countries (34). It has been focusing this year on four main priorities which are: business development, quality, IT security and geographic coverage. Business development has focused on Donors, Pan African groups and sectorial expertise around banking and telco, to mention just these two. Quality has also been considered as a clear distinctive factor and has therefore been a major focus. We now have two partners in charge of quality who are helping countries implement action plans to improve their quality performance. Quality cannot go without IT security and, thanks to the Group, the region now has two IT security leaders already at work. Finally, we are still working actively on finding good firms in new territories and increasing our size in countries where we need to grow. The Middle East is also growing and links between the countries are being reinforced with a clear allocation of common projects and goals.

2.3 Full time equivalent employees by operating segment

In millions of euros	2017/2018	2018/2019	Variation	In value
France	3,508	3,720	6.0%	212
United Kingdom	1,906	2,089	9.6%	184
Rest of Europe	5,609	6,151	9.7%	542
North America	1,007	1,043	3.6%	36
Latin America & the Caribbean	1,388	1,580	13.9%	192
Asia-Pacific	2,488	2,846	14.4%	357
Africa & the Middle East	2,826	3,038	7.5%	212
Total	**18,731**	**20,465**	**9.3%**	**1,734**

Our full-time equivalent numbers grew slightly less than the fee income growth of +9.7% excluding forex. The highest growths in professional staff were in Consulting, with +23.4% and in Legal services, with +19.4%.

3. Service lines and sectors

The 2018/2019 fee income breakdown per service line is as follows:

In millions of euros	2017/2018	2018/2019	Variation
Audit	659	706	7.2%
FAS	117	126	7.9%
Consulting	162	199	22.7%
AOS	269	290	7.8%
Tax	263	289	9.9%
Legal services	22	29	34.9%
Total	**1,491**	**1,639**	**9.9%**

The growth of +7.2% in Channel 1 is strong but the driver of growth remains Channel 2 with +12.1%. Channel 1 represents 43.1% of total against 44.2% last year.

3.1 Service lines

Audit

Audit is at the heart of our business and accounts for 43.1% of our global fee income. Audit fee income has grown by +7.2% which is proof that our model, our values, and our development strategy are robust, reliable and relevant. Notwithstanding the growth in fee income, we continue to experience continued pressure on fees, technical staff cost inflation which combined with ever growing regulatory requirements and investments in new tools have impacted profitability.

Contributing to our success are some major audit wins such as Goldman Sachs, Faurecia, Greenpeace International, Coface, and Candy Group; as well as the retention of a number of large existing audits such as Thales and SCOR. These are only a few of the many success stories of our global teams, which affirm and reinforce Mazars' positioning as a trusted auditor for large and listed international groups, the charity and public sector as well as privately owned businesses.

Our accomplishments are testament to the technical excellence of our people and to the quality of the service we provide. As such we remain committed to our strategy of transforming audit at Mazars, constantly enhancing quality and realising efficiencies.

Pivotal to our plans is the implementation of Atlas, our new global audit platform. During 2018/2019, Atlas was successfully deployed in 75 countries, bringing us closer to achieving our objective that all audit engagements, across all audit teams globally, will be performed using Atlas by the end of 2020.

In response to market demand and aligned with our transformation strategy we have also set ourselves a goal to enhance our global data analytics capability.

This entails:

- Supporting our audit teams to design smarter audit strategies incorporating data analytics;
- Providing solutions to support the delivery of this objective including Atlas Analytics and the launch of the Mazars Centre of Excellence for Data Analytics.

As we transform the way we perform and deliver audits, we remain true to our values and unique characteristics. Combined with our human centric approach this positions us as the preferred choice for many companies and their stakeholders. Our audits deliver an augmented experience and real value to stakeholders contributing to more sustainable economies. In the context of a turbulent audit market, responding to the demands for more choice and resilience, Mazars is a true challenger firm.

We are optimistic about the future of audit and want to affirm our position as an active market participant, increasing particularly our share of large and complex international audit engagements. This is a segment which we are already renowned for outside the Big 4. These achievements could not have been possible without the excellent work and commitment to quality demonstrated by all our teams.

Financial Advisory Services

2018/2019 was an excellent year for the Financial Advisory Services business ("FAS") service line with strong financial results achieved in many countries. We are very proud that FAS has been launched in a number of new countries and existing practices are becoming more structured with increased dedication on a daily basis. All of this work and investment is paying off and evidenced by some great examples of cross border working between the FAS community. We have had a significant focus on our quality and risk procedures in the past year and this has involved the roll out of global QRM (Quality Risk Management) manuals and an internal licencing system which has helped us formalise a community of over 200 licenced FAS experts in 40 countries. This year, we also launched a global 'restructuring services' practice at our annual FAS conference and this will be our 6th global sub practice. Building this practice will be a focus in the next 12 months along with continued geographic expansion and a targeted BD (Business Development) and marketing strategy.

Consulting

The Consulting Practice is transforming to prepare for a sustained period of growth. Starting with a July Consulting Conference in Milan, there has been a renewed commitment to moving towards greater global consistency in our consulting services, delivery methodologies and tools as a platform from which increased global collaboration and growth will be achieved. During FY 2019, we experienced a significant increase in large global consulting tenders and are quickly working to improve our ability to provide timely responses and secure these important opportunities. While each component of the consulting practice is expected to make strong contributions to our growth, we continue to see significant opportunities in the areas of compliance, risk management advisory (especially in the Financial Services sector), IT/Cybersecurity are developing investment plans in core countries to better position us for an expansion of our resources with these skills as well as in the emerging areas of data analytics and robotic process automation. Our Financial Transformation practice took a significant step forward with the launch of the Smart Finance microsite, and we look to use this new avenue to penetrate new markets around the world. We look to 2020 as an opportunity to take a significant step forward in the formalisation of our practice structure, the implementation of communication tools designed to enhance communication, and an increased volume of engagements leveraging Mazars's global footprint as one of the few firms in the world able to provide innovative consulting services to growing global organisations.

Accounting and Outsourcing Services

Our 2018/2019 AOS (Accounting and Outsourcing Services) activity was mainly driven by continuous growth in small to mid-sized clients in Western European countries, South Africa and also on large international clients. In addition, significant new global engagements demonstrated the strength of our offering to the large corporate market. L'Oréal in Africa was a major win at the end of the financial year. Contracts with a number of well-known clients such as Legrand, Vallourec, Lufthansa, Ryanair, IWG/Regus and eBay were also signed during this financial year. We saw a growing interest from the financial sector in our payroll offering. Our teams were invited in many global payroll tenders and we won a significant payroll engagement with Citibank.

Overall the business has grown by 7.8% in 2018/2019 compared to 2017/2018 and contributes to 18% of Mazars's total revenues.

Group Executive Board report

We continued the development of our AOS central team in Bucharest, supporting European countries on RFP (Request For Proposal) processes, coordination activities and the inControl roll out and support. At the end of the financial year we had 11 employees fully dedicated to these activities.

We launched the AOS training path at the end of the year and we now expect to develop new modules to harmonize our approach to quality and develop consistency across geographies.

In terms of technology we have seen some exciting developments. With HReasily we continued the development of an integrated payroll solution for Asia and we signed a strategic partnership with a start-up called Payzaar with the aim to position Mazars as a true global payroll provider offering an integrated payroll reporting solution.

Tax

The year 2018/2019 has started with a unique event for the Tax service line. We launched our specialised LL.M (Master in Laws) in International Tax Law delivered through an advanced online learning environment, developed together with King's College London. We are proud to be the first firm to offer our employees this LL.M in International Tax Law, which is exclusively opened to Mazars tax professionals. The part-time two-year advanced degree is designed to build comprehensive technical and practical skills for our senior managers, directors and partners, covering the tools needed to navigate the complex international tax environment. We have welcomed Mazars colleagues from various countries and continents. This LL.M is a perfect example of our global strategy of creating best-in-class development opportunities and a sign of the emphasis we place on investing in our people.

Another example is our flagship client event, the International Tax Conference 2018. Our 7th conference took place in London on 13 October 2018. The conference focused on digital tax and technology and how this will evolve in the future. We were pleased to welcome 280 delegates, of which 2/3 were clients, prospects and relations. The remaining 1/3 were Mazars colleagues accompanying their client and/or relation. Furthermore, the indirect tax group organised their first client conference in January 2019 in Berlin, which was well attended and highly appreciated by clients and prospects.

Our tax business communities, focusing on Global Mobility, Transfer Pricing, Indirect tax, Private Clients and Financial Services, continued to work on developing their international groups. The communities are working together on various international clients and on proposals. The communities have organised their annual conferences to share knowledge and create business development opportunities.

Legal services

In 2018/2019, we primarily focused on raising awareness for Mazars legal services and the redefined legal strategy. We had conversations with partners in different countries to explain the added value of including legal service offerings to their practices. It turned out there is a growing appetite for developing and strengthening the legal service offerings at country level, and it is rewarding to see that there is already an increase of +16% in countries providing legal services as part of the Mazars full service offering compared to 2017.

The Mazars Legal services Line wants to be the trusted advisor which can provide high quality legal services. We believe that sharing and improving knowledge will contribute to this objective and therefore we have created legal expert groups: COSEC, Labour Law, Transaction Services and GDPR. With these group we have created a platform for specialists to network, develop tools, share and improve knowledge, and create business opportunities together.

Moreover, our digitalisation group is exploring various tools in order to make our legal service offerings more sustainable. Following the redefined Mazars Legal Services strategy, presented during the General Assembly of Partners held in December 2018, we also needed to align our legal go-to-market plan. A plan to bring across a uniform message on what Mazars Legal Services can do, what makes us a different legal advisor, and for what type of clients we can work.

3.2 Sectors

Privately Owned Business

During 2018/2019 the Privately Owned Business (POB) segment group continued its focus on delivering an enhanced customer experience to Mazars' POB client segment. In the five largest countries alone this important client segment comprises over 40,000 clients bringing in €500m + fees. We focused on working with countries to

strengthen their POB communities and enhance understanding of this client segment's deeper business needs via external competitor research, along with deeper analysis of data derived from our POB clients who have been through the Optimize process.

Through this process we identified that amongst our top POB sectors – which are manufacturing, distribution, professional services, retail, and transport and logistics – over 60% of all clients need strategic planning to help them improve their performance and reach their business objectives. This year the POB team developed a bespoke Mazars strategic business planning methodology to enable partners and teams to deliver this new business advisory service, on a standardised basis to POB clients, supported by the enhanced Optimize Hub application which continues to evolve and upgrade. The pilot grouping involved in rolling this out in the five largest countries has received lots of positive feedback from clients. The methodology is scalable for public sector and mid corporate clients, and we are working with global consulting to build awareness and further the roll-out to interested teams.

During 2018/2019 we also spent a lot of time considering the POB marketing positioning and our go to market approach. The first phase of the plan launched with a new POB section on mazars.com for the first time ever! We are working to replicate the content on country websites in order to communicate Mazars's unique client promise to POBs who are looking for a long term trusted business partner.

Financial Services

Business development

We recorded a lot of impressive wins mainly in audit with financial services overseas. They demonstrate that FS is at the forefront of the "right moment" where Mazars has arrived: Metlife, Genworth, Wells Fargo, Ing Poland, Aviva Italy, Deutsche Bank in Poland, Italy and Portugal. And, last but not least, Goldman Sachs and Coface.

Meanwhile:

Other pitches are ongoing in audit;

- Our advisory business is still growing and is particularly strong in the following five countries: Ireland, United Kingdom, France, Spain and Morocco;
- We have progressed in managing Group strategic clients. For most of them and according to geographical coverage of these clients, the Partner community is more and more active under the coordination of key account managers.

Coverage

Coverage was a major priority of the Next20 for FS:

We are on track with the Next20 plan:

- Significant shared investment to set up a banking practice in South Africa;
- Increasing our footprint in Asia, mainly in HK. It is important to observe that we have been selected as preferred providers by Société Générale in APAC;
- First wins with the banking European desk in NY. We are also confident the Alliance will open new doors for FS Mazars in North America.

4. Profitability and financing

Group gross margin has slightly decreased from 47.8% last year to 47.5% of fee income this year and represents €779M. Pricing and salary pressure continue to erode our margins.

The overheads are stable in weight at 29.1% in 2018/2019.

The surplus allocated to Partners of €303.2M is above the GEB earnings target which was fixed at the beginning of the year of €297.2M at constant forex. This represents a +7.8% increase vs last year.

Surplus is defined as the profit before any direct or indirect form of partners' remuneration.

The financing of our activities is essentially provided by the partners. It may be in different forms (equity shares, loans, current accounts, deferred compensation...). In total this year financing by the partners has decreased from 14.2 last year to 13.4 months of their total earnings. Our work in progress and receivables ratio were reduced from 3.6 months of annual fee income last year to 3.4 months.

5. Highlights of the year

Growth

2018/2019 has seen an overall very strong organic growth rate and a sustained development trend in most of our large markets.

Our growth perspectives and targets remain strong for 2019/2020.

Governance
Group Executive Board report

United States expansion

The Mazars North America Alliance comprising Mazars and five large American and one Canadian Audit, Tax & Consulting firms was successfully launched this year. This has enhanced our coverage in North America where we have gained access to more than 16,000 professionals enabling us to provide comprehensive services nationwide in both countries.

Business development

In 2018/2019 we:

- Launched global key account programmes;
- Developed a global tender toolkit enabling to produce consistent quality proposals, such a toolkit will be at the disposal of all teams early 2020;
- Enhanced tools to support marketing and business development through business hubs (« Global Business Hub ») and delivering newsletters;
- Started our BDA - Business Development Accelerator- Programme: first cohorts on three continents completed and new groups launched;
- Launched NPS (net promoters score) surveys across six countries to collect client satisfaction KPIs;
- Developed growth strategies on our priority sectors (automotive, energy, retail and FS).

Brand, marketing and communication update

This year, we put our focus on building brand consistency and awareness of our expertise. As a matter of fact we:

- Worked on a deep brand review;
- Revamped our 80+ corporate websites increasing the traffic by +10%;
- Modernised and developed consistent materials, visuals and new tools to present Mazars and our solutions consistently;
- Deployed social media activities and campaigns increasing our followers by +16% since last June;
- Conducted workshops and articulated marketing strategies for all service lines and sectors;
- Developed a global thought leadership strategy and launched marketing campaigns across geographies, service lines and sectors;
- Shared positioning papers and launched campaigns to influence the global debate on joint audit.

Innovation

Accomplishments in 2018/2019:

- The innovation strategy and project portfolio was presented to clients, with a 100% success rate in the case of RFPs. A significant amount of time was spent on pitching clients and prospects or lab visits, with excellent feedback from clients;
- Two new labs were created, one in Moscow and one in Berlin. To ensure collaboration between the labs, move programs were initiated;
- The innovation team doubled in size with new members (data scientist and program manager). More than five new ideas were turned into solutions and were either deployed at country level or group level in 12 months thus showing that out development capabilities are steadily improving;
- Our portfolio of solutions now constitutes a marketplace for innovation. The innovation ambassador's community is helping us with the adoption of new solutions. We now have 40 countries involved.

Some exciting times lie ahead of us in 2019/2020 with the full deployment of Atlas, the new branding positioning strategy, innovative solutions brought forward to our service lines and sectors and some very interesting and promising external growth opportunities.

We are confident we will reach the Next20 revenue objective next year notwithstanding some difficult economic and sometimes political situations across the globe.

A strong business development strategy and taking care of our client base are key to reaching our objectives.

We as Partners need to continue to invest in our solutions, tools, brand, QRM processes and teams to provide a bright future to our people and global organisation.

Last but not least, we want to thank all the teams across the world for the commitment, efforts and passion into making this 2018/2019 year a true success.

The Group Executive Board

Group Governance Council report

The Group Governance Council (GGC) is Mazars' supervisory body. Elected by the global partnership in December 2016, the current GGC team is made of women and men from all around the globe, under the leadership of Tim Hudson. In 2018/2019, the GGC has been focusing its efforts on the following main topics.

Quality and risk

Quality and compliance

One of the key roles of the GGC is to provide oversight of the quality and risk management processes in the Group.

There is much information made available through our Group Transparency Report as well as through the publication of the results of regulatory oversight reports in a number of countries.

We reviewed the conclusion of the quality control campaign managed by International Quality Control ("IQC") committee of the Group's Quality & Risk Management ("QRM") Board. The GGC especially noted that:

- The Regulators are moving fast, and we need to move faster on matters that relate to quality. We have asked the QRM Board to prepare an action plan that will continue to move the Group forward in an expedient manner in 2020 and beyond;
- We have also asked that lessons learned through root cause analysis be cascaded across the Group through, where appropriate, training for partners and staff.

Other risk topics

The GGC risk committee has reviewed a number of matters during the year including:

- Group Risk Mapping: in 2019, good progress was made on our risk mapping project. All 20 major countries to be fully compliant with the project in 2020, so that the Group Executive Board (GEB) can enhance effective monitoring of key and emerging risks in many more countries during 2020;
- IT security: significant investment in infrastructure has continued across the Group. Our recommendations following an internal audit conducted in 10 countries were largely implemented, but all countries across the Group need continually to assess the adequacy of their IT security processes.

Financial performance - 2018/2019

Mazars achieved an exceptional level of organic growth which at 8.1% is the highest since 2011/2012.

The external auditors approved our global consolidated financial statements, with no significant comments made on the key judgments and estimates.

Overall, Mazars' financial performance in 2018/2019 is very satisfying. Good control of overheads has contributed to maintaining the profitability rate in spite of a slight decrease of the gross margin.

Taking into account all these factors, the GGC recommended the approval of the annual consolidated financial statements of the Group by the General Assembly of partners.

Budget – 2019/2020

The GGC reviewed the Group budget which is prepared bottom up from each country submission and the CARL budget which is prepared by the GEB.

We noted an improvement in the timing of the GEB country by country budget review enabling the consolidated group budget to be approved at the start of the financial year. We believe further profitability improvements may come through synergies created by additional cooperation across support functions (marketing, IT, etc) and we would like to see evidence of such plans being pursued as part of the budgeting process. We fully support the GEB's recent IT initiative to enhance the harmonization of systems, processes and IT strategy.

Group Governance Council report

Implementation of Atlas

In 2019, the Atlas project, our new global audit platform, moved from a pure development phase to rollout and deployment. The project is a key transformation project for the Group and for that reason we have had regular updates from the Atlas team. The most recent reports show that over 3,000 auditors across over 57 countries have been trained and are now active users. This reflects the enormous efforts that have been made by many people. As with all large IT based projects there have been many challenges, but but to deliver a working platform accessible to all audit teams broadly, in line with the initial timetable, it should be celebrated.

The increasing adoption of Atlas provides the opportunity to help transform the way in which audit is delivered across the Group.

Growth and international development

North America

The finalization of Mazars North America Alliance has been an important step in enhancing our capability to serve international clients with audit and non-audit services in all of the key regions in North America. We had a good level of dialogue with the GEB leading up to the launch and subsequently as the detail of the governance and operational models have started to be implemented. It is still early days but the initial market response is encouraging, and plans in place will support the rapid development of Mazars North America Alliance which will be one of the key levers for the wider success of the Group.

China

In 2019 much effort has been expended in seeking ways to accelerate the pace of integration but the scale of the task, initially in creating an integrated domestic presence in the ZhongShen ZhongHuan team, cannot be underestimated. A revised timetable has now been agreed and we believe that seeking full integration of the 4 or 5 major offices as the first phase of this plan is an appropriate objective.

Despite the slower pace the spirit and ambition of the teams to create a top 10 firm in China serving domestic and international clients remains unchanged and there have been many opportunities to work together reinforcing the good spirit.

GGC will remain vigilant of developments to ensure that our brand remains protected and quality is maintained.

New partners

GGC approved the 79 cooptions of new CARL partners reflecting continued development of our internal promotions as well as a number of new teams joining the Group. This year the gender diversity amongst the candidates is not quite on track with the objectives. On a positive side, the talent list pipeline shows 42% are women, including potential partners in 12 key countries. We have requested an action plan from the GEB to enable us to meet the gender diversity global objectives

GGC Team

Since the resignation of a non-partner external member of the GGC, in November 2017, there has been a vacant seat on the GGC for an external non-partner member. The GGC conducted a search resulting in a number of candidates being interviewed during the year by GGC and GEB members and ultimately the selection of one candidate.

Frank Bournois was presented to the CARL General Assembly, to become, alongside Denise Fletcher, the second external non-partner member of the GGC. We are delighted to have him onboard as a new GGC member.

Innovation, brand and diversity

Innovation

The CIO now has an internal structure and organization in place to assist with the identification and development of ideas and projects. The innovation lab in the Paris office which has been used successfully to support new business proposals and client projects and which has received extremely positive feedback is to be replicated in a number of other countries.

There are also a number of other initiatives primarily at a country level. There is no doubt that we are innovating but the Group needs to find ways to scale projects rapidly and economically.

Diversity

The GEB continues to put significant focus on the importance of diversity, in the widest sense, across the Group. We have received regular updates and had constructive discussions on the issues. The GEB itself is more diverse than at the start of the mandate and all GEB members have embraced reverse mentoring.

It is the managing partners who need to take active responsibility for the day to day actions around recruitment, promotion, working practices, culture, etc.. and to address issues such as unconscious bias that will enable us collectively to create a more diverse Group. We are encouraged by progress and we will maintain a focus on progress particularly in the context of the preparation for the next mandate.

Brand

The brand project was launched twelve months ago and the strong project leadership team has also involved a wide range of partners with broad representation across the partnership.

We commend the professionalism with which the project has been led and are confident that the conclusions will support the positioning of Mazars in all of its target markets as we move into the external launch which is planned for next year.

The year ahead

The Next20 project set a strategic path for the group not just for the 4-year period to December 2020 but beyond that. As we approach the elections in December 2020 it is the right moment to review progress against the long-term goals and to adapt and refine the priorities for the 2020/2024 period. We will work closely with GEB to challenge the structure of the project itself but more importantly acting as a sounding board on key topics and assisting, if needed, in any arbitration between strategic choices.

European Audit Reform and investment plan in the United Kingdom

The UK firm has set out a plan in response to the market opportunities that are emerging as a result of both the European Audit Reform but also the political and regulatory pressures in the UK market. Although it is too soon to have certainty as to the precise new regulations that will emerge, the opportunities within both audit and non-audit services are already being created.

Our focus will be to ensure that the pace of investment is appropriate so that the market opportunities are not missed. We have already started discussions with the GEB around the investment plans in other countries (particularly but not exclusively in Europe) that will be needed to support these UK and other opportunities.

Other major topics

As for all businesses, IT and cyber security will remain priorities to ensure that any vulnerabilities are identified and that there is sufficient urgency and investment to address them.

We will also be scrutinising the roll-out of the brand project, with a key objective of ensuring consistency across all parts of the Group.

The Group Governance Council

Interview with Tim Hudson, Chairman of the Group Governance Council

As Chairman of the Group Governance Council (GGC), Tim Hudson shares his thoughts on Mazars' 2018/2019 developments and performance. He also reflects on the upcoming new deal in the UK and European audit market and on the added-value of non-Mazars members in the Group Governance Council.

The reinforcement of Mazars' capabilities in North America was one of the Next20's top priorities. How do you think the new North American Alliance will help reach this objective?

Tim Hudson: Mazars has been seeking to complement its existing US teams to enable us to provide appropriate geographic coverage across the key economic regions to our international clientele and that is why it was seen as a key priority in the Next20 strategy. The newly formed Alliance fulfils this objective; we now have access to a highly skilled team of 16,000 people across the USA and Canada. We have already seen, as we start to mobilise the Alliance and explain its benefits to our current and prospective clients, that they understand the benefits of this new structure and that has given us confidence that the Alliance will achieve the ambitious objectives that we have set.

The ongoing debate about the audit profession in the UK seems to be creating a new playing field in the country and abroad. Has Mazars already started to benefit from this new deal in the UK and elsewhere?

TH: The last 12 months has seen significant political and media focus on the audit and accounting markets in the UK. A number of high profile corporate failures have heightened the focus and the pressure for change. There have been a number of independent reviews and reports completed into various aspects of the profession and corporate governance more generally. Although there appears to be a political will for change there have been other macro-economic issues on the agenda. Despite the lack of new regulations or legislation we are already seeing change. We have seen Audit Committees opening up the tender processes to a wider range of participants, and we have clearly benefitted from that and are winning audits of fully listed Groups.

We have also seen the European Audit Reform starting to make an impact particularly in the banking and financial services market where we have had some significant, high profile success. We continue to invest in our teams, processes and innovation to ensure we are well positioned for further opportunities.

Quality, compliance and security have long been major topics for the Group Governance Council. How would you rate the progress made, especially with the implementation of such tools as Atlas and WeCheck?

TH: Quality is critical to each and every partner and for the Group as a whole. We are pleased to see that our global audit platform, Atlas, is now being deployed across the globe. This has been a complex project and will remain so as adoption by all of our auditors happens over the next 12 months and we we will continue to develop the capability of the platform. This together with our conflict checking tool WeCheck enable us to act in a more integrated way and should lead to improving standards. Each year we urge all partners to retain quality as their number one priority. I am sure this will remain the case for many years to come.

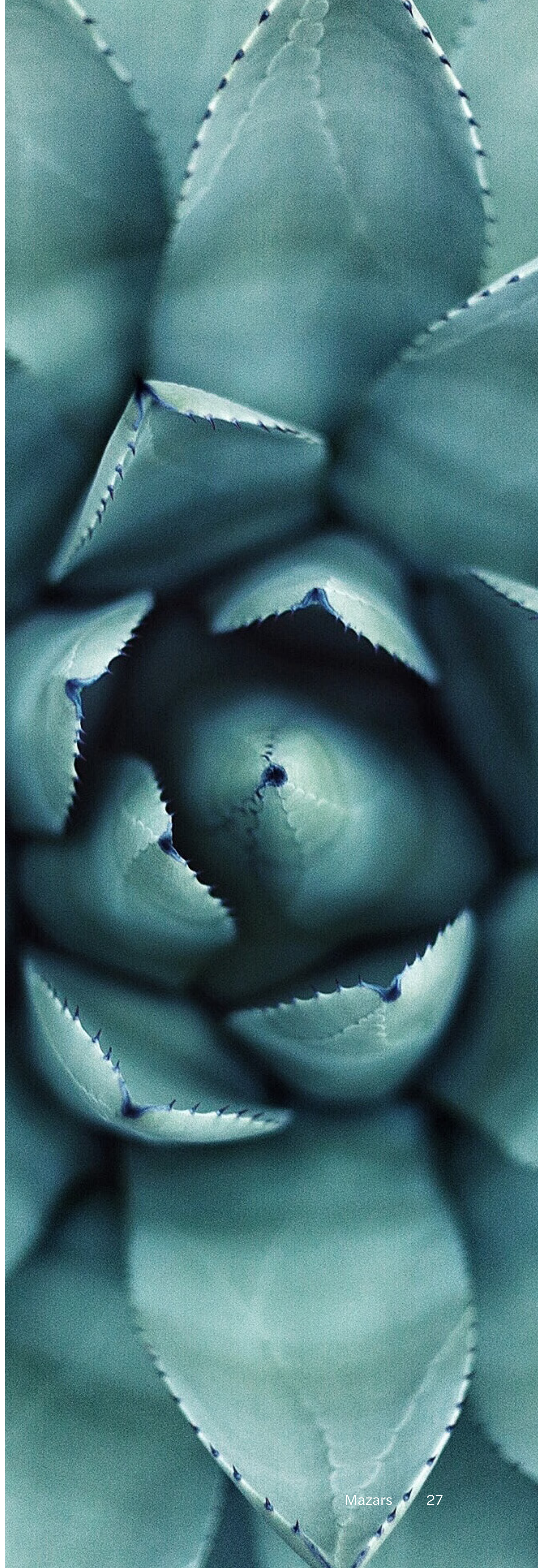
Mazars has been on an uninterrupted growth trajectory for the last six or seven years and seems geared to achieve the 2Bn euro turnover milestone in 2020. In this context, how do you assess the Group's overall performance in 2019?

TH: The rate of organic growth in 2019 has been at record levels and has been achieved despite the economic headwinds on our European markets which remain a key part of our activity. This demonstrates that we are offering high quality services that are seen as highly relevant by our clients. It is encouraging to see that we remain on track to meet the ambitious targets that we set in the Next2020 strategic plan. So the Group Executive Board and the partnership as a whole should be proud of the achievements and look forward with confidence. There is however never room for complacency. Competition in many markets remains strong.

The Group Governance Council has recently welcomed a new member who is not a Mazars partner. What is the added value these "external" GGC members bring to your Council and to the Mazars Group as a whole?

TH: We are delighted that Frank Bournois has been elected in December 2019 to join the GGC. He has a wide range of skills and experience and we believe can assist particularly in the areas around talent acquisition and retention.

I personally have benefitted from the wise counsel of our non-partner members of GGC and they have helped GGC to focus on the right issues and to bring an external perspective to the discussions with GEB, allowing us to be more challenging at times and more disciplined in following actions.



Financial statements

Consolidated financial statements prepared in accordance with IFRS 2018/2019 financial year ended on 31 August 2019 In thousands of euros

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Consolidated income statement

2018/2019 financial year ended on 31 August 2019

In thousands of euros	Notes	2017/2018	2018/2019
Revenue	4.1	1,551,633	1,708,349
Rebillable costs	4.1	-60,291	-69,021
Fee income	4.1	**1,491,342**	**1,639,328**
Cost of technical staff		-778,241	-860,385
Gross margin	4.3	**713,100**	**778,944**
Cost of administrative staff	4.4	-114,258	-124,648
Other costs	4.4	-276,071	-322,842
Depreciation, amortisation and impairment	4.4, 6.2 and 6.3	-24,332	-12,551
Surplus of operations	4.4	**298,439**	**318,904**
Amortisation of client relationships and goodwill	6.1	-7,039	-9,838
Financing costs		-4,982	-5,788
Total Surplus	4.5	**286,418**	**303,278**
Surplus allocated to partners		**-281,295**	**-303,228**
Pre-tax result		**5,122**	**50**
Corporate income tax	11	-1,741	
Post-tax result		**3,381**	**50**

Consolidated statement of comprehensive income

2018/2019 financial year ended on 31 August 2019

In thousands of euros	Notes	2017/2018	2018/2019
Post-tax result	1.2.3	3,381	50
Other comprehensive income			
Remeasurement of defined benefit schemes		-368	11,009
Exchange rate adjustments		5,726	556
Attribution of OCI to Partners		-5,358	-11,566
Comprehensive income		**3,381**	**50**

Consolidated financial statements

Consolidated statement of financial position

2018/2019 financial year ended on 31 August 2019

In thousands of euros	Notes	31 August 2018	31 August 2019
Assets			
Intangible assets	6.1	188,246	192,475
Property, plant and equipment	6.2	51,219	59,956
Other non-current assets	7.4	20,566	17,415
Total non current assets		**260,031**	**269,847**
Trade accounts receivables and accrued income	4.2	441,900	471,221
Other current assets	10.1	86,354	88,584
Cash and cash equivalents	7.3	101,682	103,743
Total current assets		**629,936**	**663,548**
Total assets		**889,967**	**933,395**

In thousands of euros	Notes	31 August 2018	31 August 2019
Equity and liabilities			
Shareholders' equity	8.1	**4,844**	**4,949**
Partnership financing - non-current		206,880	199,027
Partnership financing - current		126,904	139,298
Total partnership financing	8.2	**333,784**	**338,325**
Long-term borrowings - non-current	7.3	83,048	77,325
Long-term provisions	9.1	56,941	67,470
Total other non-current liabilities		**139,988**	**144,795**
Long-term borrowings - current	7.3	30,216	32,975
Current bank financing	7.3	25,233	38,543
Trade and other payables	10.2	329,949	351,870
Current provisions	9.1	25,953	21,939
Total other current liabilities		**411,350**	**445,327**
Total equity and liabilities		**889,967**	**933,395**

Consolidated statement of changes in equity

2018/2019 financial year ended on 31 August 2019

In thousands of euros	Capital	Reserves	Shareholders' equity
Shareholders' equity as at 1 SEPTEMBER 2017	**438**	**915**	**1,354**
Movements in share capital	22	87	109
Other movements			
Transactions with Shareholders	**22**	**87**	**109**
Comprehensive income for the period		3,381	3,381
Comprehensive income		**3,381**	**3,381**
Shareholders' equity as at 31 August 2018	**460**	**4,384**	**4,844**
Movements in share capital	17	37	54
Other movements			
Transactions with Shareholders	**17**	**37**	**54**
Comprehensive income for the period		50	50
Comprehensive income		**50**	**50**
Shareholders' equity as at 31 August 2019	**478**	**4,471**	**4,949**

Consolidated statement of cash flows

2018/2019 financial year ended on 31 August 2019

In thousands of euros	Notes	2017/2018	2018/2019
I-Operating activities			
Net result		**3,381**	**50**
Depreciation and amortisation		21,358	26,185
Gains and losses on disposal		-1,122	-531
Self-Financing capacity		**23,618**	**25,704**
Changes in currents assets	12.1	-41,588	-30,697
Changes in other current liabilities	12.1	24,202	29,341
Changes in working capital requirements	12.1	**-17,386**	**-1,357**
Net cash generated by operating activities		**6,231**	**24,347**
II-Investing activities			
Purchases of property, plant and equipment and intangible assets	6.1/6.2	-35,102	-35,237
Disposals of property, plant and equipment and intangible assets		2,675	1,077
Purchases ot other non-current assets	7.4	-2,564	-1,839
Disposals of other non-current assets		1,153	3,466
Net cash flows from acquisition and disposal of subsidiaries		-12,004	-10,949
Net cash used in investing activities	12.2	**-45,843**	**-43,482**
III-Financing activities			
Capital increase		109	54
Changes in non-current partnership financing	8.2	24,863	9,033
Changes in current partnership financing	8.2	17,555	7,990
Issuance or subscription, of long-term debt	7.3	41,474	22,965
Repayment of long-terme debt	7.3	-30,228	-33,419
Net cash from financing activities	12.3	**53,774**	**6,624**
Net cash variation		**14,163**	**-12,511**
Impact of exchange rate changes		-3,032	1,262
Changes in cash		**11,131**	**-11,249**
Cash and cash equivalents at the beginning of the year		65,318	76,449
Cash and cash equivalents at the end of the year		**76,449**	**65,201**
Cash and cash equivalents		101,682	103,743
Current bank financing		-25,233	-38,543
Net cash and cash equivalents at the end of the year		**76,449**	**65,201**

Notes to the consolidated financial statements

1. Accounting policies

The consolidated financial statements were approved by the Group Executive Board on 19 November 2019 and submitted for review to the Group Governance Council. They were submitted for approval of the General Assembly of Mazars SCRL on 14 December 2019.

1.1 Accounting framework

The consolidated financial statements together with the attached notes for the financial year ended 31 August 2019 have been prepared in accordance with IFRS as adopted by the European Union.

1.1.1 New or amended standards and interpretations mandatory for the 2018/2019 financial year

The Group has applied all the new or amended standards and interpretations mandatory for the 2018/2019 financial year, as follows:

- IFRS 9, "Financial Instruments", on the accounting treatment of hedges, the main categories of financial assets and liabilities and the basis of recognition of credit risk for financial assets (henceforth focusing on expected losses as opposed to incurred losses).
- IFRS 15, "Revenue from Contracts with Customers", on the accounting treatment of revenue.

These amendments have had no significant impact on the Group's 2018/2019 consolidated financial statements.

IFRS 9 – Financial instruments

IFRS 9 introduces a new impairment requirement for receivables based on expected credit losses (ECL), moving from an impairment of incurred loss (something happened).

This ECL can be estimated based on historical data.

The potential impact of this change has been assessed on the basis of a scope representing approximately 80% of the group's fee income over the last 3 fiscal years.

The current approach leads the Group to recognise a provision sufficient to meet the expected credit loss.

The Group has decided to apply the limited retrospective method.

IFRS 15 - Revenue from contracts with customers

The new IFRS 15 standard replaces IAS 18, "Revenue", IAS 11, "Construction Contracts" and the associated interpretations. The standard applies to all types of transactions involving the sale of goods or services, and to all activities.

The standard defines a unique principle for the recognition of revenue from contracts with customers: revenue is recognised in proportion to the transfer of goods and services promised to customers and for the amount of consideration expected by the seller. The transfer of control intervenes either progressively (e.g. in proportion to percentage of completion) or at a point in time (e.g. on completion).

In March 2018, Mazars set up a working group mainly comprising teams from Group functions, assisted by our technical department, for the purpose of analysing the impacts of the standard. As Mazars' contracts with its clients are mainly developed locally in each country, the various types of contracts involved were analysed on the basis of a scope representing approximately 80% of the Group's fee income.

That review was accompanied by sessions of awareness-raising and training of our local financial and legal teams, all of whom participated in the diagnosis and analysis of the firm's contracts with clients along with team Group functions.

The analysis performed of the various contractual frameworks, of the firm's general terms and conditions of sale and of each country's engagement letters, did not disclose any significant divergence with the previous approach to revenue recognition which therefore remains essentially based on percentage of completion.

The Group has decided to apply the simplified retrospective method for the purposes of transition, so the comparative data for 2017/2018 have not been adjusted and continue to be presented in accordance with the previous accounting framework. The impact of the transition on opening equity for 2018/2019 has proved immaterial (amounting to less than 1% of revenue) so has not been adjusted for.

The application of IFRS 15 has had no impact on the consolidated statement of cash flows.

1. Accounting policies

1.1.2 New standards published by the IASB but not yet mandatory

The table below details the new or amended standards and interpretations published by the IASB and the IFRS Interpretations Committee, which are important and / or liable to have a material impact on Mazars Group's present or future consolidated financial statements:

The Group has not made early application of the standards, interpretations and amendments listed below the application of which as at September 1, 2018 was not mandatory.

These are the following standards:

The amendments to IAS 19 on "Plan Amendment, Curtailment or Settlement";

- The amendments to IAS 28 on "Long-term Interests in Associates and Joint Ventures";
- The improvements to IFRS for 2015/2017.

Other new and amended Standards and Interpretations are not expected to have a significant impact on future financial statements.

Standard / Interpretation (date of application for the Group)	Consequences for the Group
IFRS 16 Leases (1 September 2019)	IFRS 16, which requires recognition of all leases in the statement of financial position, will have retrospective application either from the date of first application or from the beginning of the comparative period presented. **In the case of the Group, the standard will involve recognising its operating leases in the statement of financial position (recognition of an asset representing the right of use of the underlying asset and of a liability representing the future lease payments).** **It will also affect the presentation of the income statement (with depreciation and interest replacing lease expense) and of the statement of cash flows (with only interest included in operating cash flows whilst repayment of principal will be included in financing cash flows).** The identification of contracts containing a lease as defined by IFRS 16 is realised. The Group has not yet defined its choice of method of transition. As the option has a structural impact, the Group believes it is too early to communicate on the potential impact of IFRS 16. The accounting policies currently applied in accordance with IAS 17 are described in note 6.4, together with the disclosure of the minimum future lease payments as at 31 August 2019.
IFRIC 23 Uncertainty over Income Tax Treatments (1 September 2019)	The interpretation of IAS 12, Income Taxes, provides guidance for the recognition and measurement of income taxes in situations of uncertainty. **The application of IFRIC 23 should not have material impact for the recognition and measurement of income taxes within the Group.**

1.2 Basis of preparation

1.2.1 Presentation currency for the consolidated financial statements

Mazars' consolidated financial statements have been prepared in euro and are presented in thousands of euros (except where otherwise stated).

1.2.2 Main uncertainties arising from the use of estimates and judgements by the Group Executive Board

In accordance with IFRS, the preparation of consolidated financial statements requires the Group Executive Board to make a certain number of estimates and assumptions which have an impact on the amount of the Group's assets, liabilities, shareholders' equity and items of profit and loss during the financial year.

These estimates are made on the assumption that entities will continue as going concern and are based on information available at the time of their preparation. Estimates may be revised where the circumstances on which they were based change or where new information becomes available.

The main estimates and assumptions liable to have a significant impact on the Group's financial performance are as follows:

- Operating data relative to the firm's engagements: the amount of accrued fee notes and the valuation of receivables and associated impairment losses;
- The valuation of intangible assets: costs at the date of recognition and impairment of goodwill; and
- The calculation of post-employment benefit obligations.

The main assets and liabilities as at 31 August 2019 subject to material potential adjustment, because of their basis of measurement, are as follows:

- Provisions for contingencies and future costs including €3,770 thousand relating to professional exposures and €2,926 thousand for other risks (see note 9.1); and
- Post-employment benefit obligations: the applicable actuarial assumptions and calculations for each country are set out in note 5.2.

The accounting policies and basis of measurement applicable to each item are set out in the corresponding notes.

1.2.3 Particular features of Mazars' partnership model

Structure of the Group

Mazars Group is an integrated and independent international partnership founded in the effective and democratic participation of each shareholder (the "partners") of Mazars SCRL, the consolidating entity.

All the partners share in the risks and rewards of the integrated partnership (see the basis of partnership financing set out in note 8.2). They all practise in the framework of Mazars entities (the "entities") which have a range of legal forms depending on national practices or legal constraints: general partnerships, limited liability partnerships or limited liability companies.

The articles of association and other institutional documents of Mazars SCRL (the "Mazars agreements") provide for the devolution of control over entities to Mazars SCRL to the extent compatible with national legislation and regulations.

As the Group's activity is performed within its entities, Mazars SCRL does not engage in any professional activities directly and has no employee. It invoices other entities in the Group for management and development services as well as brand royalties. It derives the necessary resources to carry out its tasks from entities' contributions or from external sources and, in accordance with the Mazars agreements, it is not intended to generate significant profits.

1. Accounting policies

Consequences in terms of accounting policies:

In legal terms, the partners are shareholders or partners in the entities in which they practise. The Mazars agreements provide for:

- The prohibition for an outgoing partner to retain shares in an entity albeit no longer engaged in collaboration with Mazars Group; and
- The obligation for the entity to acquire the shares of the outgoing partner.

Entities' equity thus meets the definition (under IFRS) of a financial liability and is presented as partnership financing (by the partners), separately from other financing instruments such as borrowings, etc.

Partnership financing is detailed in note 8.2 summarising all forms of liabilities due to partners.

Remuneration of partners

Given the partnership nature of the Group's various entities, the consolidated income statement includes an intermediate balance entitled "Total surplus" (see note 4.5) which constitutes the source of partners' remuneration.

Partners' remuneration thus comprises all sums payable, whatever their form, to or by Mazars' partners at the level of entities or their subsidiaries:

- Due to differences in the partners' legal, tax and corporate status (mainly employees and shareholders in limited liability companies, profit-sharing partners in partnerships) under the various national legislations applicable, the sums which are payable to them for each financial year may take different forms: salaries, bonuses and social contributions (including to pension schemes), dividends, dividend-related tax, partnership profits, fees, non-commercial profits, etc.
- The same applies to corporate income tax payable by entities (see note 11).

Partnership financing

Mazars Group's operations are essentially financed by the partners in various forms: shares, loans, current account balances, deferred remuneration, etc...

The Group's partnership financing thus comprises the elements included in partners' remuneration plus their contributions in the form of shares or loans, other comprehensive income (in as much as it comprises elements due to or payable by the partners), bond issues and entities' deferred tax assets and liabilities.

Details of the above elements are provided in note 8.2.

Result of the Group

The Group's result is net of partners' remuneration. The pre and post-tax result presented in the Group's consolidated financial statements, and the corporate income tax charge, equate with the sole activity of Mazars SCRL.

Other comprehensive income

The components of comprehensive income are reclassified and presented either in the consolidated statement of comprehensive income, if related to the consolidating entity's equity, or as part of partnership financing if related to operating entities (see note 8.2).

Shareholders' equity

The shareholders' equity disclosed in the consolidated statement of financial position uniquely comprises the share capital, retained earnings, reserves and other comprehensive income items of the consolidating entity (OCI), Mazars SCRL.

Group governance

To manage its activities and financial risks, the Group has implemented the following structure of governance:

- The Group Executive Board has responsibility for Mazars' development strategy, growth, operational performance and for preserving the unity of the Mazars partnership;
- The Group Governance Council provides overall supervision of the Group Executive Board; and
- The Country Executive Committees are responsible for directing member entities and their operations at national level, in accordance with the framework defined by the Group and including strategic and operational coordination with the Group.

The shareholders of Mazars SCRL elect the members of the Group Executive Board, the Group Governance Council and of the Country Executive Committees of the countries in which they practise.

1.2.4 Significant events

The 2018/2019 financial year has been marked by an acceleration of the organic growth of 8.1% resulting from a double-digit growth in most regions outside of western Europe.

However, the latter has continued to accelerate for the last two years, with an organic growth of 7.2%.

Some major countries have a particularly sustained growth (Switzerland +25.7%, United States +11.8%, Germany +11.6%, the Netherlands +10.4% and the United Kingdom +8.4%).

Venezuela has been subject to hyperinflation for several years. Mazars Venezuela continues to meet the criteria for consolidation but, given the impossibility of assessing the value in euro of the financial data reported, we have retained a nil value for the entity.

Argentina has been considered as a hyperinflationary economy since July 2018. Mazars Argentina's contribution to the consolidated financial statements has thus been restated in accordance with IAS 29 since 31 August 2018 and as a result, the entity's contribution to the consolidated income statement has been translated into euro at the applicable closing rate.

The entity's non-monetary balance sheet items have also been adjusted in accordance with IAS 29. The net monetary result arising from these restatements is not material at the Group level.

1.2.5 Events after the financial year closing

No significant event occurred after the year-end.

2. Scope of consolidation

2.1 Accounting policies related to the scope of consolidation

2.1.1 Definition of the scope of consolidation

The consolidated financial statements comprise the financial statements of Mazars SCRL (the "consolidating entity"), those of the entities in which the partners carry out their professional activities and of companies that are majority owned (either directly or indirectly) by those entities. In addition to the consolidating entity, the Group's scope of consolidation comprises operating entities located in 90 countries and territories.

The ten main contributory entities are detailed on the map below with their percentage of contribution to the Group's total fee income:

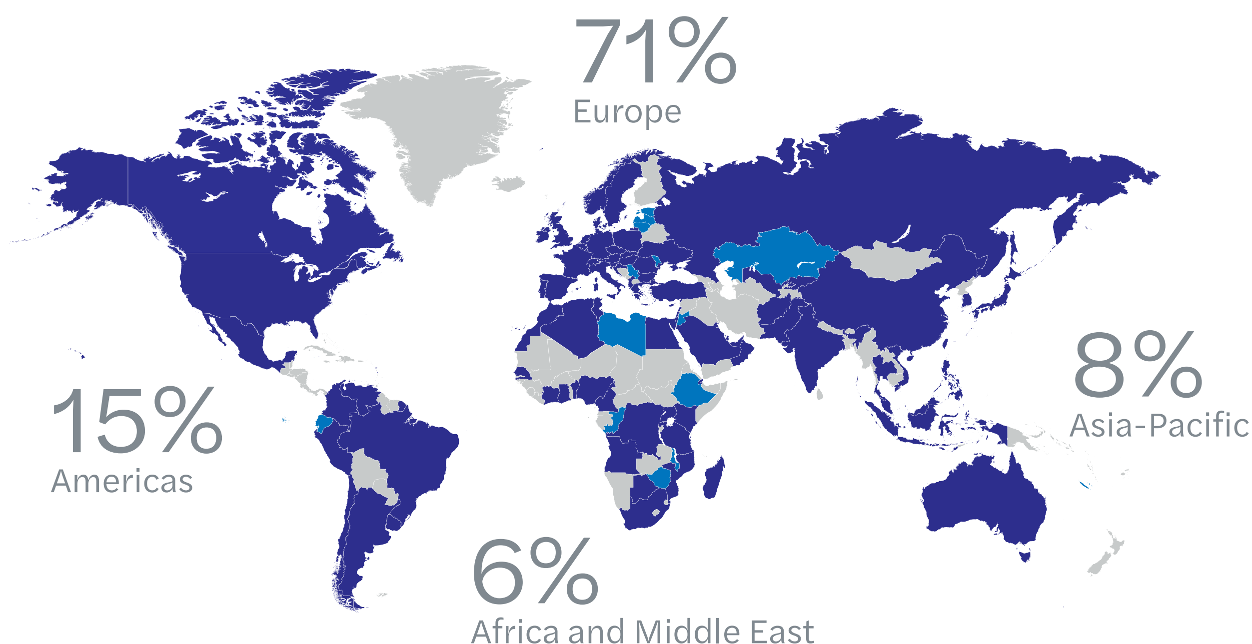
2.1.2 Conversion of financial statements drawn up in currencies other than the euro

Accounting policies

The financial statements of entities located outside the Eurozone are drawn up in local currency, which is generally their functional currency, and converted into euro as follows:

- Assets and liabilities are converted at the applicable exchange rates prevailing at the financial year-end; and
- The consolidated income statement is converted at the applicable average exchange rates for the period.

The resulting conversion differences are included under "Other comprehensive income" (see note 1.2.3) in "Partnership financing" (see note 8.2).



Americas including:

United States 12% - Mazars USA LLP

Africa and Middle Eas including:

South Africa 2% - Mazars Accountants South Africa

Europe including:

France 25% - Mazars SA
United Kingdom 13% - Mazars LLP
Germany 9% - Roever Broenner Susat Mazars GmbH
Netherlands 7% - Mazars Paaderkooper Hoffman NV
Spain 2% - Mazars Auditores SLP
Ireland 2% - Mazars Ireland
Sweden 2% - Mazars SET
Switzerland 2% - Mazars Holding

2.1.3 Business combinations and goodwill

The requirements of IFRS for business combinations were applied retrospectively from 1 September 1995 when Mazars SCRL was created.

A retrospective review has been carried out at country level for mergers prior to 31 August 2003 which primarily related to France, the United Kingdom and the Netherlands.

Under the Mazars agreements, each business combination results in control with shareholdings approaching 100%.

Accounting policies

Business combinations are accounted for using the acquisition method under which:

- The cost of an acquisition is measured at the fair value of the consideration transferred, inclusive of any price adjustment, as at the date of control. Any subsequent fair value impact of a price adjustment is recognised in profit or loss or other comprehensive income in accordance with the applicable standards; and
- Any difference between the consideration transferred and the net fair value of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed represents the goodwill attributable to the acquisition which is recognised as an asset in the consolidated statement of financial position.

Adjustments to the fair value of the identifiable assets acquired and the liabilities assumed, initially recognised on a provisional basis (pending the results of professional valuation or additional analysis), are treated as retrospective adjustments to goodwill if they intervene within a year of the acquisition date and are attributable to facts and circumstances that were in existence at the acquisition date. Any impacts identified beyond that period of a year are recognised directly in profit or loss on the same basis as for any other change in estimate or correction of an error.

Acquisition costs are expensed as incurred.

2.2 Evolution of the scope of consolidation

The main evolution of the Group's scope of consolidation during the 2018/2019 financial year has included:

- The integration of new countries (Afghanistan, Palestine, Slovenia and Uzbekistan);
- The integration of three French member firms, two Australian member firms and one Nigerian member firm;
  The exit of three-member firms in Italy;
- The exit of Namibia.

The following table presents the main impact for 2018/2019, at the level of the Group's main line items and aggregates, of the changes in scope of consolidation.

2. Scope of consolidation

Consolidated income statement

2018/2019 financial year ended on 31 August 2019

In thousands of euros	Palestine	Australia	Slovenia	Nigeria	France	Total
Fee income	356	11,768	938	523	695	14,280
Gross margin	133	6,269	589	399	456	7,846
Total Surplus	11	1,152	368	163	25	1,719

Consolidated statement of financial position

2018/2019 financial year ended on 31 August 2019

In thousands of euros	Palestine	Australia	Slovenia	Nigeria	France	Total
Total non current assets	14	681	144	1,028	648	2,515
Total current assets	75	5,809	270	707	995	7,856
Total assets	**89**	**6,489**	**414**	**1,735**	**1,644**	**10,371**
Shareholders' equity						
Total partnership financing	-76	-11,930	224	768	416	-10,598
Total other non-current liabilities		14,846			22	14,868
Total other current liabilities	166	3,574	190	966	1,205	6,101
Total equity and liabilities	**89**	**6,489**	**414**	**1,735**	**1,644**	**10,371**

Weighted average full-time equivalent employees

	Palestine	Australia	Slovenia	Nigeria	France	Total
Partners	1	15	2	1		19
Technical staff	21	143	16	23	2	205
Administrative staff	3	22	1	11	2	38
Total	**25**	**180**	**19**	**35**	**4**	**262**

Acquisitions have also taken place in Switzerland and the United Kingdom.

The contribution of the Group's Chinese firm ZhongShen ZhongHuan has not been included within the consolidated financial statements because the requirements of IFRS 10 have not yet been fully met, given:

- The effective implementation of the governance structure for the new Chinese entity which was still in progress on 31 August 2019; and
- The progressive implementation of the terms and conditions of the merger agreement.

Nevertheless, developing cooperation between ZhongShen ZhongHuan and other Group entities has been in place since 2016. The Chinese entity has thus contributed to the Group's performance during 2018/2019, and the converse is also true. For that reason, it has been deemed appropriate to make specific presentation of the global performance thus achieved (see note 15).

3. Segment reporting

Accounting policies

To evaluate its operating performance and allocate resources, the Group monitors its activity mainly based on geographical zones.

In accordance with IFRS 8, the following segment presentation is based on the Group's internal management reports prepared for review and used by the Group Executive Board, the Group's chief operating decision maker.

The accounting policies applied in preparing the internal management reports are the same as the ones applied to prepare the Group's consolidated financial statements.

3.1 Information on operating segments

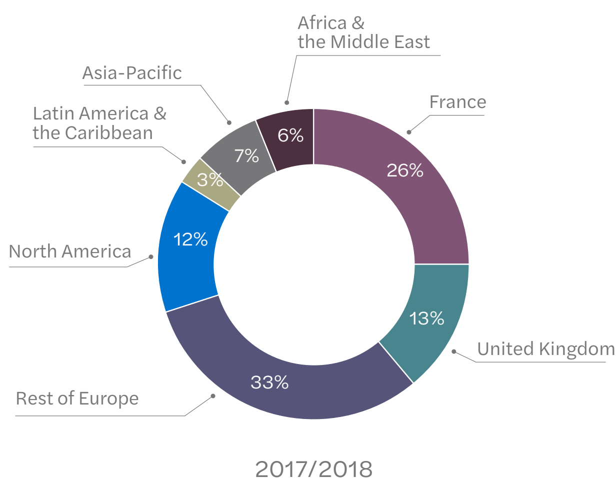
The seven operating segments monitored by the Group Executive Board are as follows:

- France
- United Kingdom
- Rest of Europe
- North America
- Latin America and the Caribbean
- Asia Pacific
- Africa and the Middle East

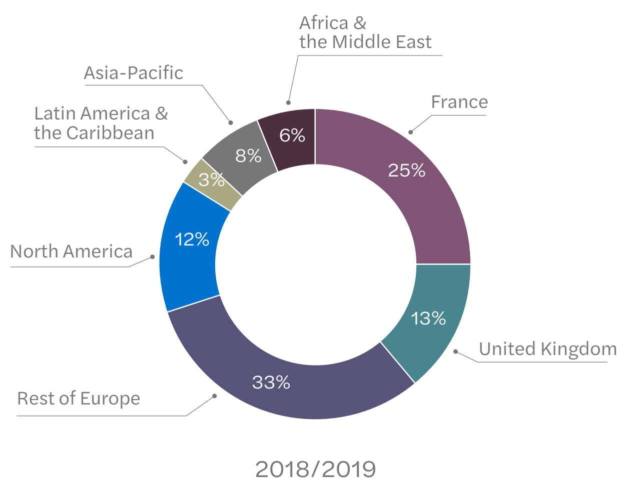
The three indicators applicable to segment reporting are fee income, gross margin, and employees.

Fee income by operating segment

In thousands of euros	2017/2018	2018/2019	Variation
France	383,599	405,324	5,7%
United Kingdom	190,733	206,729	8,4%
Rest of Europe	500,344	549,330	9,8%
North America	183,860	206,035	12,1%
Latin America & the Caribbean	40,352	45,639	13,1%
Asia-Pacific	103,413	128,865	24,6%
Africa & the Middle East	89,040	97,406	9,4%
Total	1,491,342	1,639,328	9,9%



2017/2018



2018/2019

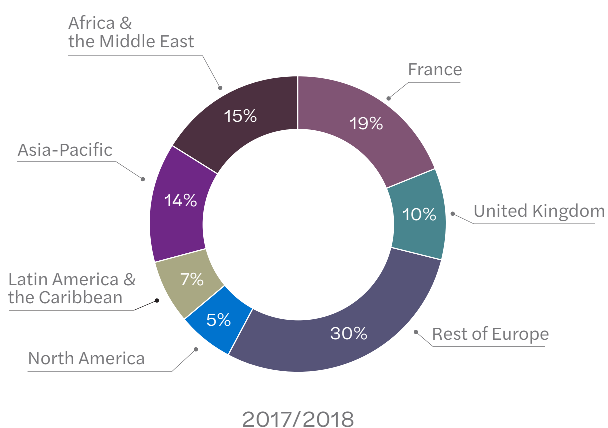
3. Segment reporting

Gross margin by operating segment (% based on fee income)

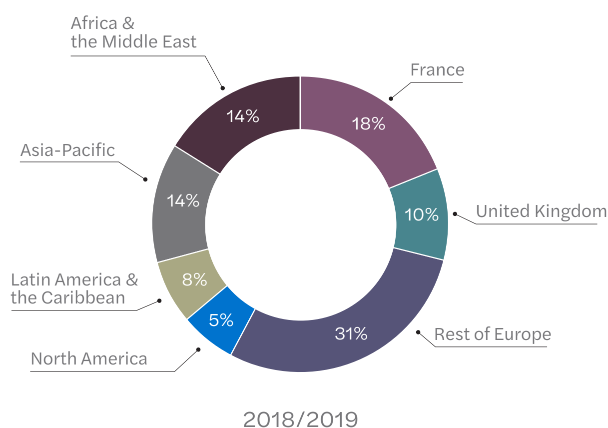
	2017/2018		2018/2019	
In thousands of euros	Gross margin	Gross margin rate	Gross margin	Gross margin rate
France	177,860	46.4%	184,584	45.5%
United Kingdom	91,478	48.0%	98,272	47.5%
Rest of Europe	237,604	47.5%	257,418	46.9%
North America	90,789	49.4%	104,142	50.5%
Latin America & the Caribbean	16,689	41.4%	19,554	42.8%
Asia-Pacific	51,666	50.0%	64,146	49.8%
Africa & the Middle East	47,015	52.8%	50,828	52.2%
Total	**713,100**	**47.8%**	**778,944**	**47.5%**

Weighted average full-time equivalent employees by operating segment

	2017/2018	2018/2019
France	3,509	3,720
United Kingdom	1,906	2,089
Rest of Europe	5,609	6,152
North America	1,006	1,043
Latin America & the Caribbean	1,388	1,580
Asia-Pacific	2,488	2,846
Africa & the Middle East	2,825	3,037
Total	**18,731**	**20,465**



2017/2018



2018/2019

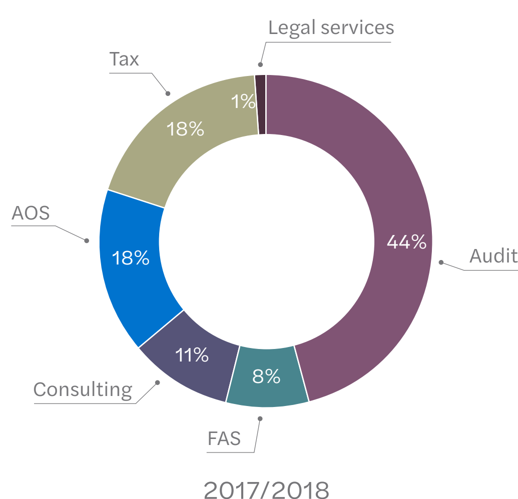
3.2 Information on service lines

The Group's operating teams are organised by service lines as follows:

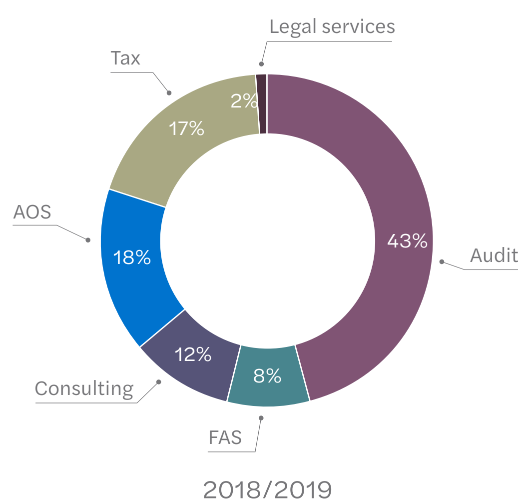
- **Audit**, i.e. those services designed to provide the assurance of reliable and relevant financial reporting;
- **Financial Advisory Services (FAS)**, consists of providing financial diagnosis for business operations, valuation and transmission, as well as support for the resolution of financial disputes;
- **Consulting**, designed to help organisations focus on their strategies and succeed in the transformation required to achieve improved overall performance;
- **Accounting and Outsourcing Services (AOS)**, providing financial and accounting management with a comprehensive response to their requirements ranging from day-to-day accounting to complex projects;
- **Tax services (TAX)**, consists of the provision of tax advisory services and of legal and regulatory tax compliance services at both the national and international levels; and
- **Legal services,** includes the provision of tailored responses to issues and related to commercial law, tax law and to the laws applicable to stock market transactions and capital markets.

Fee income breakdown by service lines

In thousands of euros	2017/2018	2018/2019
Audit	658,529	705,820
FAS	116,530	125,779
Consulting	162,048	198,777
AOS	269,311	290,345
Tax	263,315	289,452
Legal services	21,608	29,152
Total	**1,491,342**	**1,639,328**



2017/2018



2018/2019

3.3 Information on the Group's main clients

The Group acts for a very large number of clients none of which represents more than 5% of its total fee income.

4. Operating data

4.1 Fee income

Accounting policies

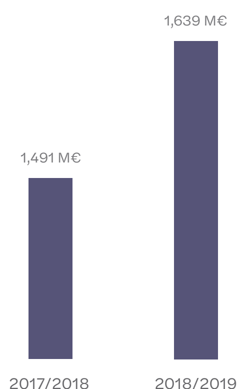
Fee income represents the fair value of payments received or receivable for services rendered to clients over the course of the year, after considering changes in accrued income. To better assess the level of gross margin, rebillable costs related to the provision of services (notably travel and accommodation) are deducted from revenue to present fee income.

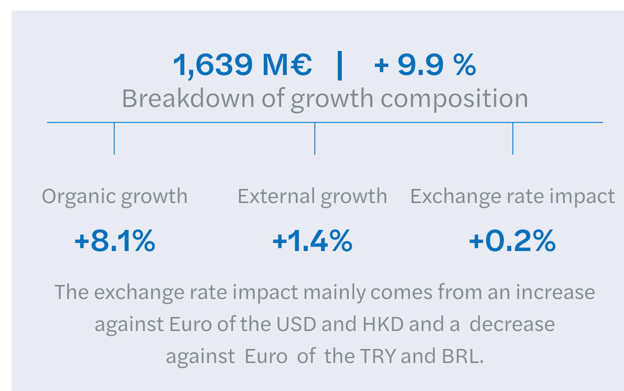
Fee income is recognised based on the percentage of completion (see note 4.2).

Fee income may be broken down as follows:

In thousands of euros	2017/2018	2018/2019
Fee notes rendered	1,540,867	1,692,913
Change in accrued income	10,765	15,436
Revenue	**1,551,633**	**1,708,349**
Rebillable costs	-60,291	-69,021
Fee income	**1,491,342**	**1,639,328**

Evolution of fee income





Backlog

Backlog as defined by IFRS 15 equates to the revenue firmly contracted with clients but in respect of which the applicable performance obligations were yet unfulfilled, or only partially fulfilled, at year-end.

The backlog provided by the main countries for budget 2019/2020 represents by service line the following percentage of total target:

Audit	FAS	Consulting	AOS	Tax	Legal services	**Total**
81%	8%	16%	71%	45%	58%	**61%**

4.2 Trade accounts receivable and accrued income

Accounting policies

Trade accounts receivable and accrued income are disclosed as a single line item in the consolidated statement of financial position.

Trade accounts receivable

Trade accounts receivable are recognised at amortised cost.

Impairment losses are recognised against trade accounts receivable and other receivables where there is a risk of non-recovery.

Trade accounts receivable are individually reviewed by the partners for the purpose of recognising any impairment.

100% impairment allowances are recognised against receivables past due by more than a year except for:

- Receivables settled within 30 days of the year-end;
- Receivables for long-term (public sector) contracts if it can be proven that the clients concerned have not been responsible for payment defaults over the last two accounting periods; and
- Receivables the ultimate recovery of which is guaranteed by contract.

Accrued income

Accrued income covers services provided that have not yet been invoiced. Calculation of accrued income, and thus of the income from services rendered, is based on a specific review of services performed, billed and to be billed, according to the stage of completion of engagements. Accrued income is valued at its probable sales value (net of taxes).

As at 31 August 2019, trade accounts receivable and accrued income were broken down as follows:

	31 August 2018	31 August 2019		
In thousands of euros	Net	Gross	Impairment	Net
Client debtors	344,876	401,961	-45,761	356,201
Accrued income	133,387	180,681	-30,287	150,394*
Payments on account	-25,504	-23,629		-23,629
Deferred income	-10,860	-11,745		-11,745
Client debtors and Accrued income	**441,900**	**547,269**	**-76,048**	**471,221**
Ratio of trade accounts receivable and not billed	**28.5%**			**27.6%**

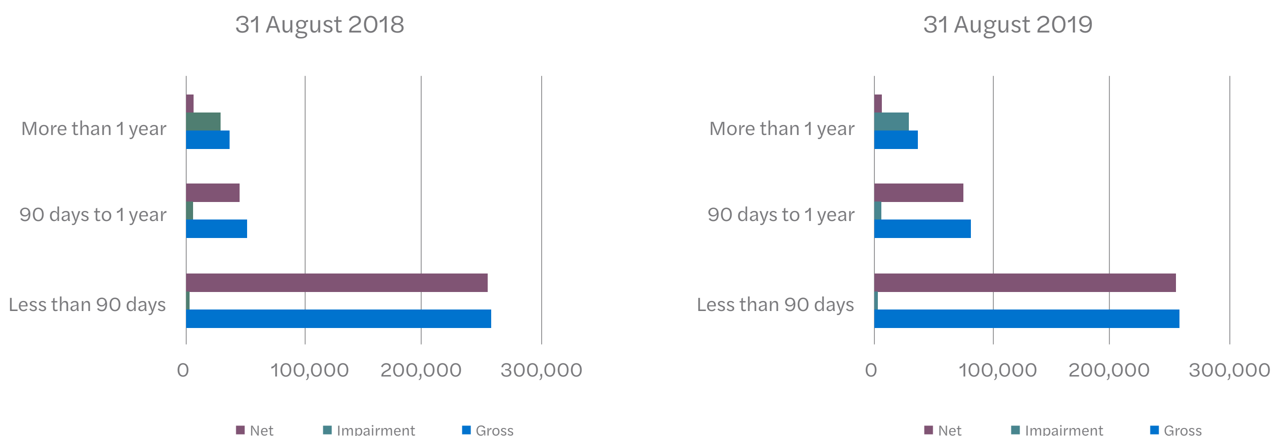
* Including changes in scope and foreign exchange variations for €1.5 million

The ageing of trade accounts receivable based on their invoicing dates may be analysed as follows:

	31 August 2018			31 August 2019		
In thousands of euros	Gross	Impairment	Net	Gross	Impairment	Net
Less than 90 days	279,021	-3,711	275,311	279,395	-3,709	275,686
90 days to 1 year	67,588	-6,461	61,127	77,807	-7,150	70,656
More than 1 year	43,397	-34,959	8,438	44,760	-34,902	9,858
Total	**390,006**	**-45,130**	**344,876**	**401,961**	**-45,761**	**356,201**

4. Operating data

As at 31 August 2019, there was no reason to doubt the creditworthiness of receivables due but not impaired.



4.3 Gross margin and cost of technical staff

Accounting policies

Gross margin is derived from fee income less the cost of technical personnel alone (both employees of the Group and technical subcontractors).

Technical staff comprises the firm's operating personnel (except partners) working on engagements performed in the framework of the Group's various service lines. The cost of technical staff breaks down as to 96% of internal payroll costs and 4% of subcontracting expenses as follows:

In thousands of euros	2017/2018	Average FTE 2017/2018	2018/2019	Average FTE 2018/2019
Fee income	**1,491,342**		**1,639,328**	
Cost of technical staff	-751,127	15,379	-829,108	16,846
Cost of technical subcontracting	-27,114		-31,276	
Gross margin	**713,100**		**778,944**	
Gross margin rate	**47.8%**		**47.5%**	

The cost of technical staff increased by 10.4% in 2018/2019, in line with the fee income increase by 9.9%.

4.4 Surplus of operations

Accounting policies

Surplus of operations represents the result of the Group's activities realised through its operating resources. It includes depreciation, amortisation and/ or impairment of assets other than client relationships, impairment of goodwill, finance costs, income tax charges and partners' remuneration (see note 4.5).

The table below provides a breakdown of the costs deducted from the Group's gross margin to arrive at surplus of operations:

In thousands of euros	2017/2018	2018/2019
Gross margin	**713,100**	**778,944**
Cost of administrative staff	-114,258	-124,648
Other costs	-276,071	-322,842
Depreciation, amortisation and impairment	-24,332	-12,551
Surplus of operations	**298,439**	**318,904**
Ratio of surplus of operations to fee income	**20.0%**	**19.5%**

The most significant other expense comprises real estate property costs (inclusive of operating lease charges, see note 6.4):

In thousands of euros	2017/2018	2018/2019
Property costs	82,230	86,016
Tax, insurance and professional contributions	29,872	37,000
General services	45,325	52,725
Other	118,644	147,101
Other costs	**276,071**	**322,842**

4.5 Total surplus

Accounting policies

In accordance with the Mazars agreements, the concept of surplus is the measure used to assess the performance of entities and partners and as a point of reference, after eliminating any exceptional items as defined by the Mazars agreements, for determining partners' remuneration. A sub-total is thus calculated which allows the Group's performance to be measured before any form of remuneration is paid to the partners.

Surplus equates with operating surplus net of the impact of amortisation and impairment of client relationships and goodwill as well as of financing costs.

The table below provides a breakdown of the costs deducted from surplus of operations to arrive at total surplus:

In thousands of euros	2017/2018	2018/2019
Surplus of operations	298,439	318,904
Amortisation of client relationships and goodwill	-7,039	-9,838
Financing costs	-4,982	-5,788
Total Surplus	286,418	303,278
Ratio of total surplus to fee income	19.2%	18.5%

5. Employee benefits

Accounting policies

Employee benefits are measured in accordance with IAS 19 and comprise:

- The remuneration of partners, technical and administrative staff; and
- Short-term and long-term employee benefits.

The remuneration applicable to each category of employees is analysed over distinct line items in the consolidated income statement.

Accrued remuneration for the current and prior accounting periods is presented:

- For technical and administrative personnel, as part of payroll liabilities (current portion) or post-employment benefit liabilities (non-current portion) (see notes 10.2 and 9.1); and
- For partners, as part of current and non-current partnership financing (see note 8.2).

Short-term benefits

Group employees receive short-term benefits such as salaries, paid vacation and sick leave, bonuses, profit-sharing, dividends* and other benefits (other than termination benefits) payable during the period of performance of the corresponding services or within twelve months after the end of that period.

The benefits are charged to profit or loss at the time of performance of the corresponding services.

* In certain entities, dividends are paid to employees who are not partners: such dividends, along with the related tax, are considered as an element of the employees' remuneration.

Post-employment benefits

Post-employment benefits comprise lump-sum retirement benefits and complementary pensions (see note 5.2).

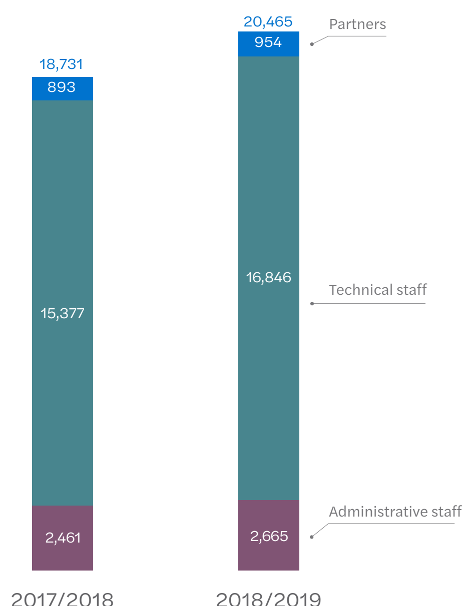
The various benefits offered to each partner or employee depend on local legislation as well as on the agreements in force within each Group entity.

5.1 Partners and employees

The Group distinguishes between the three following categories of personnel with a total movement from 18,731 for 2017/2018 to 20,465 for 2018/2019 (numbers are expressed on an average full-time equivalent basis):

The breakdown by operating segment is presented in note 3.1.

The costs of technical and administrative staff are detailed in note 4.3 and 4.4.



5.2 Post-employment benefits

Accounting policies

In certain countries, the Group's partners and employees are entitled to complementary pensions paid annually after retirement, or to lump-sum benefits paid at the time retirement is taken. The benefits may be covered by defined contribution or defined benefit plans.

In the case of defined contribution plans, the Group's obligation is limited to payment of the stipulated contributions which are charged to profit or loss in the period in which they are incurred.

In the case of defined benefit plans, the Group has an obligation to pay defined benefits to beneficiaries whatever the basis of financing of the obligation. Such plans thus give rise to the recognition of provisions calculated by means of the so-called projected unit credit method. In addition to partners' and employees' remuneration of reference, the calculation considers the following factors and assumptions:

- Status, age and past service periods for each beneficiary and category of beneficiary;
- Average staff turnover for each category of beneficiary;
- Anticipated rates of increase in remuneration;
- Applicable social contribution rates;
- Life expectancy based on mortality tables recognised in each applicable country; and
- A discount rate based on the yield for high quality private sector bonds and equating with the horizon of the benefit obligation.

In accordance with IAS 19, actuarial gains and losses on post-employment benefits are immediately recognised in other comprehensive income of the applicable entities, but given the specific partnership features of those entities and of the Group , such gains and losses are simultaneously allocated to the non-current portion of partnership financing since they contribute to the Group's partnership financing requirements (see note 1.2.3).

The geographical zones within which material defined post-employment benefit plans exist are as follows:

	Lump-sum retirement benefits	Complementary pensions
Germany		X
United States		X
France	X	X
United Kingdom		X
Switzerland		X

The elements provided in the following tables are broken down over those geographical zones.

5. Employee benefits

5.2.1 Evolution of benefit obligations, plan assets and net provisions

Benefit obligations, plan assets and net provisions have evolved as follows over the last two accounting periods:

						31 August 2019
In thousands of euros	United States	Euro Zone	United Kingdom	Switzerland	Other countries	Total
Present value of benefit obligations	54,803	20,492	32,952	26,228	2,033	136,507
Fair value of plan assets		-3,553	-35,014	-22,092	-179	-60,838
Asset ceiling			2,062			2,062
Opening Liability (Asset)	**54,803**	**16,938**	**0**	**4,135**	**1,854**	**77,732**
Costs of the period	7,629	598	176	1,597	432	10,433
Actuarial gains and losses recognised in OCI	4,612	3,257	-2,239	3,524	45	9,199
Effect of asset ceiling			2,797			2,797
Benefits and contributions paid	-5,184	-980	-735	-1,523	-126	-8,548
Change in consolidation scope		30				30
Foreign exchange impact						
Closing Liability (Asset)	**61,862**	**19,843**	**0**	**7,734**	**2,205**	**91,644**
Present value of benefit obligations	61,862	23,402	34,581	36,862	2,407	159,113
Fair value of plan assets		-3,559	-39,425	-29,128	-202	-72,314
Asset ceiling			4,844			4,844
CLOSING LIABILITY (ASSET)	**61,862**	**19,843**	**0**	**7,734**	**2,205**	**91,644**

						31 August 2018
In thousands of euros	United States	Euro Zone	United Kingdom	Switzerland	Other countries	Total
Present value of benefit obligations	54,452	10,695	33,660	17,944	2,249	118,000
Fair value of plan assets		-3,572	-35,667	-14,224	-182	-53,644
Asset ceiling			2,007			2,007
Opening Liability (Asset)	**53,452**	**7,123**	**0**	**3,720**	**2,067**	**66,363**
Costs of the period	5,714	619	176	1,257	-143	7,447
Actuarial gains and losses recognised in OCI	-288	183	680	301	54	930
Effect of asset ceiling			55			55
Benefits and contributions paid	-4,075	-1,083	-735	-1,143	-125	-7,161
Change in consolidation scope		10,097				10,097
Foreign exchange impact						
Closing Liability (Asset)	**54,803**	**16,939**	**0**	**4,135**	**1,853**	**77,731**
Present value of benefit obligations	54,803	20,492	32,952	26,228	2,033	136,508
Fair value of plan assets		-3,553	-35,014	-22,092	-179	-60,838
Asset ceiling			2,062			2,062
CLOSING LIABILITY (ASSET)	**54,803**	**16,939**	**0**	**4,135**	**1,854**	**77,731**

The additional funding required for the coming financial year amounts to €5 million for the United States, €0.7 million for the United Kingdom, and €1.5 million for Switzerland. The major part of the actuarial gap incurred results from a decline in the applicable discount rates.

5.2.3 Actuarial gains and losses

Actuarial gains and losses for the 2018/2019 financial year amounted to a net loss of €12 million, due to the discount rate reduction and may be broken down as follows:

						2018/2019
In thousands of euros	Euro zone	United Kingdom	Switzerland	United States	Other countries	Total
Cost of services rendered	352	176	1,319	1,765	141	3,753
Interest expense	299	851	252	2,314	168	3,884
Expected return on plan assets	-53	-851	-222		-15	-1,141
Change of consolidation score						0
Amortisation of actuarial (gains) and losses					22	22
Impact of curtailments and settlements						0
Net expense for the period	**598**	**176**	**1,349**	**4,079**	**316**	**6,518**
Forex impact			**248**	**3,551**	**116**	**3,915**

						2017/2018
In thousands of euros	Euro zone	United Kingdom	Switzerland	United States	Other countries	Total
Cost of services rendered	323		1,166	2,748	128	4,365
Interest expense	294	868	119	1,997	149	3,427
Expected return on plan assets	-53	-851	-222		-13	-1,051
Change of consolidation score	74					74
Amortisation of actuarial (gains) and losses					-168	-168
Impact of curtailments and settlements					35	35
Net expense for the period	**619**		**1,186**	**4,744**	**131**	**6,681**
Forex impact			**71**	**970**	**-274**	**767**

5. Employee benefits

5.2.3 Actuarial gains and losses

Actuarial gains and losses for the 2018/2019 financial year amounted to a net loss of €12 million, due to the discount rate reduction and may be broken down as follows:

						2018/2019
In thousands of euros	Euro zone	United Kingdom	Switzerland	United States	Other countries	Total
Actuarial (gains) & losses on the DBO	**3,313**	**2,343**	**1,454**	**4,612**	**65**	**11,788**
Experience loss (gain)	5,858	-2,046	-538	-378	46	2,942
Actuarial loss (gain) due to change in financial assumptions	-2,545	4,389	1,992	4,990	20	8,846
Actuarial loss (gain) due to change in demographic assumptions						
Actuarial (gains) & losses on plan assets	**-56**	**-4,581**	**2,070**		**1**	**-2,567**
Actuarial gains (losses) on defined benefits plans					22	22
Remeasurements recognised in other comprehensive income	**3,257**	**-2,239**	**3,524**	**4,612**	**45**	**9,199**
Effect of asset ceiling		2,797				2,797
Total remeasurements including in OCI	**3,257**	**559**	**3,524**	**4,612**	**45**	**11,997**

The variation of the other comprehensive income come from a decline in discount rate (see note 5.2.5).

5.2.4 Plan assets

The Group's post-employment benefit obligations are partially covered by dedicated funds allocated as follows for the main benefit plans financed:

	31 August 2018					31 August 2019				
	Equities	Bonds	Derivatives	Real Estate	Cash	Equities	Bonds	Derivatives	Real Estate	Cash
Euro zone	30%	70%				30%	70%			
United Kingdom	70%	22%			8%	33%	66%			1%
Switzerland	25%	41%	6%	28%		25%	41%	6%	28%	

5.2.5 Applicable assumptions and sensitivity analysis

As at 31 August 2019, the financial assumptions retained for the benefit plans applicable to each of the Group's geographical zones were as follows:

	Discount rates 2018	Discount rates 2019	Inflation rates 2018	Inflation rates 2019
United States	4.10%	2.90%	2.50%	2.50%
Euro zone	1.50%	0.50%	2.00%	2.00%
United Kingdom	2.60%	1.60%	3.10%	3.30%
Switzerland	1.00%	0.20%	1.00%	1.00%

Discount rates are determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

The assumptions as to salary increases correspond, for each country, to the anticipated rates of inflation and individual salary increases.

The following table discloses the sensitivity to a 0.5% increase or decrease in the discount rates applied:

						31 August 2019
In thousands of euros	**United States**	**Euro Zone**	**United Kingdom**	**Switzerland**	**Other countries**	**Total**
Obligation as at 31 August 2019	61,862	23,402	34,581	36,862	2,407	159,113
Impact of an increase of 0.50%	-2,240	-1,427	-2,746	-1,561	-98	8,072
Impact of a decrease of 0.50%	2,390	1,468	2,753	1,561	102	8,273
Weighted duration (in years)	7	12	16	9	8	10

6. Intangible assets and property, plant and equipment

6.1 Intangible assets

Accounting policies

Goodwill recognised represents the difference between the costs of shares acquired (including any anticipated additional consideration accounted for as other liabilities) and the acquired portions of the fair value of the assets and liabilities identified at the dates of acquisition.

Given the Group's principles of solidarity, goodwill and other long-term assets are not subject to systematic annual impairment testing.

Intangible assets acquired through a business combination are recognised at their fair value at the date of acquisition and accounted for separately from any goodwill if the two following conditions are met:

- They are identifiable (i.e. they result from legal or contractual rights); and
- They can be separated from the acquired entity and can be measured.

Intangible assets which fall into this category are included under "Client relationships". They include audit appointments, contracts (for accounting services in particular) and portfolios of client relationships. The fair value of "Client relationships" is calculated by reference to the expected cash flows from contracts, appointments and portfolios over their respective durations, discounted at a rate determined by the expected rate of return on equity weighted according to the Group's financing structure. Client relationships are amortised on a straight-line basis over their estimated average lives.

Other intangible assets acquired separately are accounted for at the value of the consideration paid. They are subject to straight-line amortisation over their period of use which varies, depending on the country, between 8 and 20 years.

Intangible assets other than goodwill mainly comprise software amortised on a straight-line basis over periods of 1 to 5 years.

Intangible assets may be broken down as follows:

In thousands of euros	31 August 2018	Acquisitions		Disposals	Changes in consolidation scope	Others	Foreign currency gains and losses	31 August 2019
Gross values								
Client relationships	114,073	1,649		-2,492	12,069	-505	1,598	126,393
Goodwill	106,070				-1,382	-1,663	3,640	106,666
Other intangible assets	58,560	5,435		-9,945	-1,590	69	-14	52,514
Total	**278,704**	**7,084**		**-12,437**	**9,098**	**-2,099**	**5,224**	**285,573**

In thousands of euros	31 August 2018		Amortisations	Disposals	Changes in consolidation scope	Others	Foreign currency gains and losses	31 August 2019
Amortisations and provisions								
Client relationships	-56,261		-9,503	2,715	-334	-94	-892	-64,368
Goodwill	-1,402		-335		393	89	5	-1,251
Other intangible assets	-32,794		-4,291	9,830	5	-65	-163	-27,479
Total	**-90,457**		**-14,130**	**12,545**	**64**	**-70**	**-1,051**	**-93,098**

In thousands of euros	31 August 2018	Acquisitions	Amortisations	Disposals	Changes in consolidation scope	Others	Foreign currency gains and losses	31 August 2019
Net values								
Client relationships	57,812	1,649	-9,503	224	11,736	-598	706	62,025
Goodwill	104,668		-335		-990	-1,573	3,645	105,415
Other intangible assets	25,766	5,435	-4,291	-115	-1,585	3	-178	25,035
Total	**188,246**	**7,084**	**-14,130**	**108**	**9,161**	**-2,168**	**4,174**	**192,475**

The acquisitions of client relationships mainly relate to the USA, France and Australia.

The foreign exchange rates impact mainly reflects the gain in value against the euro of the US dollar.

Acquisitions of intangible assets are essentially related to software for internal use, such as the new ERP system in the Netherlands and computer licences especially in France and the United Kingdom.

6. Intangible assets and property, plant and equipment

The following table provides a breakdown of the Group's main intangible assets:

	31 August 2018		31 August 2019	
In thousands of euros	Client relationships	Goodwill	Client relationships	Goodwill
France	23,668	34,168	28,111	34,168
United Kingdom	4,722	5,168	5,873	5,128
Rest of Europe	16,939	3,708	14,132	4,347
North America	12,142	51,559	12,051	52,876
Latin America & the Caribbean		3,347		3,497
Asia-Pacific	340	5,391	986	4,424
Africa & the Middle East		1,327	873	973
Total	**57,812**	**104,668**	**62,025**	**105,415**

The main amounts disclosed in the consolidated statement of financial position relate to France and the United States. In France, they mainly originated in the 1 September 1995 business combination between Cabinet Robert Mazars and Guérard-Viala, and from acquisitions made in recent years in consulting. In North America, they arose in 2010 when Weiser was consolidated within the Mazars Group.

6.2 Property, plant and equipment

Accounting policies

Property, plant and equipment are measured at cost less accumulated depreciation and any recognised impairment losses.

Where necessary, the total cost of an asset is divided into its component parts which are subject to different estimated useful lives. Each component is separately accounted for and depreciated over its applicable useful life.

Assets are subject to straight-line depreciation over their estimated useful lives. The most common depreciation periods are as follows:

- Fixtures and fittings: 7 to 10 years;
- Vehicles: 3 to 5 years; and
- Furniture and office equipment: 3 to 10 years.

Property, plant and equipment may be broken down as follows:

In thousands of euros	31 August 2018	Acquisitions		Disposals	Changes in consolidation scope	Others	Foreign currency gains and losses	31 August 2019
Gross values								
Fixtures and fittings	71,163	11,779		-5,011	176	-109	930	78,926
Vehicles and other items	5,476	1,367		-1,143	186	0	91	5,978
Furniture and office equipment	89,444	15,008		-9,631	945	136	1,020	96,917
Total	**166,083**	**28,153**		**-15,785**	**1,307**	**27**	**2,041**	**181,821**

In thousands of euros	31 August 2018		Depreciations	Disposals	Changes in consolidation scope	Others	Foreign currency gains and losses	31 August 2019
Amortisations and provisions								
Fixtures and fittings	-47,684		-6,819	4,820	-22	78	-708	-50,335
Vehicles and other items	-3,486		-888	970	-41	-22	-63	-3,530
Furniture and office equipment	-63,694		-12,262	9,362	-617	-77	-715	-67,999
Total	**-114,864**		**-19,970**	**15,152**	**-680**	**-21**	**-1,487**	**-121,864**

In thousands of euros	31 August 2018	Acquisitions	Depreciations	Disposals	Changes in consolidation scope	Others	Foreign currency gains and losses	31 August 2019
Net values								
Fixtures and fittings	23,478	11,779	-6,819	-191	154	-32	221	28,591
Vehicles and other items	1,990	1,367	-888	-173	145	-22	28	2,448
Furniture and office equipment	25,750	15,008	-12,262	-269	328	59	305	28,918
Total	**51,219**	**28,153**	**-19,970**	**-633**	**627**	**6**	**554**	**59,956**

Acquisitions of property, plant and equipment are essentially related to the purchase of computer equipment and the partial renewal of existing computer infrastructure, as well as to the renovation and refurbishment of office premises.

6. Intangible assets and property, plant and equipment

6.3 Impairment of intangible assets and property, plant and equipment

Accounting policies

In accordance with IAS 36, intangible assets and property, plant and equipment are subject to impairment testing whenever there is an indication that the value of an asset has been impaired.

Assets subject to impairment tests are included in cash-generating units (CGUs) corresponding to linked groups of assets which generate identifiable cash flows. The smallest independent cash-generating unit is the country in which the applicable acquisition took place.

Impairment testing is performed by comparing the recoverable amounts and carrying amounts of the cash-generating units with which the goodwill is associated.

The recoverable amount of a cash-generating unit is the higher of fair value (usually the arm's length price that might be expected to apply to a sale, e.g. based on the multiples of earnings observed in recent transactions for similar assets) net of selling costs and value in use. Value in use is determined by discounting future cash flows to their present value.

The future cash flows discounted are those reflected in the annual budgets, and long-range plans, prepared for each CGU by each country's Executive Committee and approved by the Group Executive Board.

The calculation is based on the present value of an estimate of three years' future cash flows plus a terminal value reflecting a growth rate into perpetuity. The discount rate considers the current market expectations of the time value of money and the specific risks related to each cash-generating unit. The after-tax rate is applied to after-tax cash flows and corresponds to the weighted average cost of capital. This rate derives from the specific rates applied to each CGU.

When the carrying amount of a cash-generating unit exceeds its recoverable amount, considering the Group's principles of internal solidarity, the assets of the cash-generating unit are written down to their recoverable value. Any impairment is first recognised against goodwill and is accounted for in the consolidated income statement.

6.4 Leases

Accounting policies

Leases which transfer substantially all the risks and rewards related to ownership of the leased asset to the lessee are recognised in the consolidated statement of financial position with the asset included under "Property, plant and equipment" (see note 6.2). The amounts involved within the Group are not significant.

Other leases are treated as operating leases. The lease payments under these contracts are recognised under "Other costs" in the consolidated income statement, on a straight-line basis over the duration of each contract.

Commitments under non-cancellable operating leases are shown below:

In thousands of euros	31 August 2018	31 August 2019
Less than 1 year	60,638	67,130
1 to 5 years	173,889	179,417
More than 5 years	67,071	54,239
Minimum rent	**301,599**	**300,787**

7. Financing and financial instruments

7.1 Accounting policies applicable to financial instruments

Accounting policies

Financial instruments are financial assets and financial liabilities held or issued for the purposes of financing the Group's activities. They mainly comprise the following items:

- Financial assets: other non-current assets (see note 7.4), trade accounts receivable (see note 4.2), cash and cash equivalents (see note 7.3) and derivative instruments with asset balances; and
- Financial liabilities: current portion of partnership financing (see note 8.2), bank borrowings (see note 7.3), current bank financing (see note 7.3), trade and other payables (see note 10.2) and derivative instruments with liability balances.

Financial assets are initially recognised at fair value. At the financial year-end, they are measured either at fair value (cash and cash equivalents and derivative instruments with asset balances) or at amortised cost (trade accounts receivable and related loans) less any applicable impairment losses.

Cash and cash equivalents include cash on hand and in bank as well as short-term investments (with original maturities not exceeding three months) that are immediately available as cash or are readily convertible into a known amount of cash and which are subject to an insignificant risk of change in their value.

Bank loans are accounted for at amortised cost using the effective interest rate.

Derivative financial instruments are measured and recognised at their market values as at the financial year-end. Whenever those instruments are identified in a hedging relationship, prospective and retrospective testing of its effectiveness is undertaken in line with market practices, based on market data provided by an independent supplier (Bloomberg). The effective portion of the change in fair value of derivative instruments is recognised under "Non-current portion of partnership financing".

7.2 Management of financial risks

The Group is financed by partners' partnership financing, by undistributed partners' remuneration (see note 8.2) and by entities' borrowings.

The management of financial risks is the primary responsibility of the Country Executive Committees (see note 1.2.3), for their respective scopes of intervention, and is the subject of discussion with the Group's other governance bodies depending on the magnitude and of the risk of the issues involved.

Group entities may be exposed to liquidity risk, foreign currency risk and counterparty risk. They make no use of speculative financial instruments and do not have any significant exposure to interest rate risk.

7.2.1 Management of liquidity risk

The Country Executive Committees are responsible for the operational management of member entities in their countries and therefore organise their financing on basis enabling them to continue to operate as going concerns.

That financing may take many forms: equity or current account contributions by partners, bank loans, current bank financing, etc.

7.2.2 Management of currency risk

Each Mazars Group entity undertakes almost all its transactions in the local currency of the environment in which it operates and accordingly, exposure to foreign exchange rate risk is negligible.

7.2.3 Management of counterparty risk

Counterparty risk is assessed by the responsible partners and by the Country Executive Committees in the case of significant transactions and decisions committing member entities. The Group's exposure is spread over a very large number of clients the failure of any one of which would not have material consequence for the Group.

Cash and cash equivalents are deposited or invested with first-class banking institutions subject to negligible counterparty risk.

7.3 Net debt

Net debt may be broken down as follows:

In thousands of euros	31 August 2018	31 August 2019
Long-term borrowings - current	30,216	32,975
Long-term borrowings - non-current	83,048	77,325
Financial debts	**113,264**	**110,301**
Cash and cash equivalents	-101,682	-103,743
Current bank financing	25,233	38,543
Net Cash	**-76,449**	**-65,201**
Net borrowings	**36,814**	**45,100**

Financial debts have decreased by €3 million and net borrowings have increased by €8 million.

Net debt may be broken down as follows:

By type of instrument and currency

	Borrowing and other financial liabilities		Cash and cash equivalents		Current bank financing		Net borrowings	
In thousands of euros	31 August 2018	31 August 2019	31 August 2018	31 August 2019	31 August 2018	31 August 2019	31 August 2018	31 August 2019
EUR	88,620	76,274	-56,516	-45,736	9,183	12,823	41,287	43,362
USD	12,050	4,781	-5,519	-8,831	101	133	6,632	-3,918
GBP			-2,106	-5,805	12,464	21,093	10,358	15,287
SGD	815	862	-2,581	-2,640			-1,767	-1,778
ZAR	2,138	2,872	-704	-911	1,712	2,027	3,146	3,987
Other currencies	9,641	25,512	-34,256	-39,820	1,773	2,468	-22,842	-11,839
Total	**113,264**	**110,301**	**-101,682**	**-103,743**	**25,233**	**38,543**	**36,814**	**45,100**

By flow

In thousands of euros	31 August 2018	Cash from loans	Debt redemption	Variations in cash	Change in consolidation scope	Others	Foreign currency gains and losses	31 August 2019
Long-term borrowings - current	30,216	2,447	-29,632		-73	29,571	446	32,975
Long-term borrowings - non-current	83,048	20,518	-3,787		9,188	-31,642	-1	77,325
Financial debts	**113,264**	**22,965**	**-33,419**		**9,116**	**-2,070**	**446**	**110,301**
Cash and cash equivalents	-101,682			-6,302	5,337	47	-1,143	-103,743
Current bank financing	25,233			11,769	1,701		-160	38,543
Net Cash	**-76,449**			**5,467**	**7,039**	**46**	**-1,303**	**-65,201**
Net borrowings	**36,814**	**22,965**	**-33,419**	**5,467**	**16,154**	**-2,024**	**-857**	**45,100**

The €23 million increase in non-current bank loans mainly reflects:

- The subscription of the following loans in France:
  - By Mazars SA: a fixed rate loan of €1.8 million from Banque Palatine;
  - By Mazars Occitanie: a fixed rate loan of €2.3 million from Banque Courtois;
- The subscription of two new loans from HSBC of respectively €3 million and €6 million following the integration of two new offices in Australia (Brisbane and Melbourne);
- The subscription by Mazars South Africa of a €1.2 million floating rate loan from Nedbank, and Rentworks Africa; and
- The subscription by Mazars Ireland of a €1 million floating rate loan from Bank of Ireland.

By operating segment

In thousands of euros	31 August 2018	31 August 2019
France	53,028	54,082
United Kingdom	10,358	15,287
Rest of Europe	-21,878	-20,810
North America	11,188	3,023
Latin America & the Caribbean	-35	1,231
Asia-Pacific	-13,426	-4,129
Africa & the Middle East	-2,421	-3,585
Net borrowings	**36,814**	**45,100**

7.4 Other non-current assets

Other non-current assets comprise of investments in non-consolidated entities, loans and guarantee deposits.

In thousands of euros	31 August 2018	Acquis-itions		Disposals	Reimburse-ments	Changes in consolidation scope	Others	Foreign currency gains and losses	31 August 2019
Gross values									
Shares in non consolidated companies	1,572	4,694		-325	8	-5,486	89	5	557
Loans		-5			-34	228	-272	1	0
Deposits & guarantees	2,842	927			-194	-4	361	122	3,940
Other long-term investments	17,474	917			-3,238	-42	-947	65	14,261
Total	**21,888**	**6,533**		**-325**	**-3,458**	**-5,304**	**-769**	**193**	**18,758**

In thousands of euros	31 August 2018		Amort-isations	Reversals		Changes in consolidation scope	Others	Foreign currency gains and losses	31 August 2019
Depreciations									
Shares in non consolidated companies	-447		-342			195	583		-11
Loans									
Deposits & guarantees									
Other long-term investments	-875		-450	1		-1		-7	-1,332
Total	**-1,322**		**-792**	**1**		**194**	**583**	**-7**	**-1,343**

In thousands of euros	31 August 2018	Acquis-itions	Amort-isations	Disposals	Reimburse-ments	Changes in consolidation scope	Others	Foreign currency gains and losses	31 August 2019
Net values									
Shares in non consolidated companies	1,125	4,694	-342	-325	8	-5,291	672	5	546
Loans		-5			-34	228	-272	1	0
Deposits & guarantees	2,842	927			-194	-4	361	122	3,940
Other long-term investments	16,599	917	-450	1	-3,238	-43	-947	58	12,929
Total	**20,566**	**6,533**	**-792**	**-324**	**-3,458**	**-5,110**	**-186**	**186**	**17,415**

The acquisitions of investments mainly relate to transactions by consolidated entities in France (especially at Mazars Occitanie for €2.2 million).

8. Shareholders' equity and partnership financing

8.1 Shareholders' equity

Accounting policies

The shareholders' equity disclosed in the consolidated statement of financial position uniquely comprises the equity of the consolidating entity, Mazars SCRL, since the equity of the other Mazars entities, which is entirely held by the partners (see note 1.2.3), is treated as debt under IFRS and, by virtue of the provisions of the partnership charter applicable to departing partners, is included in the consolidated statement of financial position within the non-current portion of total partnership financing.

8.2 Partnership financing

Accounting policies

consolidated statement of financial position within the non-current portion of total partnership financing.

The portion of their remuneration deferred until after the financial year-end is included in the consolidated statement of financial position within the current portion of total partnership financing.

8. Shareholders' equity and partnership financing

Total partnership financing may be broken down as follows:

In thousands of euros	31 August 2018	Increases	Decreases	Amort-isations	Changes in consolidation scope	Recycling to profit and loss	Others	Foreign currency gains and losses	31 August 2019
Sharedolder's equity of operating entities	70,454	6,604			16,811		-2,765	148	57,631
Blocked current account balances	91,286	5,817			2,477		1,268	609	101,456
Bond issues	30,222	1,348					2,107	-2	33,674
Other comprehensive income	-9,819					-11,009	109	-745	-21,464
Currency translation adjustments	-111					-556		1,494	827
Partnership financing	**182,031**	**13,768**			**-14,334**	**-11,566**	**720**	**1,504**	**172,123**
Provisions for post-employment benefits	29,637		-393	1,276	13	2,649	-1,703	1,264	32,744
Deferred tax (net)	-4,788			-1,985	2,902		-1,907	-62	-5,840
Partnership financing - non-current	**206,880**	**13,768**	**-393**	**-709**	**-11,418**	**-8,917**	**-2,891**	**2,707**	**199,027**
Partnership financing - current	**126,904**	**31,500**	**-23,510**		**554**	**-1,641**	**4,415**	**1,075**	**139,298**
Total partnership financing	**333,784**	**45,268**	**-23,903**	**-709**	**-10,865**	**-10,557**	**1,524**	**3,782**	**338,325**

The financing of each entity and any subsidiaries is provided, in accordance with the Mazars agreements, by the partners controlling them.

The impact of "Other comprehensive income" reflects the actuarial gains and losses for post-employment benefit obligations for both partners and staff recognised on application of IAS 19 (revised) during the 2013/2014 accounting period.

€9.3 million of the change in "Other comprehensive income" (cf. note 9.1) relates to non-partners.

The contra-entry is included in "Provisions" and is attributable to the fall in the applicable discount rate (cf. note 5.2.5).As at 31 August 2019 "Post-employment and similar obligations towards partners" includes €9.1 million of retirement benefits for French partners payable when they retire.

The changes in scope of consolidation mainly reflect the consolidation of two new Australian entities (Melbourne and Brisbane).

9. Provisions and contingent liabilities

9.1 Provisions

Accounting policies

A provision is recognised when:

- The Group has a present obligation (legal or implicit) resulting from a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- The amount of the obligation can be reliably estimated.

Where the effect of the time value of money is significant, provisions are discounted. The increase in provisions relating to the passing of time is accounted for as a financial cost.

The Group's provisions may be broken down as follows:

In thousands of euros	31 August 2018	Additions	Reversals	Changes in consolidation scope	Revaluation	Others	Foreign currency gains and losses	31 August 2019
Professional risks	4,229	1,181	-1,601			-29	-10	3,770
Post-employment benefit liabilities. except partners	59,067	3,318	-7,130	180	9,343	1,857	2,701	69,336
Vacant properties	1,662	245	-191			-76	35	1,675
Other risks	17,935	2,465	-5,145	-78		-579	28	14,627
Total	**82,893**	**7,209**	**-14,067**	**103**	**9,343**	**1,173**	**2,755**	**89,408**

Post-employment benefit liabilities (except for partners) include €69 million of lump-sum benefits payable at the date of retirement.

At 31 August 2019, a reclassification was made between provisions for post-employment benefits from CARL partners to other employees for €1.8 million.

The current and non-current portions of provisions are as follows:

In thousands of euros	31 August 2019	Current portion	Non-current portion
Professional risks	3,770	3,466	303
Post-employment benefit liabilities. except partners	69,336	5,897	63,439
Vacant properties	1,675	298	1,377
Other risks	14,627	12,278	2,350
Total	**89,408**	**21,939**	**67,470**

9.2 Contingent liabilities

Group entities may be subject to a certain number of professional risks inherent in the exercise of audit, advisory and other financial services. For mitigating those risks, the entities subscribe insurance cover.

As at 31 August 2019, provisions have been recognised for the Group's uninsured professional risks meeting the criteria provided for by IAS 37.

Risks not meeting the criteria for recognition of a liability defined by IAS 37 may constitute contingent liabilities. As at 31 August 2019 any such risks have not been judged material.

10. Other current assets and trade and other payables

10.1 Other current assets

Accounting policies

Amounts recorded for other current assets are measured at their nominal value, given that the interest component is negligible.

The Group's other current assets may be broken down as follows:

In thousands of euros	31 August 2018	31 August 2019
Social security receivables	2,290	5,129
Tax receivables	30,267	33,160
Current accounts and other receivables	23,161	18,596
Prepaid expenses	30,611	31,639
Unrealised foreign exchange losses	25	60
Total	**86,354**	**88,584**

10.2 Trade and other payables

Accounting policies

The interest component being negligible, trade and other payables are recorded at their nominal amount.

Payroll liabilities consist of liabilities towards employees and social organisations.

Tax payable relates to operating taxes and levies.

Payroll liabilities and tax payable are recorded at the amount the Group expects to pay to the parties these are due to.

The Group's trade and other payables may be broken down as follows:

In thousands of euros	31 August 2018	31 August 2019
Trade and other payables	128,552	133,235
Payroll liabilities	115,827	129,988
Tax payable	85,570	88,648
Total	**329,949**	**351,870**

Most operating liabilities have maturities not exceeding one year.

11. Corporate income tax

Accounting policies

Surpluses are taxed according to the requirements of the countries in which they are generated: i.e. either in the name of the entities (principally in the case of limited liability companies subject to corporate income tax and for the portion of the surplus which is not composed of tax-deductible costs) or in the name of their partners (principally in the case of partnerships).

Due to the specific functioning of Mazars' partnership model (see note 1.2.3), corporate income tax with respect to the Group's entities is included within "Surplus allocated to partners" for the portion considered as an element of partners' remuneration. This relates to corporate tax at the expense of partners.

The portion of corporate tax which is not considered as an element of partners' remuneration is at the expense of the Group. It is thus included under "Other costs".

Consequently, the tax disclosed in the consolidated income statement is limited to the tax payable by Mazars SCRL, and the deferred tax related to the surplus not allocated to the partners.

11.1 Current tax

Current tax payable by the Group's entities may be broken down as follows:

In thousands of euros	2017/2018	2018/2019
Tax payable by partners	7,192	12,707
Tax payable by the Group	2,288	2,324
Tax payable by Mazars SCRL		
Total	**9,480**	**15,031**

11.2 Deferred tax

Accounting policies

Deferred tax is recognised on temporary differences between the tax and book values of assets and liabilities in the consolidated statement of financial position and is measured using the balance sheet liability method based on the tax rates applicable at the financial year-end.

The carrying amount of deferred tax assets is reviewed at each financial year-end and reduced when it is no longer probable that sufficient taxable profits will be available to allow use of all or part of them.

The amount of the Group's deferred tax is as follows:

In thousands of euros	31 August 2018	31 August 2019
Deferred tax assets	10,100	10,639
Deferred tax liabilities	-5,312	-4,799
Total	**4,788**	**5,840**

The deferred tax assets are primarily generated by elements of partners' remuneration (provisions for post-employment benefit obligations).

The deferred tax liabilities relate to amortisable client relationships for which the requisite financing is provided by the partners, and the deferred tax related to the surplus not allocated to the partners.

Net deferred tax assets are thus treated as a deduction from "Non-current portion of partnership financing" (see note 8.2).

12. Consolidated statement of cash flows

12.1 Net cash generated by operating activities

Net cash generated by operating activities is amounted to €24.3 million (compared with €6.2 million as at 31 August 2018) and is reflected by:

- +€25.7 million of self-financing capacity; and
- A variation of the working capital requirements of -€1.3 million.

12.2 Net cash used in investing activities

The main components of the net cash outflows of €43.4 million (against €45.8 million at 31 August 2018) for investment comprises:

- The acquisition of intangible assets mainly in the form of computer software purchased or developed internally and client relationships (see note 6.1);
- The acquisition of property, plant and equipment mainly in the form of computer equipment, partial renewal of computer infrastructure and the renovation and refurbishment of office premises (see note 6.2);
- The acquisition of non-current financial assets in the form of deposits and guarantees (see note 7.4); and
- The net cash outflow for business combinations (excluding any cash acquired) amounting to €11 million (see note 7.4).

In thousands of euros	2018/2019
Acquisition of financial assets	-4 701
Income from disposal of investments	791
Cash acquired subsidiaries	-7 039
Net cash / Acquisition & sale of subsidiaries	**-10,949**

12.3 Net cash from financing activities

The main components of the net cash inflows of €6.6 million (compared with €53.8 million as at 31 August 2018) for financing activities comprises:

- €9 million of long-term additional partnership financing and €8 million of additional partnership financing in the form of deferred remuneration (see note 8.2); and
- €23 million of new borrowings financing both development and investment and €33 million of repayment of bank loans (see note 7.3).

13. Surplus allocated to the members of the Group Executive Board and the Group Governance Council

The rights of surplus payable to the nine members of the Group Executive Board, the executive body of Mazars SCRL, and to the eleven members of the Group Governance Council amounted to €12 million for the 2018/2019 financial year. It was either paid during the financial year or constituted a current liability at the end of the period presented in "Partnership financing - current".

Those members are the only Mazars related parties as defined by IAS 24.

14. Off-balance sheet commitments relating to group financing

At year end, the total amount of guarantees granted by the Group is the following:

In thousands of euros	31 August 2018	31 August 2019
Guarantees provided	**8,014**	**7,375**

Notes to the consolidated financial statements

15. Pro forma consolidated income statement and employee data including ZhongShen ZhongHuan

As mentioned in note 2.2 on evolution of the scope of consolidation, the pro forma consolidated income statement presented hereafter reflect the contribution of our Chinese member firm ZhongShen ZhongHuan which joined the partnership on 1 January 2016.

The revenue and costs of the Chinese firm represent 12 months of activity in 2018/2019.

Verification of the compliance of the Chinese firm's contribution with the Group's accounting policies and its review by external auditors have not been performed.

Pro forma consolidated income statement

2018/2019 financial year ended on 31 August 2019

In thousands of euros	2017/2018 Consolidated	ZhongShen ZhongHuan	2017/2018 Pro forma	2018/2019 Consolidated	ZhongShen ZhongHuan	2018/2019 Pro forma
Revenue	1,551,633	110,709	1,662,342	1,708,349	133,723	1,842,073
Rebillable costs	-60,291		-60,291	-69,021		-69,021
Fee income	**1,491,342**	**110,709**	**1,602,051**	**1,639,328**	**133,723**	**1,773,052**
Cost of technical staff	-778,241	-54,669	-832,910	-860,385	-68,651	-929,035
Gross margin	**713,100**	**56,040**	**769,140**	**778,944**	**65,072**	**844,016**
Cost of administrative staff	-114,258	-5,070	-119,328	-124,648	-6,319	-130,966
Other costs	-276,071	-24,456	-300,527	-322,842	-28,626	-351,467
Depreciation, amortisation and impairment	-24,332		-24,332	-12,551	-1,401	-13,952
Surplus of operations	**298,439**	**26,514**	**324,953**	**318,904**	**28,727**	**347,631**
Amortisation of client relationships and goodwill	-7,039		-7,039	-9,838		-9,838
Financing costs	-4,982		-4,982	-5,788	4	-5,784
Total Surplus	**286,418**	**26,514**	**312,932**	**303,278**	**28,731**	**332,009**
Surplus allocated to partners	**-281,295**	**-26,514**	**-307,809**	**-303,228**	**-28,731**	**-331,959**
Pre-tax result	**5,122**		**5,122**	**50**	**0**	**50**
Corporate income tax	-1,741		-1,741			
Post-tax result	**3,381**		**3,381**	**50**	**0**	**50**

Pro forma weighted average full-time equivalent employees

2018/2019 financial year ended on 31 August 2019

	2017/2018 Consolidated	ZhongShen ZhongHuan	2017/2018 Pro forma	2018/2019 Consolidated	ZhongShen ZhongHuan	2018/2019 Pro forma
Partners	893	61	954	954	61	1,015
Technical staff and administrative staff	17,838	3,596	21,434	19,511	3,806	23,317
Total	**18,731**	**3,657**	**22,388**	**20,465**	**3,867**	**24,332**

Independent auditor's report

To the Partners of Mazars SCRL,

In compliance with the terms of our non-statutory appointment, we have audited the consolidated financial statements of Mazars SCRL and the entities that form the Mazars organisation, which comprise the statement of financial position as at 31 August 2019, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information (notes 1 to 15).

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Mazars SCRL and the entities that form the Mazars organisation as at 31 August 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company within the meaning of the IFAC Code of Ethics for Professional Accountants (IESBA) and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Group Executive Board's responsibilities for the consolidated financial statements

The Group Executive Board is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements.

Brussels and London, 13 December 2019

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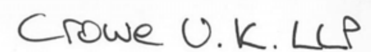

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Credits

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