MAZARS LLP

Financial statements for the year ended 31 August 2019

Registration Number: OC308299

MAZARS

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FOREWORD

Phil Verity
UK Senior Partner

Set against a backdrop of profound shifts in our industry, the firm has delivered strong growth in revenue and profitability across all service lines over the last financial year. Our revenue has grown for the 10th consecutive year, by 9.5% to just under £200m, while profit before tax rose for the seventh successive year, by 5% to £34.7m.

Our financial performance positions us well for the future. Change is on the horizon, and Mazars is determined to lead from the front. We have been, and will continue to be, prominent advocates for meaningful reforms to build an audit market that meets the needs of investors, businesses and society. At the same time, we are committed to embodying positive change in our own firm.

At the core of that drive is a relentless focus on quality. We have further strengthened our oversight committee with the appointment of Sir Amyas Morse to our Public Interest Committee, and have implemented a No Compromise strategy in our audit service line which emphasises the very highest professional standards. These moves are reflective of an unwavering firm-wide commitment to quality.

The future success of the firm is built on giving talented people with diverse perspectives the tools and motivation to grow and to contribute. In 2020 we plan to hire 14% more experienced professionals and 17% more graduates, year-on-year, drawing from the widest possible pool thanks to initiatives including Access Accountancy and returnship programmes. We continue to make consistent progress towards our diversity and representation targets, and our latest Gallup employee engagement survey showed increases in both responses and engagement.

The work we do in the UK firm benefits from a cohesive strategy with, and support from, our integrated global partnership. Now operating in 91 countries and territories around the world, we continue to grow internationally and serve an ever-growing number of clients. With Group global revenue growth of 10.4%, both the firm in the UK and the wider international partnership look to the year ahead with optimism, ambition and a clear direction.

Philip Verity

Phil Verity

STATEMENT OF MEMBERS' RESPONSIBILITIES

The members are responsible for preparing the financial statements in accordance with applicable law and regulations

The Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2008 ('LLP Regulations') require the members to prepare financial statements for each financial period. The members have elected to prepare consolidated financial statements for Mazars LLP and its subsidiary undertakings ("the Group") in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Mazars LLP ("the LLP") meets the definition of a qualifying entity under FRS100 issued by the Financial Reporting Council and has prepared individual accounts in accordance with FRS101 "Reduced Disclosure Framework".

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the LLP and of the profit or loss of the Group for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether, for the consolidated financial statements, they have been prepared in accordance with IFRS and for the individual accounts of the LLP they have been prepared in accordance with FRS101; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP and Group will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP and Group's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and Group and enable them to ensure that the financial statements comply with the Companies Act 2006, as applied to LLPs. They are also responsible for safeguarding the assets of the LLP and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for the maintenance and integrity of the LLP's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The members' responsibilities set out above are discharged by the Designated Members and the Governance Council on behalf of the members.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAZARS LLP

Opinion

We have audited the Group financial statements of Mazars LLP for the year ended 31 August 2019 which comprise:

- Consolidated Statement of Comprehensive Income
- Consolidated Statement of Financial Position
- Consolidated Statement of Changes in Members' Equity and Members' Interests
- Consolidated Statement of Cash Flows and
- the related notes numbered 1 to 22, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements, including a summary of specific accounting policies, is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 August 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to LLPs.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to LLPs requires us to report to you if, in our opinion:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAZARS LLP (continued)

- adequate accounting records have not been kept by the LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the LLPs financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the members' responsibilities statement set out on page 2, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

We have reported separately on the parent LLP financial statements of Mazars LLP for the year ended 31 August 2019.

Use of our report

This report is made solely to the LLP's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships (LLPs). Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Stallabrass
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

25 February 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 August 2019

	Notes	2019 £m	2018 £m
Revenue	3	198.9	181.4
Employee benefit expenses	4	(95.1)	(87.9)
Depreciation and amortisation		(4.9)	(4.7)
Impairment loss on Financial Assets	11	(1.0)	(0.5)
Other operating expenses		(62.7)	(54.8)
Operating profit	5	35.2	33.5
Finance costs	6	(0.5)	(0.3)
Profit for the financial year before taxation		34.7	33.2
Tax on profit on ordinary activities in corporate subsidiaries	7	(1.5)	(0.8)
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members		33.2	32.4
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefits plan	17	(0.5)	(0.7)
Total comprehensive income for the financial year		32.7	31.7

The notes on pages 9 to 28 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2019

OC308299

	Notes	2019		2018	
		£m	£m	£m	£m
Non-current assets					
Goodwill	9		4.6		4.6
Other intangible assets	9		7.2		6.2
Property, plant and equipment	10		9.9		8.4
Investment	8		-		0.3
Deferred tax asset	16		0.3		0.4
			22.0		19.9
Current assets					
Trade and other receivables	11	73.6		64.3	
Cash and cash equivalents	12	5.3		1.9	
			78.9		66.2
Total assets			100.9		86.1
Equity and liabilities					
Current liabilities					
Interest bearing loans and borrowings	13	19.1		11.2	
Trade and other payables	14	31.0		28.2	
			50.1		39.4
Non-current liabilities					
Provisions	15		2.9		2.1
Loans and other debts due to members			42.1		38.6
Total liabilities			95.1		80.1
Members' interests classified as equity			5.8		6.0
Total liabilities and equity			100.9		86.1

The financial statements were approved and authorised for issue on 25 February 2020 on behalf of the members of Mazars LLP by:

Toby Stanbrook
Designated Member

Samantha Russell
Member of Governance Council

The notes on pages 9 to 28 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 August 2019

	Notes	2019 £m	2018 £m
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members		33.2	32.4
Taxation	7	1.5	0.8
Finance costs	6	0.5	0.3
Depreciation	5	3.1	3.0
Loss on sale of subsidiary		-	0.3
Impairment of investment	8	0.3	-
Amortisation	5	1.7	1.7
(Increase) in trade and other receivables		(9.3)	(8.1)
Increase in trade and other payables		2.8	4.9
Increase/(Decrease) in provisions		0.8	(0.9)
Contribution to the pension scheme	17	(0.7)	(0.7)
Past service cost of pension scheme		0.2	-
Cash generated from operations		34.1	33.7
Corporation tax paid		(1.4)	(0.7)
Net cash inflow from operating activities		32.7	33.0
Investing activities			
Purchase of property, plant and equipment	10	(4.7)	(2.4)
Proceeds on disposal of property, plant and equipment		0.1	-
Purchase of other intangible assets	9	(0.9)	(0.7)
Acquisitions net of cash acquired		(1.8)	(1.8)
Net cash flow used in investing activities		(7.3)	(4.9)
Financing activities			
Payment to and on behalf of members		(31.0)	(30.8)
Contributions by members		6.3	7.2
Capital repayments to members		(4.7)	(2.6)
Interest paid	6	(0.5)	(0.3)
Net cash flow used in financing activities		(29.9)	(26.5)
Net increase/(decrease) in cash and cash equivalents		(4.5)	1.6
Cash and cash equivalents at beginning of year		(9.3)	(10.9)
Cash and cash equivalents at year end		(13.8)	(9.3)
Cash and cash equivalents comprises:			
Cash and Bank balances	12	5.3	1.9
Less overdraft and other borrowings	13	(19.1)	(11.2)
Cash and cash equivalents		(13.8)	(9.3)

The notes on pages 9 to 28 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY AND MEMBERS' INTERESTS

For the year ended 31 August 2019

	Loans and other debts due to members			Members' other interests – Other reserves classified as equity	
	Members' capital £m	Other amounts £m	Total £m	£m	Total £m
Members' interests at 1 September 2018	32.2	6.4	38.6	6.0	44.6
Profit for the financial year available for discretionary division among members	-	-	-	33.2	33.2
Members' interests after profit for the year	32.2	6.4	38.6	39.2	77.8
Allocated profits	-	32.9	32.9	(32.9)	-
Introduced by members	6.3	-	6.3	-	6.3
Repayments	(4.7)	-	(4.7)	-	(4.7)
Other comprehensive income	-	-	-	(0.5)	(0.5)
Drawings	-	(31.0)	(31.0)	-	(31.0)
Members' interests at 31 August 2019	33.8	8.3	42.1	5.8	47.9

For the year ended 31 August 2018

	Loans and other debts due to members			Members' other interests – Other reserves classified as equity	
	Members' capital £m	Other amounts £m	Total £m	£m	Total £m
Members' interests at 1 September 2017	24.8	5.9	30.7	8.4	39.1
Profit for the financial year available for discretionary division among members	-	-	-	32.4	32.4
Members' interests after profit for the year	24.8	5.9	30.7	40.8	71.5
Allocated profits	-	31.3	31.3	(31.3)	-
Transfer	2.8	-	2.8	(2.8)	-
Introduced by members	7.2	-	7.2	-	7.2
Repayments	(2.6)	-	(2.6)	-	(2.6)
Other comprehensive income	-	-	-	(0.7)	(0.7)
Drawings	-	(30.8)	(30.8)	-	(30.8)
Members' interests at 31 August 2018	32.2	6.4	38.6	6.0	44.6

The notes on pages 9 to 28 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2019

1. ACCOUNTING POLICIES

1.1 General information

The LLP is a limited liability partnership registered in England and Wales with registered number OC308299. Its registered office and principal place of business is Tower Bridge House, St Katharine's Way, London, E1W 1DD.

The financial statements have been presented in millions of Pounds Sterling as this is the currency of the primary economic environment that the Group operates in.

1.2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretation Committee interpretations (IFRIC), as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention except as described in the accounting policies and in accordance with those parts of the Companies Act 2006 as applied by LLPs.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements with the exception of the policies affected by the transition to IFRS9 "Financial Instruments" and IFRS15 "Revenue from contracts with customers" as detailed below.

1.3 Basis of consolidation

These financial statements consolidate those of the LLP and all entities over which the LLP has control as at 31 August 2019 ("the Group"). All subsidiary entities have a reporting date of 31 August. The LLP is the Group's ultimate parent entity.

All transactions and balances between Group entities are eliminated on consolidation, including unrealised gains and losses on transactions between Group entities. Amounts reported in the financial statements of Group entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Revenue, costs and other comprehensive income of subsidiary entities acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

1.4 Going concern

The Group is financed by capital from the members, profits retained in the business and bank facilities. The budgets and projections prepared by the Group demonstrate that there is a reasonable expectation that the Group has adequate resources to meet its operational needs for the foreseeable future. Accordingly these financial statements have been prepared on a going concern basis.

1.5 New standards and interpretations adopted in the financial year

The following standards have been adopted by the Group from 1 September 2018 and applied in these financial statements:

IFRS 9: Financial instruments

This replaces IAS 39 "Financial instruments: Recognition and Measurement" and deals with the classification, measurement and recognition of financial assets and financial liabilities. Following the adoption of IFRS9 the Group measures and recognises Expected Credit Losses to calculate the impairment of its trade receivables and contract assets recognised under IFRS15. The group has not restated comparative information. There was no adjustment required to opening retained earnings.

IFRS 15: Revenue from contracts with customers

This establishes a single framework for revenue recognition.

The adoption of IFRS15 did not materially alter the timing or value of revenue recognised by the Group as the previous methodology of recognising revenue was in line with the new standard. In implementing IFRS15, the Group adopted the modified retrospective approach which requires opening reserves at 1 September 2018 to be adjusted for the cumulative impact of the change to the new standard. Comparative information has not been restated. There was no adjustment required to opening retained earnings.

1.6 New standards and interpretations not yet adopted

IFRS 16: Leases

This replaces IAS 17 "Leases" and related Interpretations and deals with the recognition, measurement, presentation and disclosure of leases.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

IFRS 16 will be effective for the accounting period from 1 September 2019. Under the new standard, most operating leases which are referred to in Note 18 will be included in the Consolidated Statement of Financial Position as a right of use asset and a lease liability based on discounted future lease payments. The Consolidated Statement of Comprehensive Income will include a charge for depreciation of the right of use asset and a finance charge, rather than lease payments. At the date of initial application IFRS16 will be applied on a lease by lease basis to measure the right of use asset at the amount equal to the lease liability adjusted for accrued and prepaid amounts. On 1 September 2019 the Group will recognise lease liabilities of £21m, following adjustment for accrued and prepaid amounts, and a right of use asset of £19m. The adoption of IFRS16 will not result in a change in the opening reserves at 1 September 2019. In the financial year to 31 August 2020, depreciation of the right of use asset and finance charges on the lease liabilities are expected to total £4.2m, compared to an expected charge in the income statement of £4.2m had IAS17 (as previously applied) been applied in the year to 31 August 2020.

Other standards and interpretations

The adoption of the following standards and interpretations in future years is not expected to have a material impact on the group's financial statements:

- Effective for financial year to 31 August 2020
  - IFRIC23: Uncertainty over Income Tax Treatments
  - Amendments to IFRS9: Financial Instruments
  - Annual improvements to IFRSs 2015-2017 cycle
  - IAS19: Employee benefits - plan amendment, curtailment or settlement
  - Amendments to IAS28: Investments in Associates
- Effective for the financial year to 31 August 2021
  - Amendments to IFRS3: Business Combinations
  - Amendments to IAS1 and IAS8: Definition of material
  - Conceptual Framework (Revised) and amendments to related references in IFRS Standards

1.7 Foreign currency transactions

Transactions in foreign currencies are initially recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies at the balance sheet date are translated into sterling at foreign exchange rates ruling at that date.

Foreign exchange differences arising from translation are recognised in the income statement. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using exchange rates as at the date of the initial transactions.

1.8 Foreign subsidiaries

On consolidation, the assets and liabilities of foreign subsidiaries with a functional currency other than Pounds Sterling are translated into Pounds Sterling at the exchange rate at the reporting date. Income and expenses of such subsidiaries are translated into Pounds Sterling at the average exchange rate over the reporting period, or the average rate during the reporting period in which the foreign undertaking was a subsidiary. Exchange differences arising are recognised in Other Comprehensive Income in the Consolidated Statement of Comprehensive Income and in the currency translation reserve in equity.

1.9 Revenue recognition

The Group recognises revenue from the provision of a wide variety of contracts to provide professional services. Performance obligations are identified for each contract with a client and the timing of revenue recognition is assessed based on the service provided.

All performance obligations are satisfied over time since either clients receive and consume the benefit provided by the Group's performance as the Group provides services or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Revenue is measured at the fair value of the right to consideration, including expenses and disbursements, but excluding VAT. Revenue is recognised over time by reference to time and costs incurred to the end of the reporting period compared to the expected total time and costs to complete the performance obligations.

Variable consideration is constrained to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue recognised that has not been billed to clients is included as contract assets in trade and other receivables and amounts billed in excess of revenue recognised are included as contract liabilities in trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

As a practical expedient permitted by IFRS15 no disclosure has been made of amounts allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the financial year where contracts have an original expected duration of less than one year or where the right to consideration corresponds directly with the performance completed to date.

Revenue in respect of contingent fee assignments (over and above any agreed minimum fee) is only recognised when the contingent event occurs and collection of the fee is assured.

1.10 Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets and liabilities acquired at the date of the acquisition. Goodwill is recognised as an intangible asset with an indefinite useful life. Associated costs of acquisition are recognised as an expense as incurred.

Goodwill is tested annually for impairment.

If the Group's interest in the fair value of the identifiable assets and liabilities acquired exceeds the cost of the acquisition as at the date of the acquisition, the excess is recognised in the Consolidated Statement of Comprehensive Income as a gain on a bargain purchase.

1.11 Other intangible assets

Contracts and client relations

Intangible assets including contracts and client relations acquired in a business combination are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Computer software

Computer software comprises the cost of purchased software licences and costs directly associated with the development of software for use by the Group that will generate probable future economic benefits, excluding software which is integral to related hardware. Computer software is recognised as an intangible asset and stated at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is recognised as an expense in the Consolidated Statement of Comprehensive Income on a straight line basis over the estimated useful lives of the intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives fall within the following ranges:

Contracts and client relations	5-10 years
Computer software	3-5 years

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in the Consolidated Statement of Comprehensive Income within other income or other operating expenses.

1.12 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into operation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life using the straight line method. The expected useful lives are as follows:

Leasehold property improvements	The lease period
Furniture and equipment	5-10 years
Computer equipment	3-5 years
Motor vehicles	4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognising the asset is included in the Consolidated Statement of Comprehensive Income. The residual values, useful lives and depreciation methods of assets are reviewed, and adjusted if appropriate, in each financial period.

1.13 Impairment of non-financial assets

At each statement of financial position date, the LLP reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

1.14 Financial instruments

The Group recognises financial instruments when it becomes party to the contracts that give rise to them and they are derecognised on settlement. They are measured initially at fair value, adjusted for transaction costs. The subsequent accounting treatment depends on the classification of an instrument as set out below.

Financial assets

Financial assets are carried at amortised cost using the effective interest method if the time value of money is significant, less provision for impairment. Client debtors are generally carried at the original invoiced amount, less provision for impairment. Impairment provision for client receivables and contract assets are recognised based on the simplified approach in IFRS9. Estimated future credit losses are based on the ageing of receivable balances from clients, historical credit loss experience and forward looking considerations. Amounts due from other Member Firms of the Mazars worldwide organisation are considered to have a low credit risk and no material loss allowance has been recognised at 31 August 2019 on these assets.

For client receivables the impairment provisions are recorded separately within the consolidated statement of comprehensive income. If a client receivable is confirmed as not recoverable it is written off against the provision.

Under the previous accounting policy impairment provisions were based on the historical incurred credit losses.

Financial liabilities

Financial liabilities, including members' capital, borrowings and trade and other payables, are carried at amortised cost using the effective interest method if the time value of money is significant. Trade payables are generally carried at the original invoiced amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and short-term deposits with an original maturity of less than three months that are readily convertible to known amounts of cash.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents are as defined above, net of outstanding bank borrowings.

1.15 Components of equity

Members' other interests – other reserves classified as equity represents profits and losses not yet allocated and divided to Members.

1.16 Provisions and contingencies

Provision is made for obligations in relation to properties held under leases which require properties to be returned in a certain condition at the end of the lease where it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Provision is also made for obligations under onerous lease commitments in respect of properties no longer in use in the business, after allowance for anticipated sublet rental income.

Provision is made, on a case by case basis, in respect of client claims. Provision is made for all such matters where costs of defending or concluding claims are likely to be incurred, net of anticipated related insurance recoveries. No separate disclosure is made of the amounts covered by insurance as doing so could seriously prejudice the position of the Group.

Provisions are measured at the estimated expenditure required to settle the present obligations, discounted to their present values if the time value of money is significant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

Contingent liabilities, including liabilities that are not probable or which cannot be measured reliably, are not recognised, but are disclosed unless the possibility of settlement is considered remote. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

1.17 Operating leases

Rental costs under operating leases are recognised as an expense in the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term. Increases in annual rentals following rent reviews are recognised over the remaining lease term from the time they take effect. The value of lease incentives received is recognised in the Consolidated Statement of Comprehensive Income so as to reduce the rental expense on a straight line basis over the contracted lease term.

1.18 Pensions

The LLP operates a closed occupational defined benefit pension scheme. No further benefits are accrued in this scheme.

The scheme is recognised as a liability in the Statement of Financial Position to the extent that the present value of the Defined Benefit Obligation ("DBO") of the scheme exceeds the fair value of the scheme's assets. An annual valuation of the DBO is carried out by a qualified actuary in accordance with IAS 19 "Employee Benefits", based on assumptions made regarding, in particular, the discount rate, future inflation rates and mortality. The net interest cost on the net defined benefit liability is recognised as an expense in the Consolidated Statement of Comprehensive Income. Actuarial gains and losses and remeasurements arising from changes in assumptions are recognised as income or an expense in the Consolidated Statement of Comprehensive Income as other comprehensive income or expense.

Contributions payable by the Group to employees' personal pension plans are recognised as an expense in the Consolidated Statement of Comprehensive Income in the period in which the related employee services are received. Members are responsible for making their own provision for pensions.

1.19 Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are liabilities included in other payables, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

1.20 Taxation

Income taxation payable on all LLP profits is solely the personal liability of individual members. Consequently, neither income tax nor related deferred taxation is accounted for in the financial statements. A retention from profits is made which is subsequently released to members to assist in funding payments of taxation. The balance retained at the reporting date is reflected in loans and other debts due to members.

The subsidiary companies consolidated in these financial statements are subject to corporation tax based on their profit for the reporting periods. Deferred tax relating to subsidiaries is provided as an asset in the Consolidated Statement of Financial Position in full at tax rates that are expected to apply in the periods in which the temporary differences between the treatment of certain items for taxation and accounting purposes are expected to reverse. Deferred tax assets are only recognised where recoverability is probable.

2. SIGNIFICANT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND UNCERTAINTY OF ESTIMATES

In preparing the financial statements, management is required to make judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates.

Key Judgements

a) Revenue recognition

Certain judgements relating to the degree of completion of contracts with clients and recoverability of unbilled amounts for client work.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

b) Client claims and regulatory proceedings

The Group has the benefit of insurance policies to protect itself against professional negligence claims and the costs associated with regulatory proceedings which include policy excesses. A judgement is made on a case by case basis to identify if there is a probable outcome that costs are likely to be incurred for defending and concluding such matters.

Key Estimates

a) Defined benefit pension schemes

The accounting valuation of the surplus or deficit of the closed defined pension scheme is based on assumptions made regarding, in particular, the discount rate, future inflation rates and mortality.

b) Client claims and regulatory proceedings

An estimate of the level of provision on claims or regulatory proceedings where it has been judged costs are likely to be incurred.

c) Impairment provision for receivables

Provision is made against trade receivables based on estimated future credit losses as explained in Note 1.14.

d) Intangible assets

The valuation of client contracts obtained through, and goodwill arising from, business combinations which are accounted for under IFRS 3 involves assumptions and estimates in respect of the longevity and profitability of client relationships and the future cash flows of the Group, as discounted by a suitable discount rate.

3. REVENUE

The revenue of the Group during the year arose from continuing operations. The turnover for the year is derived from the following classes of business.

	2019 £m	2018 £m
Assurance and internal audit	71.6	64.1
Taxation and financial planning	42.6	40.3
Financial advisory, accounting and outsourcing	62.5	58.5
Consulting and actuarial	22.2	18.5
	198.9	181.4

Analysis of revenue by country:

	2019 £m	2018 £m
United Kingdom and Channel Islands	192.6	176.2
USA or its territories	2.4	2.2
Australia	3.4	2.9
Canada	0.5	0.1
	198.9	181.4

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

4. EMPLOYEE BENEFIT EXPENSES

	2019 £m	2018 £m
Salaries	82.2	75.9
Social security costs	8.4	8.1
Pension costs	4.5	3.9
	95.1	87.9

The average monthly number of employees during the year was:	2019	2018
Client facing	1,784	1,654
Support services	235	229
	2,019	1,883

The average number of members was 126 (2018: 135). The full-time equivalent number of members serving on the Executive Board during the year to 31 August 2019 was 8 (2018: 7). The estimated profit attributable to the members of the Executive Board, who are considered to be key management personnel, amounts to £3.3m (2018: £2.8m), and to the member with the highest entitlement was £0.7m (2018: £0.6m).

5. OPERATING PROFIT

	2019 £m	2018 £m
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	3.1	3.0
Amortisation of intangible assets	1.7	1.7
Auditor's remuneration	0.1	0.1
Operating lease expenses	4.9	5.1
(Gain)/Loss on foreign currency translation	(0.4)	0.5

6. FINANCE COSTS

	2019 £m	2018 £m
Interest expense	0.5	0.3
Net interest cost on defined benefit pension scheme (note 17)	-	-
	0.5	0.3

7. TAX ON PROFIT ON ORDINARY ACTIVITES IN CORPORATE SUBSIDIARIES

The charge to tax which arises in the corporate subsidiaries included in the financial statements is:

	2019 £m	2018 £m
Current UK tax charge	1.1	1.0
Foreign tax	0.3	0.1
Deferred tax movements	0.1	(0.3)
Tax expense in corporate subsidiaries	1.5	0.8

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

Factors affecting the total tax charge for the year:

	2019 £m	2018 £m
Profit on ordinary activities of UK corporate subsidiaries before tax	8.3	4.9
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 19% (2018: 19%)	1.6	0.9
Non-taxable income	(0.3)	-
Impact of items not deductible for tax purposes	0.2	0.1
Loss on disposal of investment	-	0.1
Deferred tax asset not previously recognised	-	(0.3)
Total tax charge	1.5	0.8

8. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings throughout the year, except where noted, were:

Name of undertaking	% held directly	% held via subsidiary	Nature of business
Registered Office: Tower Bridge House, St Katharine's Way, London E1W 1DD			
Mazars Financial Planning Limited		100	Financial Planning
Mazars Corporate Finance Limited		100	Corporate Finance
Mazars PGC Interims Limited		100	Actuarial Services
Mazars Limited	100		Service Company
Mazars MR Limited		100	Professional Services
Mazars Actuaries & Consultants LLP	See note		Actuarial Services
Mazars UK Limited		100	Professional Services
Sarah Buttler Associates Limited		100	Immigration Services
Mazars Public Sector Internal Audit Limited		100	Internal Audit
ARX Investments Limited		100	Holding company
CompetitionRX Ltd		100	Monitoring Trustee Services
Mazars Holdings (Australia) Limited	100		Holding company
Mazars Holdings (US) Limited	100		Holding company
Rowanmoor Consultancy Limited		100	Financial Planning
Hall Liddy Limited (from 12 June 2019)	100		Professional Services
Registered Office: 90 Arthur Street North Sydney NSW 2060			
Mazars Global Infrastructure Finance (Australia) PTY Ltd		100	Financial Modelling & Training
Registered Office: Level 14, 135 West, 50th Street New York NY 10020			
Mazars Global Infrastructure (US) LLC		100	Financial Modelling & Training
Registered Office: Suite 2300, Bentall 5, 550 Burrard Street, Vancouver BC V6C 2B5			
Mazars Global Infrastructure Canada Inc.		100	Financial Modelling & Training

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

8. SUBSIDIARY UNDERTAKINGS (continued)

Name of undertaking	% held directly	% held via subsidiary	Nature of business
Registered Office: 135 Cecil Street 10-01 MYP Plaza 069536 Singapore			
Mazars Global Infrastructure Singapore Pte Ltd		100	Non-trading
Registered Office: 100 Queen Street, Glasgow G1 3DN			
Mazars CYB Services Limited		100	Trustee administration services
Registered Office: Mielles House, Rue des Mielles, St Helier, Jersey JE2 3QD			
Mazars Channel Islands Limited	100		Professional Services
Mazars Corporate Services Limited		100	Professional Services
Registered Office: Apex 2 97 Haymarket Terrace, Edinburgh, EH12 5HD			
Mazars Solutions Limited		100	Non-trading
Registered Office: Suite 3, Second Floor, ICOM House, 1/5 Irish Town, Gibraltar			
Mazars (Gibraltar) Limited		100	Non-trading
Registered Office: Park View House, 58 The Ropewalk, Nottingham, NG1 5DW			
Cartwright House Licencing Limited		100	Non-trading
Registered Office: Tower Bridge House, St Katharine's Way, London E1W 1DD			
Mazars Property Consultancy Limited		100	Non-trading
Citrus4Benefits Limited		100	Non-trading
Mazars Tax Services Limited		100	Non-trading
Mazars Company Secretaries Limited		100	Non-trading
Mazars GB Limited		100	Dormant
DA Partnership Limited		100	Dormant
Hylobates	100		Dormant
Mazars Trust Corporation Limited		100	Trustee
Mazars Trustee Company Limited		100	Trustee
Mazars Trustee Company (London) Limited		100	Trustee
Wool Quay Nominees Limited		100	Nominee
Neville Russell Nominees	100		Nominee

Mazars Actuaries & Consultants LLP does not have a share capital. Mazars LLP is the controlling member of Mazars Actuaries & Consultants LLP and is entitled to all the profits of Mazars Actuaries & Consultants LLP.

Mazars Financial Planning Limited owns a 49% interest in Vested Employee Benefits Limited which is included as an investment in these financial statements at a cost of £0.3m. An impairment provision of £0.3m has been established in the year ended 31 August 2019 in relation to this investment.

On 12 June 2019, Mazars LLP acquired the whole of the share capital of Hall Liddy Limited for a total consideration of £2.3m. The net assets acquired were contracts and client relationships £1.9m, cash £0.5m and other net tangible liabilities £0.1m. The primary reason for the acquisition was to develop further the Group's services in the healthcare sector.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

9. GOODWILL & OTHER INTANGIBLE ASSETS

	Goodwill	Other intangible assets		
		Software	Contracts and client relations	Total other intangible assets
	£m	£m	£m	£m
Cost				
At 1 September 2017	4.6	3.8	13.4	17.2
Additions during the year	-	0.7	-	0.7
Acquisitions through business combinations	-	-	1.9	1.9
Disposal	-	-	(1.1)	(1.1)
Removal of fully amortised cost	-	-	(0.5)	(0.5)
Revaluation adjustment on asset held in foreign currency	-	-	(0.2)	(0.2)
At 31 August 2018	4.6	4.5	13.5	18.0
Additions during the year	-	0.9	-	0.9
Acquisitions through business combinations	-	-	1.9	1.9
Disposal	-	(0.6)	-	(0.6)
At 31 August 2019	4.6	4.8	15.4	20.2
Amortisation				
At 1 September 2017	-	1.5	9.7	11.2
Charge for the year	-	1.0	0.7	1.7
In respect of disposals	-	-	(0.6)	(0.6)
Removal of fully amortised cost	-	-	(0.5)	(0.5)
At 31 August 2018	-	2.5	9.3	11.8
Charge for the year	-	1.0	0.7	1.7
In respect of disposals	-	(0.5)	-	(0.5)
At 31 August 2019	-	3.0	10.0	13.0
Net book amount				
At 31 August 2019	4.6	1.8	5.4	7.2
At 31 August 2018	4.6	2.0	4.2	6.2

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The Group is the cash generating unit used to assess any impairment of goodwill. The Group has used the value in use method and concluded that no impairment provision was required against the net book amount at any reporting period end covered by these financial statements.

Cash flows for a period of five years, discounted by 4.5% were used. Management is not currently aware of any probable changes that would necessitate changes in its key assumptions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £m	Furniture and equipment £m	Computer equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 September 2017	7.3	4.5	9.1	1.0	21.9
Additions at cost	0.5	0.4	1.5	-	2.4
Disposals	(2.4)	(0.7)	-	(0.4)	(3.5)
At 31 August 2018	5.4	4.2	10.6	0.6	20.8
Additions at cost	1.6	1.0	2.1	-	4.7
Disposals	-	(0.1)	-	(0.2)	(0.3)
At 31 August 2019	7.0	5.1	12.7	0.4	25.2
Depreciation					
At 1 September 2017	4.2	2.5	5.4	0.8	12.9
Charge for the year	0.8	0.5	1.6	0.1	3.0
In respect of disposals	(2.4)	(0.7)	-	(0.4)	(3.5)
At 31 August 2018	2.6	2.3	7.0	0.5	12.4
Charge for the year	0.7	0.6	1.8	-	3.1
In respect of disposals	-	-	-	(0.2)	(0.2)
At 31 August 2019	3.3	2.9	8.8	0.3	15.3
Net book amount					
At 31 August 2019	3.7	2.2	3.9	0.1	9.9
At 31 August 2018	2.8	1.9	3.6	0.1	8.4

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

11. TRADE AND OTHER RECEIVABLES

	2019 £m	2018 £m
Trade receivables	36.3	31.8
Less: provision for impairment of trade receivables	(2.8)	(2.2)
Net trade receivables	33.5	29.6
Contract assets	27.9	25.4
Other receivables	5.6	2.5
Prepayments	6.6	6.8
	73.6	64.3

All amounts are short-term apart from other receivables totalling £0.7m which are receivable in instalments up to August 2024. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value.

The lifetime expected credit losses for trade receivables and contract assets are as follows:

	% Expected loss rate	2019 £m	2018 £m
30 days or less	0.2	17.0	15.6
31 to 60 days	0.6	6.2	5.4
61 to 90 days	1.3	3.2	2.3
91 to 180 days	4.8	5.4	4.5
181 days to 270 days	34.0	1.6	1.5
271 days or more	66.4	2.9	2.5
Gross trade receivables	-	36.3	31.8
Gross contract assets	0.1	27.9	25.4
Gross trade receivables and contract assets		64.2	57.2
Expected credit losses		(2.8)	(2.2)
Trade receivables and contract assets		61.4	55.0

The movement in the impairment provision is as follows:

	2019 £m	2018 £m
Balance 1 September	2.2	2.2
Written off	(0.4)	(0.5)
Charge for the financial year	1.4	1.1
Released unused during the financial year	(0.4)	(0.6)
Balance 31 August	2.8	2.2

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash at bank and in hand	2019 £m	2018 £m
Pounds Sterling	1.5	0.6
Euro	1.7	0.3
US Dollar	1.8	0.7
Australian Dollar	0.2	0.3
Canadian Dollar	0.1	-
	5.3	1.9

13. INTEREST BEARING LOANS AND BORROWINGS

	2019 £m	2018 £m
Bank overdraft and borrowing	19.1	11.2

14. TRADE AND OTHER PAYABLES

	2019 £m	2018 £m
Trade payables	6.5	7.5
Other taxation and social security costs	4.8	4.9
Corporation tax	1.0	1.0
Other payables	3.4	2.0
Accruals	7.3	6.5
Contract liabilities	5.7	5.4
Amounts due to former members	2.3	0.9
	31.0	28.2

Trade payables mainly comprise amounts owed for trading purchases and associated costs.

No interest has been charged on the payable balances. The carrying value of trade and other payables is considered a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

15. PROVISIONS

The carrying amounts and the movements in the provision account are as follows:

	Provision for claims £m	Property £m	Deferred acquisition consideration £m	Total £m
Provision at 1 September 2017	1.7	0.7	0.6	3.0
Utilised during the year	(0.8)	-	(0.3)	(1.1)
Charged/(credited) to the income statement	0.3	(0.1)	-	0.2
At 31 August 2018	1.2	0.6	0.3	2.1
Utilised during the year	(0.4)	-	(0.3)	(0.7)
Relating to acquisition in the year	-	-	0.7	0.7
Charged to the income statement	0.5	0.3	-	0.8
At 31 August 2019	1.3	0.9	0.7	2.9

The nature of the claims and property provisions are such that the timing of the utilisation of those provisions is inherently difficult to predict; £0.2m of the property provision is expected to be utilised within 12 months and £0.3m of the deferred acquisition consideration is expected to be settled within 12 months.

16. DEFERRED TAX

	2019 £m	2018 £m
Balance of deferred tax assets at 1 September	0.4	0.1
(Charged)/credited to income statement	(0.1)	0.3
Balance of deferred tax assets at 31 August	0.3	0.4

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At 31 August 2019, the deferred tax assets comprise temporary differences between capital allowances and depreciation, other timing differences and losses arising in overseas subsidiaries.

Deferred tax is measured at the tax rates that are substantively enacted at the reporting date and expected to apply in the periods in which the temporary differences reverse.

Deferred tax is measured using tax rates between 19% and 34% depending on the country in which the asset arises for the year to 31 August 2019 (between 19% and 34% for the year to 31 August 2018).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

17. PENSION SCHEME

(a) Pension costs

Pension costs are accounted for in accordance with International Accounting Standards 19, "Employee Benefits" ("IAS 19"). Mazars LLP operates a pension scheme which is closed to new members and in which accrual of final salary benefits has ceased. The scheme has two sections, a Defined Benefit Section and a Defined Contribution Section. There was no cost in the year (2018: £ nil) in respect of the Defined Contribution Section and no contributions were outstanding or prepaid at the balance sheet date (2018: £nil). A full actuarial valuation was carried out at 31 December 2016. The following disclosures are based on the valuation under IAS19 as at 31 August 2019 prepared by a qualified actuary.

(b) Principal actuarial assumptions at the year end

The major assumptions used for IAS 19 purposes were:

	2019 %	2018 %
Rate of increase in pensions in payment	3.00	3.00
Rate of increase in pensions in deferment – GMP	4.30	4.10
Rate of increase in pensions in deferment – Non GMP	2.30	2.10
Inflation – RPI	3.30	3.10
Inflation – CPI	2.30	2.10
Discount rate	1.60	2.60

(c) Sensitivity analysis

The sensitivity of the present value of the defined benefit obligation to changes in each of the individual principal actuarial assumptions is shown below:

0.1%	decrease in the discount rate	£0.5m increase
0.1%	increase in the assumed rates of inflation	£0.1m increase
0.5%	increase in the assumed long term rate of future mortality improvements	£0.6m increase

(d) Reconciliation of funded status to statement of financial position

	2019 £m	2018 £m
Defined benefit obligation	31.3	29.5
Fair value of plan assets	(35.7)	(31.4)
Effect of limit on asset ceiling	4.4	1.9
Liability in statement of financial position	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

17. PENSION SCHEME (continued)

(e) Reconciliation of defined benefit obligation over the period

	2019 £m	2018 £m
Defined benefit obligation at the start of the period	29.5	30.9
Past service cost	0.2	-
Interest expense on defined benefit obligation	0.8	0.7
Actuarial loss/(gain)	(1.8)	0.1
Remeasurement – effect of changes in financial assumptions	3.9	(0.7)
Benefits paid	(1.3)	(1.5)
Defined benefit obligation at the end of the period	31.3	29.5

The expected duration of liabilities is assumed to be 16 years.

(f) Assets

	2019		2018	
	£m	weight %	£m	weight %
Growth assets	6.4	18	22.0	70
Protection assets	28.7	80	6.9	22
Bank balance	0.6	2	2.5	8
	35.7	100	31.4	100

(g) Reconciliation of fair value of scheme assets over the period

	2019 £m	2018 £m
Fair value of scheme assets at the start of the period	31.4	32.8
Interest income on scheme assets	0.8	0.7
Return on assets excluding amounts included in interest income	4.1	(1.3)
Contributions by the employer	0.7	0.7
Benefits paid	(1.3)	(1.5)
Fair value of scheme assets at the end of the period	35.7	31.4

The actual return on scheme assets was £4.9m (2018: loss of £0.6m).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

17. PENSION SCHEME (continued)

(h) Analysis of charge to income statement

	2019 £m	2018 £m
Past service cost	(0.2)	-
Interest expense on defined benefit obligation	(0.8)	(0.7)
Interest income on scheme assets	0.8	0.7
Net charge to income statement	(0.2)	-

During the year, a contribution of £0.7m (2018: £0.7m) was made.

The past service cost represents the financial impact on the defined benefit obligation as a result of equalisation of Guaranteed Minimum Pensions benefits between members of different sexes.

(i) Amounts recognised in other comprehensive income

	2019 £m	2018 £m
Remeasurement (losses)/gains on the defined benefit obligation - experience	1.8	(0.1)
Actuarial gains/(losses) from changes in financial assumptions	(3.9)	0.7
Return on assets excluding amounts included in interest income	4.1	(1.3)
Change in limit on asset ceiling	(2.5)	-
Total expenses recognised in other comprehensive income	(0.5)	(0.7)

All the expenses summarised above were included within items that will not be reclassified subsequently to profit or loss in the Consolidated Statement of Comprehensive Income.

(j) Risks associated with the pension scheme

The firm is examining with the pension scheme trustees certain technical matters relating to the closure of the defined benefit section of the scheme and is continuing to take advice on the matters. Initial assessments have been made of the potential impact on the valuation of the scheme assets or liabilities for the purpose of the financial statements of the Group or the LLP. These are subject to a degree of uncertainty but the net impact on assets and liabilities is expected to be below the surplus of scheme assets over liabilities that is not recognised in these accounts at 31 August 2019.

The defined benefit scheme exposes the Group to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk.

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality market bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation and is denominated in sterling. A decrease in market yield on high quality corporate bonds will increase the Group's defined benefit obligation, although it is expected that this would be partially offset by an increase in the fair value of certain of the scheme assets.

Investment risk

The fair value of the scheme's assets are exposed to the equity and debt markets (both in the UK and overseas). These assets are expected to provide real returns over the long term, and in the short term may also be volatile. However the scheme also invests in Liability Driven Investments which seek to minimise these investment risks.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

17. PENSION SCHEME (continued)

Longevity risk

The scheme is required to provide benefits for life for the members of the defined benefit scheme. An increase in the life expectancy of the members will increase the defined benefit liability.

Inflation risk

A proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the scheme's liability.

18. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating leases are set out below:

Total payments due	2019 £m	2018 £m
Within one year	4.6	4.4
Within 2 to 5 years	11.8	13.3
After 5 years	7.7	6.1
	24.1	23.8

The most significant proportion of lease commitments relate to premises.

19. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk

The Executive has overall responsibility for the determination of the Group's financial risk management objectives and policies with oversight from the Governance Council. The overall objective is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are described below.

Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk through trade receivables from clients. It is Group policy to assess the credit risk of new clients before entering contracts. Credit risk is determined by on-going monitoring of the creditworthiness of existing clients and through on-going review of the trade receivables' ageing analysis and continued monitoring of individual balances.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

19. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

Foreign exchange risk

Foreign exchange risk arises when the Group enters into transactions denominated in a currency other than its functional currency. The major part of the Group's income and expenditure is in sterling and any foreign exchange risk is managed by on-going review of exposure to monetary assets and liabilities held in foreign currencies. Whenever possible, the Group seeks to match its foreign currency assets, liabilities, cash inflows and outflows in the same currency.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will have sufficient cash or borrowing facilities to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain borrowing facilities to meet its expected requirements. Short term and medium term projections of financing requirements are prepared and actual funding levels are continually monitored. To manage financing needs, a revolving credit and overdraft facility providing total financing of £35m is in place.

Management reviews cash flow projections on a monthly basis as well as information regarding cash balances and borrowing facilities.

Financial instruments are categorised as follows:

	2019 £m	2018 £m
Financial Assets		
Cash and bank balance	5.3	1.9
Financial assets at amortised cost	67.0	57.5
	72.3	59.4
Financial Liabilities		
Financial liabilities at amortised cost	(25.2)	(22.3)

Financial assets measured at amortised cost comprise trade receivables, contract assets and other receivables.

Financial liabilities measured at amortised cost comprise trade payables, other payables, accruals, contract liabilities and amounts due to former members.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

20. MAZARS SCRL

Mazars LLP is part of the Mazars worldwide organisation which comprises all the member entities who have signed a co-operation agreement with Mazars Scrl. Mazars Scrl is a Limited Responsibility Co-operative Company headquartered in Belgium which itself has no professional activity and whose shareholders are partners in the member entities. The accounts of Mazars LLP and its subsidiary undertakings are included in the audited consolidated financial statements of Mazars Scrl, which are available on the website www.mazars.com and are also available from Mazars SCRL, Avenue Marcel Thiry 77 - Box 4, B-1200 Brussels, Belgium.

21. CAPITAL MANAGEMENT

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern
- To provide an adequate return to members

The Group monitors capital on the basis of the total members' interest, comprising equity and loans and other debt due to/from members, as in the consolidated statement of changes in members' equity and members' interests.

The members' interest to net debt ratio is a key covenant in the Group's revolving credit facility.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage.

Adjustments are made in the light of changes in economic conditions and management's risk assessment. In order to maintain or adjust the capital structure, the Group may adjust the amount of returns to members, increase capital from the members, or realise assets to reduce debt.

22. RELATED PARTY TRANSACTIONS

During the year the Group and LLP were invoiced £0.1m by Vested Employee Benefits Limited in respect of services provided. At the year end, the Group and LLP owed £0.0m to Vested Employee Benefits Limited. The Group holds a 49% shareholding in Vested Employee Benefits Limited (Note 8).

MAZARS LLP PARENT ENTITY

Financial statements for the year ended 31 August 2019

LLP STATEMENT OF FINANCIAL POSITION

At 31 August 2019

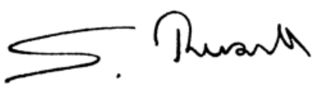
OC308299

	Notes	2019 £m	2018 £m
Non-current assets			
Intangible Assets	3	2.2	2.5
Tangible fixed assets	4	9.7	8.3
Investments	5	5.6	3.3
		17.5	14.1
Current assets			
Debtors	6	70.9	67.5
Cash at bank and in hand	7	4.0	0.4
		74.9	67.9
Creditors: amounts falling due within one year	8	(51.5)	(44.6)
Net current assets		23.4	23.3
Total assets less current liabilities		40.9	37.4
Provision for liabilities	9	(2.9)	(1.8)
Net assets		38.0	35.6
Loans and Other Debts Due to Members within one year			
Members' capital classified as a liability		33.8	32.2
Other amounts		8.3	6.4
		42.1	38.6
Equity			
Members' other interests - other reserves classified as equity		(4.1)	(3.0)
Total Equity and amounts due to members		38.0	35.6

The LLP's profit for the year ended 31 August 2019 was £32.3m (2018: £30.4m).

The financial statements were approved and authorised for issue on 25 February 2020 on behalf of the members of Mazars LLP by:

Toby Stanbrook
Designated Member



Samantha Russell
Member of Governance Council

LLP STATEMENT OF CHANGES IN MEMBERS' EQUITY AND MEMBERS' INTERESTS

For the year ended 31 August 2019

	Loans and other debts due to members			Members' other interests – Other reserves classified as equity	
	Members' capital £m	Other amounts £m	Total £m	£m	Total £m
Members' interests at 1 September 2018	32.2	6.4	38.6	(3.0)	35.6
Profit for the financial year available for discretionary division among members	-	-	-	32.3	32.3
Members' interests after profit for the year	32.2	6.4	38.6	29.3	67.9
Allocated profits	-	32.9	32.9	(32.9)	-
Introduced by members	6.3	-	6.3	-	6.3
Repayments	(4.7)	-	(4.7)	-	(4.7)
Other comprehensive income	-	-	-	(0.5)	(0.5)
Drawings	-	(31.0)	(31.0)	-	(31.0)
Members' interests at 31 August 2019	33.8	8.3	42.1	(4.1)	38.0

For the year ended 31 August 2018

	Loans and other debts due to members			Members' other interests – Other reserves classified as equity	
	Members' capital £m	Other amounts £m	Total £m	£m	Total £m
Members' interests at 1 September 2017	24.8	5.9	30.7	1.1	31.8
Profit for the financial year available for discretionary division among members	-	-	-	30.4	30.4
Members' interests after profit for the year	24.8	5.9	30.7	31.5	62.2
Allocated profits	-	31.0	31.0	(31.0)	-
Transfer	2.8	-	2.8	(2.8)	-
Introduced by members	7.2	-	7.2	-	7.2
Repayments	(2.6)	-	(2.6)	-	(2.6)
Other comprehensive income	-	-	-	(0.7)	(0.7)
Drawings	-	(30.5)	(30.5)	-	(30.5)
Members' interests at 31 August 2018	32.2	6.4	38.6	(3.0)	35.6

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2019

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The LLP meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework".

The principal accounting policies adopted in the preparation of the LLP entity financial statements together with the critical accounting judgements and key sources of estimation are the same as those set out on pages 9 to 13 of the consolidated financial statements. Any accounting policies in addition to those applied in the preparation of the consolidated financial statements are detailed below. These policies have been consistently applied throughout the year and the preceding year, following the application of FRS101 except as explained in the consolidated financial statements. Details relating to the LLP's pension scheme are set out in Note 17 of the consolidated financial statements.

As permitted by FRS101, the LLP has taken advantage of the disclosure exemptions available in relation to financial instruments, presentation of a cashflow statement, standards in issue not yet effective and related party transactions with both key management personnel and eligible Group entities and the presentation of comparative information in respect of intangible and tangible fixed assets.

The financial statements have been prepared under the historic cost convention.

1.2 Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

2. PROFIT AND LOSS ACCOUNT

The LLP has taken advantage of section 408 of the Companies Act 2006 as applied by the Limited Liability Partnerships (application of Companies Act 2006) Regulations 2008 and has not included its own profit and loss account in these financial statements.

3. INTANGIBLE FIXED ASSETS

	Software £m	Contracts and client relations £m	Total other intangible assets £m
Cost			
At 1 September 2018	4.5	1.5	6.0
Additions during the year	0.8	-	0.8
Disposal	(0.6)	-	(0.6)
At 31 August 2019	4.7	1.5	6.2
Amortisation			
At 1 September 2018	2.6	0.9	3.5
Charge for the year	0.8	0.2	1.0
Disposal	(0.5)	-	(0.5)
At 31 August 2019	2.9	1.1	4.0
Net book amount			
At 31 August 2019	1.8	0.4	2.2
At 31 August 2018	1.9	0.6	2.5

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

4. TANGIBLE FIXED ASSETS

	Leasehold improvements £m	Furniture and equipment £m	Computer equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 September 2018	5.4	4.1	10.5	0.6	20.6
Additions at cost	1.5	1.0	2.1	-	4.6
Disposals	-	(0.1)	-	(0.2)	(0.3)
At 31 August 2019	6.9	5.0	12.6	0.4	24.9
Depreciation					
At 1 September 2018	2.6	2.2	7.0	0.5	12.3
Charge for the year	0.7	0.6	1.8	-	3.1
In respect of disposals	-	-	-	(0.2)	(0.2)
At 31 August 2019	3.3	2.8	8.8	0.3	15.2
Net book amount					
At 31 August 2019	3.6	2.2	3.8	0.1	9.7
At 31 August 2018	2.8	1.9	3.5	0.1	8.3

5. INVESTMENTS

The subsidiary undertakings in which the parent has an interest in throughout the period are:

Name of undertaking	% held directly	Nature of business
Mazars Channel Islands Limited	100	Professional Services
Mazars Actuaries & Consultants LLP	See note	Actuarial Services
Mazars Limited	100	Service Company
Neville Russell Nominees	100	Nominee
Hylobates	100	Dormant
Mazars Holdings (Australia) Limited	100	Holding company
Mazars Holdings (US) Limited	100	Holding company
Hall Liddy Limited (From 12 June 2019)	100	Professional Services

All the undertakings are incorporated in Great Britain and the address of their registered office is Tower Bridge House, St Katharine's Way, London E1W 1DD except Mazars Channel Islands Limited and the address of its registered office is Mielles House, Rue des Mielles, St Helier Jersey JE2 3QD.

Mazars Actuaries & Consultants LLP does not have a share capital. Mazars LLP is the controlling member of Mazars Actuaries & Consultants LLP and is entitled to all the profits of Mazars Actuaries & Consultants LLP.

On 12 June 2019, Mazars LLP acquired the whole of the share capital of Hall Liddy Limited for a total consideration of £2.3m. The net assets acquired were contracts and client relationships £1.9m, cash £0.5m and other net tangible liabilities £0.1m. The primary reason for the acquisition was to develop further the Group's services in the healthcare sector.

Investments	£m
Cost	
At 1 September 2018	3.3
Acquisition of subsidiary	2.3
At 31 August 2019	5.6

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

6. DEBTORS

	2019 £m	2018 £m
Trade debtors	31.2	27.8
Amounts owed by Group undertakings	2.5	9.9
Other debtors	7.2	2.2
Prepayments	6.4	6.6
Amounts recoverable on client contracts	23.6	21.0
	70.9	67.5

All amounts fall due within one year apart from other receivables totalling £0.7m which are receivable in instalments up to August 2024.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash at bank and in hand	2019 £m	2018 £m
Pounds sterling	1.1	0.1
Euro	1.7	0.2
US Dollars	1.2	0.1
	4.0	0.4

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £m	2018 £m
Bank overdraft and borrowing	19.1	11.2
Trade creditors	6.3	7.2
Amounts owed to Group undertakings	9.9	12.9
Other taxation and social security costs	2.3	2.5
Other creditors	6.6	1.2
Accruals	5.0	8.7
Deferred income	-	
Amounts due to former members	2.3	0.9
	51.5	44.6

Trade creditors and accrued expenses mainly comprise of amounts owed for trading purchases and associated costs.

No interest has been charged on the payable balances.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2019

9. PROVISION FOR LIABILITIES

The carrying amounts and the movements in the provision account are as follows:

	Provision for claims £m	Property £m	Deferred acquisition consideration £m	Total £m
Provision at 1 September 2018	1.2	0.6	-	1.8
Relating to acquisition in the year	-	-	0.7	0.7
Utilised during the year	(0.1)	-	-	(0.1)
Charged to the income statement	0.2	0.3	-	0.5
At 31 August 2019	1.3	0.9	0.7	2.9

The nature of the claims and property provisions are such that the timing of the utilisation of those provisions is inherently difficult to predict; £0.2m of the property provision is expected to be utilised within 12 months.

10. COMMITMENTS UNDER OPERATING LEASES

Future minimum lease payments under non-cancellable operating leases are as follows:

Total payments due	2019 £m	2018 £m
Within one year	4.5	4.3
Within 2 to 5 years	11.8	13.3
After 5 years	7.7	6.1
	24.0	23.7

The most significant proportion of lease commitments relate to premises.

11. RELATED PARTY TRANSACTIONS

As permitted by FRS101, the entity has chosen not to disclose its transactions with wholly owned members of the Group. Details of transactions with other related parties are given within the Group Consolidated IFRS accounts under note 22.

12. PENSION SCHEME

Full disclosure relating to the pension scheme is given within the Group Consolidated IFRS accounts under note 17.

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the parent LLP financial statements of Mazars LLP for the year ended 31 August 2019 which comprise:

- Parent LLP Statement of Financial Position
- Parent LLP Statement of Changes in Members' Equity and Members' Interests; and
- the related notes numbered 1 to 12, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the parent LLP financial statements is applicable law and UK Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (UK Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the parent LLP's affairs as at 31 August 2019;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to LLPs.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the parent LLP's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006, as applied to LLPs, requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the members' responsibilities statement set out on page 2, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

We have reported separately on the Group financial statements of Mazars LLP for the year ended 31 August 2019.

Use of our report

This report is made solely to the LLP's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships (LLPs). Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Stallabrass
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

25 February 2020