The

Financial

modern

Documents

firm

ANNUAL REPORT 2015-2016

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Foreword

In 2016, Mazars has **enjoyed strong and sustained growth.** Our turnover for 2015-2016 reached **1,365 billion euros, up 10% from 2014-2015.** As of August 31st, 2016, we were operating in 77 countries, with a team of 17,000 women and men, who can **serve our clients on all continents,** with the same high quality standards and a shared passion for the common good.

In 2015, we celebrated the 20th anniversary of our international integrated partnership and we were initiating several major external growth projects. In **Germany,** first, where we can now rely on the expertise of over 1,000 auditors and advisors throughout the country. In **Italy,** as well, where we successfully rebuilt a strong and fast-growing entity. In **China,** finally, where we completed the integration of the audit firm ZhongShen ZhongHuan in the early stages of 2016, significantly enhancing our ability to serve major local companies.

Far from being an end, **these developments are just another major step in the consolidation of our partnership.** Today, we are a major player, one that is fully able to operate in all of the world's developed and emerging economies. We remain true to the choice we made to serve all organisations, small, midsize and large, listed or not, public or private.

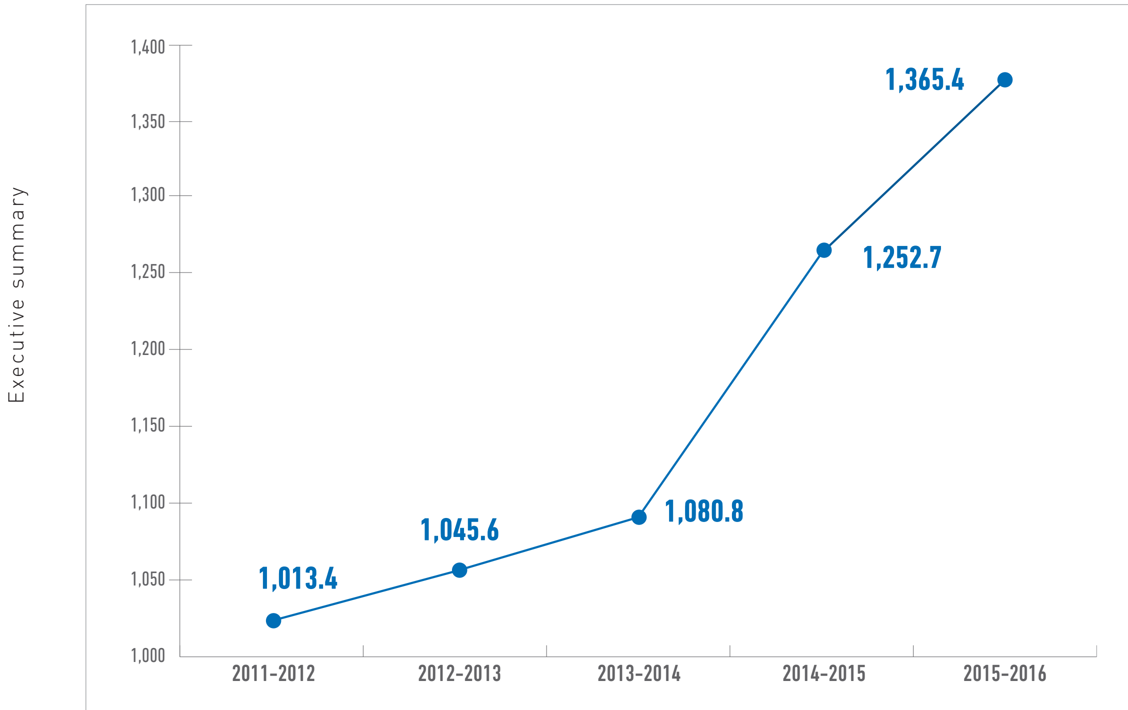
Trust and **transparency** are at the heart of what we do. This is why, as we have done every year since 2005, we hereby publish our **consolidated accounts,** presented under IFRS standards and certified by two independent auditors. It is part of our commitment to providing our stakeholders with a clear understanding of who we are.

From an economic, social and environmental perspective, the world in 2017 is an uncertain place. Global and regional equilibria are somewhat shaky and there is no denying that risks do exist. In such an unpredictable context, **Mazars still intends to continue along on a path of development and progress.** We know where our strengths lie: in the relevance of our **model,** in the **quality** and **diversity** of our **talent** and **teams**, in the robustness of our **values**, in our determination to fully embrace the **digital** revolution and what it will entail, and in our commitment to **creating shared value.** Discerning, knowledge-intensive, agile, sustainable: these are the attributes of a **modern firm.** They are highlighted in our Yearbook and testify to our ability to rise up to the requirements of a challenging environment. Our financial statements and the related data are provided here as complementary evidence of this endeavour.

Philippe Castagnac
Chairman & CEO, Groupe Mazars

Executive summary

Fee income: a sustained growth (in millions of Euros)*



* Includes data for the ZhongShen ZhongHuan practice, integrated in the global Mazars international partnership on Jan. 1st, 2016.

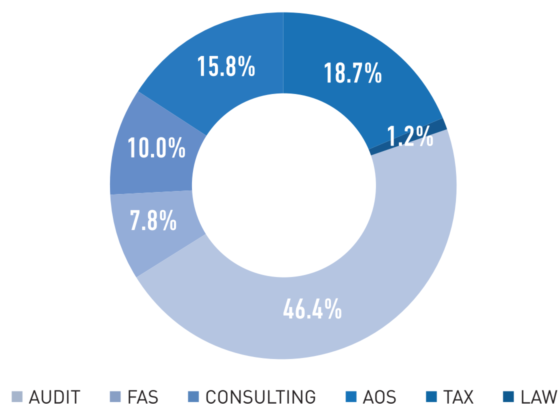
Growth by geographic area

In millions of Euros	2014-2015	2015-2016	Variation
TOTAL GROUP	**1,252.7**	**1,365.4***	**9.0%****
Europe	895.5	934.0	4.3%
North America	159.8	182.1	13.9%
Africa & Middle East	80.6	79.9	-0.9%
Asia Pacific	75.0	130.8	74.4%
Latin America and the Caribbean	41.8	38.6	-7.6%

* Includes data for the ZhongShen ZhongHuan practice, integrated in the global Mazars international partnership on Jan. 1st, 2016.
** Including -1% exchange rate impact.

Services: a balance between audit and non-audit services

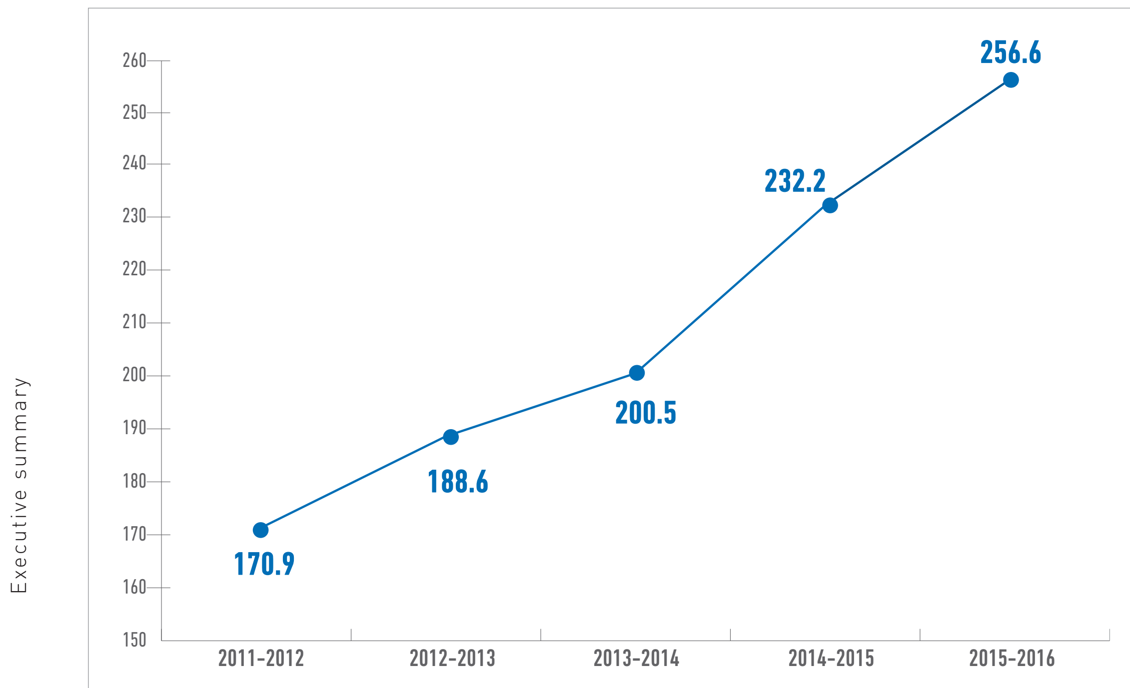
Fee income by service line (in %)*:



* does not include data for the ZhongShen ZhongHuan practice, integrated in the global Mazars international partnership on Jan. 1st, 2016.

Profitability: a continuous growth

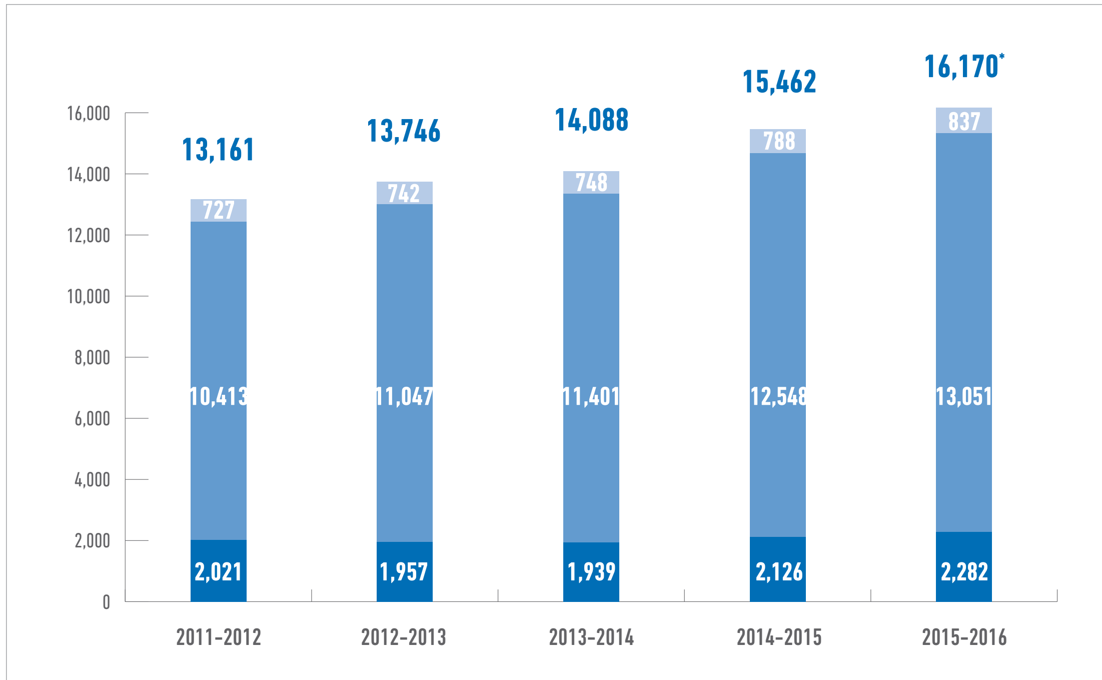
Surplus allocated to partners (in millions of Euros)*:



* does not include data for the ZhongShen ZhongHuan practice, integrated in the global Mazars international partnership on Jan. 1st, 2016.

A global team of professionals in constant growth

Number of professionals (Full-Time Equivalent):



* does not include data for the ZhongShen ZhongHuan practice, integrated in the global Mazars international partnership on Jan. 1st, 2016.

Mazars' Governance Model

Mazars draws its strength and singularity from its integrated and independent partnership model, founded 20 years ago in 1995. This model is founded 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

The Mazars adventure is a collective one on which all of our 900 partners have chosen to embark. 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. In this sense, they reunite at the end of each year at the General Assembly where they validate the appointment of new partners, approve 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 operational management of the partnership, under the supervision of the Group Governance Council, 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.

Members are elected for a four-year term. The Group Executive Board in place as of August 31st, 2016 was elected during the partners' general assembly in December 2012.

Following the integration of RBS into the Mazars international partnership, Dr. Christoph Regierer, one of RBS' senior partners, joined the GEB. Following the integration of ZhongShen ZhongHuan into the Mazars international partnership, Ms. Liwen Zhang, Chief Chartered Accountant of ZhongShen ZhongHuan, joined the GEB.

As of August 31st, 2016, the Group Executive Board was therefore made up of eight members:

- Philippe Castagnac, Group CEO, Chairman of the Group Executive Board,
- Antonio Bover, Co-CEO, Managing partner of Mazars in Spain,
- Hervé Hélias, Co-CEO, Managing partner of Mazars in France,
- Christoph Regierer, Co-CEO, member of the executive board of Roever Broenner Susat Mazars in Germany,
- Hilton Saven, Co-CEO, Managing partner of Mazars in South Africa,
- Phil Verity, Co-CEO, Managing partner of Mazars in the United Kingdom,
- Victor Wahba, Co-CEO, CEO of WeiserMazars in the United States,
- Liwen Zhang, Co-CEO, Chief Chartered Accountant of ZhongShen ZhongHuan in China.

So as to address the new challenges faced by Mazars, and as part of the strategy established in 2012, the Group Executive Board is accompanied since January 2015 by the following advisers:

- Thierry Colin
- Graham Durgan
- Loïc Wallaert

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 two 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 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 August 31st, 2016, the GGC was made up of 11 members, including two external members:

- Tim Hudson (United Kingdom): Chairman
- Jean-Louis Simon (France): Vice-Chairman
- Thierry Blanchetier (France)
- Charles de Boisriou (France)
- Kathryn Byrne (United States)
- Anita De Casparis (Netherlands)
- Mohamed Ali Elaouani Cherif (Tunisia)
- Christian de Juniac* (France)
- Denise K. Fletcher* (United States)
- Gregor Kunz (Germany)
- Wenxian Shi (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 question. 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 business 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 regional meetings. 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.

Group Governance Council Report

Over the last four years, in line with its general oversight function and in accordance with the specific roles that are assigned to it, the Group Governance Council (GGC) has played a key role in Mazars' governance platform. In the last twelve months, it has welcomed two new members, Christian de Juniac (independent member) and Wenxian Shi, both elected during the Mazars Partners conference that took place in Brussels in December 2015. We would also like to thank Ken Morrison, who served for 7 years and retired from GGC in July 2016, on reaching the age of 65. We thank him for his hard work and diligence.

STRATEGY

In our oversight role, we focused on examining and commenting on the 'Next 20' strategy, developed by the Group Executive Board (GEB). We agree with the GEB on the fact that the key foundation stone of our ongoing development is that we pursue our journey as an independent, international partnership serving both PIEs (large and listed) and midsize businesses. The GEB has identified a range of immediate investment needs, and the Next 20 strategy implies that the investment demands are likely to accelerate, for example in order to boost Mazars' presence in the United States. As far as implementation of the Next 20 plan is concerned, the GGC recommends flexibility in order not only to adapt to changing circumstances, but also in order to ensure that we continue to look for further innovation in the services we offer and the ways we deliver those services.

QUALITY AND RISK ENVIRONMENT

The GGC continues to ensure that quality is a top priority for the GEB and for all partners. We acknowledge recent positive developments such as the implementation of an internal audit team reporting to the audit committee or the roll-out of our whistleblowing policy throughout the partnership. Quality and Risk management processes need to keep pace with an ever changing environment.

DEVELOPMENT OF MAZARS' GEOGRAPHICAL COVERAGE

The GGC reviews and approves major expansion projects. In following the subsequent integration processes it is pleasing to note the business development initiatives that have been successfully launched in China and the progress made in Germany.

DIVERSITY

In the last two years we have ensured that diversity has been on the GEB agenda. Progress has been made through initiatives such as the leadership seminar open to senior, talented women in the group, which has been under development since 2015 and took place for the first time in Milan in September 2016.

The GGC has recommended that key performance indicators and metrics be defined and communicated so the firm's progress can be measured; it also recommended that specific training on this matter be organised for all leadership teams at country level. We believe diversity is not solely about gender and we believe that it should be high on the agenda of all partners.

PARTNERSHIP AND TALENT

The GGC has closely worked with the GEB to review the profiles of new partner candidates who are elected by their peers during the Partners General Assembly. The selection process and the quality of the candidates remain strong even if it is disappointing that the proportion of internal female candidates proposed to join the CARL partnership this year is significantly below previous years. We have also discussed with the GEB about broader objectives and actions, to see increased female representation at country executive level and at Group level.

FINANCIAL PERFORMANCE

In its oversight role, the GGC has reviewed and commented on Mazars' financial results for the year ended August 31st, 2016.

The GGC is satisfied with the global growth of fee income by a total of 10% of which organic is +6.3%, external growth +3.8% and a negative foreign exchange impact of -1.0%. The rate of growth has varied quite significantly across the different regions, reflecting different economic conditions, exchange rate movements and different levels of maturity of our businesses in those regions. Growth has been exceptional in Asia, mostly thanks to the merger with ZhongShen ZhongHuan in China (more than 74%), strong in North America (approaching 14%), and significant in Europe (4.3%, above the area's GDP growth). In contrast in Euro terms there has been limited growth in the Africa & Middle East region (0,9%), and a slow downtrend in the Latin America & Caribbean region (-7,6%).

As in previous years, GGC has also insisted on the importance of financial discipline, including the need to monitor and manage working capital and to respect internal reporting deadlines.

PERSPECTIVES

The GGC looks forward to working with the new GEB as they move to the implementation phase of the Next 20 project. There is no doubt that this is an exciting time for Mazars. The project plan will need to adapt and evolve as circumstances change in what is an increasingly volatile global economy. In this context the GGC will continue to be both challenging and constructive in its relationship with the GEB, with which it has a common goal: to see the long term success of the Mazars project, creating shared value for our clients, our partners, our teams and the communities we serve.

Group Executive Board Report

Foreword

The decision made in 2004-2005 to prepare and publish an annual report, including our consolidated financial statements under IFRS and audited by two external independent auditors, remains a distinctive feature of our integrated global partnership.

We are therefore pleased to present you, as an evidence of our commitment to transparency, the annual FY 2015-2016 report on our business and earnings.

The Group Executive Board

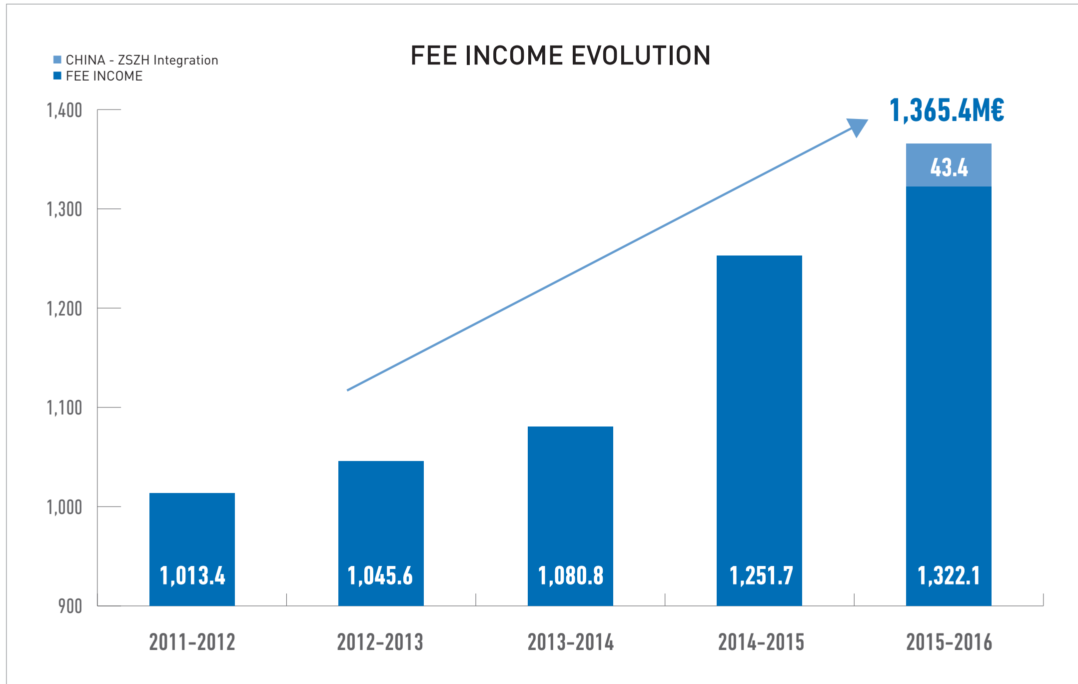
1/ A year of achievements with outperformed objectives.

Growth +10%
Fee income 1,365M€
Headcount 17,000

Including only 8 months of the ZhongShen ZhongHuan practice in China, Mazars is showing a 2 digits revenue growth of +10.0% (excluding any exchange rate impact). There will be much more to come in 2016-2017 by taking into account a full 12 months of The ZhongShen ZhongHuan practice.

Fee income is of 1,365.4M€ representing a +35% progression over the last 4 years.

The 2015-2016 organic growth is of +6.3%, external growth +3.8% (including +3.5% from China ZhongShen ZhongHuan) and the exchange rate impact is of -1.0%.



Note: figures presented below do not take into account the ZhongShen ZhongHuan practice, integrated on Jan. 1st, 2016.

During the 2015 Brussels Mazars partners' conference, the GEB presented the following objectives for 2015-2016:

Budget 2015-2016

- Fee income growth of +6.5%,
- Gross margin 49.7% and overheads 30.1%,
- Surplus 242M€ or 18.1% of fee income.

We can announce that the objectives set were outperformed.

- Revenues at 1,322.1M€ are showing a +6.3% organic growth and +0.3% external growth,
- Gross margin is at 49.1% and overheads at 29.7%,
- Surplus reached 256.6M€ or 19.4% of fee income.

Main facts:

- **Germany is now fully integrated and is showing a full year activity,**
- **The Mazars' new Italian practice is now operational and growing fast, with already 12M€ of fee income for 2015-2016. The exit of Mazars' previous Italian practice has had a net impact on Group fee income of -25.4M€,**
- **'Carl'* costs are controlled and below budget, which leads to 0.5M€ of over financing.**

* CARL: Coopérative À Responsabilité Limitée. Refers to the Group central structure.

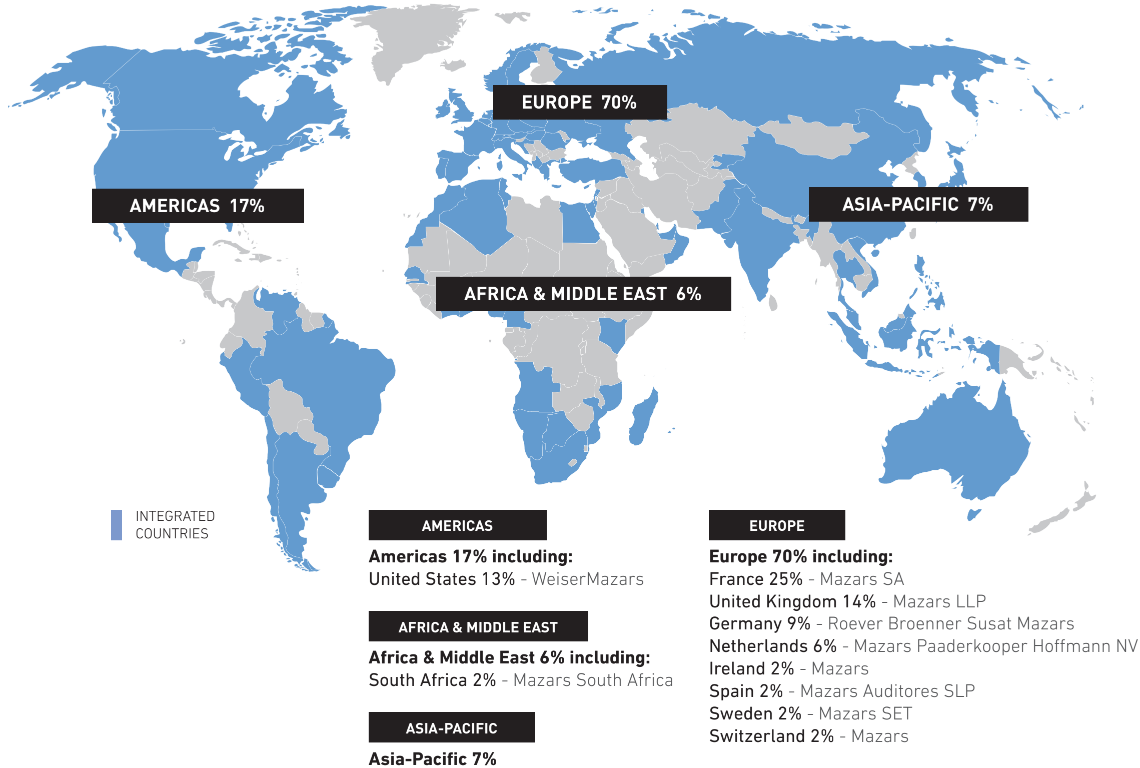
Key figures:

With the integration this year of Australia, Cyprus and Mozambique, our global footprint has increased as we now operate in **77 integrated countries.**

In millions of Euros	Variation 2015-2016 vs. 2014-2015	2015-2016
Fee Income	5.5%	**1,322.1**
Surplus	10.5%	**256.6**

2/ Fee income by operating segment

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



AMERICAS

Americas 17% including:
United States 13% - WeiserMazars

AFRICA & MIDDLE EAST

Africa & Middle East 6% including:
South Africa 2% - Mazars South Africa

ASIA-PACIFIC

Asia-Pacific 7%

EUROPE

Europe 70% including:
France 25% - Mazars SA
United Kingdom 14% - Mazars LLP
Germany 9% - Roever Broenner Susat Mazars
Netherlands 6% - Mazars Paaderkooper Hoffmann NV
Ireland 2% - Mazars
Spain 2% - Mazars Auditores SLP
Sweden 2% - Mazars SET
Switzerland 2% - Mazars

In millions of Euros	2014-2015	2015-2016	Variation
France	322.0	329.6	2.4%
United Kingdom	181.3	190.5	5.1%
Rest of Europe	392.3	413.9	5.5%
North America	159.8	182.1	13.9%
Latin America & the Caribbean	41.8	38.6	-7.6%
Asia-Pacific	75.0	87.5	16.6%
Africa & Middle East	80.6	79.9	-0.9%
TOTAL	**1,252.7**	**1,322.1**	**5.5%**

France

With a fee income of 330M€ in 2015-2016, France achieved a +2.4% fee income growth or +6.2% excluding any change in perimeter. Indeed, Mazars Centre, a non-fully integrated JV, representing 13.5M€ of fee income left the company on 31/08/2015.

Growth came from increased volume of work as pricing was stable year-on-year.

One of the big challenges is to keep strong relationship with former audit clients which had to organise auditors' rotation and transform it into Channel 2 (non-regulated) work. This has been successfully achieved in 2015-2016 with a number of large clients, SNCF being a very good example.

Channel 2 activities grew faster than Channel 1, in line with our strategy to invest in enlarging the range of services proposed to our clients. On a like for like basis we have:

- Consulting +24% / 10 M€
- Tax & Law +16% / 1.5 M€
- AOS +9% / 5.5 M€
- FAS +9% / 1.5M€
- Audit +1.5% / 2.7M€

To better serve Channel 2 clients and sustain significant growth, a large number of new young staff were recruited. Technical staff grew by +7.8% or +184 FTEs compared to last year.

As a result of the progressive shift from audit to non-audit activities, gross margin was at 49.7% of fee income, 0.3 point below last year.

Overheads decreased in percentage of fee income at 27.5% this year, compared to 28.9% last year. Investments were made this year to engage in cost saving initiatives in real estate, people and fixed charges next year.

This has enabled to grow the surplus to 73.3M€, an increase of +7.7% vs 2014-2015.

United Kingdom

At 190.5M€ fee income, the United Kingdom grew by +5.1% in Euros and +8.1% in GBP. Of this growth in GBP, +5.9% is organic and +2.2% (£3.0m) is due to external growth:

- The acquisition of Competition RX Limited (£2.5m) for a whole year,
- One month of the Corality practice (£0.5m).

Despite an increase in the number of Carl Partners, the gross margin percentage is slightly below last year at 49.1% against 49.6% in 2014-2015.

Overheads are stable at 30.6% of fee income and have grown by +7.9% in GBP in line with the revenue growth.

Surplus at 35.2M€ represents 18.5% of fee income.

Other European countries (26 countries)

Central & Eastern Europe showed a high organic growth rate of +9.7%, driven by the Czech Republic at +17.8% and Romania at +15.9%.

Switzerland also grew strongly at +21.4%.

New activities in Italy started during the fiscal year and has been highly successful with a 12M€ revenue, part of it starting in January 2016, showing the strong resilience of the Mazars model.

Forex: we saw some negative impact for the United Kingdom at -2.8%, Turkey at -11.3%, Russia at -16.2% and Ukraine at -18.9%.

North America (3 countries)

The United States had a high growth of +14.7% mainly driven by +7.4% of organic growth and a +4.7% positive Forex impact.

Latin America and the Caribbean (7 countries)

The region shows a negative growth which is driven by negative Forex impacts in Brazil at -18.2%, Mexico at -12.4%, Argentina at -26.5% and Uruguay at -12.0%.

Asia-Pacific (13 countries)

Asia-Pacific has shown the strongest regional growth rate, driven by China at +14.6% (excluding the integration of ZhongShen ZhongHuan), Japan at +50.5%, Indonesia at +34.3%, India at +14.8% and Vietnam at +13.4%.

External growth represented +5.0% with the integration of Australia and the Philippines.

Apart from Malaysia, the exchange rates across the region were flat against the Euro.

Africa & Middle East (26 countries)

The region also shows a negative growth, which is also driven by negative Forex impacts, in South Africa at -16.2%, Algeria at -10.6% and Botswana at -7.3%.

On the other hand, we saw some strong organic growth in Ivory Coast at +25.5%, Botswana at +21.5% and Senegal at +17.0%.

3/ Service lines

The 2015-2016 fee income breakdown per service line is as follows:

In millions of Euros	2014-2015	2014-2015 Restated	2015-2016	Variation
Audit	588.1	593.1	613.4	3.4%
FAS	94.6	94.6	103.5	9.4%
Consulting	101.7	117.8	132.8	12.7%
AOS	230.8	194.8	208.5	7.0%
Tax & Law	237.5	240.2	264.0	9.9%
Adjustement		12.2		
TOTAL	**1,252.7**	**1,252.7**	**1,322.1**	**5.5%**

2014-2015 was restated for comparability reasons mainly in France and Germany.

Audit remains the main business line but its share of the total is decreasing, as Channel 2 activities are growing faster.

Consulting and Law activities are showing the highest growth rates, followed by Tax and FAS.

Channel 1 work represents now 46.4% of the total revenues and Channel 2 represents 53.6%.

4/ Profitability and financing

Our Group gross margin is slightly decreasing from 49.5% last year to 49.1% of our fee income, and represents €649.7m. This shows that the fee pressure is still strong especially in Europe and the United States.

The overheads have increased by +1.2%, far less than the revenues and so weigh now 29.7% of our fee income, down from last year (31%).

Due to the decrease in overheads, profitability is improving and the surplus represents this year 19.4% of revenues against 18.5% 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 represents 14 months of their total earnings. Our work in progress and receivables ratio remains under good control at 3.4 months of annual fee income, slightly above last year.

Perspectives

We have once again demonstrated our capacity to strongly grow our business organically and we also shown our entrepreneurial spirit with many external growth operations.

Over the last four years, we have grown our revenue and our staff by +23%.

Next year, 2016-2017, will be another challenging year with the full integration of the ZhongShen ZhongHuan practice in China.

Our objectives remain focused on:

- Attracting even more talents to further develop our industry-specific and Channel 2 competencies,
- Continuing to strengthen our international footprint, with a special focus on China, Germany and the United States of America,
- Enlarging the range of services offered to our clients to better serve their needs.

The Group Executive Board

Interview of Tim Hudson

Chairman of the Group Governance Council

'Keeping our discipline while growing will be key'

Tim Hudson reflects on Mazars' major achievements over the last four years and lays out his thoughts on what he believes the next milestones will be in the Group's ongoing development.

From a Group Governance Council standpoint, can you give an overview of the last four years? What have you especially focused on?

Over the last four years, Mazars has carried out a number of significant external growth operations. What the Group Governance Council has tried to do, in its oversight role, is to bring more standardisation and discipline to these developments. We have been supportive of the progress that has been made since 2012, both in terms of geographic coverage and in terms of broadening the range of services we can offer to our clients. But growth also needs to be monitored. It needs to be structured and measured against a set of criteria that help to support decision-making process.

So we have established the criteria and standards and enforced better reporting on all growth projects. This also forms a key part of our risk management approach. We cannot afford to choose the wrong partners or to rush our integration processes. We do need discipline, without ever abandoning the agility and entrepreneurial spirit, which form part of our DNA and have driven our growth since Mazars was founded.

You just mentioned the major external growth projects that Mazars has conducted in recent years, especially in Germany and China. In your oversight role, what can you say about both integration processes?

Both situations are obviously different, but similarities exist too. In both cases, we are talking about firms which were domestically strong and had a history of growth by merger in their home markets. Another common element is that they joined our partnership at the end of a relatively long negotiation period. I must say I believe this is a positive aspect: ultimately, integration is about the people. And a longer 'incubation' allows for a better understanding of projects, teams and corporate cultures.

If we focus on Germany, I really think the catalyst to start the integration process was our 2015 Partners Meeting in Brussels. That is truly when our German colleagues were able to meet their Mazars counterparts and interact with them. Since then, I am pleased to say that the progress made has been impressive. We are now working together and mutually benefitting from each other's expertise.

The Chinese situation offers somewhat different challenges. We had to work on getting the right management structures in place, and are starting to work on the client and business side of the deal. The integration will undoubtedly take a little longer. From a governance perspective, however, there is no cause for concern. We knew the process would require more time, if only because of the cultural gap and the language barrier. So I remain very optimistic of the significant long term benefits that both these projects will bring.

In 2015, Mazars experienced a serious setback in Italy, and had to start rebuilding its operational capacities in the country. Is the Group Governance Council satisfied with the way Mazars is reestablishing its presence in Italy?

What has been achieved in Italy over the last 12 months is remarkable. The Italian team worked extremely well to find new premises, create new client opportunities and develop new services. Once again, what was done in very difficult circumstances is remarkable and must be commended. Everyone should be congratulated. We have the right people there, with the true Mazars spirit. That makes me very optimistic for the years to come.

For the last few years, diversity has been high on the GGC's agenda. What has, in your opinion, been the main progress made in this area and what do you see as the main priorities for the years to come?

Diversity is on everyone's agenda: it has legitimately become one of the criteria young professionals take into account when choosing who to work for. So we need to set the right example and start building leadership teams that fully reflect society and the communities we serve. The GGC has been challenging the Group Executive Board on that particular topic and intends to keep holding it to account. In truth, we are still not quite where we would like to be, but we have made progress and acted with stronger resolve. Mazars recently held its first Women Leader seminar, in Milan, where over 60 potential female leaders of the future met. I take this as a clear sign that the GEB is responding to our call for action.

We now need to go further, and at a faster pace. The challenges are there: allow for sufficient diversity in our talent pipeline, make sure women are represented at both Group and country executive levels, and try not to limit diversity to the gender issue but embrace it in a wider sense. For all of these items, we will need to be able to monitor progress, through appropriate KPIs.

What do you consider to be the key milestones in Mazars' development in the next few years?

I believe our next major challenge will be to better balance our global business, and build the Mazars of tomorrow on three equal pillars: China and Asia as a whole, Europe, which is our place of origin, and North America, where we need to find the best way to achieve true national presence in the United States. In line with this more balanced geographic presence, we will have to diversify our PIE client base and make it more international.

From a financial standpoint, I believe we can reach the two billion euro threshold within the next four years. At the same time, we need to keep working on making Mazars a global brand, and achieve wider market recognition.

Finally, and coming back on what I said earlier, I think keeping our discipline while growing will be key. We have to make sure we work with the right clients and do not put the Group at risk. If we manage to adequately structure our development, I am convinced Mazars has a bright future.

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Consolidated income statement

2015-2016 financial year ended on August 31, 2016

In thousands of Euros	Notes	2014-2015	2015-2016
Revenue	4.1	1,299,145	1,376,923
Rebillable costs	4.1	-46,444	-54,835
FEE INCOME	4.1	**1,252,701**	**1,322,088**
Cost of technical staff		-632,225	-672,408
GROSS MARGIN	4.3	**620,475**	**649,680**
Cost of administrative staff		-96,704	-103,356
Other costs	4.4	-258,002	-255,277
Depreciation, amortisation and impairment	6.1, 6.2, 9.1	-23,828	-25,948
SURPLUS OF OPERATIONS	4.4	**241,942**	**265,099**
Amort'n/imp't of client relationships and goodwill	6.1	-5,368	-5,507
Financing costs		-4,184	-2,837
TOTAL SURPLUS	4.5	**232,390**	**256,756**
SURPLUS ALLOCATED TO PARTNERS		**-232,202**	**-256,605**
PRE-TAX RESULT		**188**	**151**
Corporate income tax	11	-76	-20
POST-TAX RESULT		**112**	**130**

Consolidated statement of comprehensive income
2015-2016 financial year ended on August 31, 2016

In thousands of Euros	Notes	2014-2015	2015-2016
Post-tax result	1.2.3	112	130
OTHER COMPREHENSIVE INCOME			
Remeasurement of defined benefit schemes	8.2	1.557	5,724
Currency translation adjustments	8.2	155	1,384
Attribution of OCI to partners	8.2	-1.712	-7,108
COMPREHENSIVE INCOME		**112**	**130**

Consolidated statement of financial position
2015-2016 financial year ended on August 31, 2016

In thousands of Euros	Notes	August 31, 2015	August 31, 2016
ASSETS			
Intangible assets	6.1	138,956	143,267
Property, plant and equipment	6.2	43,798	42,348
Other non-current assets	7.4	21,199	21,984
TOTAL NON CURRENT ASSETS		**203,953**	**207,599**
Trade accounts receivable and accrued income	4.2	329,590	371,352
Other current assets	10.1	77,114	74,902
Cash and cash equivalents	7.3	82,047	85,502
TOTAL CURRENT ASSETS		**488,751**	**531,756**
TOTAL ASSETS		**692,704**	**739,355**

In thousands of Euros	Notes	August 31, 2015	August 31, 2016
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	8.1	**874**	**1,075**
Partnership financing - non-current		175,009	185,407
Partnership financing - current		105,214	110,619
TOTAL PARTNERSHIP FINANCING	8.2	**280,224**	**296,026**
Long-term borrowings - non-current	7.3	63,966	58,567
Long-term provisions	9.1	34,818	47,117
TOTAL OTHER NON-CURRENT LIABILITIES		**98,784**	**105,684**
Long-term borrowings - current	7.3	19,781	23,215
Current bank financing	7.3	26,763	24,349
Trade and other payables	10.2	249,645	268,433
Current provisions	9.1	16,633	20,572
TOTAL OTHER CURRENT LIABILITIES		**312,822**	**336,570**
TOTAL EQUITY AND LIABILITIES		**692,704**	**739,355**

Consolidated statement of changes in equity

2015-2016 financial year ended on August 31, 2016

In thousands of Euros	Capital	Reserves	Shareholders' equity
SHAREHOLDERS' EQUITY AS AT SEPTEMBER 1, 2014	**312**	**367**	**679**
Movements in share capital	41		41
Other movements		42	42
TRANSACTIONS WITH PARTNERS	**41**	**42**	**84**
Comprehensive income for the period		112	112
COMPREHENSIVE INCOME		**112**	**112**
SHAREHOLDERS' EQUITY AS AT AUGUST 31, 2015	**353**	**521**	**874**
Movements in share capital	70		70
Other movements			
TRANSACTIONS WITH PARTNERS	**70**	**0**	**70**
Comprehensive income for the period		130	130
COMPREHENSIVE INCOME		**130**	**130**
SHAREHOLDERS' EQUITY AS AT AUGUST 31, 2016	**423**	**651**	**1,075**

Consolidated statement of cash flows
2015-2016 financial year ended on August 31, 2016

In thousands of Euros	Notes	2014-2015	2015-2016
I-OPERATING ACTIVITIES			
NET RESULT		**112**	**130**
Depreciation and amortisation		24,540	27,025
Gains and losses on disposal		-242	-111
SELF-FINANCING CAPACITY		**24,410**	**27,044**
Changes in currents assets		-14,099	-26,371
Changes in other current liabilities		17,230	6,355
CHANGES IN WORKING CAPITAL REQUIREMENTS	12.1	**3,131**	**-20,017**
NET CASH GENERATED BY OPERATING ACTIVITIES		**27,541**	**7,028**
II-INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets	12.2	-24,882	-26,061
Disposals of property, plant and equipment and intangible assets		1,467	690
Purchases ot other non-current assets	12.3	-13,902	-2,886
Disposals of other non-current assets	12.4	9,655	3,249
Net cash flows from acquisition and disposal of subsidiaries	12.5	-6,725	1,028
NET CASH USED IN INVESTING ACTIVITIES		**-34,387**	**-23,980**

In thousands of Euros	Notes	2014-2015	2015-2016
III-FINANCING ACTIVITIES			
Capital increase		84	70
Changes in non-current partnership financing		12,260	11,340
Changes in current partnership financing		12,500	17,991
Issuance or subscription, of long-term debt	12.6	13,218	19,734
Repayment of long-terme debt	12.6	-16,766	-25,943
NET CASH USED IN INVESTING ACTIVITIES		**21,296**	**23,192**
NET CASH		**14,450**	**6,239**
Impact of exchange rate changes		-790	-370
CHANGES IN CASH		**13,660**	**5,869**
Cash and cash equivalents at the beginning of the year		41,624	55,284
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**55,284**	**61,153**
Cash and cash equivalents		82,047	85,502
Current bank financing		-26,763	-24,349
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**55,284**	**61,153**

Notes to the consolidated financial statements

The consolidated financial statements were approved by the Group Executive Board on November 18, 2016 and submitted for review to the Group Governance Council on November 21, 2016. They will be submitted for approval of the General Assembly of Mazars SCRL on December 10, 2016.

Note 1: Accounting policies

1.1. Accounting framework

The consolidated financial statements together with the attached notes for the financial year ended August 31, 2016 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 2015-2016 financial year

The Group has applied all the new or amended standards and interpretations mandatory for the 2015-2016 financial year.

The new texts have had no impact on the Group's 2015-2016 consolidated financial statements

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:

Standard/ Interpretation (date of application for the Group)	Consequences for the Group
Amendments to IAS 1 Disclosure Initiative: Presentation of financial statements (September 1, 2015)	The amendments clarify the current provisions of IAS 1 with a particular focus on disclosures designed to render them more relevant and specific to each reporting entity. It is explicitly stated that the format for additional disclosures proposed by the standard is not obligatory. **The Group has taken the opportunity of these amendments, mandatory with effect from the 2016-2017 financial year, to make early application of changes in the basis of presentation and formulation of its disclosure notes with effect from the present set of consolidated financial statements.**
IFRS 9 Financial Instruments (September 1, 2018)	IFRS 9 modifies 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). **Review of the potential consequences of IFRS 9 for the Group is underway, but given the nature of the Group's transactions, no major impact is expected.** The accounting policies currently applied in accordance with IAS 39 are described in note 7.1.
IFRS 15 Revenue from Contracts with Customers (September 1, 2018)	IFRS 15 modifies the accounting treatment of revenue. It will have retrospective application, either limited to calculation of the cumulative impact of the new method as at the beginning of the accounting period of change (September 1, 2018) or including restatement of the comparative periods presented. **The main impact of the standard expected for the Group will pertain to the profile of revenue recognition. Review of the potential consequences and arrangements for transition is underway.** The accounting policies currently applied by the Group are described in note 4.1.

Standard/ Interpretation (date of application for the Group)	Consequences for the Group
IFRS 16 Leases (September 1, 2019 or 2018)	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 coming year, the Group intends to evaluate its capacity to implement IFRS 16 and IFRS 15 simultaneously. **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 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 August 31, 2016 under the Group's operating leases.

1.2. Bases 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 August 31, 2016 subject to material potential adjustment, by reason of their bases of measurement, are as follows:

- Provisions for contingencies and future costs including €6,837 thousand relating to professional exposures and €3,313 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 bases 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 bases 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.

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

In order 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 2015-2016 financial year has been marked by:

- A full year's contribution by RBS in Germany which became a Group member firm on January 1, 2015;
- The integration of ZhongShen ZhongHuan (China) which joined the partnership on January 1, 2016;
- Intensive new activity from Mazars in Italy; and
- Significant improvement in the Group's performance, particularly in France.

Changes in the scope of consolidation are presented in note 2.

Because of the late provision of the requisite information, and in the absence of external audit review thereof, the contribution of our Chinese firm ZhongShen ZhongHuan has not been included in the consolidated financial statements and additional disclosures are presented hereafter.

However pro forma financial statements, including the elements communicated by and for ZhongShen ZhongHuan, are presented in a specific note: Note 15.

1.2.5 Events subsequent to the financial year closing

No significant event has occurred after the financial year-end that might have had an impact on the 2015-2016 consolidated financial statements.

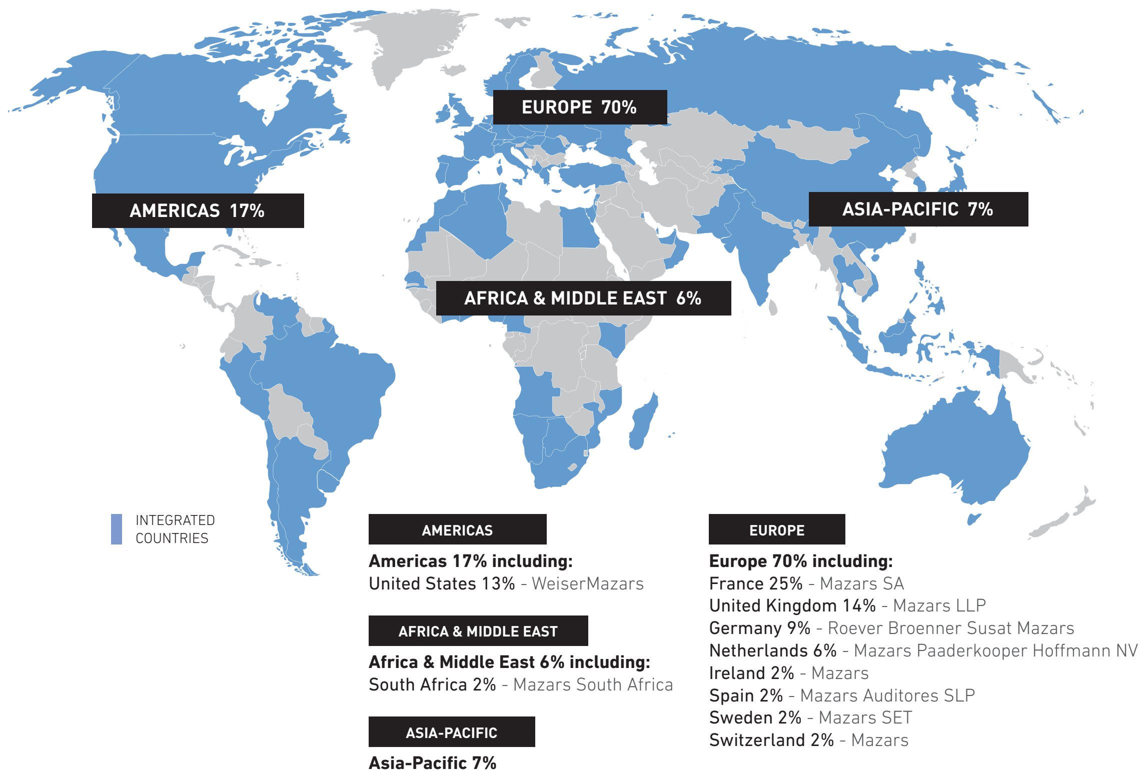
Note 2: Scope of consolidation

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 77 countries.

The ten main contributory entities are detailed on the map below with their percentage of contributions 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).

2.1.3 Business combinations and goodwill

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

A retrospective review has been carried out at country level for mergers prior to August 31, 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 2015-2016 financial year has included:

- The integration of new countries (Australia, Cyprus and Mozambique);
- The positive full-year impact of the contribution of RBS (Germany) which joined the Group with effect from January 1, 2015;
- The full-year impact of the deconsolidation of the previous Mazars member firms in Italy and of the creation and consolidation of new Italian member firms; and
- The deconsolidation of two entities in France.

The following table presents the impact for 2015-2016, at the level of the Group's main line items and aggregates, of the changes in scope of consolidation.

Consolidated income statement

2015-2016 financial year ended on August 31, 2016

In thousands of Euros	Consolidation				Deconsolidation	Change			
	Australia	Cyprus	Mozambique	Italy	Italy	Germany	France	Other	Total
Fee income	6,097	613	580	12,047	-37,449	30,626	-14,141	-1,801	**-3,428**
Gross margin	3,766	305	460	5,777	-20,509	14,841	-4,789	-1,196	**-1,346**
Total Surplus	1,885	113	188	3,910	-7,511	8,014	44	-215	**6,428**

Consolidated statement of financial position

2015-2016 financial year ended on August 31, 2016

In thousands of Euros	Consolidation				Deconsolidation	Change			
	Australia	Cyprus	Mozambique	Italy	Italy	Germany	France	Other	Total
Total non current assets	398	31	33	834		-549	104	53	**904**
Total current assets	3,474	618	184	12,801		6,149	654	151	**24,031**
TOTAL ASSETS	**3,872**	**650**	**217**	**13,635**	**0**	**5,600**	**758**	**205**	**24,936**
Shareholders' equity									**0**
Total partnership financing	436	278	102	5,945		46	-196	-355	**6,256**
Total other non-current liabilities	1,952			1		896	-14		**2,834**
Total other current liabilities	1,483	372	116	7,689		4,657	969	559	**15,845**
TOTAL EQUITY AND LIABILITIES	**3,872**	**650**	**217**	**13,635**	**0**	**5,600**	**758**	**205**	**24,936**

Staff numbers (weighted average full-time equivalent)
2015-2016 financial year ended on August 31, 2016

	Consolidation				Deconsolidation	Change			
	Australia	Cyprus	Mozambique	Italy	Italy	Germany	France	Other	Total
Partners	5	1	1	10	-24	18		1	**12**
Technical staff	48	10	38	97	-293	178	-136	30	**-28**
Administratif staff	14	2	11	15	-40	99	-9	-1	**91**
TOTAL	**67**	**13**	**50**	**123**	**-357**	**295**	**-144**	**30**	**76**

Acquisitions have also taken place in the United States, United Kingdom and Canada.

Note 3: Segment reporting

Accounting policies

To evaluate its operating performance and allocate resources, the Group monitors its activity mainly on the basis of 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

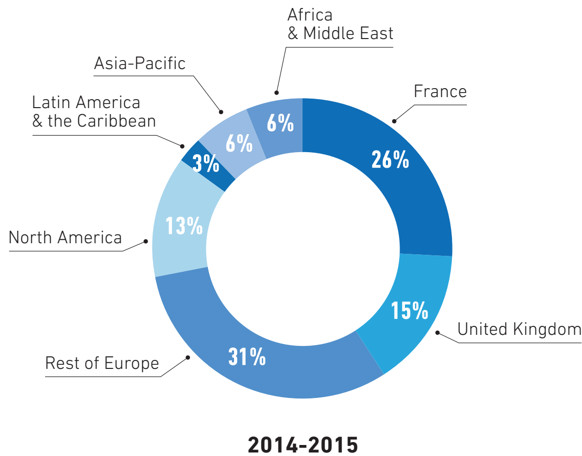
The seven operating segments monitored by the Group Executive Board are as follows:

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

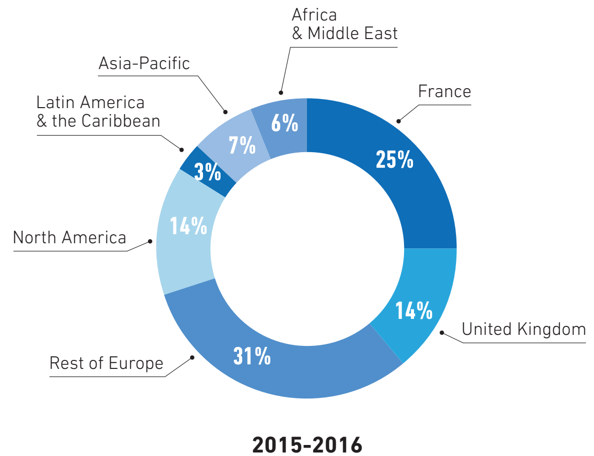
The three indicators applicable to segment reporting are fee income, gross margin and employees.

Fee income by operating segment

In thousands of Euros	2014-2015	2015-2016	Variation
France	321,952	329,638	2%
United Kingdom	181,251	190,464	5%
Rest of Europe	392,325	413,941	6%
North America	159,775	182,062	14%
Latin America & the Caribbean	41,761	38,580	-8%
Asia-Pacific	75,015	87,474	17%
Africa & Middle East	80,622	79,927	-1%
TOTAL	**1,252,701**	**1,322,088**	**6%**



2014-2015



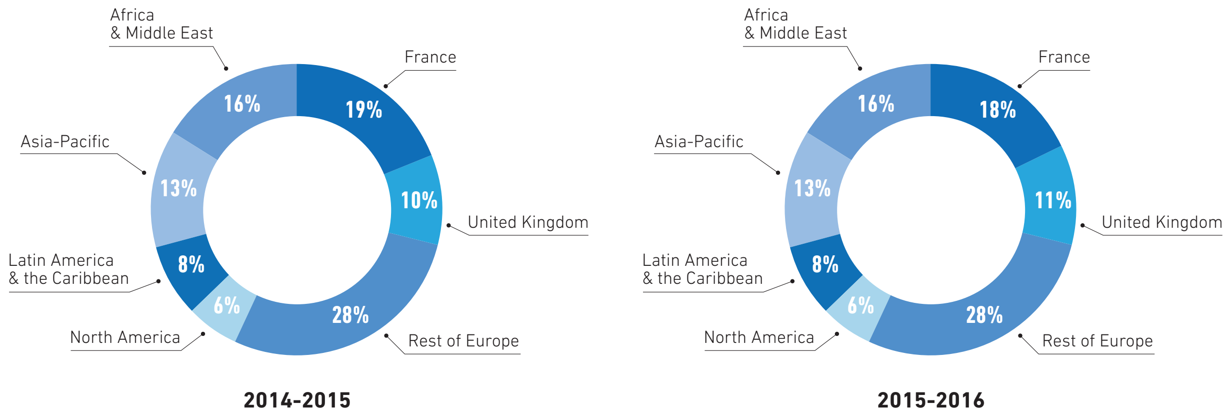
2015-2016

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

In thousands of Euros	2014-2015 Gross margin	2014-2015 Gross margin rate	2015-2016 Gross margin	2015-2016 Gross margin rate
France	160,984	50%	163,903	50%
United Kingdom	89,932	50%	93,592	49%
Rest of Europe	192,986	49%	199,625	48%
North America	79,203	50%	87,626	48%
Latin America & the Caribbean	17,923	43%	16,906	44%
Asia-Pacific	35,908	48%	44,549	51%
Africa & Middle East	43,538	54%	43,479	54%
TOTAL	**620,475**	**50%**	**649,680**	**49%**

Weighted average full-time equivalent employees by operating segment

	2014-2015	2015-2016	Variation
France	2,864	2,900	1%
United Kingdom	1,572	1,719	9%
Rest of Europe	4,290	4,611	7%
North America	926	1,009	9%
Latin America & the Caribbean	1,242	1,223	-2%
Asia-Pacific	2,071	2,071	0%
Africa & Middle East	2,496	2,637	6%
TOTAL	**15,461**	**16,170**	**5%**



3.2 Information on service lines

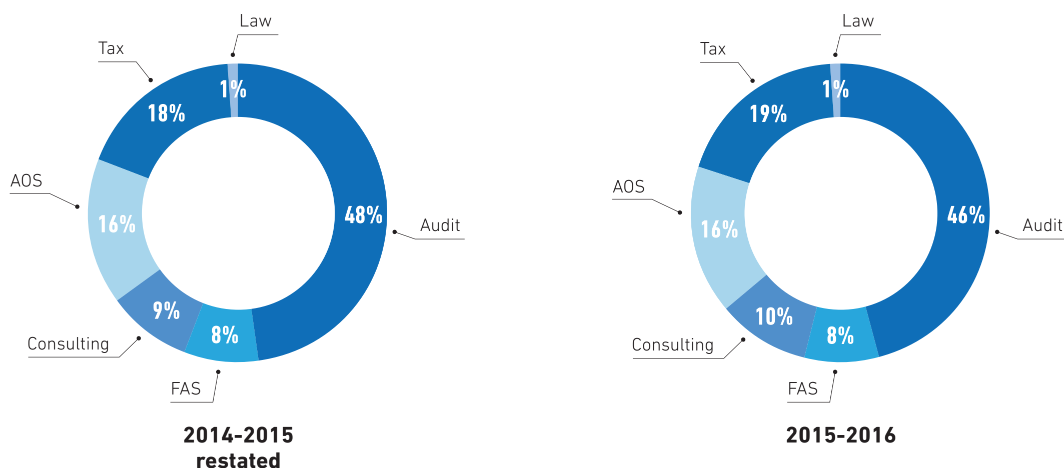
The Group's operating teams are organised by service lines as follows:

- **Audit,** i.e. those services designed to provide the assurance of reliable and relevant financial reporting;
- **Financial Advisory Services** (FAS), consisting in 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), consisting in the provision of tax advisory services and of legal and regulatory tax compliance services at both the national and international levels; and
- **Legal services** (LAW), including 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	2014-2015	2014-2015 Restated	2015-2016
Audit	588,115	593,115	613,395
FAS	94,620	94,620	103,509
Consulting	101,671	117,771	132,756
AOS	230,828	194,828	208,463
Tax	223,177	225,877	247,669
Law	14,290	14,290	16,296
Adjustment		12,200	
TOTAL	**1,252,701**	**1,252,701**	**1,322,088**

Following changes in our service line classification and the deconsolidation of entities mainly providing Accounting and Outsourcing Services, the data for the 2014-2015 financial year has been restated to enable comparison with 2015-2016.



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.

Note 4: Operating data

4.1 Fee income

Accounting policies

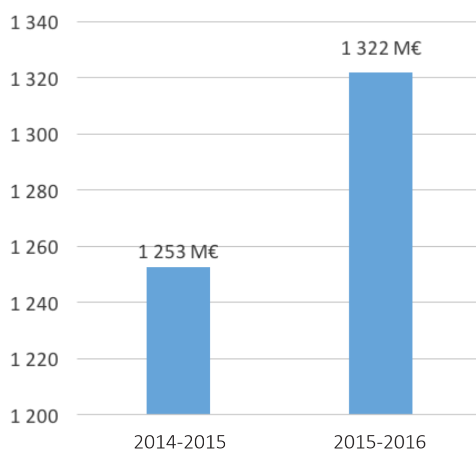
Fee income represents the fair value of payments received or receivable for services rendered to clients over the course of the year, after taking into account changes in accrued income. In order to better assess the level of gross margin, rebillable costs related to the provision of services (notably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

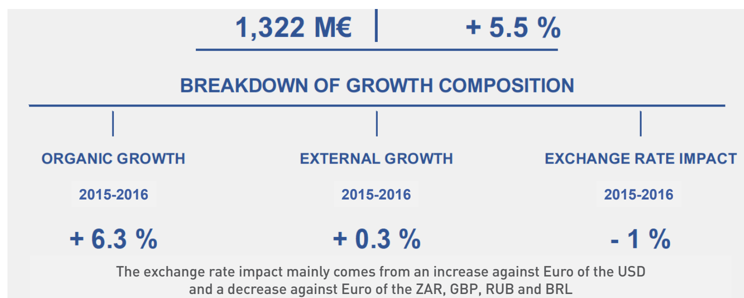
Fee income is recognised on the basis of the percentage of completion (see note 4.2).

Fee income may be broken down as follows:

In thousands of Euros	2014-2015	2015-2016
Fee notes rendered	1,285,966	1,362,633
Change in accrued income	13,179	14,290
REVENUE	**1,299,145**	**1,376,923**
Rebillable costs	-46,444	-54,835
FEE INCOME	**1,252,701**	**1,322,088**

Evolution of fee income





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 with the exception of:

- 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).

At August 31, 2016, trade accounts receivable and accrued income may be broken down as follows:

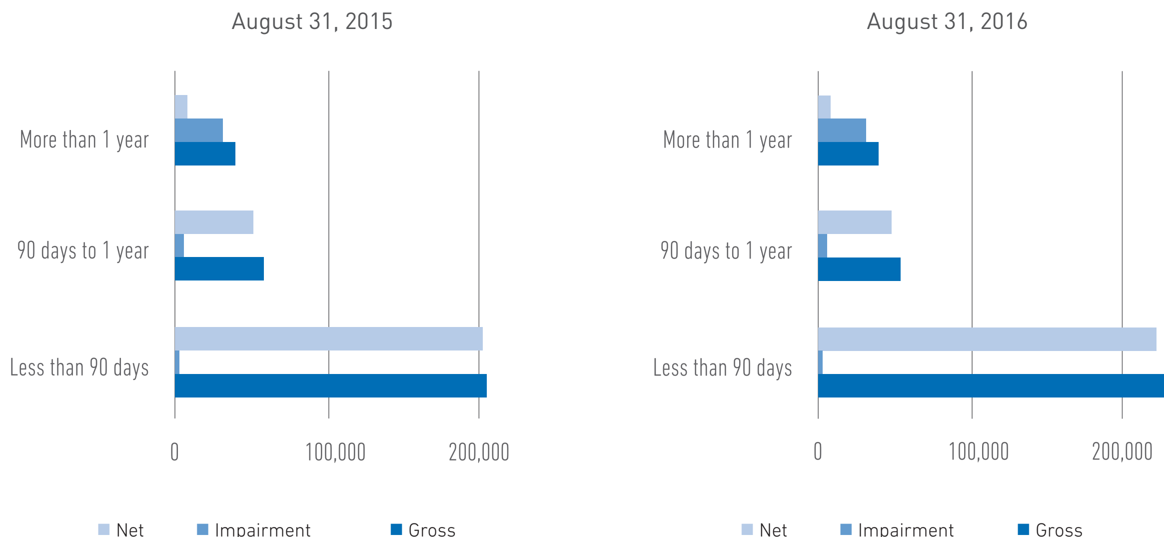
	August 31, 2015	August 31, 2016		
In thousands of Euros	Net	Gross	Impairment	Net
Client debtors	263,027	321,126	-40,685	280,441
Accrued income	107,166	135,947	-17,100	118,847
Payments on account	-24,338	-16,294		-16,294
Deferred income	-16,265	-11,642		-11,642
CLIENT DEBTORS AND ACCRUED INCOME	**329,590**	**429,137**	**-57,785**	**371,352**
RATIO OF TRADE ACCOUNTS RECEIVABLE AND ACCRUED INCOME TO REVENUE	**25.4%**			**27.0%**

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

	August 31, 2015			August 31, 2016		
In thousands of Euros	Gross	Impairment	Net	Gross	Impairment	Net
Less than 90 days	204,499	-2,572	201,927	226,891	-1,965	224,926
90 days to 1 year	58,081	-5,805	52,276	51,843	-5,510	46,333
More than 1 year	39,975	-31,150	8,825	42,392	-33,210	9,182
TOTAL	**302,555**	**-39,527**	**263,027**	**321,126**	**-40,685**	**280,441**

The gross amount of receivables includes the value added tax (VAT) applicable in each country. Receivables aged in excess of one year amounted, net of VAT, to €35.4 million and have been the subject of a €33.2 million impairment allowance.

As at August 31, 2016, there was no reason to doubt the creditworthiness of receivables due but not impaired, in particular as regards the amounts overdue by more than one year.



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	2014-2015	2014-2015 Average FTE	2015-2016	2015-2016 Average FTE
FEE INCOME	**1,252,701**		**1,322,088**	
Cost of technical staff	-607,538	12,548	-648,561	13,051
Cost of technical subcontracting	-24,687		-23,846	
GROSS MARGIN	**620,475**		**649,680**	
GROSS MARGIN RATE	**49.5%**		**49.1%**	

The cost of technical staff increased by 6.8% in 2015-2016, in line with the fee income increase.

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	2014-2015	2015-2016
GROSS MARGIN	**620,475**	**649,680**
Cost of administrative staff	-96,704	-103,356
Other costs	-258,002	-255,277
Depreciation, amortisation and impairment	-23,828	-25,948
SURPLUS OF OPERATIONS	**241,942**	**265,099**
RATIO OF SURPLUS OF OPERATIONS TO FEE INCOME	**19.3%**	**20.1%**

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

In thousands of Euros	2014-2015	2015-2016
Property costs	77,889	79,549
Tax, Insurance and professional contributions	32,341	31,109
General services	37,927	36,758
Other	109,844	107,860
OTHER COSTS	**258,002**	**255,277**

We observe tight control of overheads which fall slightly from one year to the next as a result of two factors:

- Limited increases for our major countries where overheads have risen more slowly than revenue; and
- The deconsolidation of certain entities (in particular in Italy) and control of central partnership costs.

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	2014-2015	2015-2016
SURPLUS OF OPERATIONS	**241,942**	**265,099**
Amort'n/imp't of client relationships and goodwill	-5,368	-5,507
Financing costs	-4,184	-2,837
TOTAL SURPLUS	**232,390**	**256,756**
RATIO OF TOTAL SURPLUS TO FEE INCOME	**18.6%**	**19.4%**

Note 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 (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.

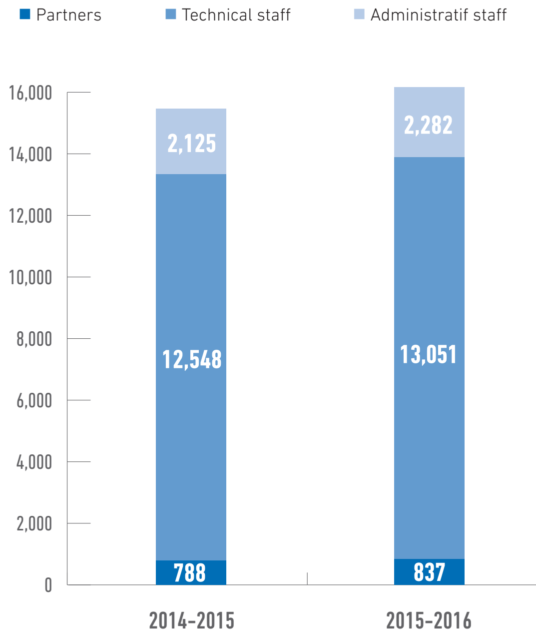
Post-employment benefits

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 partners and employees (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 takes into account 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 as a whole, 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
United States		X
Euro Zone	X	X
United Kingdom		X
Switzerland		X

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

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:

In thousands of Euros		United States	Euro Zone	United Kingdom	Switzerland	Other countries	Total
Present value of benefit obligations		50,629	10,992	36,831	21,332	1,744	**121,530**
Fair value of plan assets			-3,501	-36,926	-16,429	-166	**-57,023**
Asset ceiling				95			**95**
OPENING LIABILITY (ASSET)	**01/09/2015**	**50,629**	**7,491**	**0**	**4,904**	**1,578**	**64,602**
Costs of the period		4,291	534	-21	1,169	285	**6,259**
Actuarial gains and losses recognized in OCI		2,701	-88	-377	2,174	201	**4,611**
Effect of Asset ceiling				1,112			**1,112**
Benefits&Contributions paid		-2,623	-181	-844	-1,032	-242	**-4,922**
Foreign exchange impact		463		130	-103		**489**
CLOSING LIABILITY (ASSET)	**31/08/2016**	**55,462**	**7,756**	**0**	**7,111**	**1,821**	**72,151**
of which : Partners							**24,095**
of which : staff							**48,056**
Present value of benefit obligations		55,462	11,282	39,863	24,954	1,991	**133,553**
Fair value of plan assets			-3,526	-41,070	-17,844	-170	**-62,609**
Asset ceiling				1,207			**1,207**

In thousands of Euros		United States	Euro Zone	United Kingdom	Switzerland	Other countries	Total
Present value of benefit obligations		45,043	11,360	32,744	13,201	1,556	**103,904**
Fair value of plan assets			-3,331	-32,154	-10,831	-139	**-46,455**
Asset ceiling							
OPENING LIABILITY (ASSET)	**01/09/2014**	**45,043**	**8,029**	**590**	**2,370**	**1,416**	**57,448**
Costs of the period		3,882	250	24	802	317	**5,276**
Actuarial gains and losses recognized in OCI		-3,780	-482	117	2,346	47	**-1,752**
Effect of Asset ceiling				95			**95**
Benefits&Contributions paid		-2,344	-307	-817	-963	-247	**-4,678**
Foreign exchange impact		7,829		-8	348	35	**8,203**
CLOSING LIABILITY (ASSET)	**31/08/2015**	**50,629**	**7,491**	**0**	**4,904**	**1,568**	**64,592**
of which : Partners							**25,624**
of which : staff							**38,968**
Present value of benefit obligations		50,629	10,992	36,831	21,332	1,744	**121,530**
Fair value of plan assets			-3,501	-36,926	-16,429	-166	**-57,023**
Asset ceiling				95			**95**

The additional funding required for the coming financial year amounts to €0.8 million for the United Kingdom and €1.1 million for Switzerland. The major part of the actuarial losses incurred reflects the fall in the applicable discount rates.

5.2.2 Expenses recognised

The net expense for the 2015-2016 financial year may be broken down as follows:

						2015-2016
In thousands of Euros	United States	Euro Zone	United Kingdom	Switzerland	Other countries	Total
Cost of services rendered	2,126	384		1,131	175	**3,816**
Interest expense	2,166	154	-21	38	121	**2,459**
Expected return on plan assets		-5			-12	**-16**
Change in consolidation scope						
Impact of curtailments and settlements						
NET EXPENSE FOR THE PERIOD	**4,291**	**534**	**-21**	**1,169**	**285**	**6,259**

In thousands of Euros	United States	Euro Zone	United Kingdom	Switzerland	Other countries	Total
						2014-2015
Cost of services rendered	2,083	512		771	210	**3,577**
Interest expense	1,798	156	1,342	222	120	**3,638**
Expected return on plan assets		-4	-1,318	-190	-12	**-1,525**
Change in consolidation scope		-414				**-414**
Impact of curtailments and settlements						
NET EXPENSE FOR THE PERIOD	**3,882**	**250**	**24**	**802**	**317**	**5,276**

5.2.3 Actuarial gains and losses

Actuarial gains and losses for the 2015-2016 financial year amounted to €5.7 million and may be broken down as follows:

						2015-2016
In thousands of Euros	United States	Euro Zone	United Kingdom	Switzerland	Other countries	Total
ACTUARIAL (GAINS) & LOSSES ON THE DBO	**2,701**	**0**	**10,035**	**2,516**	**202**	**15,454**
Experience loss (gain)	-881	-241	-599	387	192	**-1,142**
Actuarial loss (gain) due to change in financial assumptions	3,582	941	10,634	1,973	-13	**17,116**
Actuarial loss (gain) due to change in demographic assumptions		-700		156	24	**-520**
ACTUARIAL (GAINS) & LOSSES ON PLAN ASSETS	**0**	**-88**	**-10,412**	**-342**	**-1**	**-10,843**
REMEASUREMENTS RECOGNIZED IN OTHER COMPREHENSIVE INCOME	**2,701**	**-88**	**-377**	**2,174**	**201**	**4,611**
EFFECT OF ASSET CEILING			**1,112**			**1,112**
TOTAL REMEASUREMENTS INCLUDED IN OCI	**2,701**	**-88**	**736**	**2,174**	**201**	**5,724**

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:

	August 31, 2015				August 31, 2016			
	Equities	Bonds	Derivatives	Real Estate	Equities	Bonds	Derivatives	Real Estate
France	30%	70%			30%	70%		
United Kingdom	65%		35%		63%	37%		
Switzerland	50%	25%	5%	20%	50%	25%	5%	20%

5.2.5 Applicable assumptions and sensitivity analysis

As August 31, 2016 the financial assumptions retained for the benefit plans applicable to each of the Group's geographical zones were as follows:

	Discount rates 2015	Discount rates 2016	Inflation rate 2015	Inflation rate 2016
United States	4.46%	3.50%	2.50%	2.50%
Euro Zone	2.00%	1.00%	2.00%	2.00%
United Kingdom	3.90%	2.10%	3.10%	1.90%
Switzerland	0.95%	0.15%	1.50%	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 combine, for each country, 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:

In thousands of Euros	United States	Euro Zone	United Kingdom	Switzerland	Other countries	Total
Obligation as at August 31, 2016	55,462	11,282	39,863	24,954	1,991	**133,553**
Impact of an increase of 0.50%	1,938	768	3,536	1,627	98	**7,967**
Impact of a decrease of 0.50%	-2,170	-746	-3,495	-1,855	-107	**-8,372**

Note 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	August 31, 2015	Acquisitions		Disposals	Change in consolidation scope	Other	Foreign currency gains and losses	August 31, 2016
GROSS VALUES								
Client relationships	62,430	411			800	-774	-818	**62,048**
Goodwill	113,249	789			3,186	-103	-760	**116,361**
Other intangible assets	34,687	7,826		-2,661	338	-131	368	**40,427**
TOTAL	**210,366**	**9,026**		**-2,661**	**4,324**	**-1,008**	**-1,211**	**218,836**

In thousands of Euros	August 31, 2015		Amortisations	Disposals	Change in consolidation scope	Other	Foreign currency gains and losses	August 31, 2016
AMORTISATIONS AND PROVISIONS								
Client relationships	-35,602		-4,636			758	728	**-38,751**
Goodwill	-10,357		-871			160	742	**-10,326**
Other intangible assets	-25,451		-3,494	2,620	-256	77	11	**-26,492**
TOTAL	**-71,410**		**-9,001**	**2,620**	**-256**	**996**	**1,482**	**-75,569**

In thousands of Euros	August 31, 2015	Acquisitions	Amortisations	Disposals	Change in consolidation scope	Other	Foreign currency gains and losses	August 31, 2016
NET VALUES								
Client relationships	26 828	411	-4,636		800	-16	-90	**23,297**
Goodwill	102 892	789	-871		3,186	58	-18	**106,035**
Other intangible assets	9 236	7,826	-3,494	-41	82	-54	379	**13,935**
TOTAL	**138 956**	**9,026**	**-9,001**	**-41**	**4,068**	**-12**	**271**	**143,267**

The acquisitions of client relationships and goodwill mainly relate to the United States.

Intangible assets acquired during the period mainly comprise computer software purchased or developed by the Group.

The changes in scope of consolidation for client relationships arose from transactions in France.

The foreign currency gains and losses are mainly related to assets located in the United Kingdom and in the United States.

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

	August 31, 2015		August 31, 2016	
In thousands of Euros	Client relationships	Goodwill	Client relationships	Goodwill
France	8,444	34,185	7,894	34,243
United Kingdom	2,008	9,389	1,087	10,217
Rest of Europe	2,185	4,126	1,353	4,089
North America	13,028	47,167	12,178	48,207
Latin America & the Caribbean		960		960
Asia-Pacific	1,164	5,449	784	5,610
Africa & Middle East		1,615		2,708
TOTAL	**26,828**	**102,892**	**23,297**	**106,035**

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 September 1, 1995 business combination between Cabinet Robert Mazars and Guérard-Viala. 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	August 31, 2015	Acquisitions		Disposals	Change in consolidation scope	Other	Foreign currency gains and losses	August 31, 2016
GROSS VALUES								
Fixtures and fiftings	63,356	4,567		-1,367	300	-425	-1,169	**65,261**
Vehicles and other items	6,856	941		-1,391	-50		-265	**6,090**
Furniture and office equipment	81,421	11,528		-6,449	1,376	-2,998	-3,470	**81,408**
TOTAL	**151,634**	**17,036**		**-9,208**	**1,625**	**-3,423**	**-4,904**	**152,760**

In thousands of Euros	August 31, 2015		Depreciations	Disposals	Change in consolidation scope	Other	Foreign currency gains and losses	August 31, 2016
AMORTISATIONS AND PROVISIONS								
Fixtures and fiftings	-44,128		-6,655	1,143	-197	370	586	**-48,881**
Vehicles and other items	-4,352		-743	945	-2	-10	215	**-3,948**
Furniture and office equipment	-59,355		-9,121	6,676	-905	3,051	2,071	**-57,583**
TOTAL	**-107,835**		**-16,520**	**8,764**	**-1,104**	**3,411**	**2,871**	**-110,412**

In thousands of Euros	August 31, 2015	Acquisitions	Depreciations	Disposals	Change in consolidation scope	Other	Foreign currency gains and losses	August 31, 2016
NET VALUES								
Fixtures and fiftings	19,228	4,567	-6,655	-224	103	-55	-583	**16,381**
Vehicles and other items	2,504	941	-743	-446	-53	-10	-50	**2,142**
Furniture and office equipment	22,066	11,528	-9,121	227	471	53	-1,399	**23,825**
TOTAL	**43,798**	**17,036**	**-16,520**	**-444**	**522**	**-12**	**-2,033**	**42,348**

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 considered to be 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 takes into account 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, taking into account 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 rented 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	August 31, 2015	August 31, 2016
Less than 1 year	54,550	55,326
1 to 5 years	170,624	151,932
More than 5 years	35,008	31,367
MINIMUM RENT	**260,182**	**238,625**

Note 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 bases enabling them to continue to operate as going concerns.

That financing may take a number of 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 considered to be 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	August 31, 2015	August 31, 2016
Long-term borrowings - current	19,781	23,215
Long-term borrowings - non-current	63,966	58,567
FINANCIAL DEBTS	**83,747**	**81,782**
Cash and cash equivalents	-82,047	-85,502
Current bank financing	26,763	24,349
NET CASH	**-55,284**	**-61,153**
NET BORROWINGS	**28,463**	**20,629**

Financial debts have remained stable and net borrowings have fallen by €7.8 million.

Net debt may be broken down as follows:

By type of instrument and currency

In thousands of Euros	Borrowing and other financial liabilities		Cash and cash equivalents		Current bank financing		Net borrowings	
	August 31, 2015	August 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015	August 31, 2016
EUR	64,376	63,710	-39,814	-44,070	20,564	14,259	45,126	33,899
USD	8,174	4,284	-5,039	-4,696	45	3	3,180	-408
GBP			-3,218	-2,898		6,941	-3,218	4,043
SGD	821	1,785	-1,868	-2,035			-1,047	-250
ZAR	2,404	1,717	-1,157	-1,104	1,096	928	2,343	1,541
Other currencies	7,972	10,285	-30,951	-30,698	5,058	2,218	-17,921	-18,195
TOTAL	**83,747**	**81,782**	**-82,047**	**-85,502**	**26,763**	**24,349**	**28,463**	**20,629**

By flow

In thousands of Euros	August 31, 2015	Increases	Reimbursements	Variation in cash	Change in consolidation scope	Other	Foreign currency gains and losses	August 31, 2016
Long-term borrowings - current	19,781	6,242	-11,940	97	59	8,677	299	23,215
Long-term borrowings non-current	63,966	13,395	-14,003		4,111	-8,203	-699	58,567
FINANCIAL DEBTS	**83,747**	**19,637**	**-25,943**	**97**	**4,171**	**474**	**-400**	**81,782**
Cash and cash equivalents	-82,047			-6,168	-2,647		5,360	-85,502
Current bank financing	26,763			-1,608	21		-828	24,349
NET CASH	**-55,284**	**0**	**0**	**-7,775**	**-2,625**	**0**	**4,532**	**-61,153**
NET BORROWINGS	**28,463**	**19,637**	**-25,943**	**-7,679**	**1,545**	**474**	**4,131**	**20,629**

As at August 31, 2016 Mazars SA (France) was party to a financing agreement with BRED including the following two floating rate loans:

- A €10 million senior loan facility, fully used, repayable in four equal annual instalments commencing in March 2017; and
- A fully used investment loan facility with an outstanding balance of €3 million subject to non-linear repayment over the next four years.

Mazars SA has subscribed a €12.4 million investment facility with HSBC of which an initial amount of €8.1million was drawn down on August 30, 2016.

By operating segment

In thousands of Euros	August 31, 2015	August 31, 2016
France	47,426	39,463
United Kingdom	-3,218	4,043
Rest of Europe	-9,702	-13,717
North America	4,964	2,622
Latin America & the Caribbean	-2,411	-313
Asia-Pacific	-6,672	-7,612
Africa & Middle East	-1,924	-3,856
NET BORROWINGS	**28,463**	**20,629**

7.4 Other non-current assets

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

In thousands of Euros	August 31, 2015	Acquisitions		Disposals	Reimbursements	Change in consolidation scope	Other	Foreign currency gains and losses	August 31, 2016
GROSS VALUES									
Shares in non consolidated companies	1,362	1,597		-94		-739	-295	4	**1,835**
Loans					-6	7			**0**
Deposits & guarantees	1,648	791			-223	415	179	18	**2,828**
Other long-term investments	19,503	2,095			-3,016	78	15	-39	**18,635**
TOTAL	**22,513**	**4,483**		**-94**	**-3,245**	**-239**	**-102**	**-17**	**23,298**

In thousands of Euros	August 31, 2015		Amortisations	Reversals		Change in consolidation scope	Other	Foreign currency gains and losses	August 31, 2016
DEPRECIATIONS									
Shares in non consolidated companies	-132								**-132**
Loans							-1	1	**0**
Deposits & guarantees	-72		-22						**-93**
Other long-term investments	-1,111		-29	50			1		**-1,089**
TOTAL	**-1,314**		**-51**	**50**			**0**	**1**	**-1,314**

In thousands of Euros	August 31, 2015	Acquisitions	Amortisations	Disposals	Reimbursements	Change in consolidation scope	Other	Foreign currency gains and losses	August 31, 2016
NET VALUES									
Shares in non consolidated companies	1,231	1,597		-94		-739	-295	4	**1,703**
Loans					-6	7	-1	1	**0**
Deposits & guarantees	1,576	791	-22		-223	415	179	18	**2,735**
Other long-term investments	18,392	2,095	-29	50	-3,016	78	15	-39	**17,546**
TOTAL	**21,199**	**4,483**	**-51**	**-44**	**-3,245**	**-239**	**-102**	**-17**	**21,984**

Note 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

Partners' contributions to the partnership financing of entities (see note 1.2.3) are included in the 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.

Total partnership financing may be broken down as follows:

In thousands of Euros	August 31, 2015	Increases	Decreases	Amortisations	Change in consolidation scope	Other comprehensive income recyclable or not to profit and loss	Other	Foreign currency gains and losses	August 31, 2016
Sharedolder's equity of operating entities	81,795	3,412			877		-3,699	-4,794	77,591
Blocked current account balances	61,182	5,049			250		13,414	-3,416	76,479
Bond issues	22,929	3,012						-24	25,917
Remeasurement of defined benefit schemes	-15,455				-1	-5,724	1,716	533	-18,931
Currency translation adjustments	-5,161					-1,384		6,718	172
PARTNERSHIP FINANCING	**145,290**	**11,472**			**1,126**	**-7,108**	**11,430**	**-982**	**161,229**
Provisions for post-employment benefits	39,159		-133	2,505		1,874	-9,502	140	34,043
Deferred tax (net)	-9,439			-967	429		119	-6	-9,864
PARTNERSHIP FINANCING - NON-CURRENT	**175,009**	**11,472**	**-133**	**1,537**	**1,555**	**-5,234**	**2,047**	**-848**	**185,407**
PARTNERSHIP FINANCING - CURRENT	**105,214**	**53,067**	**-35,076**		**3,177**	**39**	**-6,739**	**-9,063**	**110,619**
TOTAL PARTNERSHIP FINANCING	**280,224**	**64,539**	**-35,209**	**1,537**	**4,732**	**-5,195**	**-4,692**	**-9,910**	**296,026**

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

The impact of "Remeasurement of defined benefit schemes" 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. The change in "Remeasurement of defined benefit schemes" is attributable to partners for €1.9 million and to staff for €3.9 million, taken respectively to "Provisions for post-employment benefits" for partners and "Provisions" for staff.

Following certain partners' retirement, liabilities for partners' pensions and similar benefits have been reclassified as non-partner provisions in the amount of €3.4 million for Germany and €7.1 million for the United States. Conversely, in respect of Switzerland a €-1.1 million reclassification has been made to reflect a provision for partners' benefits previously classified as part of the provision for benefits excepting partners (see note 9.1).

As at August 31, 2016, "post-employment benefits due to partners" include €9.8 million of lump-sum benefits payable at the date of retirement.

Note 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	August 31, 2015	Additions	Reversals	Change in consolidation scope	Revaluation	Other	Foreign currency gains and losses	August 31, 2016
Professional risks	6,349	3,352	-2,680	13		125	-322	**6,837**
Post-employment benefit liabilit. except partners	36,875	3,021	-3,907		4,076	9,671	59	**49,794**
Vacant properties	1,086	224				-65	-78	**1,167**
Other risks	7,142	6,093	-3,674	215		150	-33	**9,892**
TOTAL	**51,451**	**12,690**	**-10,262**	**228**	**4,076**	**9,881**	**-374**	**67,689**

Some reclassification between "Provision Post-employment benefit liabilities except. Partners" and "Provisions for post-employment benefits" for partners have been made (see note 8.2).

Post-employment benefits due to non-partners include lump-sum benefits payable at the date of retirement in the amount of €0.7 million for Qatar, €0.6 million for Senegal and €0.2 million for Thailand.

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

In thousands of Euros	August 31, 2016	Current portion	Non-current portion
Professional risks	**6,837**	6,442	396
Post-employment benefit liabilit. except partners	**49,794**	5,925	43,868
Vacant properties	**1,167**	165	1,002
Other risks	**9,892**	8,040	1,851
TOTAL	**67,689**	**20,572**	**47,117**

9.2 Contingent liabilities

The Group had no contingent liability as at August 31, 2016.

Note 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	August 31, 2015	August 31, 2016
Social security receivables	2,936	2,848
Tax receivables	21,126	20,271
Current accounts and other receivables	26,354	27,452
Prepaid expenses	26,659	24,281
Unrealised foreign exchange losses	39	50
TOTAL	**77,114**	**74,902**

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	August 31, 2015	August 31, 2016
Trade and other payables	105,131	112,486
Payroll liabilities	90,063	96,654
Tax payable	54,451	59,294
Total	**249,645**	**268,433**

Most operating liabilities have maturities not exceeding one year.

Note 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 "partners' remuneration" 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, the amount of which is not material, and so no tax proof is presented.

11.1 Current tax

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

In thousands of Euros	2014-2015	2015-2016
Tax payable by partners	8,546	8,932
Tax payable by the Group	2,369	3,423
Tax payable by Mazars SCRL	76	20
Total	**10,991**	**12,376**

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	August 31, 2015	August 31, 2016
Deferred tax assets	11,817	12,714
Deferred tax liabilities	-2,378	-2,850
Total	**9,439**	**9,864**

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.

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

Note 12: Consolidated statement of cash flows

12.1 Working capital requirement

The working capital requirement, adjusted for newly consolidated entities, rose by €20 million as a result of:

- €20.4 million of additional client debtors (net of payments on account) and €11.7 million of additional work in progress;
- A fall of €5.7 million in other current assets; and
- €6.4 million of additional current liabilities.

12.2 Acquisition of intangible assets and property, plant and equipment

Intangible assets acquired during the period mainly comprise computer software purchased or developed by the Group (see note 6.1).

Property, plant and equipment acquired during the period essentially consist of computer equipment as well as expenditure on fitting out new offices (see note 6.2).

12.3 Acquisition of other non-current assets

Other non-current assets acquired during the period are made of guarantee deposits (see note 7.4).

12.4 Disposal/ repayment of other non-current assets

Repayments of other non-current assets mainly related to France (€2 million) including the repayment of an amount of €1.4 million to Germany (see note 7.4).

12.5 Net cash flows from entities acquired and divested

Net cash for entities acquired related to France, Italy and Australia.

12.6 Subscription/ repayment of loans

New loans subscribed mainly related to France (€13.8 million) and South Africa (€1.6 million).

Repayments related in particular to France (€10.8 million), the United States (€3.9 million), Germany (€2.4 million) and South Africa (€2.1 million) (see note 7.3).

Note 13: Rights to surplus allocated to the members of the Group Executive Board and the Group Governance Council

The rights of surplus payable to the eight members of the Group Executive Board, the executive body of Mazars SCRL, and to the eleven members of the Group Governance Council amounted to €11 million for the 2015-2016 financial year. It was either paid during the financial year or constituted a current liability at the end of the period.

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

Note 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	August 31, 2015	August 31, 2016
GUARANTEES PROVIDED	**13,355**	**12,971**

Note 15: Pro forma financial statements reflecting the integration of ZhongShen ZhongHuan

As mentioned in note 1.2.4 on significant events, the pro forma financial statements presented hereafter reflect the contribution of our Chinese member firm ZhongShen ZhongHuan which joined the partnership on 1st January 2016.

The revenue and costs of the Chinese firm represent 8 months of activity.

Verification of the compliance of the Chinese firm's contribution with the Group's accounting policies and review by external auditors had not been performed at the time of preparation of the present Group's consolidated financial statements.

Pro forma consolidated income statement

2015-2016 financial year ended on August 31, 2016

In thousands of Euros	2015-2016	ZhongShen ZhongHuan	Pro forma total
Revenue	1,376,923	43,353	1,420,276
Rebillable costs	-54,835		-54,835
FEE INCOME	**1,322,088**	**43,353**	**1,365,441**
Cost of technical staff	-672,408	-17,298	-689,706
GROSS MARGIN	**649,680**	**26,055**	**675,735**
Cost of administrative staff	-103,356	-1,221	-104,577
Other costs	-255,277	-9,573	-264,850
Depreciation, amortisation and impairment	-25,948	-36	-25,984
SURPLUS OF OPERATIONS	**265,099**	**15,225**	**280,324**
Amort'n/imp't of client relationships and goodwill	-5,507		-5,507
Financing costs	-2,837	11	-2,826
TOTAL SURPLUS	**256,756**	**15,236**	**271,991**
SURPLUS ALLOCATED TO PARTNERS	**-256,605**	**-15,236**	**-271,841**
PRE-TAX RESULT	**151**	**0**	**151**
Corporate income tax	-20		-20
POST-TAX RESULT	**130**	**0**	**130**

Pro forma consolidated statement of financial position

2015-2016 financial year ended on August 31, 2016

In thousands of Euros	August 31, 2016	ZhongShen ZhongHuan	Pro forma total
ASSETS			
Intangible assets	143,267		143,267
Property, plant and equipment	42,348	253	42,601
Other non-current assets	21,984	12	21,996
TOTAL NON CURRENT ASSETS	**207,599**	**265**	**207,864**
Trade accounts receivables and accrued income	371,352	10,461	381,814
Other current assets	74,902	7,741	82,642
Cash and cash equivalents	85,502	15,595	101,096
TOTAL CURRENT ASSETS	**531,756**	**33,797**	**565,552**
TOTAL ASSETS	**739,355**	**34,062**	**773,416**

In thousands of Euros	August 31, 2016	ZhongShen ZhongHuan	Pro forma total
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	**1,075**	**2,807**	**3,882**
Partnership financing - non-current	185,407	1,555	186,962
Partnership financing - current	110,619	2,869	113,488
TOTAL PARTNERSHIP FINANCING	**296,026**	**4,424**	**300,450**
Long-term borrowings - non-current	58,567		58,567
Long-term provisions	47,117		47,117
TOTAL OTHER NON-CURRENT LIABILITIES	**105,684**		**105,684**
Long-term borrowings - current	23,215		23,215
Current bank financing	24,349		24,349
Trade and other payables	268,433	26,830	295,264
Current provisions	20,572		20,572
TOTAL OTHER CURRENT LIABILITIES	**336,570**	**26,830**	**363,400**
TOTAL EQUITY AND LIABILITIES	**739,355**	**34,062**	**773,416**

Pro forma weighted average full-time equivalent employees

2015-2016 financial year ended on August 31, 2016

AVERAGE PERSONNEL (FTE)	2015-2016	ZhongShen ZhongHuan	Pro forma total
Partners	837	42	879
Technical and administrative staff	15,333	788	16,121
TOTAL	**16,170**	**830**	**17,000**

Independent Auditors' 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 2016, 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).

Group Executive Board's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group Executive Board, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 August 31st, 2016, 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.

Brussels and London, December 2nd, 2016

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